

# Competence in Aluminium

AMAG ANNUAL REPORT 2011

# AMAG

**The current annual report is also available online  
on our website at [www.amag.at](http://www.amag.at)**

## **Shaping the future with aluminium**

**Success is reflected in data, facts and key figures. And behind it are strategy, visions, passion and people identifying with the products. On that note, the visual design of this annual report aims to let you share the way we feel about and experience our world of aluminium. For aluminium is the material we employ to protect assets and create added value.**

**We are well positioned to face the future: we cover a wide spectrum of target markets and applications, we derive a multitude of different synergies from our unique combination of primary aluminium production, recycling, rolling and casting, and we can rely on a high degree of specialization and innovation.**



Reflections in a bright aluminium coil

# KEY FIGURES FOR THE AMAG GROUP

Key figures for the Group	2011	2010 <sup>1)</sup>	Change in %	2009 <sup>1)</sup>
(in mEUR)				
External shipments in tons	322.7	318.4	1.3%	283.3
External sales Metal Division	200.4	177.8	12.8%	145.4
External sales Rolling Division	486.8	440.6	10.5%	308.5
External sales Casting Division	125.9	109.6	14.9%	63.5
Sales Group	813.1	728.0	11.7%	517.4
EBITDA	149.7	139.0	7.7%	105.1
EBITDA margin	18.4%	19.1%	-	20.3%
Operating result (EBIT)	103.6	93.8	10.4%	60.2
EBIT margin	12.7%	12.9%	-	11.6%
Earnings before taxes (EBT)	99.1	89.3	11.0%	52.8
Earnings after taxes without non-controlling interests	88.1	75.7	16.4%	50.0
Cash flow from operating activities	104.5	75.4	38.6%	119.3
Cash flow from investing activities	(43.5)	(43.5)	-	(99.4)
Balance sheet total	875.6	828.8	5.6%	838.2
Equity	542.6	514.2	5.5%	499.7
Equity ratio	62.0%	62.0%	-	59.6%
Working capital employed	248.3	228.4	8.7%	182.3
Capital employed	524.6	466.6	12.4%	493.0
ROCE	17.5%	16.9%	-	10.8%
ROE	16.7%	14.9%	-	9.1%
Net financial debt	(13.0)	4.7	-	46.7
Gearing	2.5%	(1.0%)	-	(9.3%)
Number of employees - full time equivalent (annual average) <sup>2)</sup>	1,422	1,175	-	1,188
<b>Stock market indicators in EUR <sup>3)</sup></b>				
Highest price	18.94	-	-	
Lowest price	12.98	-	-	
Closing price	15.75	-	-	
Earnings per share	2.50	-	-	
Price/earnings ratio (P/E ratio)	6.30	-	-	
Dividend per share <sup>4)</sup>	1.50	-	-	
Dividend yield (related to annual average price)	9.3%	-	-	
Number of shares	35,264,000	-	-	

1) The comparable values shown for the years 2010 and 2009 refer to AMAG Holding GmbH and its subsidiaries

2) Average full time equivalent (FTE) including leasing personnel, without apprentices. In 2011, this number for the first time includes the percentage employee figure out of the 20% participation in smelter Alouette (196 employees).

3) Stock exchange key figures since the IPO of April 8, 2011

4) Pursuant to the proposal submitted to the shareholders' meeting

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# THE AMAG GROUP AT A GLANCE

**AMAG Austria Metall AG, headquartered in Ranshofen, Upper Austria, is a globally acting manufacturer of primary aluminium and high-quality aluminium cast and flat rolled products for various different industries such as the aircraft, automotive, sports equipment, lighting, mechanical engineering, construction and packaging industries. Due to its 20% shareholding in the Alouette smelter at Sept-Îles, Canada, AMAG is entitled to approximately 120,000 tons of primary metal per year; this secures AMAG's own raw material basis.**

## METAL DIVISION

- Primary aluminium produced efficiently and in an environmentally sensible way by the biggest smelter in North America
- Position within the first third of the cost curve
- Supply of electricity from environmentally friendly hydropower



## CASTING DIVISION

- One of Europe's largest single site aluminium recycler
- Secured supply of raw materials
- Environmentally friendly production making use of modern melting and casting furnaces as well as filter technology



## ROLLING DIVISION

- Worldwide highest share of special products
- Worldwide unique as all alloy families (AA1xxx-AA8xxx) are processed at one location
- A modern surface-passivation line and precision plate center serve to increase product variety and enhance product quality



## SERVICE DIVISION

- Includes centrally organized services such as building and area management, energy and utility supply, waste disposal, general site services and materials management for the Ranshofen location





Within the AMAG Group, the Metal Division is responsible for controlling the metals flows, for managing the shares held by AMAG in Aluminerie Alouette and for hedging the operating companies against the aluminium price risk as well as the related currency risk. The smelter, one of the most efficient and largest facilities of its kind worldwide, produces approximately 600,000 t of primary aluminium (including AMAG's share of approximately 120,000 t) while both setting standards in environmental friendliness and ensuring excellent cost efficiency. A milestone with respect of a possible further expansion of the plant in Canada was achieved in October 2011, by the signing of a Memorandum of Understanding (MoU).

<b>Metal Division</b>	2011	2010	% Change
Sales	581.0	513.4	13.2%
of which internal	380.5	335.6	13.4%
EBITDA	73.6	75.8	(2.9%)
Employees	203 <sup>1)</sup>	7	-
Shipments Alouette	117,400	114,000	2.9%
of which internal	7,700	7,600	1.3%

The Casting Division produces high-quality recycling foundry alloys in the form of ingots, sows and liquid metal, which are used in the automotive, mechanical engineering and electrical engineering industries. Approx. 76,700 t cast alloys left the Ranshofen production facilities in 2011. About 65-70 percent of cast alloys are sold to the automotive industry, to be used i.a. for engine blocks, crankcases and cylinder heads.

<b>Casting Division</b>	2011	2010	% Change
Sales	130.6	114.5	14.1%
of which internal	4.7	4.9	(4.1%)
EBITDA	7.5	5.6	33.7%
Employees	116	112	3.6%
Shipments	76,700	75,900	1.1%
of which internal	10,500	12,500	(16.0%)

The Rolling Division, which specializes in premium products for selected market niches, recorded shipment volumes amounting to approximately 146,800 t. The high-quality rolled aluminium products delivered in the shape of sheet, strip and plate boast a perfect surface, maximum strength and optimum formability. Approx. 5,000 different rolled products are produced annually for a wide range of industries. The company's own rolling slab casthouse enables the rolling mill to respond flexibly to customers requests. A high degree of specialization thus makes the Rolling Division a recognized supplier for many high-tech industries. Its top position among the international manufacturers of bright sheet, used in the lighting industry for example, deserves mentioning. The industries supplied by the Rolling Division, such as the automotive industry and aircraft industry, require excellent quality and demand a high degree of innovation.

<b>Rolling Division</b>	2011	2010	% Change
Sales	547.1	493.6	10.8%
of which internal	60.3	53.1	13.7%
EBITDA	66.7	55.0	21.2%
Employees	992	947	4.8%
Shipments	146,800	148,400	(1.1%)

The scope of responsibility of the Service Division essentially includes services such as building and area management, energy supply, waste disposal and general site services. In order to provide such services, the Division establishes the basis for the operating segments to be able to concentrate on their core business.

<b>Service Division</b>	2011	2010	% Change
Sales	0	0	-
EBITDA	1.9	2.5	(24.6%)
Employees	111	109	3.7%

<sup>1)</sup> In 2011, this number for the first time includes the percentage personnel share out of the 20% participation in smelter Alouette (196 employees).

# REPORT OF THE SUPERVISORY BOARD



## Dear Stockholders:

In 2011, the Supervisory Board discharged its duties under the law and the Articles of Association and in accordance with the Austrian Corporate Governance Code. Through oral and written communications, the Management Board kept us informed in an ongoing, timely and comprehensive fashion of all of the company's major developments as well as its business policy, earnings position, financial position, investments and other fundamental issues involving its management and

strategic planning.

The Management Board informed us of major events in-between Supervisory Board meetings on an ongoing basis, and, where necessary, circular resolutions were adopted. The Management Board and the Chairman of the Supervisory Board discussed specific current events and projects regularly.

## Key points discussed

By going public in April 2011, AMAG became a separate enterprise again. This also involved a reorganization of the AMAG Group under company law in which the previous Group holding, Austria Metall GmbH, was embedded in a new structure headed by the listed company AMAG Austria Metall AG.

In the year under review the Supervisory Board, in line with its obligations defined by the provisions of law and the Articles of Association, on March 16, 2011 at the 256th meeting of the Supervisory Board of Austria Metall GmbH and on July 12, September 14 and December 13, 2011 at the first, second and third meetings of the Supervisory Board of AMAG Austria Metall AG jointly with the Management Board deliberated on the trend of business and the situation and strategic development of the enterprise.

At the first meeting of the year, held on March 16, the annual financial statements of Austria Metall GmbH as of December 31, 2010 were approved, the report of the Management Board and the audit report as well as the report of the audit committee pursuant to sec. 30 g para. 4 a sub-para. 5 of the (Austrian) GmbHG (Limited Liability Companies Act) on the audit results and the proposal for the appropriation of the 2010 net profits were approved.

At the meetings held on July 12 and September 14, 2011, material investment decisions were discussed and approved by the Supervisory Board of AMAG Austria Metall AG. At the last meeting of the year, held on December 13, 2011, the future business policy as well as the future development of the asset, financial and earnings position within the forecast accounts for the year 2012 were adopted. Furthermore, the Supervisory Board dealt with the simplification of the legal structure, with Compliance rules as well as with risk management.

## The Supervisory Board and its committees

The current composition of the Supervisory Board was determined at two shareholders' meetings. At the shareholders' meeting of January 31, 2011, Dr. Hanno M. Bästlein (Chairman), Christopher von Hugo (Deputy Chairman) and Wolfgang Pfarl were elected to the Supervisory Board. At the shareholders' meeting of March 21, 2011, Thomas Spitzenpfeil, Dr. Peter Uggowitz, Otto Höfl and Dr. Ludwig Scharinger were appointed to the Supervisory Board. Maximilian Angermeier, Franz Riffler, Herbert Schützeneder and Georg Schreiner are the employees' representatives on the Supervisory Board. After Franz Riffler resigned at the end of December 2011, Robert Hofer assumed his function.

The audit committee of the Supervisory Board, which is required pursuant to sec. 92 para. 4a of the (Austrian) AktG (Stock Corporation Act), was also established in the new AMAG Austria Metall AG. The audit committee of the Supervisory Board of Austria Metall GmbH, consisting of Mr. Spitzenpfeil (Chairman), Dr. Bästlein and Mr. Angermeier, held three meetings in the fiscal year, on January 13, February 2 and March 16, 2011. Representatives of the auditor of the financial statements took part in the meeting in order to report on their audit activities and findings in the management letter. The audit committee obtained the auditor's statement confirming its independence and, following the election, awarded the audit contract for the fiscal year 2011. It determined the key audit points with the auditor of the financial statements and reached an agreement on the audit fee. Specific accounting matters were also discussed in the presence of the auditor of the financial statements. Other issues that were dealt with included scrutinizing and overseeing the operating methods and effectiveness of the internal control and risk management system. The following subjects were treated, *inter alia*:

- The financial statements of Austria Metall GmbH prepared in accordance with the (Austrian) UGB (Commercial Code)
- The consolidated financial statements of AMAG Holding GmbH prepared in accordance with the IFRS.
- Report of the Management Board and audit report on the annual financial statements of Austria Metall GmbH as of December 31, 2010
- Report of the audit committee to be rendered to the Supervisory Board pursuant to sec. 30 g para. 4 a sub-para. 5 of the Limited Liability Companies Act on the audit results, including the proposal for the appropriation of profits.
- Checking of the independence of the auditor of the financial statements, in particular with regard to the additional services rendered to the company being audited.
- Management letter

The audit committee of the Supervisory Board of AMAG Austria Metall AG, consisting of Mr. Spitzenpfeil (Chairman), Dr. Bästlein, Mr. von Hugo and Mr. Angermeier, held a meeting on September 14, 2011, treating the following subjects:

- Timetable for annual financial statements and audit planning by the auditor
- Internal control system, risk management and corporate governance
- Implementation of the reporting requirements arising from listing on the Vienna Stock Exchange

### Corporate governance

The Supervisory Board of AMAG is committed to upholding the Austrian Corporate Governance Code and thereby to responsible corporate governance and control focused on long-term value creation. A summary presentation of AMAG's corporate governance can be found in the "Corporate Governance" section of this annual report and on the company's website.

### Audit and approval of the 2011 annual financial statements

The annual financial statements, the management report and the Corporate Governance report of AMAG drawn up by the Management Board as well as the consolidated financial statements prepared in accordance with the International Financial Reporting Standards (IFRSs), the Group management report, and the information to be provided pursuant to sec. 245a of the Commercial Code, all as of December 31, 2011, were audited by the auditor of the financial statements appointed in accordance with sec. 270 of the Commercial Code,

Deloitte Audit Wirtschaftsprüfungs GmbH, and an unqualified audit opinion was issued on them. The annual financial statements and consolidated financial statements, the management report and Group management report, as well as the Corporate Governance report, the proposal for the distribution of AMAG's profits and the management letter containing the auditor's findings were analyzed by the Supervisory Board in the presence of the auditor of the financial statements, examined within the meaning of sec. 96 para. 4 of the Stock Corporation Act and approved on February 28, 2012. The Supervisory Board concurs with the Management Board's proposal for the appropriation of profits, which provides for a dividend in the amount of EUR 0.75 per dividend-bearing share plus a one-time bonus of EUR 0.75 per dividend-bearing share to be distributed and for the balance to be carried forward to new account. The annual financial statements are thus deemed approved in accordance with sec. 96 para. 4 of the Stock Corporation Act.

#### **Thanks to Board members and employees**

The Supervisory Board would like to thank the Management Board and all the employees of AMAG for their efforts. The company's satisfactory results in the current, rather challenging, economic environment would never have been possible without their contributions. We also value the trust and loyalty of our customers, suppliers, lenders and stockholders, and look forward to continued successful teamwork in the future.

Vienna, February 28, 2012



**Dr. Hanno M. Bästlein**

Chairman of the Supervisory Board

# COMPOSITION OF THE SUPERVISORY BOARD

## **Dr. Hanno M. Bästlein**

born in 1963

Chairman of the Supervisory Board

Member of the audit committee

appointed: January 31, 2011

## **Christopher von Hugo**

born in 1963

Deputy Chairman of the Supervisory Board

Member of the audit committee

appointed: January 31, 2011

## **Otto Höfl**

born in 1946

Member of the Supervisory Board

appointed: March 21, 2011

## **Wolfgang Pfarl**

born in 1944

Member of the Supervisory Board

appointed: January 31, 2011

## **Dr. Ludwig Scharinger**

born in 1942

Member of the Supervisory Board

first appointed: March 21, 2011

## **Thomas Spitzenfeil**

born in 1962

Member of the Supervisory Board

Chairman of the audit committee

appointed: March 21, 2011

## **Dr. Peter Uggowitzer**

born in 1950

Member of the Supervisory Board

first appointed: March 21, 2011

## **DELEGATED BY THE WORKS COUNCIL:**

### **Max Angermeier**

born in 1958

Member of the Supervisory Board

Member of the audit committee

delegated: April 14, 2011

### **Robert Hofer**

born in 1977

Member of the Supervisory Board

first delegated: December 31, 2011

### **Franz Riffler**

born in 1951

Member of the Supervisory Board

delegated: April 14, 2011

left: December 31, 2011

### **Georg Schreiner**

born in 1954

Member of the Supervisory Board

first delegated: April 14, 2011

### **Herbert Schützeneder**

born in 1957

Member of the Supervisory Board

first delegated: April 14, 2011

Dr. Hanno M. Bästlein (most recently as Chairman), Christopher von Hugo, Otto Höfl, Wolfgang Pfarl, Thomas Spitzenfeil, Max Angermeier and Franz Riffler were also members of the Supervisory Board of Austria Metall AG and thus of the ultimate parent and controlling company of the AMAG Group before the IPO.



## THE MEMBERS OF AMAG'S MANAGEMENT BOARD

**Dr. Helmut Kaufmann**

Member of the Management Board (COO)

**Gerald Mayer**

Member of the Management Board (CFO)



**Gerhard Falch**

Chairman of the Management Board (CEO)

# FOREWORD BY THE MANAGEMENT BOARD

## DEAR STOCKHOLDERS:

We are pleased to present to you the 1st Annual Report of AMAG Austria Metall AG as a listed company and to render report to you on a further excellent year in our firm's history. After the outstanding results generated in 2010, we have succeeded once more in adding another record year to our corporate history in spite of all of the uncertainties marking the situation of the economy and the financial markets. Looking back, 2011 was characterized by numerous setbacks and severe reactions of the financial markets. The nuclear catastrophe in Japan as well as the continuing political instability prevailing in individual northern African countries and the increasing gravity of the sovereign debt crisis in Europe bred uncertainty and a high level of volatility on the financial markets.

Especially in turbulent times, the wide spectrum of our products and of the sectors being supplied and our high degree of specialization and innovation provide an important and stable basis for successful corporate development. Our production sites in Austria and Canada operate in a stable political environment with an excellent infrastructure and supply situation, offering a solid foundation for our plans for development. We also deal responsibly with the price risks encountered on the market. Thanks to our hedging strategy, we are well positioned to offset volatilities in aluminium prices and exchange rates.

The results of the ongoing fiscal year have again clearly surpassed those of 2010, thus documenting the success of our business model. These positive figures were made possible by efficient production processes and a high aluminium price level in 2011. A sound financing structure moreover ensures optimum conditions for realizing our growth plans.

Aluminium has been a remarkable success story since the first attempts at industrial production were made at the start of the 20th century. Breakthrough was achieved in the 1960s. Worldwide aluminium consumption rose tenfold between 1960 and today, with consumption doubling in the past 15 years. Expectations in the industry are that this trend will continue in the medium term. According to current market forecasts, aluminium consumption is expected to double yet again over the next 15 years. Growing demand for high-strength special products with excellent formability and a high share of recycled charges is particularly noticeable.

Based on this development, we already took some steps in 2011 toward expanding our product portfolio. These include, for instance, the new precision plate center as well as the passivation line for the surface-treatment of high-quality sheet for the automotive industry. Moreover, investment decisions were made concerning the construction of a new furnace with the object of expanding our technological leadership in the area of recycling, and for new high-precision sheet-cutting facilities.



In parallel, we concretized the plans for strategic corporate development. The clear goal is to further develop AMAG's distinctive strengths. Apart from a ramp-up of production capacities and the already high share of specialties, the portfolio at the Ranshofen location is enlarged to include greater thicknesses and widths as well as high-strength products. In this context our plans, which are subject to the consent of the Supervisory Board, provide, as a first step, for the integration of a state-of-the-art hot-rolling mill and a new plate production center into our production process so as to optimally harness the synergies available at the location. To keep the rolling mill supplied with high-quality rolling slabs with a high recycling quota, cast-house capacity is likewise being increased step by step.

To further secure our raw material basis in an ecologically meaningful manner, we are working on the next stage of expansion at the Alouette smelter in Canada together with our partners. Our objective in this context is to increase annual production capacity from a current 600,000 tons to approx. 930,000 tons. To that end, a Memorandum of Understanding was signed in October 2011, fixing the terms for the supply of electric power until 2041. The next steps that are now to be taken are embodying the framework conditions in a power supply contract and inviting tenders for the plants. As soon as the tenders are on hand, we will decide on the further enlargement together with the other owners of the smelter.

With the successful IPO in the spring of 2011 we laid the foundation for realizing these strategic plans. In a highly difficult capital market environment where numerous planned IPOs had to be postponed or even cancelled, we successfully walked the road to the capital market and on April 8, 2011 concluded this journey with the first trading day of the AMAG shares on the Prime Market of the Vienna Stock Exchange. We take this opportunity to once more express our thanks to you, our stockholders, for the trust you have placed in us.

Ranshofen, February 28, 2012



**Gerhard Falch**  
Chief Executive Officer

The Management Board  


**Dr. Helmut Kaufmann**  
Chief Operating Officer



**Gerald Mayer**  
Chief Financial Officer

# INVESTOR RELATIONS

## Successful IPO in spite of a difficult international financial markets environment

### IPO

Despite difficult international financial markets environment, the initial public offering (IPO) of AMAG Austria Metall AG was accomplished in April 2011. The commencement of trading was preceded by an extensive roadshow covering London, New York, Frankfurt, Paris, Brussels, Stockholm and Geneva.

Although this was at a time when numerous IPOs were cancelled or postponed, we convinced the investors of the sound business model and good strategic positioning. Moreover, the successful IPO was an important step to ensure the company's independent development and to finance the further expansion of production capacities.

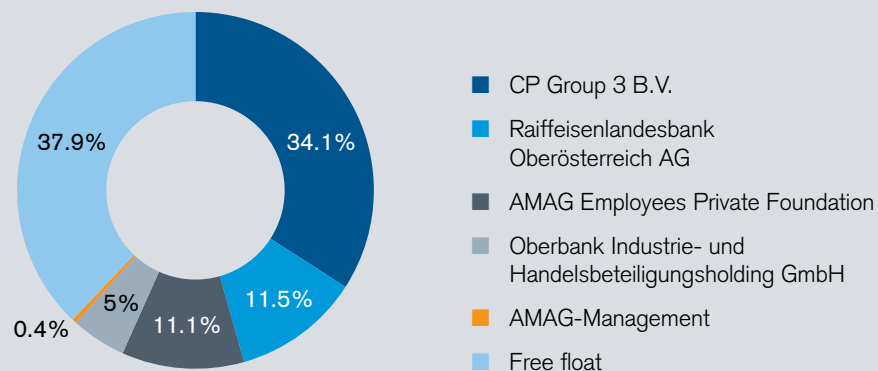
The shares of AMAG Austria Metall AG are listed on the Prime Market segment of the Vienna Stock Exchange since April 8, 2011, trading under the symbol "AMAG". The issuing volume was 366 mEUR. The issuing price was fixed at 19.00 EUR, at the lower end of the price range. The IPO of AMAG was supported by J.P. Morgan and BNP Paribas acting as Joint Glo-

bal Coordinators and Joint Bookrunners as well as by Erste Group Bank, Raiffeisen Centrobank (RCB) and UniCredit Bank Austria acting as Co-Lead Managers.

The selling principal shareholder, CP Group 3 B.V., kept a 34.1% share in the company. Further core shareholders are Raiffeisenlandesbank Oberösterreich holding 11.5%, the AMAG Employees Private Foundation holding 11.1% and the holding company of Oberbank acquiring 5.0%. The Management Board and senior managers of AMAG have invested at the issue price and hold a portion of 0.4% of the share capital.

Out of a total of 19.3 million shares, of which 5.3 million were due to a capital increase, approximately 95% went to institutional investors and approximately 5% to Austrian private investors in the course of the initial allotment. Broken down by geographical criteria, approximately 51% of the shares were subscribed to in Austria, 16% in France, 10% in the UK, 8% in the USA, some 7% in Germany, and 8% in various other countries.

### Shareholder structure



Date: April 2011

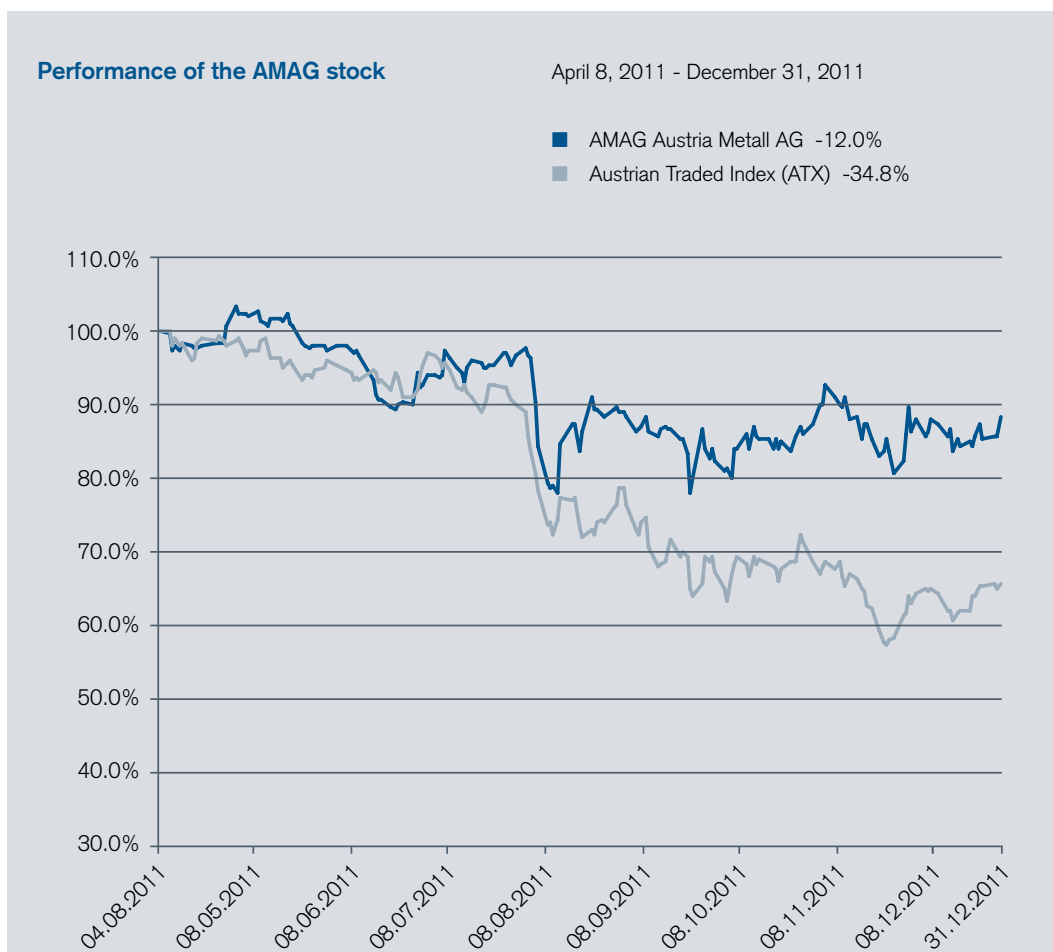
### PERFORMANCE OF THE AMAG STOCK

The 2011 trading year was characterized by a marked decline in stock prices all over the world. The apprehension of a slowdown in the economy combined with ongoing fears of an expansion of the sovereign debt crisis and caused the most substantial share price corrections in years at many financial centers - although businesses continued to record solid results. In this difficult environment, the Austrian leading index ATX lost 34.8%.

The general downward trend faced by the stock markets did not spare AMAG's stock either; its price fell

12.0% in relation to the closing rate on April 8, and 17.1% in relation to the offer price. In particular in the second half of 2011, AMAG stock turned out to be highly crisis-proof, losing only 4.9%. The average trading volume (double counting without OTC) in AMAG stock was 87,625 shares.

On the last trading day of the year, the market capitalization accounted for 555.4 mEUR. In the year under review, the turnover from over-the-counter dealings (double counting) amounted to 259.0 mEUR or 66.2% from total sales in the amount of 391.2 mEUR.



### INVESTOR RELATIONS (IR) WORK

IR work is aimed at ensuring that information about company developments of capital-market relevance is provided timely and in a transparent manner to all shareholders and interested parties at the same time. Since the IPO, we have proactively sought dialog with analysts and with private and institutional investors within the scope of 13 roadshows, 2 investor conferences, our participation in the "Gewinn" trade fair and numerous telephone conferences and presentations at retail events.

### COVERAGE BY ANALYSTS

In the fiscal year 2011, five financial institutions prepared analyses of AMAG's stock at regular intervals: Berenberg Bank (Buy), JP Morgan (Neutral), Exane BNP (Buy), Erste Group (Buy), Raiffeisen

Centrobank (Buy). UniCredit ceased coverage in mid-November 2011.

### DIVIDEND POLICY

At the shareholders' meeting scheduled to take place on May 16, 2012, the Management Board of AMAG will propose a dividend of 0.75 EUR plus a one-time bonus in the amount of 0.75 EUR per dividend-bearing share, which corresponds to a dividend pay-out ratio of 60%. This special distribution is justified by the outstanding financial result of 2011.

In this way, the company also overachieves the objective stated in the course of the IPO of having a distribution quota of 20-30 percent. The ex-dividend and payment date for the dividend is May 24, 2012.

#### Information on the AMAG Stock

ISIN	AT0000AMAG3
Class of shares	Ordinary shares made out to bearer
Ticker symbol Vienna Stock Exchange	AMAG
Reuters	AMAG.VI
Bloomberg	AMAG AV
Trading segment	Official Market
Market segment	Prime Market
First day of trading	April 8, 2011
Offer price per share in EUR	19.00
Number of shares outstanding	35,264,000

#### Financial calendar

February 28, 2012	Full year results 2011
March 1, 2012	Press conference on the full year results
May 4, 2012	Report on the 1st quarter 2012
May 16, 2012	Shareholders' meeting
May 24, 2012	Ex-dividend and payment date
August 3, 2012	Half-year financial report
November 6, 2012	Report on Q1 - Q3 2012



# CORPORATE GOVERNANCE REPORT

## AMAG resolves to acknowledge and implement the Austrian Code of Corporate Governance.

### COMMITMENT TO THE AUSTRIAN CODE OF CORPORATE GOVERNANCE

The Austrian Code of Corporate Governance provides domestic stock corporations with a framework for the direction and control of enterprises. The Code aims to establish a system of management and control of companies and groups that is accountable and is geared to creating sustainable, long-term value. This is designed to increase the degree of transparency for all stakeholders.

The Code is based on the provisions of Austrian stock corporation law, stock exchange law and capital markets law, the EU recommendations on the tasks of supervisory board members and on the remuneration of directors as well as on the principles set out in the OECD Principles of Corporate Governance. The present Corporate Governance report is based on the version established by the January 2010 revision of the Code. The Code is open for public access at [www.corporate-governance.at](http://www.corporate-governance.at).

Adherence to the principles set out in the Austrian Code of Corporate Governance is undertaken voluntarily by the Companies. The Management Board and the Supervisory Board of AMAG Austria Metall AG first resolved to acknowledge and implement the Code of Corporate Governance in the fiscal year 2011. AMAG Austria Metall AG is thus committed to complying with the Austrian Code of Corporate Governance as amended.

AMAG Austria Metall AG complies with all "L-Rules"<sup>1)</sup>. In addition, the company also complies with all "C-Rules", save for the following exceptions.

Rule 27 (Conclusion of Management Board contracts): The variable remuneration components include only financial criteria and there is no upper limit for amounts.

Rule 31 (Disclosure of the remuneration of each individual Management Board member):

The company does not share the view that individualized information on the remuneration of Management Board members provides any added informational value to the persons addressed by the annual financial statements. It is in the personal discretion of each individual Management Board member to disclose such information.

Rule 51 (Disclosure of the remuneration of each individual Supervisory Board member):

The company does not subscribe to the view that individualized information on the remuneration of Supervisory Board members provides any added informational value to the persons addressed by the annual financial statements. It is in the personal discretion of each individual member of the Supervisory Board to disclose such information.

Rule 83 (Assessment of the effectiveness of the company's risk management):

Assessing the effectiveness of the company's risk management was not part of the audit of the financial statements by the auditor.

### COMPOSITION OF THE MANAGEMENT BOARD AND THE SUPERVISORY BOARD

Details concerning composition are summarized in this Corporate Governance report.

The terms of office of any and all shareholders' representatives on the Supervisory Board shall end at the end of the shareholders' meeting of AMAG Austria Metall AG that resolves on the fiscal year 2011.

No Supervisory Board member missed more than half of the meetings of the Supervisory Board during the preceding fiscal year.

<sup>1)</sup> The Code of Corporate Governance provides for the following types of rules: "L-Rules" (= Legal), these are measures prescribed by law; "C Rules" (Comply or Explain), the reasons for non-compliance with which must be stated; "R-Rules" (Recommendations), these are recommendations and in the case of AMAG Austria Metall AG are very largely being complied with.

### REMUNERATION REPORT FOR THE MANAGEMENT BOARD AND THE SUPERVISORY BOARD

The variable remuneration of the Management Board of AMAG Austria Metall AG is oriented exclusively on the operating performance. In the fiscal year 2011, the ratio of the fixed components to the variable components of the total compensation of the Management Board is approximately 60% to 40%. Furthermore, two Managing Board members have company pension plans based on the defined-contribution model. Claims under Rule 30 in the event of termination of the function on the Management Board do not exist. The company bears the costs of the Directors & Officers (D&O) insurance taken out.

Regarding the remuneration report for the Management Board and the Supervisory Board, please be also referred to the Notes to the annual financial statements of AMAG Austria Metall AG.

### INFORMATION CONCERNING THE INDEPENDENCE OF SUPERVISORY BOARD MEMBERS

Except Dr. Hanno M. Bästlein, any and all Supervisory Board members elected by the shareholders' meeting have confirmed that they regard themselves as independent based on the criteria fixed by the Supervisory Board (Rule 53). The criteria for independence as defined by the Supervisory Board conform to Annex 1 of the Code of Corporate Governance in all material respects.

In Thomas Spitzenpfel, Dr. Peter Uggowitzer and Wolfgang Pfarl, the Supervisory Board has three members elected by the shareholders' meeting who are not shareholders with a stake of more than 10% or members who represent such a shareholder's interests (Rule 54).

### COMMITTEES OF THE SUPERVISORY BOARD

The Supervisory Board is authorized by the Articles of Association to form committees from among its members and define the rights and duties thereof. Such committees can also be conferred decision-making competence. The employees' representatives on the

Supervisory Board are entitled to nominate members to the committees at the ratio defined in sec. 110 para. 1 of the (Austrian) Arbeitsverfassungsgesetz, ArbVG (Labor Relations Act), who shall have voting and participation rights. This does not apply in the case of committees that deal with the relations between the company and the members of the Management Board.

### The following committee has been established at AMAG Austria Metall AG:

#### AUDIT COMMITTEE

The audit committee is responsible for the audit and preparation of the approval of the annual financial statements, of the proposal for the distribution of the profit, and of the management report. It shall also audit the consolidated financial statements and prepare a proposal for the selection of an auditor for the financial statements.

#### Members of the audit committee:

- Thomas Spitzenpfel, (Chairman)
- Dr. Hanno M. Bästlein
- Christopher von Hugo
- Max Angermeier

A remuneration and nomination committee has been provided for in the internal rules of procedure but has not been set up to date.

### NUMBER AND MATERIAL CONTENTS OF THE MEETINGS OF THE SUPERVISORY BOARD AND ITS COMMITTEES

Since the IPO on April 8, 2011 in the fiscal year 2011 the Supervisory Board of AMAG Austria Metall AG discharged the obligations incumbent on it under the law and the Articles of Association in the course of three extraordinary meetings of the Supervisory Board and one meeting of the audit committee. In addition to the ongoing reports on the current business and financial situation of the AMAG Group, these meetings especially dealt with issues relating to the Group's strategic further development, the simplifica-

tion of the legal structure, issues relating to the implementation of investment projects, to risk management measures and to Compliance rules.

The audit committee dealt with the preparation and audit of the company's consolidated and individual financial statements, reporting requirements arising from listing, audit planning by the auditor of the financial statements as well as with issues relating to the internal control system, risk management and corporate governance.

#### **ADVANCEMENT OF WOMEN ON THE MANAGEMENT AND SUPERVISORY BOARDS AND IN MANAGEMENT POSITIONS**

The total percentage of women in the AMAG Group in the fiscal year 2011 remained unchanged at 12%. The share of female apprentices was 20%. The underlying reasons for this percentage remaining low compared to other sectors of the economy are based in the industry, in history and in cultural tradition.

No express "proportions of women" are provided for in any of the AMAG Group companies, but AMAG endeavors to sustainably increase the share of women working on all levels of the Group by implementing suitable measures such as goal-oriented HR development, modern working-time management and the promotion of women in technical occupations.

#### **ISSUER COMPLIANCE ORDINANCE**

In accordance with the (Austrian) *Börsegesetz* (Stock Exchange Act) and the *Emittenten-Compliance Verordnung* (Issuer Compliance Ordinance) issued by the Austrian Financial Market Authority (FMA), a directive for preventing the abuse of inside information was adopted and most recently updated on November 8, 2011.

The objective of this directive is to comply with the statutory requirements and to ensure orderly communication regarding inside information both within the AMAG Group and in relations with third parties so as to warrant equal treatment of all market participants, especially with regard to the passing on of information.

A Compliance Officer was appointed who is in charge of monitoring Compliance with the relevant provisions on an ongoing basis and reports directly to the entire Management Board on matters of Compliance. The duties of the Compliance Officer are moreover recorded in AMAG's internal control system, and performance of these duties is verified within that system on a regular basis. AMAG's employees receive ongoing training on the subject of Issuer Compliance.

In accordance with the provisions of the Stock Exchange Act and the Issuer Compliance Ordinance, any self-dealing by the members of the Management Board and of the Supervisory Board (Directors' Dealings) is published on the AMAG homepage and on the website of the Austrian Financial Market Authority (FMA). In 2011 no violations of the Compliance directive were ascertained.

#### **CODE OF ETHICS**

AMAG is aware of the particular responsibility it has to society and to its business partners, stockholders and employees. High ethical standards are therefore a material part of the business policy of AMAG and its subsidiaries. The actions of AMAG and its employees are guided by the principles of the Group-wide Code of Ethics mandatorily to be observed by all employees, which was updated as of December 2011.

The focus is on compliance with all statutory and other legal provisions, on morally, ethically and legally impeccable conduct in dealings with customers, suppliers, employees and competitors, on the commitment to practicing free and fair competition as well as on the fight against corruption. This code of conduct is rounded off by measures aimed at data protection and at avoiding abuse of inside information.

AMAG offers employees a communication pathway in the form of a Compliance Line allowing employees to report (potential) violations. This facility is of course also available to all of the company's business partners. Any violations are punished by measures under labor law and, where appropriate, also under criminal law and the law governing damages.



## COMPOSITION OF THE MANAGEMENT BOARD

### Gerhard Falch

Chairman of the Management Board (CEO), born in 1948, appointed: February 18, 2011; first appointed at the predecessor company Austria Metall AG in September 2007; end of term of contract: March 2013; assigned functions in the Group: Strategy and Group Communication, Investor Relations, Human Resources, Key Accounts, Purchasing, Service and Infrastructure; Chairman of the Supervisory Board of Energie AG Oberösterreich (Linz), member of the Supervisory Board of VA Intertrading AG (Linz)

### Dr. Helmut Kaufmann

COO, born in 1963, appointed: February 18, 2011; first appointed at the predecessor company Austria Metall AG in September 2007; end of term of contract: August 2013; assigned functions in the Group: AMAG casting GmbH, AMAG rolling GmbH, Business Technology, Management under trade law and Management Systems

### Gerald Mayer

CFO, born in 1971, appointed: February 18, 2011; first appointed at the predecessor company Austria Metall AG: November 2007 end of term of contract: August 2013; assigned functions in the Group: Financing, Controlling and Reporting, Accounting, Information Technology, Legal, AMAG metal GmbH (managing director) and AMAG service GmbH (managing director)

## COMPOSITION OF THE SUPERVISORY BOARD

### Dr. Hanno M. Bästlein

born in 1963, Chairman of the Supervisory Board, member of the audit committee, appointed: January 31, 2011; Chairman of the Management Board of Constantia Packaging GmbH until December 2011, Managing Partner One Equity Partners (OEP) since January 2012

### Christopher von Hugo

born in 1963, Deputy Chairman of the Supervisory Board, member of the audit committee, appointed: January 31, 2011, Managing Director and Partner of OEP Europe GmbH, Chairman of the Supervisory Board of Pfeiderer AG, member of the Supervisory Board of Smartrac N.V.

### Otto Höfl

born in 1946, member of the Supervisory Board, appointed: March 21, 2011, representative of the AMAG Employees Private Foundation

### Wolfgang Pfarl

born in 1944, member of the Supervisory Board, appointed: January 31, 2011, former CEO of Sappi Europe S.A.

### Dr. Ludwig Scharinger

born in 1942, member of the Supervisory Board, first appointed: March 21, 2011, Chief Executive of Raiffeisenlandesbank Oberösterreich AG (Linz), Deputy Chairman of the Supervisory Board of Voest Alpine AG (Linz) and of Raiffeisen Bank International AG (Vienna)

### Thomas Spitzenfeil

born in 1962, member of the Supervisory Board, Chairman of the audit committee, appointed: March 21, 2011, member of the Management Board of Carl Zeiss AG

### Dr. Peter Uggowitzer

born in 1950, member of the Supervisory Board, first appointed: March 21, 2011, Professor at the ETH Zurich

## DELEGATED BY THE WORKS COUNCIL

### Max Angermeier

born in 1958, member of the Supervisory Board, member of the audit committee, delegated: April 14, 2011, Chairman of the Works Council of the Group

### Robert Hofer

born in 1977, member of the Supervisory Board, first delegated: December 31, 2011

### Franz Riffler

born in 1951, member of the Supervisory Board, delegated: April 14, 2011, left: December 31, 2011

### Georg Schreiner

born in 1954, member of the Supervisory Board, first delegated: April 14, 2011

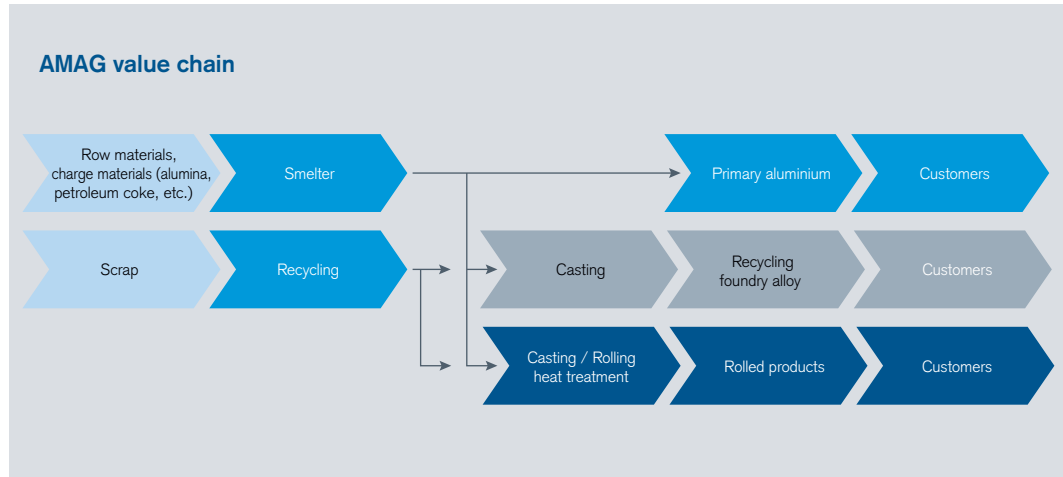
### Herbert Schützeneder

born in 1957, member of the Supervisory Board, first delegated: April 14, 2011

Dr. Hanno M. Bästlein (most recently as Chairman), Christopher von Hugo, Otto Höfl, Wolfgang Pfarl, Thomas Spitzenfeil, Max Angermeier and Franz Riffler were also members of the Supervisory Board of Austria Metall AG and thus of the ultimate parent and controlling company of the AMAG Group before the IPO.

# BUSINESS MODEL AND STRATEGY

**AMAG is an integrated producer of aluminium products. The portfolio comprises primary aluminium, recycling foundry alloys and rolled products. The corporate headquarters are situated in Ranshofen, Upper Austria. Production takes place in Ranshofen and in Sept-Îles, Quebec, Canada.**



## **AMAG'S EXCEPTIONAL POSITION WITHIN THE COMPETITIVE ENVIRONMENT IS BASED ON THE FOLLOWING STRENGTHS:**

**AMAG is a producer of high-quality aluminium products, covering the entire value chain from primary aluminium to cast and flat rolled products with a special focus on environmentally friendly production.**

Both production sites are situated in politically stable countries with good infrastructure and reliable energy supply. Based on a percentage of scrap materials in the charge that far exceeds the industry average, high-quality recycling foundry alloys and flat rolled products are produced at the Ranshofen location. This makes AMAG one of the biggest recyclers of scrap at a single European location. Thanks to its fully-fledged hedging strategy it has, moreover, a responsible approach to the risks from price fluctuations for aluminium.

In virtue of its participation in the Canadian Alouette smelter, one of the most efficient aluminium smelters in the world, AMAG has safeguarded a durable and ecological, future-oriented raw material basis. Exclusively supplied with electric energy generated by water power, Alouette sets the standards for the industry as to energy consumption and CO<sub>2</sub> emissions.

## **A competitive position with a diversity of premium rolled products, a high level of production flexibility as well as innovative strength**

Thanks to the high concentration of expertise at the integrated location Ranshofen, innovative projects can be realized together with our customers within the shortest possible time in addition to an ongoing development of new special products.

Furthermore, AMAG is networking with internationally recognized training centers and research facilities. AMAG's Rolling Division is, according to present knowledge, the only company worldwide which is capable of producing and processing over 100 different alloys from all alloy families from AA1xxx-AA8xxx at one location.

By means of different continuous casting lines, the company's own rolling slab casthouse, which within short response times generates special alloys especially tailored to the needs of our customers, produces premium rolling slabs as raw material for the rolling process.

The combination of a unique product mix, modern production plants and highly competent employees makes AMAG a highly flexible and reliable partner for its customers.

### Broad base of premium customers in all distribution sectors and regions

AMAG offers its products to a broad and geographically widespread customer base comprising over 500 customers in different industries such as the transport industry with a focus on the aircraft and automotive sectors, in the construction and mechanical engineering industry, in the sports equipment and electronic industry as well as in the packaging industry and renewable energy production.

Thanks to a high level of diversification, dependence on individual market segments can be kept low. Out of the shipment volumes generated in 2011, 20% in the Casting Division were realized with the biggest customer and 17% in the Rolling Division were realized with the biggest customer. In both cases, the customer relation goes back more than 15 years. In order to broaden the customer base, the existing sales subsidiaries in Germany, France, the Benelux countries, the United Kingdom and the USA were

primarily expanded by adding distribution networks in the growth regions of China, Brazil, Mexico and India as well as Eastern Europe.

### MARKETS AND GROWTH

At a consumption of approximately 45 million tons of primary aluminium in 2011, the aluminium industry is the world's second largest metal industry after the steel industry. The main areas of application of aluminium include transportation (road vehicles, aircraft, railways and ships), packaging (beverage cans and foils for the food and pharmaceutical industries), application for construction purposes (windows and door frames, façades, lighting fixtures, floors), electronic devices (casings), consumer goods and mechanical engineering. The wide range of applications is based on the excellent characteristics of the material. In addition to its low weight, high strength relative to weight, good formability and workability and also high electrical conductivity play a significant role.

**Primary aluminium demand is expected to double within the next 10 - 15 years.**

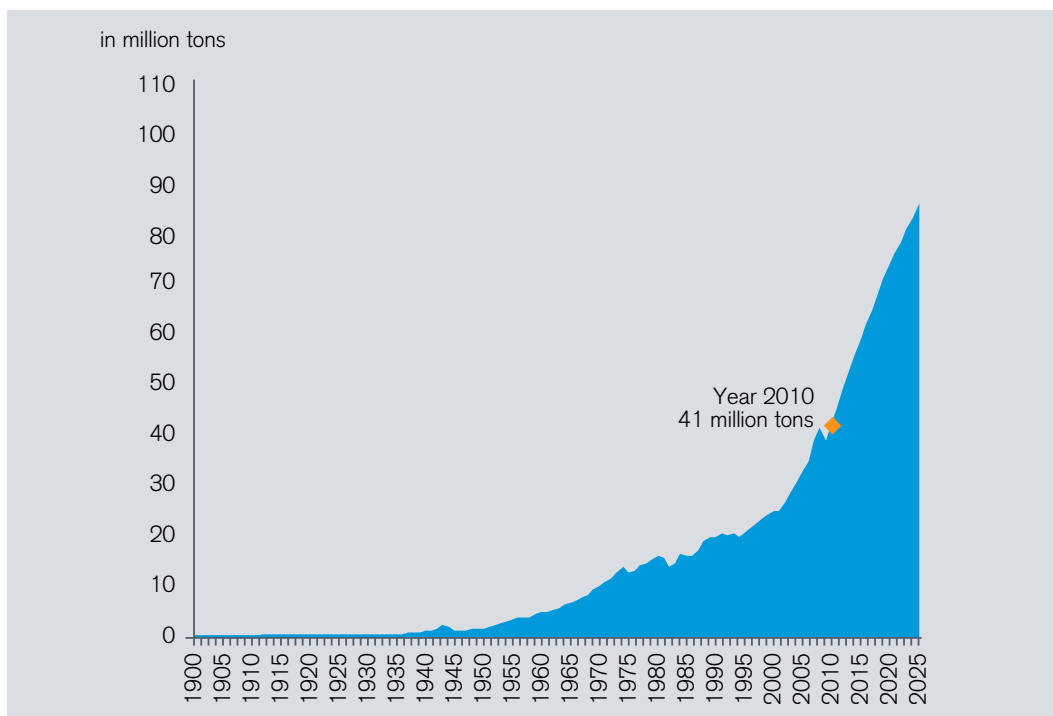


Chart: Doubling of the demand for aluminium; source: CRU, December 2011

The development potential of aluminium is also demonstrated by its historical development. Worldwide consumption of primary aluminium rose from 4.1 million tons in 1960 to approximately 45 million tons in 2011. Historically, aluminium consumption volumes have always grown faster than the global gross domestic product. These past few years, this growth was driven by a strongly increased demand from China but also from Russia, India and the Middle East. Primary aluminium consumption has doubled over the past 15 years.

One of the most precious characteristics of aluminium is its indefinite recyclability, which allows valuable natural resources and energy to be saved. Secondary production requires only about 5% of the energy that must be used in the primary route and thus also avoids CO<sub>2</sub> emissions.

With the constant improvement and expansion of the range of characteristics offered by aluminium alloys, the application diversity of aluminium materials will keep increasing in the years to come. The demand for lower weight at high mechanical strength and formability coupled with special surface characteristics and its unique recyclability potential form the basis for the constantly rising demand for aluminium, which will continue to grow. According to recent forecasts, global aluminium consumption will double within the next 15 years.

#### **STRATEGIC DEVELOPMENT OF THE COMPANY**

The focus of strategic planning for the next few years is on a preferably organic development of the business model. This business model has proved very successful and solid even in these recent turbulent times of the global economy. All of these considerations are based on medium-term growth forecasts for aluminium consumption. In view of the utilization rate of the production plants constantly remaining at a high level both in Austria and in Canada, an ex-

pansion of the product capacity at both locations is indispensable for securing profitable growth. The increasing demand for rolled products of greater widths and thicknesses and higher strengths and with a high percentage of recycled materials require expansion measures at the Ranshofen location. Therefore, plans for the construction of a new hot rolling mill as well as for the expansion of the rolling slab cast-house and recycling center were concretized last year and a proposal for resolution to be submitted to the Supervisory Board in the first quarter of 2012 was drawn up.

The plans for expanding the capacity of the smelter from currently 600,000 tons to 930,000 tons is being elaborated in Canada in cooperation with the other owners. As a first important step a Memorandum of Understanding (MoU) concerning the supply of electric power to the smelter was signed by Alouette, the Canadian province of Québec and the supplier of electric power, Hydro Québec, on October 31, 2011. The agreement fixes the key terms for purchasing electricity until 2041.

The foundation for the electrical energy requirements of the new plant to be supplied from hydropower for the life of the contract has thus been laid. Over and above the current connected load of 895 MW, additional electrical power of 500 MW will then be available (35 MW of which as of now). Another subject of the agreement is the prolongation of the power supply contracts for the existing plant until 2041 on the same terms.

The next steps to be taken within the scope of the project include the signing of the power supply contracts on the basis of the MoU, inviting tenders for the plants, negotiating the tenders submitted and selecting the suppliers, and the owners taking the final decision.





# CONSOLIDATED MANAGEMENT REPORT 2011

**AMAG Austria Metall AG is the Austria's leading manufacturer of aluminium rolled and cast products for the processing industry. Owning both highly specialized medium-size integrated production facilities (casthouse and rolling mill) and a source of primary metal supply (the Alouette smelter at Sept-Îles, Canada) is a unique combination that provides a stable basis for AMAG's business development.**



# ECONOMIC ENVIRONMENT

“We are one of the most profitable aluminium companies in the world.”

Gerhard Falch, Chairman of the Management Board (CEO)

## GENERAL COMMENTS

After a favorable development of the general economic situation in 2010, which continued into the first months of 2011, more and more signs that growth was slackening especially in Europe and America appeared in the second half-year. The increasing gravity of the sovereign debt crisis in the euro zone as well as in the USA, the nuclear catastrophe in Japan, the political instability prevailing in some states in North Africa and the high levels of volatility on the financial markets related to these causes showed first indications of affecting the forecasts for the growth rates in the real economy already in the second half of 2011. For example, economic growth (GDP) in Europe (EU27) was down to 1.6%<sup>1)</sup> in 2011, compared to 2.0% in 2010. In Germany, an important market for the AMAG Group, GDP growth was 3.0% following 3.7% in the prior year. Starting from a high level, the Chinese economy also lost some of its momentum, resulting in an economic growth rate of approximately

9.1%<sup>2)</sup> (prior year: 10.4%). For the global economy, the World Bank computed a growth rate of 2.7% (prior year: 4.1%) in 2011.

With reference to sectors, the German automotive industry according to figures issued by the VDA (Verband der deutschen Automobilindustrie or German Automotive Industry Association) grew by 5.7% as compared with the prior year, to 5.9 million produced units. Exports rose 7.0% to 4.5 million units. The development of the aircraft industry was just as favorable in 2011. Positive reports about numerous orders from airlines give reason to expect a further upturn in demand from the aircraft industry. For instance, current statistics show that the two big manufacturers Boeing and Airbus have record numbers of orders on their order books. The sectors that became less dynamic include in particular the European construction industry. After the order situation had flattened in Ireland and Great Britain in the last few years already, this development has now got hold of the construction industry in southern Europe, too.

## TRENDS IN RAW MATERIAL PRICES

The AMAG Group primarily uses alumina and aluminium scrap as raw materials. The price of alumina and aluminium scrap is in most cases oriented on the price of the end-product, aluminium. The aluminium price<sup>3)</sup> (3-month-LME) went down in the course of the year from a starting level of 2,470 USD/t in January to

1) Comp. Eurostat forecast January 12, 2012

2) Comp. World Bank forecast (Global Economic Prospects), January 2012

3) Source: Reuters



a level of 2,017 USD/t as of December 31, 2011. The highest price was 2,795 USD/t, the lowest was 1,965 USD/t. The average price amounted to 2,423 USD/t. Aluminium prices expressed in euros moved within a band of between 1,494 EUR/t and 1,930 EUR/t, with the average price being 1,737 EUR/t.

Stocks kept in LME-registered warehouses continue to be at a high level, averaging 4.6 million tons

(or about 10% of the annual production); values fluctuated between 4.3 million and 5.0 million tons in the course of the year.

AMAG holds a 20% equity interest in the Canadian smelter Aluminerie Alouette, which has a long-term energy supply agreement (running until 2029) and ranks among the most cost-efficient aluminium smelters in the world.

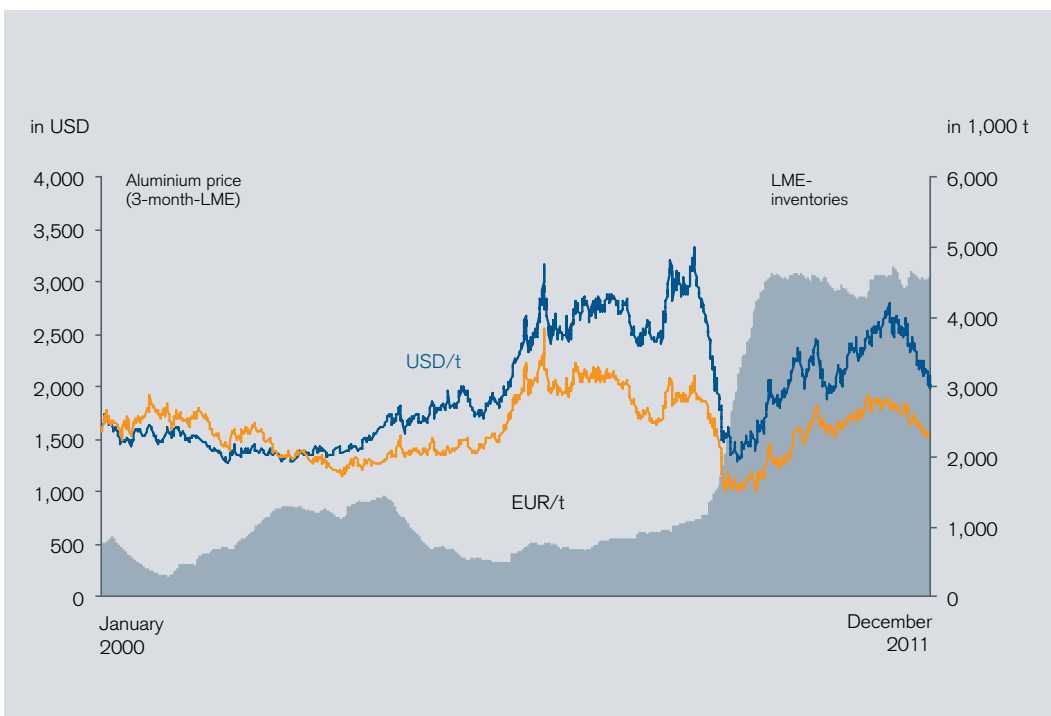


Chart: Aluminium price trend (3-month-LME in USD/t) and LME-inventories (in 1,000 t)

# BUSINESS TREND

## OVERVIEW OF THE COMPANY

AMAG Austria Metall AG functions as a holding company for the AMAG Group.

### The AMAG Group is active in the following lines of business:

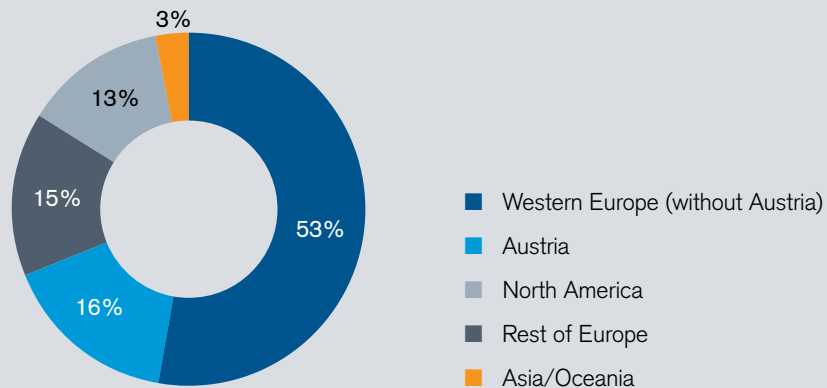
- Production of primary metals (20% equity holding in the Canadian smelter Aluminerie Alouette Inc., Canada (hereinafter referred to as "Alouette") through the aluminium company Aluminium Austria Metall (Québec) Inc.

- Production of recycling foundry alloys in the form of ingots, sows and liquid metal (Casting Division).
- Production of high-quality rolled products (Rolling Division).

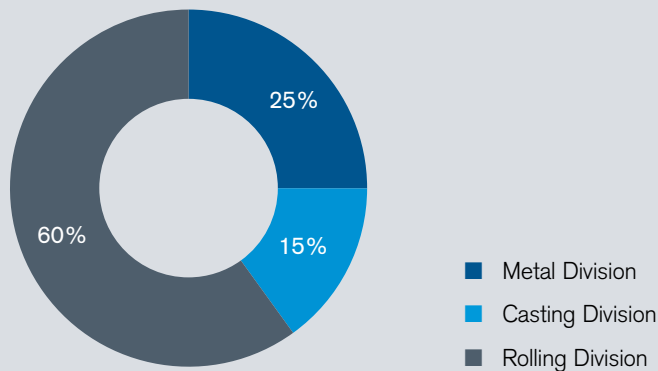
## SALES

In a year-on-year comparison, sales rose 11.7% from 728.0 mEUR in 2010 to 813.1 mEUR in 2011, which was due to the development of the aluminium price and to higher product prices on the market as well as manufacture of more special products. Among

Group sales 2011 by region



External sales 2011 by division



the regions, Western Europe (excluding Austria) with 53% of sales, Austria with 16% and Rest of Europe with 15% were dominant, followed by North America with 13% and Asia/Oceania with 3%.

**EARNINGS**

**EBITDA**

The earnings before interest, taxes, depreciation and amortization (EBITDA) of AMAG Group rose 7.7% from 139.0 mEUR in 2010 to 149.7 mEUR in 2011, primarily due to higher price levels. The EBITDA margin remained at a high level although it dropped from 19.1% to 18.4% as a result of the higher sales.

The Metal Division contributed 73.6 mEUR (49.1%) to the Group EBITDA, the Casting Division 7.5 mEUR (5.0%) and the Rolling Division 66.7 mEUR (44.6%). The contribution to EBITDA made by Group Services and resulting from consolidation totaled 1.9 mEUR (1.3%).

**Cost of materials**

Cost of materials rose from 468.2 mEUR to 530.6 mEUR, an increase driven essentially by the year-on-year upturn in the average aluminium price. Cost of materials in relation to sales rose from 64.3% in 2010 to 65.3% in 2011.

**Personnel expenses**

In a year-on-year comparison, personnel expenses including the portion attributable to the 20% equity holding in the Alouette smelter rose 8.2%, from

91.5 mEUR to 99.1 mEUR. The average number of staff of the AMAG Group increased from 1,175 (annual average 2010, without Alouette) to 1,422 (annual average 2011, including Alouette). In 2011 AMAG's percentage personnel share out of the 20% participation in smelter Alouette (196 employees) was included in the personnel count for the first time.

**Other operating income and expenses**

Other operating income was 17.2 mEUR (prior year: 18.2 mEUR), primarily consisting of income from re-charging of infrastructure services to third parties.

Other operating expenses rose from 55.8 mEUR in 2010 to 58.9 mEUR in 2011, for reasons including but not limited to higher freight costs and maintenance expenses.

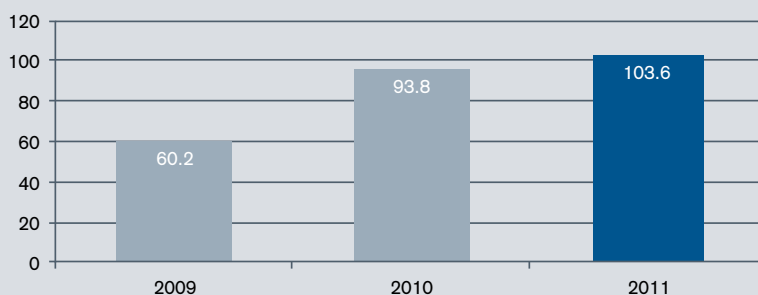
**Operating result (EBIT)**

The 2011 operating result of the AMAG Group was 103.6 mEUR, compared to 93.8 mEUR in 2010. There was only a minor increase in depreciation expenses. The corresponding EBIT margin was 12.7% in the year just ended, compared to 12.9% in the prior year.

The year-on-year upturn in the average aluminium price made it impossible to maintain the EBIT margin for the Metal Division on the prior year level; the prior year figures were exceeded in the Casting and Rolling Divisions respectively.

**Excellent fiscal year 2011 for AMAG. Sales and earnings were increased successfully.**

**Chart: Operating result (EBIT) in mEUR**



In the Metal Division, the EBIT margin went from 10.3% in 2010 to 8.8% in 2011. In the Casting Division, it went from 3.2% the previous year to 4.1% in 2011, and in the Rolling Division it went from 8.4% in 2010 to 9.5% in the year just ended.

<b>Consolidated Statement of Income, condensed (in mEUR)</b>	2011	Structure in %	2010	Structure in %	Change in %
Sales	813.1	100.0	728.0	100.0	11.7
Other operating income	17.2	2.1	18.2	2.5	(5.3)
Cost of materials	(530.6)	(65.3)	(468.2)	(64.3)	13.3
Personnel expenses	(99.1)	(12.2)	(91.5)	(12.6)	8.2
Other operating expenses	(58.9)	(7.2)	(55.8)	(7.7)	5.4
EBITDA	149.7	18.4	139.0	19.1	7.7
EBITDA margin in %	18.4	-	19.1	-	-
Depreciation, amortization and impairment losses	(46.1)	(5.7)	(45.1)	(6.2)	2.1
EBIT	103.6	12.7	93.8	12.9	10.4
EBIT margin in %	12.7	-	12.9	-	-
Net financial income (expenses)	(4.5)	(0.5)	(4.5)	(0.6)	(1.0)
EBT	99.1	12.2	89.3	12.3	11.0
EBT margin in %	12.2	-	12.3	-	-
Taxes on income and earnings	(11.0)	(1.4)	(13.7)	(1.9)	(19.5)
<b>Consolidated net income</b>	<b>88.1</b>	<b>10.8</b>	<b>75.7</b>	<b>10.4</b>	<b>16.5</b>

#### **Net financial income (expenses)**

Net financial income (expenses) in 2011 amounting to 4.5 mEUR remained unchanged compared to 2010.

#### **Earnings before taxes (EBT)**

On account of the changes described above, pre-tax earnings (EBT) at 99.1 mEUR were 11.0% up from the prior year's level of 89.3 mEUR.

#### **Taxes**

Taxes on income and earnings in 2011 amounted to 11.0 mEUR, compared to 13.7 mEUR in the prior year. Although the higher earnings had increased the tax base, the increase in deferred taxes had a positive effect.

#### **Consolidated net income**

The 2011 consolidated net income of the AMAG Group was 88.1 mEUR, compared to 75.7 mEUR achieved in the prior year.

Consolidated balance sheet, condensed (in mEUR)	2011	Structure in %	2010	Structure in %
Intangible assets, property, plant and equipment	394.7	45.1	388.3	46.9
Other non-current assets	64.0	7.3	47.9	5.8
<b>Non-current assets</b>	<b>458.6</b>	<b>52.4</b>	<b>436.3</b>	<b>52.6</b>
Inventories	217.7	24.9	198.5	23.9
Trade receivables	79.6	9.1	71.4	8.6
Other receivables	59.1	6.7	113.5	13.7
Cash and cash equivalents	60.6	6.9	9.1	1.1
<b>Current assets</b>	<b>417.0</b>	<b>47.6</b>	<b>392.5</b>	<b>47.4</b>
<b>Assets</b>	<b>875.6</b>	<b>100.0</b>	<b>828.8</b>	<b>100.0</b>
<b>Equity</b>	<b>542.6</b>	<b>62.0</b>	<b>514.2</b>	<b>62.0</b>
Non-current provisions and liabilities	174.3	19.9	159.2	19.2
Current provisions and liabilities	158.8	18.1	155.4	18.8
<b>Equity and liabilities</b>	<b>875.6</b>	<b>100.0</b>	<b>828.8</b>	<b>100.0</b>

## ASSET AND CAPITAL STRUCTURE

### Total assets and liabilities

Total assets and liabilities of the AMAG Group increased by 5.7%, from 828.8 mEUR at year-end 2010 to 875.6 mEUR at the end of 2011. Non-current assets rose from 436.3 mEUR to 458.6 mEUR. Trade receivables went up from 71.4 mEUR to 79.6 mEUR mainly due to higher price levels.

Other receivables (excluding current tax receivables) declined from 108.9 mEUR in 2010 to 54.8 mEUR in the year just ended, which is primarily due to a cash-pooling agreement with Constantia Packaging GmbH which was abandoned and to a lower valuation of derivatives as of the balance-sheet date.

The equity position of AMAG Group rose from 514.2 mEUR at year-end 2010 to 542.6 mEUR at the end of 2011. Extraordinary dividend payments were overcompensated mainly by the consolidated net income, by capital injections as well as by currency translation effects concerning the Canadian assets and liabilities.

Non-current provisions and liabilities rose from 159.2 mEUR to 174.3 mEUR on account of an increase in provisions for social security and employee benefits, bank liabilities and deferred tax liabilities and a reduction in liabilities from hedging transactions. Current provisions and liabilities, amounting to 158.8 mEUR in 2011, had gone up compared with the prior year (155.4 mEUR), which was due, inter alia, to higher trade payables.

## FINANCIAL SITUATION

### Cash flow from operating activities

The cash flow from operating activities rose 38.6% from 75.4 mEUR in 2010 to 104.5 mEUR in 2011. The increase was primarily due to lower tied-up net working capital as well as to the improved earnings.

### Cash flow from investing activities

The cash flow from investing activities remained unchanged at 43.5 mEUR year-on-year.

### Free cash flow

The free cash flow which was used inter alia for the repayment of loans amounted to 61.0 mEUR, compared to 31.9 mEUR in the previous year.

### Cash flow from financing activities

New credits and loans in the amount of 214.2 mEUR (prior year: 0.0 mEUR) as well as the capital increase in the net amount of 123.2 mEUR accounted for inflows of capital.

There were outflows of 203.9 mEUR due to repayment of financial liabilities (previous year: 18.3 mEUR) and 200.0 mEUR for dividends (previous year: 68.0 mEUR).

<b>Consolidated Cash Flow Statement condensed (in mEUR)</b>	2011	2010	Change in %
Cash flow from operating activities	104.5	75.4	38.6
Cash flow from investing activities	(43.5)	(43.5)	0.1
Free cash flow	61.0	31.9	91.0
Cash flow from financing activities	(66.5)	(86.3)	(22.9)

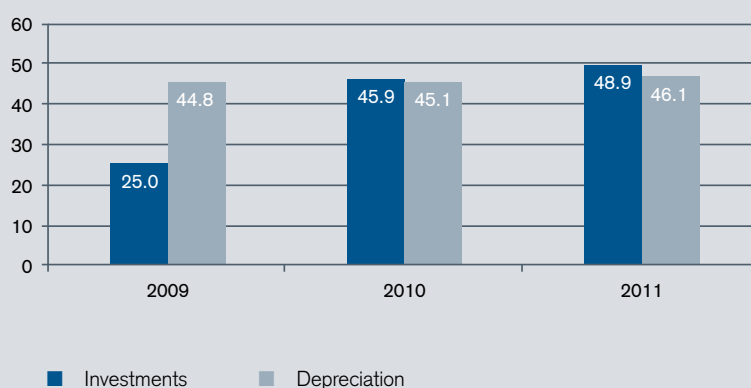
# INVESTMENTS

In the fiscal year 2011, the investments of the AMAG Group amounted to 48.9 mEUR, with property, plant and equipment accounting for 48.8 mEUR and intangible assets for 0.1 mEUR. Thus, investments were up 2.9 mEUR or 6.3% from the prior year (2010: 45.9 mEUR).

The 6.3% increase is primarily due to investment projects that will further enhance capacity in the Rolling Division. But also those projects undertaken in the group that focus on the further enhancement of quality and technology should be mentioned.

Moreover, investments include considerable amounts spent on increasing safety at the workplace in the AMAG Group. Any new facilities procured were generally built on the basis of the latest state of the art in terms of safety technology. Furthermore, the air supply and exhaust air systems, access protection and the transfer launder of furnaces were improved in the Casting Division. Investments in the Rolling Division included those made to renew the safety technology used at the coil preparation and residual coil removal units at the four-high cold-rolling stand as well as at the continuous stretcher line and a two-high bright rolling mill.

Investments / fixed asset additions and depreciation in mEUR





## METAL DIVISION

Within the AMAG Group, the Metal Division is responsible for managing the metal flows and hedging the operating companies against the aluminium price risk and currency risk. Due to the 20% stake in the Canadian Alouette, the Division has one of the most efficient smelters in the world, situated in a politically stable country and with its energy supply ensured in the long term, at its disposal. The smelter has a capacity of about 600,000 tons of primary aluminium per year, of which an output proportion of about 116,400 tons was attributable to the Metal Division in 2011.







Output of the Alouette smelter in tons, rounded (20% AMAG share)

Signing a Memorandum of Understanding (MoU) for a new power supply contract at the end of October 2011 based on the supply of electricity from hydropower was a major step towards expanding the smelter in the future.

#### ECONOMIC ENVIRONMENT

In 2011, the average price of aluminium (three-month LME) was approximately 2,423 USD/t (prior year: 2,200 USD/t). Starting at a value of 2,470 USD/t in January 2011, the price peaked at 2,795 USD/t in early May and then corrected to 2,480 USD/t within three weeks. This was followed by a volatile price development lasting until mid September, with prices fluctuating within a band ranging from approx. 2,350 USD/t to approx. 2,700 USD/t. Then an also volatile downward trend began and the lowest level was reached on December 19, at 1,965 USD/t. At year end, the price of aluminium was 2,017 USD/t.

Global consumption of primary aluminium has increased from 41.1 million t in 2010 to 44.9 million t (+9%), according to the market research institute Commodity Research Unit ("CRU")<sup>1)</sup>. The main engine for this trend was China with growth of 16.8 million t in 2010 compared to 19.3 million t in 2011 (+15%). The production of primary aluminium performed analogously, increasing from 42.0 million t in 2010 to 45.5 million t in 2011 (+8%). This increase in production by 3.5 million t was in particular due to

China (2.2 million t or 12%) and the Middle East (0.8 million t or 26%). Production in the USA and Europe, both major consumption regions, also increased. Stocks of primary aluminium in LME's warehouses saw a strong increase when the crisis broke out in 2008. Since then, inventories have remained at this high level, averaging out between 4.3 million t and 5.0 million t in 2011. Around the end of the year, the inventories were roughly 5.0 million t. In total – including IAI (International Aluminium Institute) and Chinese inventories – CRU reported approximately 7.5 million t in stocks kept at the end of 2011.

#### FISCAL YEAR 2011

Of the annual sales of 581.0 mEUR (prior year: 513.4 mEUR), 380.5 mEUR are attributable to intra-group sales. These relate mainly to the supply of the casthouse and the rolling mill with aluminium primary materials, such as rolling slabs, primary aluminium and scrap materials.

The increase in sales primarily results from the higher average aluminium prices on the LME in 2011 and the higher shipment volumes from Alouette's production.

The value-creating activities of the division and thus the contributions to EBITDA consisted of the following:

- supplying aluminium primary materials for affiliates in the AMAG Group,

<sup>1)</sup> Comp. CRU (Commodity Research Unit) Aluminium Monitor, January 2012

- aluminium price risk management (hedging the AMAG Group against aluminium price fluctuations on the LME)
- management of the stake in the Canadian Alouette smelter

At 73.6 mEUR, the division's EBITDA was below the prior year's level of 75.8 mEUR; the EBITDA margin went down from 14.8% to 12.7%.

In spite of an increase in the cost of raw materials and freight charges there was an improvement in value addition at the smelter. The valuation of aluminium-price hedging instruments had a further positive effect. This development is contrasted with declines in inventory hedges and negative currency effects.

The operating profit (EBIT) declined from 52.7 mEUR to 51.0 mEUR; the EBIT margin went down from 10.3% to 8.8%.

#### ALUMINIUM PRICE RISK MANAGEMENT

The aluminium price exposure from purchases, sales and inventories of aluminium for the Rolling Division and the Casting Division is hedged by the Metal Division. For this purpose, brokers are used to enter into derivative transactions on the LME (London Metal Exchange). The two divisions are charged fees for these services at arms-length.

The Metal Division's results also depend on the term structure for aluminium. In 2011, the list price for aluminium at future dates was usually higher

than the spot price (contango), which permitted contango proceeds in the amount of 3.4 mEUR to be generated.

To stabilize the results from the investment in the Alouette smelter, the sales price for its production is hedged on the stock market by means of forward sales and options over a period of one year or longer, as long as the hedged aluminium price is above the company's expected production costs.

This largely eliminates the risk of loss while nevertheless safeguarding an opportunity of participation in any upward price trend. There is no intent to physically perform these transactions. Normally, they are closed out through hedging transactions.

#### MANAGEMENT OF THE ALOUETTE SMELTER

In this respect, the most important tasks are to procure the pro-rata portion of the principal raw material alumina (about 230,000 t) as well as to sell the primary aluminium production attributable to the Metal Division. In metal selling, the primary focus is on the creditworthiness of the customers.

#### INVESTMENTS

In the Metal Division, investments in property, plant and equipment amounted to 12.2 mEUR (prior year: 18.0 mEUR). This marked reduction by 32.2% primarily results from the fact that about 60% fewer electrolysis cells were re-lined in the smelter than in the year before.

Key figures for the Metal Division in mEUR	2011	2010	Change in %
Sales	581.0	513.4	13.2
thereof, internal sales	380.5	335.6	13.4
EBITDA	73.6	75.8	(2.9)
<b>EBITDA margin in %</b>	<b>12.7</b>	<b>14.8</b>	-
EBIT	51.0	52.7	(3.2)
<b>EBIT margin in %</b>	<b>8.8</b>	<b>10.3</b>	-
Investments	12.2	18.0	(32.2)
Employees	203 *)	7	-

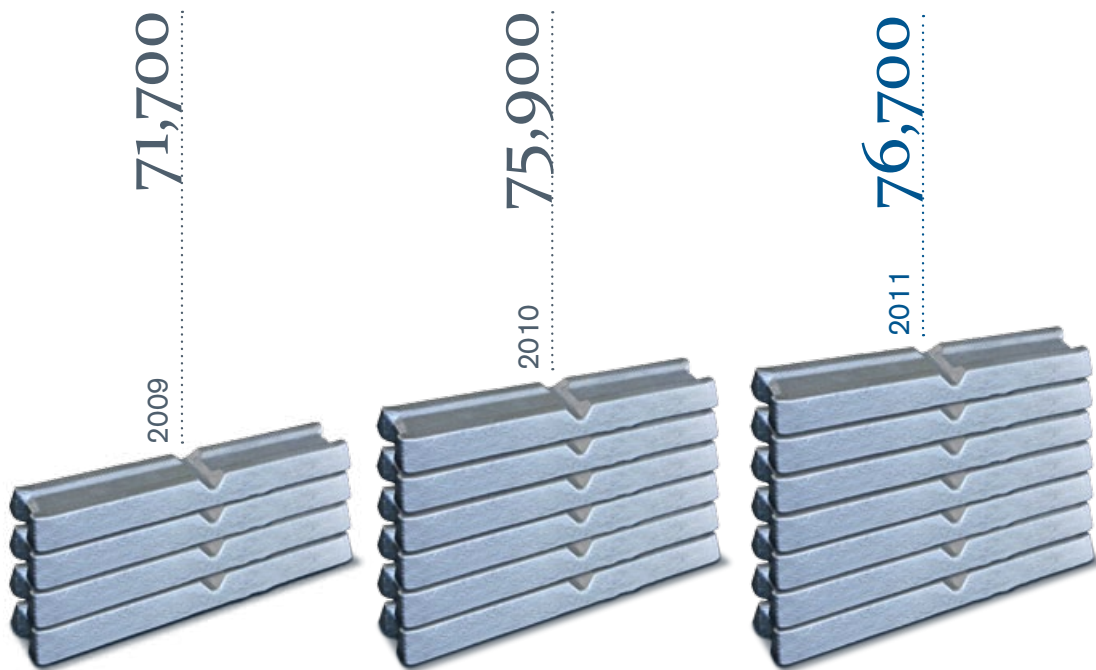
\*) In 2011 AMAG's percentage personnel share out of the 20% participation in smelter Alouette (196 employees; thereof 54 white-collar and 142 blue-collar workers) was included in the employee figure for the first time.



## **CASTING DIVISION**

**Within the AMAG Group, the Casting Division is responsible for the production, sale and ongoing development of high-grade recycling foundry alloys of aluminium made in the form of ingots, sows and liquid metal on the one hand and for the procurement and preparation of all the aluminium scrap at the Ranshofen location on the other hand.**





Shipment volumes in tons (rounded) for the Casting Division

About 260,000 tons of aluminium scrap (including internally fabricated scrap from the rolling mill) were processed in 2011 in Ranshofen. Thereof, 110,000 tons related to the Casting Division.

The foundry alloys containing an average percentage of recycled materials of over 90% are used by the automotive industry and by the mechanical engineering, electrical engineering and other sectors. From the markets perspective, the focus is on Central Europe.

The product portfolio was extended predominantly in the areas of liquid aluminium and special alloy ingots in order to further improve market differentiation and market positioning as compared to the pure commodity market.

With its premier know-how in the field of aluminium recycling and liquid-metal logistics, the Casting Division has key value to add to its customers' production. The portfolio is completed by providing advice and assistance in development with a view to the steadily increasing materials requirements, such as fewer

rejects of cast parts, improved strength at elevated temperatures, use of structural components made of recycling alloys.

This continual development and the long-term partnerships with customers and suppliers provide an ideal foundation for sustainable company development.

#### ECONOMIC ENVIRONMENT

The upturn that started in 2010 continued to steadily progress in 2011. Especially the German automotive industry increased passenger-car production as compared to 2010, by 5.7% to almost 5.9 million cars, according to the most recent estimates<sup>1)</sup> issued by the VDA (Verband der deutschen Automobilindustrie or German Automotive Industry Association). The engines driving this development were the passenger-car markets in Asia and the USA and the commercial-vehicle markets that in 2011 recovered to reach their usual levels.

In the area of liquid metal supply, the long-term partnerships forged with customers continued to develop

<sup>1)</sup> Comp. VDA press release of January 3, 2012

“A premium manufacturer like AMAG is expected to be highly innovational.

Our customers benefit from a continual supply of new product solutions.”

Dr. Helmut Kaufmann, COO

favorably, with the quality standards required to be met by the Casting Division demanding far more than compliance with logistical and technological requirements.

**FISCAL YEAR 2011**

Excellent production plant capacity utilization rates combined with stable positive margins were the foundation for the encouraging development of the Casting Division.

Sales for the division were 130.6 mEUR in 2011, up 14.1% from the prior year's level. This positive development was due to the increased aluminium price, the higher price levels and the shift towards specialties in the product mix.

In the fourth quarter of 2011, financial markets turbulences and the propagation of negative reports in the media caused a slight degree of uncertainty among customers, which made them delay purchase decisions; this led to a slight reduction in margins in the last few months of 2011.

The division's EBITDA improved by 33.7% to 7.5 mEUR in 2011 (prior year: 5.6 mEUR). The EBITDA margin was 5.8%, compared to 4.9% in the prior year. There was a clear rise in operating result (EBIT), to 5.4 mEUR (prior year: 3.6 mEUR).

**RESEARCH AND DEVELOPMENT**

In the year under review, 2011, the R&D activities of the Casting Division were focused on heat-resistant cast alloys and ductile recycling cast alloys for structural components.

One research project was aimed at optimizing the high-temperature properties by finding the optimum combination of strength and thermal conductivity by means of the variation of the alloy elements. Based on the knowledge of how the individual alloy elements interact, customers can be better advised in the area of alloy selection.

**INVESTMENTS**

In the Casting Division, investments in property, plant and equipment amounted to 2.0 mEUR in 2011 (prior year: 2.3 mEUR), and were thus slightly below the value of depreciations on assets.

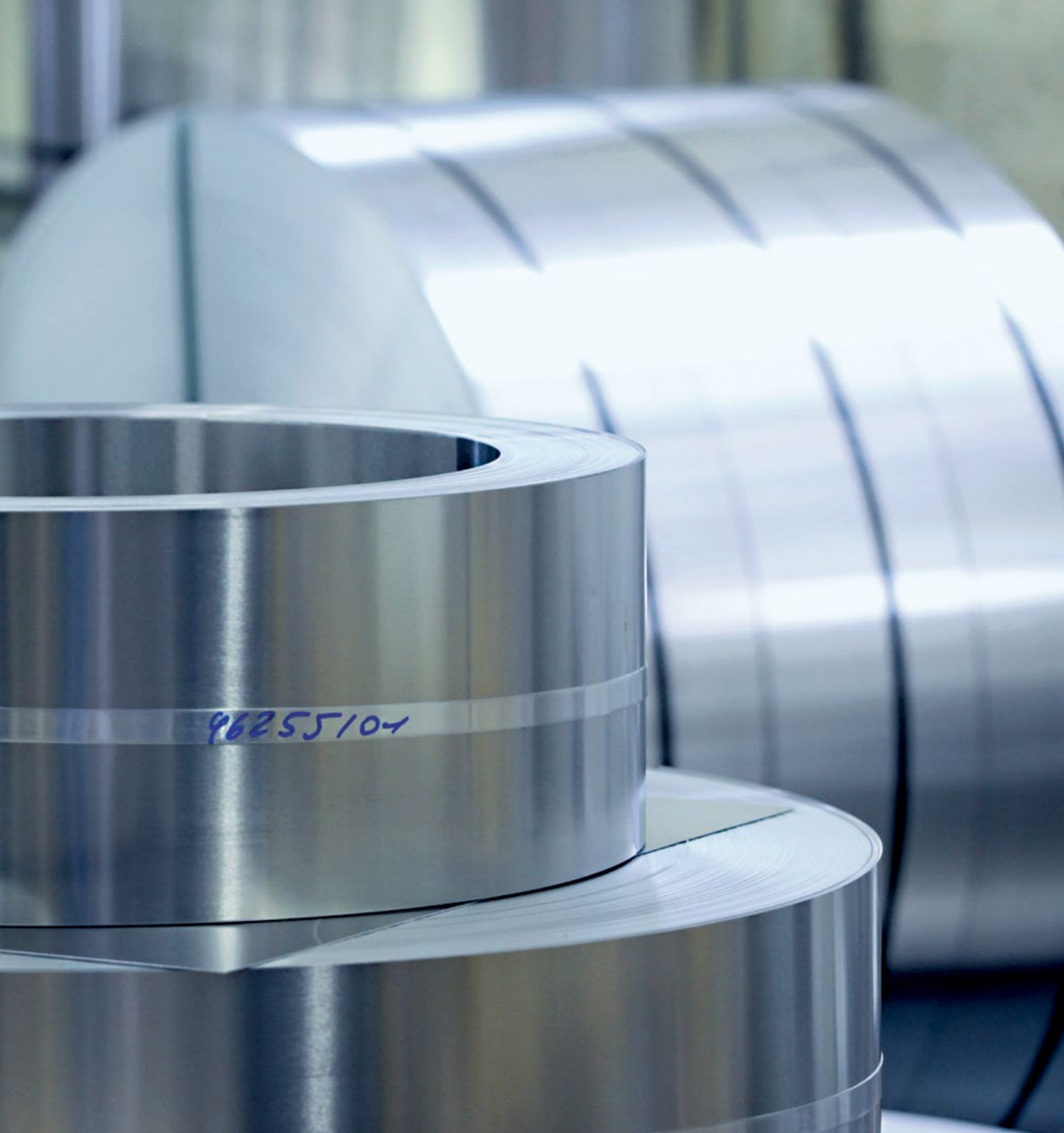
Key figures for the Casting Division in mEUR	2011	2010	Change in %
Sales	130.6	114.5	14.1
thereof, internal sales	4.7	4.9	(4.1)
EBITDA	7.5	5.6	33.7
<b>EBITDA margin in %</b>	<b>5.8</b>	<b>4.9</b>	-
EBIT	5.4	3.6	48.8
<b>EBIT margin in %</b>	<b>4.1</b>	<b>3.2</b>	-
Investments	2.0	2.3	(13.0)
Employees	116	112	3.6



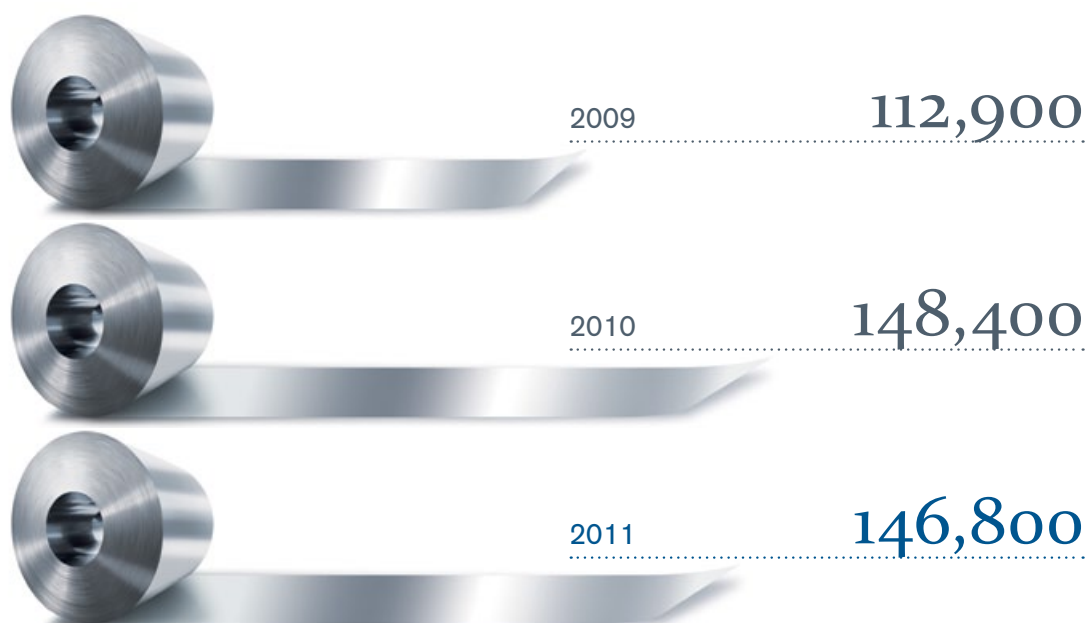
## **ROLLING DIVISION**

**Within the AMAG Group, the Rolling Division is responsible for the production and sale of rolled aluminium products (sheet, strip and plate in thicknesses ranging from 0.3 to 130 mm) and for cast and rolled precision plate. The rolling slab cast-house supplies the rolling mill with the necessary basic material, thereby enabling the mill to satisfy customer requests quickly and flexibly.**





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#### Shipment volumes in tons (rounded) for the Rolling Division

Using the latest casting technology and its distinct know-how in the area of alloys development, the casthouse also creates the metallurgical basis for the ongoing technological development of rolled products. The high input of scrap and energy-efficient production make major contributions towards environmental protection.

Offering high-strength, heat-treatable alloys, the Rolling Division's key customers include the automotive, aircraft, sporting goods and leisure industries. The division also focuses on the production of bright products, customized cathode elements for zinc electrolysis plants, brazing materials and special tread-plates.

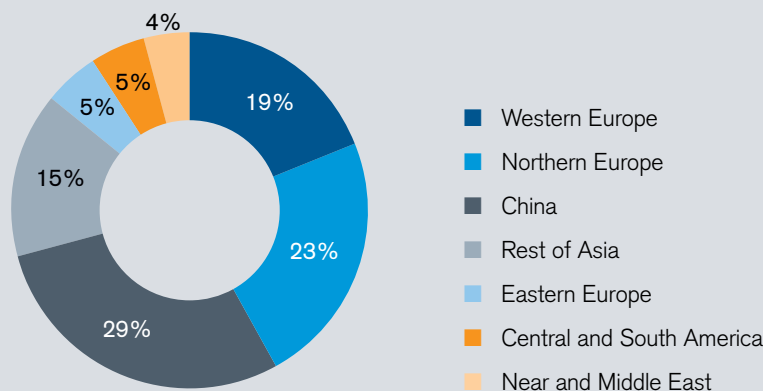
Finally, the product portfolio also includes foilstock for the packaging industry. The cast and rolled precision plates manufactured by the Rolling Division are used in the mechanical engineering and tool making sectors.

The quality of all of the products of the Rolling Division is documented by extensive certifications and accreditations received in technologically advanced areas. The company satisfies the strict company-specific specifications of the aircraft industry, particularly EADS/Airbus and Boeing.

Customer service is provided through the division's own distribution companies in the key countries of

Key figures for the Rolling Division in mEUR	2011	2010	Change in %
Sales	547.1	493.6	10.8
thereof, internal sales	60.3	53.1	13.7
EBITDA	66.7	55.0	21.2
<b>EBITDA margin in %</b>	<b>12.2</b>	<b>11.1</b>	-
EBIT	52.2	41.7	25.3
<b>EBIT margin in %</b>	<b>9.5</b>	<b>8.4</b>	-
Investments	27.5	20.4	34.4
Employees	992	947	4.8

**Regional distribution of consumption of aluminium rolled products in 2011 19.7 million tons**



Source: CRU November 2011

Germany, France, Italy, Great Britain, the Netherlands and the USA.

**ECONOMIC ENVIRONMENT**

According to the most recent estimates issued by CRU<sup>1)</sup> global demand for aluminium flat-rolled products rose to 19.7 million t in 2011, up a clear 7.2% in comparison to the prior year's value. From a regional perspective, the main engine for this growth was China, at an increase of 13.2%. Growth in Western Europe was at plus 3%. In Eastern Europe, the growth rate slightly exceeded 7%. With a 5% increase in consumption to 1.4 million t, Germany dominated the field within Europe, mainly due to the favorable development of exports by the German automotive industry and the mechanical engineering and plant engineering and construction sectors.

With reference to sectors, consumption in the area of transportation rose to 2.5 million t in 2011, thus going up 10.8%. The Rolling Division delivers sheet for vehicle body construction, bright products for decorative elements and brazing materials for coolers and heat exchangers in the passenger vehicle sector, as well as sheet and plate for the aircraft industry. In a year-on-year comparison, demand from

the construction sector increased only slightly, from 1.9 million t to 2.0 million t (+5%). Accounting for a share of 53%, the high-volume market for packaging grew from 9.4 million t to 10.1 million t (+6%).

**FISCAL YEAR 2011**

In the year under review, 2011, sales of the Rolling Division amounted to 547.1 mEUR (prior year: 493.6 mEUR), which was due in particular to the higher average aluminium price as compared to the previous year as well as to a shift in the product mix towards higher-value products. As a result of this shift in the product mix, shipments of the Rolling Division were slightly on the decline in 2011, at 146,823 t (prior year: 148,435 t). The EBITDA margin amounted to 12.2% (prior year: 11.1%).

The operating result (EBIT) improved by 25.3% to 52.2 mEUR in 2011, with depreciation, amortization and impairment losses growing 8.3% due to investments.

1) Comp. CRU (Commodity Research Unit), November 2011

#### RESEARCH AND DEVELOPMENT

In 2011, the R&D activities of the Rolling Division were characterized by increasing efforts towards lightweight construction in the transport sector. Further development work was done in particular in ultra-high-strength alloys, with the aim of increasing strength for automotive and aircraft applications.

Since December 2011 it has been possible to produce "passivated" sheet for automotive applications. In the passivation process, the natural oxide layer formed by rolling and annealing processes, which is of non-uniform thickness, cracked and contains rolled-in dirt and rolling oil residues, is replaced by a homogeneous passivation layer. The new passivation line is one of the most modern facilities of its kind worldwide.

In order to strengthen the Rolling Division's leading position in the area of clad materials, first steps towards establishing a long-term project with the Montanuniversität Leoben concerning a doctoral thesis on the topic of clad sheet materials were taken in the year under review, 2011. A cooperation project with the Vienna University of Technology was started in the form of a thesis on the topic of high-strength heat-treatable aluminium materials and coatings. Further theses deal with the simulation of microstructure developments and precipitation processes in heat-treatable alloy systems.

In 2011, extensive development work on alloys was done together with the partner based at our location, Leichtmetallkompetenzzentrum Ranshofen (LKR), in order to further increase the percentage of recycled materials used for wrought alloys.

#### INVESTMENTS

Investments in property, plant and equipment amounted to 27.5 mEUR in 2011 and thus were up 34.4% from the prior year's level of 20.4 mEUR.

Key investments were made in facilities serving to extend the product portfolio; putting into operation the new production center for cast and rolled precision plate at the beginning of 2011 and the new passivation line in late 2011 should be mentioned here.

Investments in extension projects to increase production capacities at the hot and cold rolling mill were also pushed ahead in the year under review, 2011.

The implementation of several major investments in replacement projects, such as a new coil annealing furnace, a new cutting line and a coil stretcher was started in 2011.





## SERVICE DIVISION

The Service Division comprises centrally organized services for the operating divisions of the AMAG Group at the Ranshofen location. This includes inter alia all building and area management, energy and utility supply, waste disposal, general site services, purchasing and materials management, accounting, human resources management, information technology, Group controlling and the Corporate Technology department.

Whereas, as an interface with the customer, the Rolling Division and the Casting Division produce and distribute semi-finished aluminium, the Service Division, inter alia by reliably safeguarding energy supply, waste and waste water disposal as well as building and area management, provides an important contribution to corporate success. The values of the land and buildings are also fully accounted for within the scope of the Service Division.

#### SUBSEGMENTS OF THE SERVICE DIVISION

The Service Division centers around the building and area management subsegment. It takes care of areas totaling 280 hectares (ha), of which 70 ha are built up. Its subdivisions include planning for investment and maintenance projects for all realty at the Ranshofen location, including project control, project controlling and project management.

The supply subsegment is responsible for providing adequate natural and liquefied gas, compressed air, drinking and industrial water (hot and warm water and household hot water) and electrical energy. In 2011, this covered a procurement volume of 134 MWh in electrical energy and about 30 million m<sup>3</sup> in natural gas. The procurement volume will fluctuate, depending on the product mix and shipment volumes.

The operation of all necessary technical equipment and items of infrastructure in the buildings is also the responsibility of the supply subsegment.

By contrast, the task of the waste disposal subsegment is to smoothly and properly sort, store and dispose of waste and sewage created on-site, in accordance with statutory provisions. In 2011, a total of about 2.9 million m<sup>3</sup> waste cooling water and other sewage and some 5,800 t of waste were properly disposed of. The site services subsegment comprises important infrastructure services at the location. This includes plant security, motor vehicle operation and postal and messenger services, cleaning services and bathing services. The materials management subsegment is responsible for all raw materials, consumables and supplies, except for special spare parts.

#### FISCAL YEAR 2011

The EBITDA of the Service Division amounted to 1.9 mEUR (prior year: 2.5 mEUR). The division does not report sales because these are shown under other income on account of AMAG's accounting rules. Other income amounted to 57.5 mEUR (prior year: 57.5 mEUR) and included services rendered to the other divisions and to parties outside the Group.

#### INVESTMENTS

As in previous years, most of the investments amounting to 7.2 mEUR (prior year: 5.3 mEUR) were made in infrastructure and buildings.

<b>Key figures for the Service Division in mEUR</b>	2011	2010	Change in %
Sales	0.0	0.0	-
thereof, internal sales	0.0	0.0	-
EBITDA	1.9	2.5	(24.6)
<b>EBITDA margin in %</b>	-	-	-
EBIT	(5.0)	(4.2)	20.2
<b>EBIT margin in %</b>	-	-	-
Investments	7.2	5.3	36.6
Employees	111	109	3.7

# KEY FINANCIAL PERFORMANCE INDICATORS

## RETURN ON CAPITAL EMPLOYED

ROCE (Return on Capital Employed) is defined as the relationship between the net operating profit after taxes (NOPAT) and the average capital employed expressed as a percentage adjusted for net interest income and the taxes attracted by it.

Therefore, ROCE measures the profitability of the business relative to the average capital employed in a fiscal year. The latter consists of average equity plus average net debt (non-current and current interest-bearing financial liabilities less cash and cash equivalents and current securities).

The AMAG Group's return on capital employed was 17.5% in 2011, compared to 16.9% in the prior year.

In a year-on-year comparison, the NOPAT was 16.6% higher, and the average capital employed was approximately 12.4% higher.

## RETURN ON EQUITY

ROE (Return on Equity) is the ratio between net income after taxes and average equity expressed as a percentage and measures profitability relative to the average equity employed during the fiscal year.

Like the ROCE, the return on equity increased, climbing from 14.9% in the prior year to 16.7% in the year under review just ended, 2011. This positive development was due to a higher net income after taxes having been generated in 2011.

Calculation of ROCE and ROE (in mEUR)	2011	2010
Net income after taxes	88.1	75.7
Interest income (expenses)	(5.0)	(4.2)
Tax on interest income	1.3	1.1
<b>NOPAT</b>	<b>91.9</b>	<b>78.8</b>
Equity <sup>1)</sup>	528.4	506.9
Non-current interest-bearing financial liabilities <sup>1)</sup>	36.3	32.0
Current interest-bearing financial liabilities <sup>1)</sup>	23.2	20.8
Cash and cash equivalents <sup>1), 2)</sup>	(63.3)	(93.1)
<b>Capital employed <sup>1)</sup></b>	<b>524.6</b>	<b>466.6</b>
<b>ROCE in %</b>	<b>17.5</b>	<b>16.9</b>
Net income after taxes	88.1	75.7
Equity <sup>1)</sup>	528.4	506.9
<b>ROE in %</b>	<b>16.7</b>	<b>14.9</b>

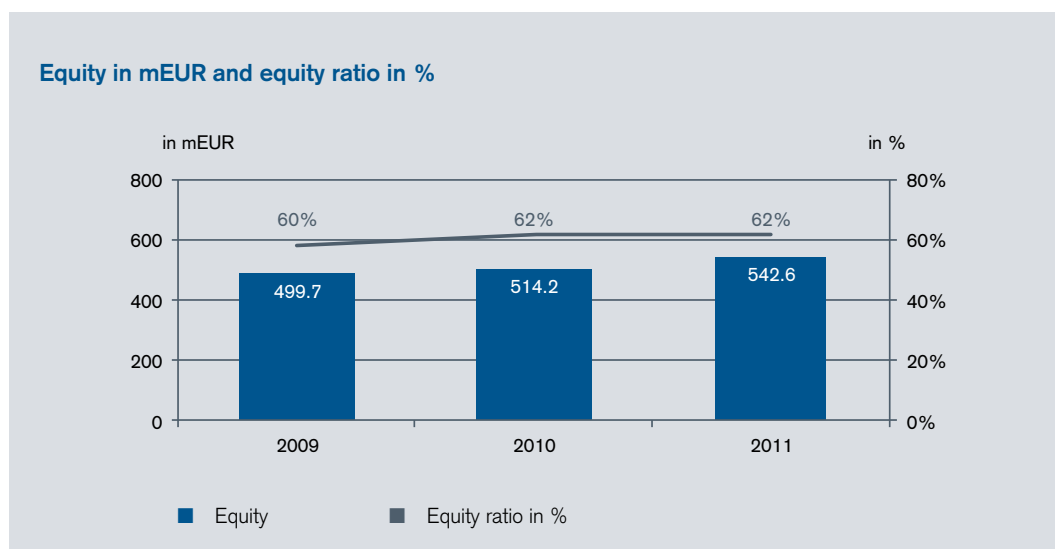
1) Average for the year

2) Liquid funds and financial receivables



**EQUITY RATIO**

The equity ratio is the ratio of equity to the total of equity and liabilities. At 62.0%, the equity ratio of 2011 is unchanged from the previous year.



**NET FINANCIAL DEBT**

Net financial debt is calculated as the balance of liquid funds plus financial receivables minus financial liabilities.

At the end of 2011, net financial debt was negative, at 13.0 mEUR; at the end of 2010, it showed a positive value of 4.7 mEUR.

# HUMAN RESOURCES

**In 2011 AMAG again succeeded in positioning itself as an attractive employer.**

## FACTS AND FIGURES

The positive business trend of the AMAG Group continued in 2011. As a consequence, the total number of employees (including apprentices) increased by 2.8% to 1,344 working at the Ranshofen location at year-end. A yearly average of 1,422 employees (full time equivalent) worked for the AMAG Group in 2011. The relative number of employees in each of the divisions was as follows: Metal 14%, Casting 8%, Rolling 70%, and 8% of employees worked in the holding and services segments. In a breakdown by regions, most of the personnel are based in Austria.

As a consequence of the highly industrial nature of our business, more than two thirds of the workforce are employed in production. Female employees continued to make up 12% of the headcount.

Through the AMAG Employees Private Foundation, as core shareholder of AMAG, the Austrian employees participate in AMAG's corporate success. The Employees Private Foundation holds 3.9 million shares or 11.1% of the shares in AMAG.

## PERSONNEL DEVELOPMENT

In the year under review, 2011, the Human Resources department, despite the tense situation in the job

market, increasingly succeeded in positioning the AMAG Group as an attractive employer and hiring or training the skilled personnel required for long-term corporate success. Therefore, heavy emphasis is placed on supporting employees through targeted advanced-training and continuing-education measures.

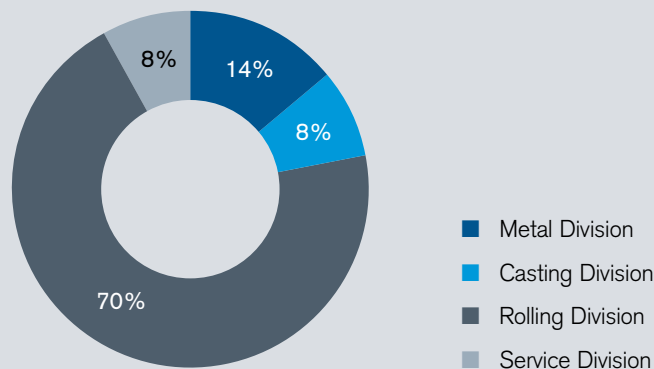
Performance review meetings not only form the basis for the employees' personal development but also boost the corporate climate and make a major contribution to the corporate development of the AMAG Group.

Special attention is also directed to the youngest employees in the company - our apprentices. The training provided to apprentices in the AMAG Group combines theory and practice. Currently, AMAG is training 68 apprentices in 9 different vocations. 59 of these 68 apprentices are pursuing blue-collar vocations. The share of female apprentices is 20%. The results of the final apprenticeship examinations in 2011 were very positive. 15 of 23 apprentices completed their apprenticeships with excellent or good results.

## AN ATTRACTIVE EMPLOYER

A very low level of fluctuation of less than 3% at a relatively long tenure - 13 years on average - and an

Employees by division



average age of about 38 years speak volumes and clearly show that AMAG is an attractive employer. Low fluctuation prevents unnecessary loss of expertise and forms the basis for a long-term strategic HR policy in the AMAG Group.

The compensation systems in the group are performance-oriented and merit-based, and AMAG attaches particular importance to all employees being offered the same opportunities. Flexible working-time models, such as the opportunity for shift workers to also benefit from flexi-time, both provide for more flexibility and boost the employees' sense of responsibility for their co-workers and the company. At the same time, such models make it easier for the company to adapt to the various challenges posed by the market.

Goal-oriented HR development going hand in hand with modern working-time management and with remuneration that is adequate to performance are factors that make the AMAG Group an attractive employer and contribute to our corporate success.

**CONTINUOUS IMPROVEMENT PROCESS (CIP)**

The CIP-process is a central component of the AMAG Group's corporate policy. The objective is to benefit from the specific experience and individual creativity of each individual employee. All processes are optimized on an ongoing basis by continuously improving all processes in terms of quality, cost and time and consistently avoiding waste. Of course, the human factor has a high priority as well. Improvements in workplace safety and working conditions as a whole are equally important results of the CIP-process.

The trend in the number of suggestions submitted is steadily positive. From about 8,550 suggestions in 2010, an increase to 9,553 was recorded in 2011. This is equivalent to approximately 7.5 suggestions per employee (prior year: approximately 7). The AMAG Group thus maintained its top position in the company suggestion scheme ranking and proved that continuous improvement on a very high level is possible.

**HEALTH AND WORKPLACE SAFETY**

AMAG's health promotion plan comprises various measures that are intended to prevent work-related

illnesses, to develop and strengthen our employees' health potentials, and to enhance well-being at the workplace.

The AMAG Group is certified compliant with the "Occupational Health and Safety Assessment System" (OHSAS) 18001 standard in respect of its health and occupational safety systems. The standard provided by the OHSAS for assessing a company's health and occupational safety system is much higher than the conditions imposed by law. To supplement the examinations for various work-related influences, we have the "AMAG Vital Check" scheme in place. Under this check-up plan, additional examinations, which change every year, are offered in addition to detailed diagnostic assessment. The employees are given ample advice on any risk factors present and the findings are documented in the so-called "AMAG Vital Pass".

Furthermore, all employees have the opportunity to receive financial support for individual health-promoting measures by means of the "AMAG Vital Scheck" vouchers given out every year.

As physical stresses and strains tend to become less while psychological ones are on the rise in our modern work world, the AMAG Group increasingly addressed this subject in the past year. Information events for senior managers and presentations addressed to the employees are also aimed at strengthening the workforce's health resources.

In the year 2011, AMAG again won the seal of approval "Gütesiegel für die Betriebliche Gesundheitsförderung" awarded by the Province of Upper Austria for three years to promote company health programs.

Workplace safety is the AMAG Group's highest priority. In line with this priority, it offers training sessions and appropriate technical and organizational measures. Hours of absence markedly decreased to 3,244 h this year (prior year: 4,580 h).

The TRI Rate (Total Recordable Injuries), calculated based on the number of all injuries that received medical treatment per 1 million productive hours, was 36.5 in 2011 (prior year: 39.2).

# CORPORATE SOCIAL RESPONSIBILITY

## GENERAL COMMENTS

For the AMAG Group, sustainability means development that satisfies the present generation's needs without jeopardizing the possibilities for future generations to satisfy their own (WCED–World Commission on Environment and Development). It therefore involves "economic" aspects in the sense of economic goals, "environmental" aspects in the sense of protecting the natural environment for sustaining life, and "social" aspects in the sense of justice for current and future generations. These aspects are not necessarily compatible, and reconciling them always requires a careful balance.

As an internationally active company, the AMAG Group recognizes a duty to contribute to society by providing goods and services in an environmentally efficient manner. The Code of Ethics of the AMAG Group, which was revised in December 2011, is an important step towards that goal.

## ECONOMIC RESPONSIBILITY

Operating a business involves closely weighing strategic and operational risks and opportunities. These risks and opportunities are assessed through systematic risk management.

The Group-wide compliance directive, which was updated in August 2011, was applied in all divisions of the AMAG Group. For several years, a fair competition compliance program has been in place throughout the Group, ensuring that all divisions satisfy fair competition principles and rules promulgated by the EU antitrust authorities.

AMAG's quality management ensures the continuous refinement of our quality standards as well as those of our suppliers. AMAG has received ISO 9001:2000 certification and is certified compliant with the most important norms and standards of our customer sectors.

## ENVIRONMENTAL RESPONSIBILITY

The company is certified compliant with the ISO 14001 international environmental management standard and thus is committed to environmental responsibility as part of the business approach, by adhering to the following principles:

- Regard for and minimization of potential environmental risks in the selection of production technologies
- Use of environmentally friendly materials and substances in the product portfolio
- Use of every opportunity to reduce air, soil and water pollution and to reduce greenhouse gas emissions and waste through appropriate measures
- Maximized use of low-impact and environmentally friendly technologies while continuously optimizing the material inputs.

The company places great emphasis on the continuous optimization of input materials consumption. Measures to minimize the consumption of electricity, natural gas and water constitute a major success factor. We also continuously monitor emissions and waste reduction and disposal.

One of the leading aluminium recycling enterprises in Europe, the AMAG Group consistently pursues the goal of creating closed-circuit material flows. Only approximately 5% of the energy needed for the production of primary aluminium from alumina is required for the recycling of aluminium.

Aluminium scrap thus constitutes a valuable raw material and huge quantities of it are recycled in the western world. As - thanks to the application of up-to-date melt purification technologies - the metal's properties remain constant in terms of quality during re-melting it can be re-used any number of times. Aluminium is therefore an ideal material for recycling.

Global recycling rates are thus already at up to 90% in the transportation sector and construction industry and at over 60% for beverage cans.

The aluminium obtained through the equity interest in the Canadian Aluminerie Alouette smelter is produced entirely by using energy from hydro-electric power. Consequently, the CO<sub>2</sub> emissions from Alouette's aluminium production are below the average level. Applying up-to-date recycling technology also minimizes energy consumption at the Ranshofen location. Furthermore, optimizing the rolling and heat treatment processes ensures lower energy consumption, reduced CO<sub>2</sub> emissions and better product properties.

The AMAG Group's environment management system requires each employee to act in an ecologically responsible manner. The employees also make valuable contributions through the CIP and Total Productive Maintenance (TPM) program, a continuous group project directed towards preventive maintenance of production equipment. The improvements in safety devices that have been developed here prevented the vast majority of accidents that result in environmental damage in the year under review, 2011.

**SOCIAL RESPONSIBILITY**

The companies of the AMAG Group take comprehensive steps to support human rights. Ensuring that also our suppliers prevent discrimination and rule out child labor and forced labor is an integral part of the management guidelines.

“By investing considerable amounts in our facilities in terms of safety technology we have reduced the risk of accidents at the workplace.”

Dr. Helmut Kaufmann, COO

The group's management guidelines strictly prohibit discrimination on the basis of race, origin, religion, disability, gender, sexual orientation, political beliefs or union membership, and this has become a matter of course.

As a major employer in the Innviertel region of Upper Austria, AMAG also values the importance of being good neighbors in the areas where its sites are located and actively assumes social responsibility by sponsoring activities, primarily in areas such as sports, culture, education and social affairs.

As a educational partner for several higher-level technical schools and through its ongoing support for school events, AMAG promotes training and education on a regional basis. Examples of projects supported financially within the framework of the annual social initiative are the "Gesund-Zeit" (Health-Time) project promoted by the students of the center for social pedagogy in Braunau or the provision of daycare for senior citizens in Braunau am Inn that are afflicted by dementia.

# RESEARCH AND DEVELOPMENT

As an international industrial enterprise, the AMAG Group recognizes that innovation - the ongoing effort to improve our products, services and production processes - is a key factor in the success of our business activities. This applies not only to technical and economic aspects, but also increasingly to environmental ones, which are reflected in efforts towards the maximum possible use of recycling material in high-quality wrought and cast aluminium materials. One of the greatest business challenges we face, therefore, involves creating the proper framework, and in particular the right corporate culture, to promote innovation throughout all Group entities.

Research and development are conducted on an inter-company basis as part of CT (Corporate Technology) projects, very often in the form of joint projects with key global customers. Collaboration with international universities and research institutions ensures access to the most current research findings and state-of-the-art scientific methods and investigatory procedures.

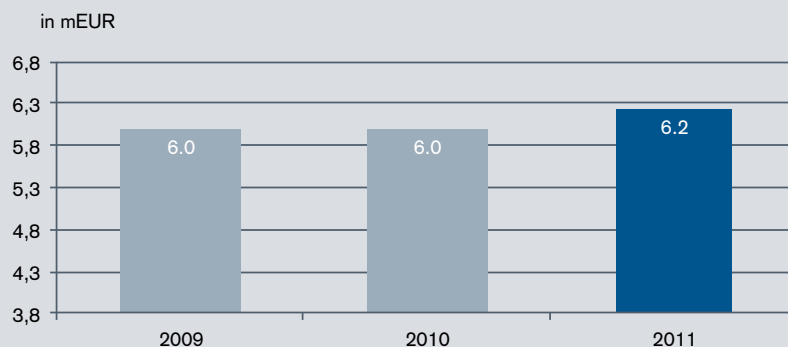
In 2011, research and development expenditures were 6.2 mEUR (prior year: 6.0 mEUR). Of this amount, about 5% fall upon the Casting Division, 93% upon the Rolling Division and 2% upon the Service Division.

A total of approximately 95 employees worked in R&D/ innovation positions in 2011. Of these, roughly 60 people (full-time equivalent) worked in pure research.

The creative potential of the Group's employees is supported and exploited through targeted programs for continuous process improvements (CIP) so that new ideas are systematically gathered and pursued.

In addition to long-term research and development projects with university partners, 2011 was characterized by intensive efforts to support ambitions towards lightweight construction in the automotive sector and to achieve additional aviation approvals, sustained improvements of production processes, and preparatory development work for investment projects. Apart from long-standing cooperation with the university and public research partners Montanuniversität Leoben, ETH Zurich and Leichtmetallkompetenzzentrum Ranshofen, new projects have been set up with the Vienna University of Technology and the Brno University of Technology.

**Research expenditures of the AMAG Group (in mEUR)**



# RISK MANAGEMENT AND BUSINESS OPPORTUNITY REPORT

The AMAG Group's systematic risk management system is an integral part of its business activities, and it identifies, assesses and controls all material risks and opportunities. Risks are to be recognized early on and addressed proactively whenever possible in order to minimize them as much as possible. Similarly, business opportunities should also be exploited in a targeted manner. In that respect, a balanced risk and opportunities management system represents a major success factor for the Group.

## RISK MANAGEMENT SYSTEM

The risk management of AMAG is oriented towards securing sustained, positive growth in the asset, financial and earnings positions, as well as a long-term increase in the value of the Group as a whole. The system is primarily based on

- the regulation of operating processes by means of group-wide directives, in order to assure the recognition, analysis, valuation and communication of risks, and thus active control of the handling of risks and opportunities,
- on actively hedging against specific risks (the volatility of aluminium prices), and
- on the covering of certain risks by means of insurance policies as part of a comprehensive insurance concept.

Risks at all levels of the hierarchy are controlled based on these directives. An institutionalized process is in place to annually review the strategic risks and perform any required reorientation.

In addition, an external auditor performs incident-driven reviews of the functioning of the internal control system with respect to selected corporate divisions.

## INTERNAL CONTROL SYSTEM

The AMAG Group's internal control system is oriented on the standards of the internationally established rules for internal control systems (COSO - Internal Control and Enterprise Risk Managing Frameworks of the Committee of Sponsoring Organizations of the

Treadway Commission). The system's goal is to have the respective management units deliberately recognize and control latent risks.

## MAIN CHARACTERISTICS OF THE INTERNAL CONTROLLING AND RISK MANAGEMENT SYSTEM FOR ACCOUNTING AND FINANCIAL REPORTING

The Management Board is responsible for implementing a suitable internal controlling and risk management system for the accounting process and financial reporting. For this purpose, the Management Board has issued binding regulations and guidelines to be applied for the main business risks and the financial reporting process throughout the Group.

The accounting department, which includes financial accounting, reports directly to the Management Board. Suitable organizational arrangements ensure that the legal requirements to make complete, correct, timely and orderly entries in the books and other records are met. The entire process from procurement to payment is subject to strict rules and directives that are intended to avoid any risks these processes may entail.

These measures and rules include separation of functions, signature authorization procedures and signatory powers for authorizing payments, which are granted on a collective basis only and restricted to a small number of employees, as well as system-supported checks by the software in use (SAP). The financial accounting systems in use consist mainly of standard software that is protected against unauthorized access.

The group-wide financial controlling system reports directly to the Management Board, and its employees fulfill all of the technical qualifications. The standardized, group-wide financial reporting that takes place in this context keeps management informed of all relevant issues. The Supervisory Board of Austria Metall AG is informed of current business developments in Supervisory Board meetings held at least once every quarter, including operative planning and

the medium-term strategy of the Group, with direct and immediate information being provided to the Supervisory Board in special cases. Internal control and risk management are among the topics addressed in audit committee meetings.

### PERSONNEL RISKS

The AMAG Group places great importance on promoting the occupational safety and health of its employees, whose competence and commitment are a major factor in the success of the AMAG Group. To secure and strengthen these factors, the AMAG Group has positioned itself as an attractive employer, which is strengthened by the employees' participation in the company. This position is supported by a performance-based compensation system, training and continuing education programs, early identification and development of employees with potential, and an attractive incentive system for management employees.

### OPERATIONAL RISKS

#### Risks from technological developments

For technologically advanced sectors such as the aircraft industry and automotive engineering or for high-strength materials used in sporting goods and leisure applications, the risk exists that aluminium could be replaced by the development of alternative "lightweight" materials having comparable properties - carbon fiber, plastics, magnesium and advanced steels. The AMAG Group attempts to combat this potential risk by carefully observing the market and doing development work together with its customers and by continuously improving the properties of the aluminium materials offered.

### ELEMENTAL RISKS

Selected measures are taken to minimize elemental risks based on the respective requirements.

- Fire prevention: implementation of structural, technical and organizational measures, adapted to each potential hazard. Examples include fire zones, fire alarm systems, carbon dioxide fire protection systems, company fire departments

and fire insurance policies.

- Accident prevention: workplace evaluations and improved workplace layout, identification of near accidents, and development of preventive measures; regular employee training.
- Flood and other elemental risks: continuous adjustments to preventive measures.

### Production-related risks

Within the value-adding process, the operating companies of the AMAG Group are exposed to the risk that operations will be interrupted and to risks related to quality and workplace safety. These risks are largely avoided through the company's comprehensive procedural instructions in the areas of production, quality and workplace safety and through the high degree of employee initiative fostered by the CIP-process. The risk of machinery failure is countered by systematic preventive maintenance of equipment and ongoing TPM (Total Productive Maintenance) activities. In addition, revamping and replacement investments are planned on a long-term basis. Additional protection is provided by insuring against machinery failure.

### Information-processing risks

In this sensitive area, the company's primary focus is on data security, system compatibility, protection against unauthorized access, operating reliability and system efficiency. The Chief Information Officer is responsible for group-wide control of IT activities based on the IT directive.

The intent of the standards set forth in this directive is to ensure that IT services meet requirements with respect to availability, reliability, disaster tolerance and response time and that human and product resources are used effectively and efficiently in providing IT services.

In addition, AMAG has implemented security and user authorization plans. Back-up computer centers are available to reduce the risk of a system failure caused by defective hardware, data loss, or tampering.



**The risks of inadequate monitoring and fraudulent action**

An extensive internal control system has been established for the early detection, monitoring and avoidance of risks. The system has adequate instruments and procedures for the avoidance and early detection of and a meaningful response to any risks that may materialize.

**BUSINESS RISKS**

**Purchasing risks**

The price and availability of electricity and alumina could present a major risk to the smelter in which AMAG owns an equity interest, although this is limited through long-term supply contracts. At the casthouses, the main risk involves the potential lack of scrap in sufficient quantity or quality. This risk is minimized through framework agreements with scrap dealers and larger recycling centers as well as through internationally diversified sourcing. The additionally required primary metal in the form of ingots or sows is a liquid commodity, and is procured through annual contracts with well-known suppliers that have long-standing business ties with the company.

The rolling mill largely obtains its rolling slabs from its own casthouse in Ranshofen. To secure the remaining quantities, agreements have been negotiated with well-known international partners. In general, the materials purchasing risk can thus be considered to be minimal.

**Sales risks**

The AMAG Group's broadly diversified product range and its expertise ensure its independence from a few large-scale buyers.

The Casting and Rolling Divisions seek to keep the percentage of total sales to the ten largest customers below 70% and to the largest customer below 20%.

The corporate policy of minimizing sales risks is supported through the use of long-term framework agreements with key customers. At the same time, we continue to expand the Group's product range

and markets in attractive premium niches where innovative solutions and the highest quality are in demand. The AMAG Group supplies customer sectors that have medium cyclical exposure, such as the transportation and sporting equipment industries, along with customers in cyclical industries such as construction, air transportation, automotive manufacturing, and automotive supply. The company mitigates this risk by focusing consistently on premium products and through its broad range of customer sectors. AMAG secures close ties to its large accounts through long-term agreements, joint development projects and strong customer support. The foundry's liquid aluminium deliveries help to foster much greater customer loyalty. The price of primary aluminium is actively hedged on the London Metal Exchange (LME) as part of risk management.

**Antitrust law and capital market risks**

The AMAG Group is fully committed to upholding the rules of fair competition and to fair contracts with its business partners. All company employees are obligated to adhere to the principles and rules of fair competition and to comply with EU and domestic antitrust laws.

This commitment to compliance with antitrust laws has been institutionalized through the introduction of an appropriate directive.

**Risks related to research and development**

The general increase in protected intellectual property rights - spurred in particular by the increasing consolidation of the aluminium industry - poses a risk for development work.

To clarify this potential risk, the status of domestic and international research must be assessed and documented during the preparation and planning phases of development projects, including the impact on the competitive situation and the status of intellectual property rights. Internal technical risks and the impact of a project's success or failure on AMAG's economic situation must also be described in the project proposal. An R&D steering committee consisting of

**AMAG's comprehensive risk management system is an integral part of its business activities.**

AMAG's top management and an independent panel of experts regularly assesses project proposals and subsequent progress. The objective is to minimize the risk of project failures.

#### **Environmental risks**

The risk of the materialization of environmental risks is minimized through certified environment management systems at the group affiliates that have risk potential. Rising costs for environmental protection measures are partially offset by savings on energy and waste disposal costs due to the use of modern equipment. Inherited contamination from earlier use of the business premises in Ranshofen has been eliminated through rapid implementation of remediation measures or hedged by forming provisions.

#### **Legal risks**

The AMAG Group takes an active part in the markets of a wide range of countries. It monitors the relevant legal provisions and proposed laws so it can react in due time to changes in the legal environment.

Risks arising from potential losses under product liability are eliminated as much as possible through quality control measures. Any residual risks are largely covered by company liability insurance policies, in cases where a risk has not been eliminated in advance through contractual agreements. To this end, the company has standard supply and sales terms for customers and standard purchasing terms for suppliers.

#### **Financial risks**

As a producer and processor of aluminium, the AMAG Group is subject mainly to metal price risks and currency risks. Aluminium is traded in U.S. dollars on the LME, and the volatility of aluminium list prices and the dollar exchange rate would have a direct effect on the AMAG Group's sales and earnings positions without appropriate hedging measures. Binding Group guidelines on "Metal Management"

and "Finance" provide procedures to fully record these two main risks and limit them through the use of derivative financial instruments.

To stabilize the results from the investment in the smelter, the sales prices of some of the production have been hedged by means of forward sales and options until 2014. The objective is to largely eliminate the risk of selling below production costs and to reduce earnings volatility.

The AMAG Group is generally fully hedged at the downstream production stages, and this eliminates any risk from aluminium price fluctuations. The metal management department of AMAG metal GmbH centrally records all inventories and sales and purchases of semi-finished and casthouse products and scrap held or made by the operating companies and determines the open positions on a daily basis. An important aid is the "Metal Book", an in-house development implemented in SAP.

All of the open positions are immediately hedged against metal price risk through contracts with brokers and investment banks. In divergence from this, sales of secondary aluminium are hedged by physical scrap purchases. The market price risk of these hedging transactions is fully offset by movements contrary to the underlying transaction. As of the balance-sheet date, all underlying and hedging transactions contained in the Metal Book are valued based on the market.

Precautions are taken with respect to the potential capital lockup associated with the hedging activities (liquidity risk) through liquidity reserves and bank guarantees. The financial risk that counterparties for futures with a positive market value will not perform is limited by carefully selecting international banks and brokers and an agreed-upon limit policy for purposes of risk spreading. Long-term interest rate swaps were used to hedge the interest rate on the US-dollar

“We are generating high operative cash flows that provide for future growth and stable dividends for the benefit of our investors.”

Gerald Mayer, CFO

denominated loans taken out for the expansion of the Canadian smelter Alouette.

The operating companies of the AMAG Group limit the risk of default on receivables by taking out credit insurance and bank guarantees, such as sureties and letters of credit.

The risk with respect to bank balances is considered small. The market value of the liquid funds, current receivables and liabilities generally corresponds to the book value due to the short maturities.

AMAG Austria Metall AG provides working capital financing to all the business divisions of the AMAG Group. It provides adequate liquidity in the AMAG Group based on liquidity forecasts. A central clearing house provides daily intra-group financial equalization for the companies. Any financing of investments and exports is provided and controlled by AMAG Austria Metall AG. To the extent there is no natural balancing out of exchange rate risk through incoming and outgoing payments in the same foreign currency, foreign currency positions are hedged by Austria Metall GmbH through forward foreign exchange transactions and options transactions. Therefore, the remaining currency risk is considered minimal.

**BUSINESS OPPORTUNITIES**

AMAG Austria Metall AG as a holding company holds all shares and interests in the AMAG Group. The operative business is conducted by Austria Metall GmbH and its subsidiaries.

The AMAG Group focuses consistently on premium products and niches, but also has a diversified, high-value range of products and services for a broad range of customer segments.

As a leading provider of innovative technologies, the AMAG Group is also flexible enough to provide customers with rapid, customized solutions. AMAG is

positioned to take advantage of change-driven opportunities early on and is very well insulated against cyclical fluctuations thanks to its broadly diversified customer base. Particularly in a turbulent economic environment, the Management Board sees the strategic orientation and positioning combining primary aluminium from Alouette with high-grade rolled products and recycling foundry alloys from Ranshofen as a successful combination of stability and long-term growth opportunities in attractive markets.

AMAG's integrated facility with casthouses and rolling mill combined with its proximity to the major industrial regions of southern Germany and Austria facilitates technological advances and close customer support, especially in the liquid metal supply business. With its two casthouses, the Ranshofen site has melting technologies for nearly all forms of scrap, along with considerable know-how for scrap sampling and facilities for scrap preparation. The excellent technological competencies for surface treatments, cladding and heat treatment of rolled products create further growth opportunities in profitable segments such as bright products, high-strength materials for sporting industry applications, and brazing materials and cathode sheets. The Canadian company Aluminerie Alouette Inc., in which AMAG holds a 20% equity interest, is among the most efficient aluminium smelters, with advantageous electricity price agreements through 2029.

# DISCLOSURES CONCERNING SEC. 243A PARA. 1 OF THE COMMERCIAL CODE

Pursuant to sec. 243a of the (Austrian) UGB (Commercial Code), the following information has to be disclosed:

1. The capital stock of AMAG Austria Metall AG amounts to EUR 35,264,000 and is made up of 35,264,000 non-par-value shares, each representing a pro-rata value of the capital stock of EUR 1. All shares have the same rights and duties attaching to them. Every share grants one vote at the shareholders' meeting. There are no different classes of shares.

2. Any and all shares acquired by Raiffeisenlandesbank Oberösterreich Aktiengesellschaft, by the AMAG Employees Private Foundation, as well as by the Management Board and senior management in the course of the IPO are subject to a prohibition of sale and/or transfer ("lock-up") for a period of 12 months or 360 days from the date of admission. The Management Board has no knowledge of any other restrictions of this kind.

3. Immediately after the IPO, the structure of direct or indirect holdings of equity interests amounting to at least ten percent was as follows:

CP Group 3 B.V.	34.1%
Raiffeisenlandesbank Oberösterreich Aktiengesellschaft	11.5%
AMAG Employees Private Foundation	11.1%

No changes to the share quotas have been announced since the IPO of April 8, 2011.

4. There are no shares with special control rights attaching to them.

5. The voting rights attaching to the shares held in AMAG Austria Metall AG by the AMAG Emplo-

yees Private Foundation are exercised by the management board of the AMAG Employees Private Foundation, which consists of three members. The manner in which the voting right is exercised requires the consent of the advisory board of the AMAG Employees Private Foundation, though. Decisions are taken in joint meetings of the management board and the advisory board. Approving resolutions are adopted with a simple majority. The advisory board is composed of three members, who are nominated by the group-wide works council. The chairman of the management board has the casting vote in case of a tie. The Austrian employees of the AMAG Group are the beneficiaries of the Private Foundation.

6. Resolutions to modify or amend the Articles of Association of the company may be adopted with a simple majority of votes and capital unless a larger majority is mandatorily prescribed by law. A simple majority of votes is required to remove members of the Supervisory Board from office before the end of their term.

7. By resolution of the shareholders' meeting of AMAG Austria Metall AG of February 24, 2011, the Management Board of the company was authorized pursuant to sec. 169 of the (Austrian) AktG (Stock Corporation Act) to increase, within five years from the entry of the resolution in the commercial register, i.e., by March 8, 2016, with the consent of the Supervisory Board, the company's capital stock by up to EUR 15,000,000 by issuing up to 15,000,000 non-par-value bearer shares in one or several tranches, also to the full or partial exclusion of the existing shareholders' subscription rights, against cash payment or contributions in kind, and to fix the issue price, which must not be lower than the pro-rata amount of the current

capital stock represented by each non-par-value share, as well as the other issuing conditions by mutual agreement with the Supervisory Board (authorized capital as defined in Article 4 para. 5 of the Articles of Association). A portion of the authorized capital was used to increase the capital stock by 5,264,000 shares in the course of the IPO. By resolution of the shareholders' meeting of AMAG Austria Metall AG of March 21, 2011, the Management Board of the company was authorized pursuant to sec. 174 of the Stock Corporation Act to issue, within five years from the adoption of the resolution, i.e., by March 20, 2016, with the consent of the Supervisory Board, convertible bonds which also grant or provide a right to exchange them for and/or subscribe to up to 15,000,000 non-par-value bearer shares representing a pro-rata amount of the capital stock of up to EUR 15,000,000, in one or several tranches, also to the full or partial exclusion of the existing shareholders' subscription rights. The determination of the relevant issue price and the exchange ratio, for which the help of expert third parties may be enlisted, has to be made in accordance with accepted finance-mathematical methods and in accordance with the stock exchange price of the shares of the company, while safeguarding the interests of the company, the existing shareholders and the subscribers to the convertible bonds. The issue price and all other issuing conditions, as well as the possible (even partial) exclusion of the existing shareholders' subscription rights, have to be established by the Management Board with the consent of the Supervisory Board.

For servicing exchange rights and/or subscription rights resulting from convertible bonds that are issued on the basis of the authorization provided by the resolution of the shareholders' meeting of

March 21, 2011, the capital stock of the company was conditionally increased in accordance with sec. 159 para. 2 sub-para. 1 of the Stock Corporation Act. This means that a conditional capital increase may be performed only to the extent that the creditors of the convertible bonds avail themselves of their right to exchange them for and/or subscribe to shares of the company (conditional capital according to Article 4 para. 6 of the Articles of Association). Ultimately, the total of the number of new shares to be issued, actually or potentially, according to the conditions of the convertible bonds plus the total of the shares to be issued from the authorized capital must not exceed 15,000,000 shares.

8. Three long-term financing contracts entered into by the company with national and international credit institutions contain so-called change-of-control clauses. In the event of a change of control occurring in the company, the creditor banks have the right to demand repayment. Except for the contracts mentioned, there are no significant agreements involving AMAG Austria Metall AG that would enter into effect, change, or end in the event of a change of control in AMAG Austria Metall AG taking place as a result of a takeover bid.
9. AMAG Austria Metall AG has no agreements with the members of its Management and Supervisory Boards or with employees on compensation in case of a public takeover bid.

# EVENTS AFTER THE REPORTING PERIOD AND OUTLOOK

## EVENTS AFTER THE REPORTING PERIOD

There are no special events that occurred after the end of the fiscal year 2011.

## OUTLOOK

### Economic outlook

As of the time this Annual Report is prepared, the business outlook for the global economy has weakened further. Against the backdrop of the unresolved debt crises in some European countries, forecasts for growth in the most important economic areas have been revised downwards, partly to a much lower rate.

Based on the most up-to-date forecasts by the World Bank<sup>1)</sup> a growth rate of 2.5% may be expected for the global economy. Estimates for the euro zone are that GDP will decline to -0.3%.

### Outlook for the aluminium market

Because the characteristics of aluminium are ideal for many applications – primarily due to the combination of low weight with high strength and ductility when needed, as well as corrosion resistance and surface quality – AMAG maintains the forecast that aluminium consumption will increase 100% over the coming 15 years.

CRU<sup>2)</sup> assumes for 2012 that global aluminium consumption will grow 5.5%, to 47.3 million t; this is a slight downward revision compared to the forecast made in the last report issued in November 2011. China, where consumption is mainly driven by investments in infrastructure, is expected to contribute most to the increase, about 10%. Demand for aluminium from Europe is expected to decline by approximately 1%. Primary aluminium production is forecast to increase by 5.0% to 47.8 million t. In this respect, China is expected to account for the strongest growth, by 12.5% to 21.6 million t. Starting from a high level, the growth in production expected from the Middle East drops to a rate of 8.4%, after the 25.7% increase seen in the prior year.

Continuing overproduction and the attractiveness of aluminium inventories as an investment are expected to cause an additional increase in global inventories in 2012.

As regards rolled products, CRU<sup>3)</sup> expects demand in 2012 to grow by a medium single-digit percentage, mainly driven by the region of Asia. Based on global consumption of rolled products totaling 19.7 million t in 2011, an increase to 20.8 million t is forecast in 2012. North America and Europe are expected to provide an increase of about 2%. In a breakdown by aluminium-consuming industrial sectors it is assumed that consumption will grow 9% in transportation and electronics, 5% each in mechanical engineering and construction, and 5% in the high-volume sector of packaging.

1) Vgl. Weltbank (Global Economic Prospects), Jänner 2012

2) Vgl. CRU (Commodity Research Unit) Aluminium Quarterly Report, Jänner 2012

3) Vgl. CRU (Commodity Research Unit), November 2011

In the Casting Division, the automotive share is about 65-70%. Based on some forecasts it may be expected that the number of vehicles produced annually will rise from currently 70 million to over 100 million in the 5-7 years to come. The average proportion of aluminium alloys in vehicles will rise markedly in the coming years and this trend will also reach so-called high-volume vehicles. Although the general economic environment may make 2012 a more difficult year, the demand for recycling foundry alloys can be expected to remain stable.

Due to the macroeconomic developments and the related increased volatility on the sales and procurement markets, the AMAG Group's outlook for 2012 involves uncertainty. The good volume of incoming orders in the last months of 2011, the strong order backlog and the foreseeable positive trend in aluminium consumption let the Management Board adopt a cautiously optimistic outlook for 2012.

Ranshofen, February 09, 2012

The Management Board



**Gerhard Falch**  
CEO



**Dr. Helmut Kaufmann**  
COO



**Gerald Mayer**  
CFO

# CONSOLIDATED FINANCIAL STATEMENTS

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TEMP-01-01-012 AMAG ROLLING

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## CONSOLIDATED BALANCE SHEET AS OF DECEMBER 31, 2011

<b>Assets in EUR thsd.</b>	Chapter I	Dec. 31, 2011	Dec. 31, 2010 *)
Intangible assets	1	180	90
Property, plant and equipment	1	394,483	388,258
Other non-current assets and financial assets	2	38,448	27,342
Deferred tax assets	J17	25,537	20,572
<b>Non-current assets</b>		<b>458,648</b>	<b>436,262</b>
Inventories	3	217,706	198,478
Trade receivables	4	79,602	71,438
Current tax receivables		4,327	4,613
Other receivables	5	54,775	108,853
Cash and cash equivalents		60,583	9,139
<b>Current assets</b>		<b>416,993</b>	<b>392,521</b>
<b>TOTAL ASSETS</b>		<b>875,641</b>	<b>828,783</b>
<b>Equity and liabilities in EUR thsd.</b>	Chapter I	Dec. 31, 2011	Dec. 31, 2010 *)
Capital stock	6	35,264	35
Additional paid-in capital	6	379,337	97,141
Hedging reserve		19,130	3,700
Actuarial gains/losses		(10,443)	(3,790)
Currency translation differences		15,731	6,466
Retained earnings	6	103,535	217,341
<b>Equity attributable to equity holders</b>		<b>542,554</b>	<b>320,893</b>
Non-controlling interests		(0)	193,281
<b>Equity</b>		<b>542,554</b>	<b>514,174</b>
Provisions	7	70,569	68,922
Interest-bearing financial liabilities	9	50,827	21,842
Other non-current liabilities	9	12,541	34,495
Deferred tax liabilities	J17	40,385	33,912
<b>Non-current provisions and liabilities</b>		<b>174,322</b>	<b>159,171</b>
Provisions	8	28,382	20,227
Interest-bearing financial liabilities	9	22,901	23,526
Trade payables	9	58,104	46,033
Current tax liabilities	9	8,650	1,609
Other liabilities	10	40,729	64,043
<b>Current provisions and liabilities</b>		<b>158,766</b>	<b>155,438</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>875,641</b>	<b>828,783</b>

\*) The comparable values shown for the year 2010 refer to AMAG Holding GmbH and its subsidiaries

The Notes to the consolidated financial statements below are an integral part of this consolidated balance sheet (statement of financial position).

**CONSOLIDATED STATEMENT OF INCOME  
FOR THE FISCAL YEAR 2011**

in EUR thsd.	Chapter J	1 - 12/2011	1 - 12/2010 *)
<b>Sales</b>	11	<b>813,132</b>	<b>727,970</b>
Changes in inventories of finished goods and work in progress		7,057	7,744
Own work capitalized		781	604
		<b>820,970</b>	<b>736,318</b>
Other operating income	12	17,249	18,207
Cost of materials		(530,619)	(468,211)
Personnel expenses	13	(99,052)	(91,540)
Other operating expenses	14	(58,861)	(55,823)
<b>Earnings before interest, taxes, depreciation and amortization (EBITDA)</b>		<b>149,687</b>	<b>138,951</b>
Depreciation, amortization and impairment losses		(46,093)	(45,126)
<b>Earnings before interest and taxes (EBIT)</b>		<b>103,594</b>	<b>93,825</b>
Interest income (expenses)	15	(5,008)	(4,232)
Other financial income (expenses)	15	543	(280)
<b>Net financial income (expenses)</b>		<b>(4,465)</b>	<b>(4,512)</b>
<b>Earnings before taxes (EBT)</b>		<b>99,128</b>	<b>89,313</b>
Current taxes	16	(11,865)	(2,897)
Deferred taxes	17	872	(10,761)
<b>Taxes on income and earnings</b>		<b>(10,993)</b>	<b>(13,658)</b>
<b>Net income after taxes</b>		<b>88,136</b>	<b>75,655</b>
Of which:			
Attributable to non-controlling interests		2,116	28,474
Attributable to the equity holders of the parent		86,020	47,181
Total number of non-par-value shares		35,264,000	
Earnings per non-par-value share (in EUR)		2.50	
<b>Proposed dividend per non-par-value share (in EUR)</b>	6 (Chapt I)	1.50	

\*) The comparable values shown for the year 2010 refer to AMAG Holding GmbH and its subsidiaries

The Notes to the consolidated financial statements below are an integral part of this consolidated statement of income.

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE FISCAL YEAR 2011**

in EUR thsd.	2011	2010 *)
<b>Net income after taxes</b>	<b>88,136</b>	<b>75,655</b>
<b>Changes in the hedging reserve</b>	<b>13,204</b>	<b>560</b>
Gains/(losses) due to changes in fair value	28,050	7,716
Deferred taxes relating thereto	(7,246)	(3,219)
Recognized in the statement of income	(10,224)	(6,773)
Deferred taxes relating thereto	2,624	2,836
<b>Currency translation differences</b>	<b>6,282</b>	<b>8,801</b>
<b>Changes in actuarial gains/losses</b>	<b>(4,258)</b>	<b>(2,522)</b>
Changes in actuarial gains/losses	(5,774)	(4,665)
Deferred taxes relating thereto	1,516	2,143
<b>Other comprehensive income for the year net of taxes</b>	<b>15,228</b>	<b>6,839</b>
Of which:		
Attributable to non-controlling interests	(1,637)	2,566
Attributable to the equity holders of the parent	16,865	4,273
<b>Total comprehensive income and expenses for the fiscal year</b>	<b>103,364</b>	<b>82,494</b>

\*) The comparable values shown for the year 2010 refer to AMAG Holding GmbH and its subsidiaries

**CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE FISCAL YEAR 2011**

in EUR thsd.	2011	2010 *)
<b>Earnings before taxes (EBT)</b>	<b>99,128</b>	<b>89,313</b>
Interest income (expenses)	5,008	4,230
Depreciation, amortization and impairment losses/ reversals of impairment losses on investment assets	45,589	45,668
(Gains)/losses from the disposal of investment assets	15	773
Other non-cash (income)/expenses	3,752	177
Changes in inventories	(18,304)	(33,098)
Changes in trade receivables	(7,575)	(19,752)
Changes in other receivables	(1,586)	6,867
Changes in derivatives	(18,940)	(19,820)
Changes in provisions (current and non-current)	1,791	(5,807)
Changes in trade payables	6,941	8,855
Changes in other liabilities	(3,465)	1,770
	<b>112,354</b>	<b>79,176</b>
Tax payments	(4,393)	(1,164)
Interest received	1,473	747
Interest paid	(4,929)	(3,346)
<b>Cash flow from operating activities</b>	<b>104,505</b>	<b>75,413</b>
Proceeds from disposals of investment assets	876	130
Payments for investments in property, plant and equipment and intangible assets	(44,400)	(43,609)
Payments for the acquisition of non-controlling interests	0	0
<b>Cash flow from investing activities</b>	<b>(43,524)</b>	<b>(43,479)</b>
Changes in interest-bearing financial liabilities	10,215	(18,339)
Cash proceeds from capital contributions	123,242	0
Dividends paid	(200,000)	(68,000)
<b>Cash flow from financing activities</b>	<b>(66,543)</b>	<b>(86,339)</b>
<b>Change in cash and cash equivalents</b>	<b>(5,561)</b>	<b>(54,405)</b>
Effect of exchange rate changes on cash and cash equivalents	180	209
Cash and cash equivalents at the beginning of the period	65,964	120,160
Cash and cash equivalents at the end of the period	60,583	65,964
<b>Change in cash and cash equivalents</b>	<b>(5,561)</b>	<b>(54,405)</b>

\*) The comparable values shown for the year 2010 refer to AMAG Holding GmbH and its subsidiaries

The Notes to the consolidated financial statements below are an integral part of this consolidated statement of cash flows.

**CONSOLIDATED STATEMENT OF CHANGES IN  
EQUITY FOR THE FISCAL YEAR 2011**

Attributable to the equity holders

in EUR thsd.	Capital stock	Additional paid-in capital	Hedging reserve	Currency translation differences
Balance as of January 1, 2010	35	290,141	3,350	420
<b>Total comprehensive income and ex- penses for the fiscal year</b>		<b>(193,000)</b>	<b>350</b>	<b>6,046</b>
<b>Transactions with equity holders</b>				
Dividend distributions				
<b>Balance as of December 31, 2010 *)</b>	<b>35</b>	<b>97,141</b>	<b>3,700</b>	<b>6,466</b>
Balance as of January 1, 2011	35	97,141	3,700	6,466
<b>Total comprehensive income and ex- penses for the fiscal year</b>		<b>0</b>	<b>13,986</b>	<b>7,137</b>
<b>Transactions with equity holders</b>				
Extension of scope of consolidation				
	35	2		
Capital increase CP Group 3 B.V.				
	29,930			
Capital increase from the IPO				
	5,264	89,724		
Acquisition of non-controlling interests				
		192,470	1,444	2,128
Dividend distributions				
<b>Balance as of December 31, 2011</b>	<b>35,264</b>	<b>379,337</b>	<b>19,130</b>	<b>15,731</b>

\*) The comparable values shown for the year 2010 refer to AMAG Holding GmbH and its subsidiaries

			Non-controlling interests	Equity
Actuarial gains/ losses	Retained earnings	Total		
(2,216)	20,156	311,886	187,794	499,680
<b>(1,574)</b>	<b>239,632</b>	<b>51,454</b>	<b>31,040</b>	<b>82,494</b>
	(42,447)	(42,447)	(25,553)	(68,000)
<b>(3,790)</b>	<b>217,341</b>	<b>320,893</b>	<b>193,281</b>	<b>514,174</b>
(3,790)	217,341	320,893	193,281	514,174
<b>(4,258)</b>	<b>86,020</b>	<b>102,885</b>	<b>479</b>	<b>103,364</b>
	61	98		98
	0	29,930		29,930
	0	94,988		94,988
(2,395)	113	193,760	(193,760)	0
	(200,000)	(200,000)		(200,000)
<b>(10,443)</b>	<b>103,535</b>	<b>542,554</b>	<b>0</b>	<b>542,554</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## A. GENERAL COMMENTS AND CORPORATE OBJECTS

The corporate objects of AMAG Austria Metall AG and its group affiliates (hereinafter referred to as the "Group"), are in particular the production, processing and distribution of aluminium, aluminium semi-finished products and casthouse products.

AMAG Austria Metall AG as the ultimate parent company prepares consolidated financial statements. As an Austrian holding company it was entered in the commercial register kept at the Regional Court of Ried im Innkreis, its registered office is located in Ranshofen. The shares of AMAG Austria Metall AG have been listed on the Prime Market of the stock exchange in Vienna, Austria, since April 8, 2011.

The consolidated financial statements for the fiscal year 2011 were prepared in accordance with the International Financial Reporting Standards (IFRS) published by the International Accounting Standards Board (IASB), in the version to be mandatorily applied in the European Union.

The figures in the consolidated financial statements are reported in thousands of euros. Numerous amounts and percentages shown in the consolidated financial statements are rounded figures, therefore totals may differ from the amounts shown. The consolidated financial statements for the comparable period in 2010 concern the former ultimate holding company AMAG Holding GmbH and its subsidiaries. The consolidated statement of income is presented in the total cost format. The consolidated financial statements were approved by the Management Board on February 9, 2012 and released for submission to the Supervisory Board.

## B. REPORTING CURRENCY AND CURRENCY TRANSLATION

The Consolidated Financial Statements of AMAG Austria Metall AG are presented in euros; the individual financial statements of the consolidated subsidiaries are prepared in their respective functional currencies. For the preparation of the consolidated financial statements, the assets and liabilities of the subsidiaries using a functional currency other than euros are translated at the mean rate of exchange as of the balance-sheet date and at the annual average rate with regard to the income statement. Any resulting currency translation differences are recognized directly in equity as an adjustment for currency translation differences as part of other comprehensive income. Currency translation differences recognized in other comprehensive income in relation to a foreign operation are reclassified to profit and loss upon the disposal of such foreign operation.

Foreign currency transactions are recognized at the time of the transaction using the exchange rate in effect on that date. Monetary foreign currency positions are valued using the closing price as of the balance-sheet date. The related currency translation differences are recognized through profit and loss in the period in which they occur. Non-monetary items that are measured at historic acquisition or production costs in a foreign currency are translated at the exchange rate in effect on the date of the business transaction. Non-monetary items that are measured at fair value in a foreign currency are translated at the exchange rate in effect on the date that the fair value is determined.

The exchange rates for currencies of material effect for the AMAG Group saw the following developments:

in EUR	Closing rate at the end of the reporting period		Annual average rate for the reporting period	
	Dec. 31, 2011	Dec. 31, 2010	2011	2010
US dollar (USD)	1.2939	1.3362	1.4000	1.3207
Canadian dollar (CAD)	1.3215	1.3322	1.3805	1.3660
Pound sterling (GBP)	0.8353	0.8608	0.8713	0.8560
Swiss franc (CHF)	1.2156	1.2504	1.2318	1.3803
Japanese yen (JPY)	100.2000	108.6500	111.3208	116.2400
Norwegian krone (NOK)	7.7540	7.8000	7.7809	8.0043



## C. CONSOLIDATION POLICIES

### Scope of consolidation and consolidation methods

The consolidated financial statements include AMAG Austria Metall AG and the companies over which it exercises control. Control is presumed if AMAG Austria Metall AG, directly or indirectly, holds more than 50% of the voting rights conferred by the capital stock of an entity and is in a position to determine its finances and business policies so as to profit from its activities. The equity and net income after taxes attributable to non-controlling interests is reported separately in the consolidated balance sheet and the consolidated statement of income.

In the run-up to the IPO, the AMAG Group was given its current structure. AMPSEJ Beteiligungsverwaltung GmbH, which had been founded as a limited liability company (Gesellschaft mit beschränkter Haftung, in short: GmbH), was converted into a stock corporation (Aktiengesellschaft, in short: AG) by a shareholders' resolution of January 31, 2011 and its registered office transferred from Vienna to Ranshofen, and based on a resolution adopted by the extraordinary shareholders' meeting held on February 24, 2011 its corporate name was changed to AMAG Austria Metall AG.

AMAG Austria Metall AG through AMAG Erste Beteiligungsverwaltungs GmbH holds 100% of the interests in Austria Metall GmbH and its subsidiaries.

The annual financial statements of fully consolidated companies in the Group are prepared in accordance with uniform accounting and valuation policies. The balance-sheet date for all entities is December 31, 2011.

The effects of inter-company transactions between fully or proportionately consolidated entities are fully or proportionately eliminated during the preparation of the consolidated financial statements.

Inter-company trade receivables and other receivables are offset against the corresponding intra-group liabilities during the consolidation of liabilities.

All inter-company income and expenses are eliminated from the consolidated income and expenses. Any

material inter-company profits and losses resulting from the exchange of goods and services between Group entities are eliminated.

### Business combinations

Company acquisitions are accounted for using the acquisition method in accordance with IFRS 3. Companies that were acquired or disposed of during the fiscal year are included in the consolidated financial statements from the date that control is acquired or until the date that control is ended. For acquisitions, the excess of the acquisition cost of the investment over the fair value of the acquired identifiable assets and of the liabilities, provisions and contingent liabilities as of the acquisition date is recognized as goodwill.

If the acquisition cost in a business combination is less than the fair value of the share in the acquired assets, liabilities, provisions and contingent liabilities assumed as of the acquisition date, the amount of this difference is recognized as negative goodwill in the statement of income after renewed examination.

### Shares in joint ventures

The Group holds an interest in an entity (joint operation), where the partners exercise joint control over the financial and operating activities of this entity under a contractual agreement.

In accordance with IAS 31, the Group is accounting for its interest in the joint operation by proportional consolidation.

The amounts that were recognized in the Consolidated Financial Statements 2011 for the joint venture regarding Aluminerie Alouette Inc. were as follows:

Non-current assets EUR 165,443 thousand (prior year: EUR 192,500 thousand), current assets EUR 24,530 thousand (prior year EUR 21,380 thousand), non-current liabilities EUR 21,136 thousand (prior year: EUR 54,390 thousand) current liabilities EUR 28,530 thousand (prior year: EUR 12,780 thousand) as well as expenses of EUR 95,663 thousand (prior year: EUR 80,486 thousand).

#### **D. ACQUISITIONS AND OTHER CHANGES IN THE SCOPE OF CONSOLIDATION**

100% of the shares in AMAG Erste Beteiligungsverwaltungs GmbH were acquired under a purchase agreement dated February 23, 2011. Under a contribution and assignment agreement dated March 22, 2011, 100% of the corporate shares of Sulipo Dritte Beteiligungsverwaltungs GmbH, and thus direct and indirect holdings of 90% of the shares in Austria Metall GmbH, were contributed to AMAG Erste Beteiligungsverwaltungs GmbH by means of indirect contribution by the grandparent company CP Group 3 B.V., Amsterdam, The Netherlands.

Under a contribution and assignment agreement concluded between CP Group 3 B.V., Amsterdam, The Netherlands and Sulipo Dritte Beteiligungsverwaltungs GmbH on April 7, 2011, 10% of the shares in Austria Metall GmbH were contributed to Sulipo Dritte Beteiligungsverwaltungs GmbH, resulting in AMAG Austria Metall AG now indirectly holding 100% of the shares in Austria Metall GmbH.

AMAG treasury GmbH was merged with and into AMAG service GmbH, a subsidiary of Austria Metall GmbH, with retroactive effect from December 31, 2010.

Effective June 30, 2011, Constantia Alumet GmbH was merged with and into AMAG Holding GmbH, with the latter being subsequently merged with and into Sulipo Dritte Beteiligungsverwaltungs GmbH. This was followed by Sulipo Dritte Beteiligungsverwaltungs GmbH being merged with and into AMAG Erste Beteiligungsverwaltungs GmbH, a subsidiary of AMAG Austria Metall AG.

The reorganization measures implemented in the first half of the year qualify as combinations of entities under common control (transactions under common control) as defined under IFRS 3. These reorganization measures are not covered by the scope of application of IFRS 3, nor are they regulated in any of the

other IFRSs. Where transactions are not regulated by IFRS, IAS 8.10-12 provides indications as to how to further deal with such transactions, stating that, in the absence of a standard, Management shall decide what accounting and valuation policy presents fairly the economic substance of transactions.

On this basis, the Management of AMAG has settled on an accounting method where reorganization measures involving entities under common control are accounted for using the book values reported in the IFRS consolidated financial statements drawn up for AMAG Holding GmbH as of December 31, 2010. There is thus no revaluation to market values and, consequently, no differences (goodwill) arise on account of the reorganization measures.

As of December 31, 2011, the scope of consolidation - including AMAG Austria Metall AG as the parent company - covered 15 fully consolidated entities as well as one entity accounted for by proportional consolidation, and is shown in the schedule of Group companies.

#### **E. ACCOUNTING AND VALUATION POLICIES**

The material accounting and valuation policies used for the preparation of the consolidated financial statements of AMAG Austria Metall AG were as follows.

##### **Current and non-current assets and liabilities**

In accordance with IAS 1, the consolidated balance sheet is broken down by maturity. Assets and liabilities with a remaining term of up to one year are classified as current, those with a remaining term of more than one year are classified as non-current. The remaining term is always calculated on the basis of the balance-sheet date.

##### **Intangible assets and property, plant and equipment**

Purchased intangible assets are capitalized at their acquisition cost. Intangible assets with a finite useful life are amortized over the term of their economic life and are tested for impairment if there are indications that

the intangible asset may have become impaired. They are amortized on a straight-line basis over a period of between 4 and 10 years. The amortization period and method for intangible assets with a finite useful life are tested, at minimum, at the end of every fiscal year.

All changes to the amortization period or amortization method that are required by changes in the expected useful life or the expected exhaustion of future economic benefits arising from the asset are treated as changes in estimates.

Intangible assets comprise purchased commercial and industrial property rights, licenses, patents, concessions, trademarks and water protection rights.

Property, plant and equipment are recognized at acquisition or production costs less cumulative depre-

ciation and/or impairment losses in the case of assets with a finite useful life. The expected useful life as well as the depreciation method are reviewed periodically to determine whether they are appropriate to the tangible asset's expected economic benefits.

The acquisition cost of property, plant and equipment comprises the purchase price including import duties and non-refundable taxes as well as all directly attributable costs that are incurred to bring the asset to the location of its intended use and to the condition necessary for it to operate in the manner intended.

Depreciation is applied over the expected economic life by the straight-line method:

Intangible assets	4 to 10 years
Office/ factory buildings and other structures	25 to 50 years
Plant and machinery	6 to 20 years
Other fixtures and fittings, tools and equipment	4 to 12 years

The acquisition and/or production costs include the costs of replacing a part of an asset if the recognition criteria are satisfied. If major components of property, plant and equipment must be replaced at regular intervals, the Group recognizes such components as separate assets with a specific useful life and/or depreciation. When major inspections are performed, the relevant cost is recognized in the book value amount of the item of property, plant and equipment as a replacement if the recognition criteria are satisfied. The present value of the cost of decommissioning the asset after use is included in the acquisition or production cost of the relevant asset if the criteria for recognizing a provision are met.

Expenditures that are incurred after the item of proper-

ty, plant and equipment has been put into operation, such as the cost of repairs, maintenance and refurbishments, are generally accounted for as expenses.

Subsequent expenditures are capitalized if it is probable that they will result in additional future economic benefits deriving from the use of the asset.

The production costs of property, plant and equipment comprise direct costs as well as a reasonable share of the materials and indirect production costs. Administrative expenses are not capitalized. Subsidies that are granted for property, plant and equipment are recognized as a reduction to the acquisition and/or production costs. Assets under construction

are classified as property, plant and equipment not ready for use and are measured at acquisition or production costs. They are not depreciated until the date on which the respective item is ready to operate as intended. Items of property, plant and equipment and intangible assets are tested for impairment in accordance with IAS 36 as soon as events or a change in circumstances indicate that the book value of an asset may be greater than its recoverable amount. The recoverable amount of an asset is the higher of either the fair value less cost to sell of the asset or cash generating unit, or its value in use.

As soon as the book value of an asset exceeds the recoverable amount, an impairment loss is recognized and the asset is written down to this net realizable value. The recoverable amount must be determined separately for each individual asset unless an asset does not generate cash inflows that are largely independent of other assets or groups of assets.

### Leasing

In accordance with IAS 17, leased assets are attributed to the lessor or the lessee by using whether the lease does, or does not, transfer substantially all of the risks and rewards incidental to ownership of the leased asset as a criterion. In accordance with IAS 17, leased property, plant and equipment of material importance that can be viewed from an economic perspective as investments with long-term financing (finance leases), at the start of the lease, are recognized at the fair value of the leased object or at the lower present value of the minimum lease payments. They are depreciated over their regular economic life. The payment obligations for future lease payments are recognized accordingly as a liability. In case of items obtained under other leasing or rental agreements, the leases are treated as operating leases and the leased items are attributed to the lessor or landlord. Current lease payments are accounted for as expenses.

### Financial instruments

#### Other non-current assets and investments, receivables, securities, cash and cash equivalents and liabilities

Financial assets and liabilities that are recognized in the consolidated balance sheet comprise cash and cash equivalents, securities, trade receivables and payables as well as other receivables and liabilities, interest-bearing financial liabilities and other non-current financial assets and financial investments.

Financial assets within the meaning of IAS 39 are classified as either financial assets at fair value through profit or loss, as loans and receivables, as financial assets to be held to maturity or as financial assets available for sale. Financial assets are measured at fair value upon initial recognition. As a general rule, regular way purchases and sales of financial instruments are accounted for at settlement date. Bank offer prices or appropriate pricing models are used as the best estimate of fair value for financial instruments as of the balance-sheet date. The fair value of a financial asset or liability generally corresponds to its market prices as of the balance-sheet date. If quoted prices in an active market are not immediately available, the fair value is determined - unless it is immaterial - using recognized financial valuation models and current market parameters (especially interest rates, exchange rates and counterparty credit ratings). To this end, cash flows originating from the financial instruments are discounted to the balance-sheet date.

#### Derecognition of financial instruments

Financial assets are derecognized when the contractual rights to the cash flows from the assets expire or if the Group has transferred its contractual right to receive cash flows from the financial instrument to a third party, or has assumed a contractual obligation to immediately remit cash flows to a third party under an agreement that meets the criteria in IAS 39.19 (referred to as a pass-through agreement), and in do-

ing so has either (a) transferred substantially all the risks and rewards of ownership of the financial asset, or (b) has neither transferred nor retained substantially all the risks and rewards of ownership, but has transferred control of the financial asset.

If the Group transfers its contractual right to cash flows from the financial asset or enters into a pass-through agreement thereby neither transferring nor retaining substantially all the risks and rewards incidental to ownership of the financial asset but retaining control of the transferred asset, the Group continues to recognize the financial asset to the extent of its continuing involvement in the same. Financial liabilities are derecognized when the contractual obligation has been discharged, cancelled or expired.

**Other non-current financial assets and financial assets**

Other non-current financial assets and financial assets comprise securities, loans, non-consolidated investments and miscellaneous other financial assets.

Securities, non-consolidated investments and other financial assets are recognized at costs, less any impairment losses.

Impairment losses are recognized through profit or loss. Reversals of impairment losses are recognized directly in equity for equity instruments and through profit or loss for debt instruments. Impairment losses were recognized in relation to non-consolidated equity investments in 2011.

Loans are classified as loans and receivables in accordance with IAS 39, and unless there are impairment losses, they are recognized at amortized cost using the effective interest method. The effective interest method amortizes the difference between the acquisition cost and the nominal amount by applying the effective interest rate. The effective interest is the rate that exactly discounts estimated future cash

payments or receipts until the final maturity date or the next market-price driven interest adjustment date to the current book value of the financial asset or the financial liability.

Non-interest bearing loans or low interest loans are discounted accordingly. Reversals of impairment losses are recognized through profit and loss. Interest on securities and loans is accrued in the appropriate period and recognized under net interest income or expenses. Income from non-consolidated investments and miscellaneous other financial assets is reported under other financial income or expenses.

**Receivables**

Receivables are classified as loans and receivables in accordance with IAS 39, and are recognized at amortized cost less any impairment losses, if appropriate. Receivables denominated in a foreign currency are measured at the mean rate of exchange on the balance-sheet date. Impairment losses are recorded under allowance accounts; receivables are only derecognized in the event of insolvency or if legal enforcement of the claim has been unsuccessful. Reversals of impairment losses are recognized through profit and loss.

Non-interest bearing or low-interest receivables with an expected remaining term of more than one year are discounted.

**Cash and cash equivalents**

Cash and cash equivalents include cash balances and investments with a maximum remaining term to maturity of three months as of their acquisition date. They are recognized at their mark-to-market value on the balance-sheet date. The book values can be considered appropriate estimates of their market value.

**Liabilities**

Liabilities are recognized at amortized cost using the effective interest method in accordance with IAS 39.

The effective interest method amortizes the difference between the acquisition cost and the nominal amount by applying the effective interest rate. The effective interest is the rate that exactly discounts estimated future cash payments or receipts until the final maturity date or the next market-price driven interest adjustment date to the current book value of the financial asset or the financial liability. The book values of receivables and liabilities, all subject to standard payment terms and conditions, are reasonable estimates of their fair value.

## Derivatives and hedges

### Derivatives

Derivatives that do not satisfy the criteria for hedge accounting in IAS 39 are classified as held for trading and are accounted for at fair value through profit or loss in accordance with IAS 39.

### Cash flow hedges

For cash flow hedges, the effective portion of the change in fair value is recognized directly in the hedging reserve under other comprehensive income while the ineffective portion is immediately accounted for under other financial income or expenses through profit or loss. If the cash flow hedge results in the recognition of an asset or a liability, the amounts that have initially been deferred in equity are reclassified to profit or loss in the same period that the hedged item affects profit or loss. If the hedge of a forecast transaction results in the recognition of a non-financial asset or a non-financial liability, the amounts that were initially recognized in other comprehensive income are included in the initial cost of the non-financial asset or the non-financial liability.

AMAG Austria Metall AG uses interest rate swaps to hedge interest rate risk. Under the swap contracts that it uses, AMAG Austria Metall AG pays fixed interest on the notional value of the swap contract and in return receives variable interest payments on the

same notional principal amount. The interest rate swaps smooth out the impact of future changes in interest rates on cash flows from the underlying variable-rate financial liabilities.

Aluminium Austria Metall Inc. (AAM) partly hedges future sales of its pro-rata share of production from Aluminerie Alouette Inc. through forward contracts and options; the derivatives used for this purpose are classified as cash flow hedges.

### Fair value hedges

In the case of fair value hedges, both the underlying transaction that is the hedged item and the derivative that is used as the hedging instrument are recognized at fair value through profit or loss and the changes in fair value are included in EBIT. Physical inventories are hedged by forward sales on the LME, for which hedge accounting is used in part. As a general principle, any subsequent measurement is based on market value.

AMAG Austria Metall AG hedges its physical inventories against the risk of exchange rate and price fluctuations.

### Firm commitments

If unrecognized firm commitments (customer orders) have been designated as the underlying hedged item, the subsequent cumulative change in the fair value of the commitment that is attributable to the hedged risk is recognized as an asset or a liability with a corresponding profit or loss recognized in the profit or loss for the period.

### Embedded derivatives

Derivatives that are embedded in other financial instruments or in other host contracts are accounted for as a separate derivative if their risks and characteristics are not closely related to the characteristics of the host contracts.

**Alouette electric power supply contract**

Alouette has entered into an electric power supply contract with a public utility under which the electric rates payable by Alouette are directly tied to the market price for aluminium under a contractually defined pricing formula for electric power. As the result of the linkage between the price of electric power and the price of aluminium, this contract includes an embedded derivative.

The fair value of the derivative was determined by a mark-to-market valuation. Given the monopolistic electric power market, there is no liquid market price for electric power in Canada as it is traditionally defined (meaning there is no directly observable mark-to-market price). The valuation therefore relies on a discounted cash flow analysis, using an electric power reference price for Alouette and the appropriate yield curves and forward prices for aluminium.

In order to obtain a valuation close to the market value of the contract, the present value of future payments for electric power was calculated on the basis of aluminium forwards and compared to the present value of future electric power payments on the basis of the reference price for electric power for Alouette. This approach produced a mark-to-market value for the embedded derivative. A total fair value of EUR 13,725 thousand (prior year: EUR 1,865 thousand) was recognized under other non-current and current receivables as of December 31, 2011. Effective January 1, 2010, this derivative was designated as a financial instrument for hedging future cash flows from the sale of aluminium.

**Inventories**

Raw materials and supplies are measured using moving average prices, with the acquisition cost as well as acquisition-related costs being capitalized taking into account necessary adjustments for lower market

prices. Inventories are written down if the net realizable value falls below the book value.

Based on variable and fixed costs, finished goods and work in progress as well as unbilled goods and services are capitalized at the lower of cost of conversion and net realizable value. Conversion costs include directly related direct labor and material costs as well as a systematic allocation of indirect materials and production overheads based on a normal level of activity. General and administrative expenses and selling costs are not recognized. The net realizable value represents the estimated selling price in the ordinary course of business less the estimated cost of completion and the estimated costs necessary to make the sale. The costs are assigned on the basis of the FIFO formula.

The LME portion of inventories which have been designated as a fair value hedge is accounted for at the fair value. The LME portion of inventories which have not been designated as a hedging instrument is recognized at acquisition costs or average acquisition costs; if the market value is lower, the market value (average value of customer orders as at the balance-sheet date) is used.

**Capital stock**

The company only has ordinary shares, all of which have been issued and all of which evidence the same rights.

**Additional paid-in capital**

The additional paid-in capital includes shareholder contributions and payments made by the shareholders upon the issue of stocks and effects from reorganizations.

**Provisions for pensions, severance payments and service anniversary bonuses**

Provisions for pensions related to defined benefit pension plans as well as obligations for severance

and service anniversary bonus payments are estimated annually by an independent actuary. The obligations and expenses are calculated in accordance with IAS 19 using the projected unit credit method (the benefit/years of service method).

Under this method, the projected benefits are spread over the entire period of employment. The provisions are determined on the basis of hypothetical wage trends and weighted deductions for employee turnover as well as discount rates. The discount rates are determined by the Group companies on the basis of the respective prevailing interest rates for medium-term investment grade bonds in the relevant local securities market.

The deduction for employee turnover is also calculated specifically for each company. Actuarial gains and losses are directly taken to equity in accordance with IAS 19.93A.

The biometric accounting formulas are based on the schedules for salaried employees from the Austrian Actuarial Association (AVÖ 2008) derived from the Ettl-Pagler life expectancy tables. Pension plans that meet the requirements for netting plan assets against the provision pursuant to IAS 19 are netted accordingly. For all other pension plans, the plan assets are reported under other financial assets and are recognized at the value of reimbursement rights.

Expenses relating to the accrual of interest on defined benefit obligations and increases in the net value of the plan assets are reported under net financial income (expenses). The same accounting policies are applied to severance benefits and service anniversary bonuses.

Current service costs and any past service costs as well as expenses from the expected returns on plan assets are reported under personnel expenses.

Some Group companies maintain defined contribution plans for designated employees. Since there are no obligations beyond the contributions paid, the amount of the annual contribution payments is recognized as an expense in the relevant current period.

#### **Research and development costs**

Expenditures for research and development are recognized as an expense in the period in which they are incurred since the criteria for capitalization in accordance with IAS 38 are not met. A total of EUR 6,163 thousand (prior year: EUR 5,974 thousand) was recognized as expenses in the fiscal year 2011.

#### **Revenue recognition**

Sales revenues from deliveries are recognized when all principal risks and rewards of ownership of the delivered item have passed to the buyer.

Government grants related to expenses are generally recognized as revenue over the period necessary to match them with the related costs which they are intended to compensate, on a systematic basis. A total of EUR 1,042 thousand (prior year: EUR 1,807 thousand) of government grants related to expenses was recognized in income in the fiscal year 2011. Interest is accrued pro-rata on the basis of the relevant interest rates. Dividend income is recognized when the rights of the shareholders to payment has become final.



### Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the acquisition or production cost of the relevant asset. All other borrowing costs are recognized as expenses in the period in which they are incurred. In the fiscal year 2011 - as in the prior fiscal year - no borrowing costs were capitalized.

Borrowing costs include interest expenses and other costs that an entity incurs in connection with the borrowing of funds

### Income taxes

Current tax assets are offset against current tax liabilities if they are owed to the same tax authority and there is a claim that can be set off. The income tax liability is based on the annual net profit and takes deferred taxes into account. Deferred taxes are calculated using the Balance Sheet Liability Method. Deferred taxes reflect the tax effects of temporary differences between the reported book values of the assets and liabilities and the corresponding amounts based on the relevant tax regulations. The deferred tax assets and liabilities are calculated using the tax rates (and regulations) that are expected - based on the circumstances at the balance-sheet date - to apply to the period when the asset is realized or the liability is settled. Deferred tax liabilities are recognized for all taxable temporary differences.

Deferred tax assets are only recognized to the extent that it is probable that sufficient taxable profits will be available against which the deductible temporary

difference can be utilized. To this end, the book value of the recognized deferred tax assets is reassessed as of every balance-sheet date.

If necessary, the book value of deferred tax assets is adjusted to the extent that it is no longer probable that sufficient taxable profits will be available to utilize the deferred tax assets. Deferred taxes are recognized directly in equity without affecting profit or loss if the tax relates to items that are recognized directly in equity, and if this tax is charged against or credited directly to equity in the same or another period.

As a general rule, changes in deferred tax assets or liabilities result in deferred tax expenses or income.

## F. DISCRETIONARY DECISIONS AND ESTIMATES

The preparation of the consolidated financial statements requires management to make certain estimates and assumptions that affect the recognized assets, provisions and liabilities, the disclosure of other commitments as of the balance-sheet date and the presentation of income and expenses for the reporting period. Actual future results may vary from these estimates, which may lead to material differences from the consolidated financial statements.

The Management Board of AMAG Austria Metall AG is persuaded that the consolidated financial statements represent, in all material respects, a true and fair view of the actual asset, financial, and earnings positions.

The estimates and the underlying assumptions are subject to considerable uncertainty and are there-

fore re-examined and updated on a regular basis. Changes in estimates are applied in the period in which they are made. The main assumptions underlying the estimates are disclosed in the Notes to the relevant items.

#### **G. CHANGES IN ACCOUNTING AND VALUATION METHODS**

Applying for the first time the following new and revised or amended standards of the IASB and Interpretations of the IFRIC, for which application was mandatory for the consolidated financial statements, had no effects on the asset, financial and earnings positions of the Group.

IFRIC 19 clarifies the requirements of the IFRS when an entity extinguishes a financial liability fully or partially by the issue of shares or other equity instruments. Currently, no set of facts is present that would fall within the scope of this rule. The amendment to IFRS 1 which provides for certain exemptions for entities that apply IFRS for the first time is not applicable in view of the fact that the AMAG Group is not a first-time adopter of the IFRS.

The objective of the revised version of IAS 24 is to clarify the definition of related parties and provide some relief for government-related entities in relation to the amount of information such entities need to provide in respect to related party transactions. The amendment to IAS 24 does not affect AMAG.

The updated IAS 32 regulates, among other things, how to account for rights, options or warrants to acquire a fixed number of equity instruments at the issuer in a currency other than the functional currency. No rights, options or warrants have currently been issued.

On account of the regulations laid down in IAS 19.58, assets from a defined-benefit plan may only be recognized if they will result in future economic benefits available in the form of rights to reductions in or refunds of contributions. IFRIC 14 contains clarifications as to when such future benefits are to be regarded as available. The amendments to IFRIC 14 have no effect on the consolidated financial statements at this time.

Application of the following new and revised or amended standards of the IASB and Interpretations of the IFRIC is not mandatory as yet.

Their potential effect on the consolidated financial statements of AMAG Austria Metall AG is currently being evaluated:

Standard / Interpretation	Application mandatory	Endorsement status
IFRS 9 Financial Instruments	1/1/2015	-
IFRS 10 Consolidated Financial Statements	1/1/2013	-
IFRS 11 Joint Arrangements	1/1/2013	-
IFRS 12 Disclosure of Interests in Other Entities	1/1/2013	-
IFRS 13 Fair Value Measurement	1/1/2013	-
IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine	1/1/2013	-
IFRS 1 Hyperinflation and Date of Transition for First-Time Adopters of the IFRS	7/1/2011	-
IFRS 7 Disclosures about Transfers of Financial Assets	7/1/2011	Nov. 2011
IFRS 7 Offsetting of Financial Assets and Financial Liabilities	1/1/2013	-
IAS 1 Presentation of Items in Other Comprehensive Income	7/1/2012	-
IAS 12 Deferred Tax – Recovery of Underlying Assets	1/1/2012	-
IAS 19 Changes to Employee Benefits	1/1/2013	-
IAS 27 Separate Financial Statements	1/1/2013	-
IAS 28 Investments in Associates and Joint Ventures	1/1/2013	-
IAS 32 Offsetting of Financial Assets and Financial Liabilities	1/1/2014	-

The new standard IFRS 9 is to replace IAS 39 "Financial instruments: recognition and measurement" in stages. It was decided to split the process of replacement into three phases, of which only Phase 1 (Classification and measurement of financial instruments) has been completed as yet. The standard in its version as currently published relates to the classification and measurement of financial assets and financial liabilities as well as the derecognition of financial assets and financial liabilities. Phases 2 (Impairment) and 3 (Hedge accounting) have not been completed as yet.

IFRS 10 establishes a single definition of the term of control and thus a single basis for determining the existence of a parent-subsidiary relationship and for the related identification of the entities to be included in the scope of consolidation. The new standard replaces IAS 27 "Consolidated and separate financial statements" and SIC-12 "Consolidation – Special purpose entities", which had been of relevance previously.

The new IFRS 11 regulates the accounting for sets of facts where an entity has joint control of a joint venture or of a joint operation. The previously applicable rule that permitted, but did not require, proportional consolidation of jointly controlled entities is eliminated, and in the future joint ventures always have to be accounted for using the equity method. In case of a joint arrangement, the assets, liabilities, revenues and expenses directly allocatable to the entity that is a party to the joint arrangement must be recognized directly in the consolidated financial statements of the party to the joint arrangement. The new standard will not affect the proportional consolidation applied by the Group in respect of the joint control of the economic activity of Aluminerie Alouette Inc.

IFRS 12 determines the disclosures required of entities preparing their financial statements in accordance with two new standards IFRS 10 "Consolidated Finan-

cial Statements" and IFRS 11 "Joint Arrangements" and replaces the disclosure requirements currently contained in IAS 28 "Investments in associates".

The new standard IFRS 13 describes how the fair value is to be determined and requires certain additional disclosures concerning the fair value. The objective being pursued is to establish, across all standards, a consistent definition of the term "fair value" and consistent methods of measuring fair value and also, in particular, consistency of the disclosures associated with fair value measurement.

Interpretation IFRIC 20 deals with when and how to account for the costs of the removal of mine waste materials in the production phase of a surface mine.

On account of the amendment to IFRS 1, the reference to January 1, 2004 as the definite date of transition, as used in the past, has been replaced with the generally worded reference "Date of transition to IFRSs". In addition, rules are adopted that apply in cases where on account of hyperinflation an entity is not in a position to meet all of the requirements of the IFRSs.

The amendments to IFRS 7 relate to the requirement to present certain additional disclosures about transfers of financial assets. They are to allow the intended users of financial statements to understand the relationships between the financial assets transferred but not derecognized in their entirety and the associated financial liabilities as well as to evaluate the nature of, and risks associated with, the entity's continuing involvement in derecognized financial assets.

In connection with the amendments to IAS 32, additional disclosure requirements were included in IFRS 7 for financial instruments that have been offset; these are to allow reconciliation between a financial instrument's gross exposure and its net exposure.

These disclosures must in future also be presented in respect of instruments that are the subject of master netting agreements or similar agreements, even if the underlying instruments are not reported on a net basis.

The components of profit or loss (or other comprehensive income) can still be presented in a single statement or in two successive statements. In accordance with the amendment to IAS 1, entities have to classify the items presented in other comprehensive income in two categories - according to whether in future they will be posted in the income statement (so-called recycling) or not.

The amendment to IFRS 12 Income taxes contains a partial clarification concerning the treatment of temporary tax differences in connection with the application of the fair value model of IAS 40. In the case of investment properties it is often difficult to assess whether an existing difference will reverse within the scope of continuing use or upon sale. The amendment provides that it is generally to be assumed that the difference will be reversed by sale.

The alternative of considering actuarial gains/losses within the scope of the corridor method was eliminated by the amendment to IAS 19. Actuarial gains and losses are thus accounted for in the period in which they arise. They are recognized in other comprehensive income and are thus taken directly to equity. This accounting method is already being applied by the AMAG Group. IAS 19 in its adapted version furthermore requires additional disclosures to be presented in connection with defined-benefit plans.

Requirements to be met by separate financial statements continue to be regulated in IAS 27. The remaining elements of IAS 27 are replaced with IFRS 10 "Consolidated Financial Statements".

Purely consequential amendments to IAS 28 followed from IFRS 10, IFRS 11 and IFRS 12 being published.

Also in future, the offsetting of financial instruments will only be possible if the conditions of IAS 32 are satisfied. The amendments made to IAS 32 merely served to include clarifications in the application guidance concerning the term "currently" as well as the term "simultaneously".

#### H. CONTINGENT LIABILITIES/ASSETS

Contingent liabilities are not recognized in the balance sheet except for contingent liabilities recognized in accordance with IFRS 3. They are disclosed if and when a possible outflow of resources embodying economic benefits cannot be ruled out but the conditions for the recognition of a provision are not met.

A contingent asset is not recognized in the consolidated financial statements but is disclosed if the inflow of economic benefits is probable.

No portion of outstanding contingent liabilities or capital commitments was attributable to the Group as of the two most recent balance-sheet dates.

# NOTES TO THE CONSOLIDATED BALANCE SHEET

## I. NOTES TO THE CONSOLIDATED BALANCE SHEET

### 1. Consolidated statement of changes in non-current assets

#### Change in historical cost

in EUR thsd.	As of Jan 1, 2011	Currency translation differences	Additions	Disposals	Reclassifi- cations	As of Dec 31, 2011
<b>Intangible assets</b>	<b>218</b>	<b>0</b>	<b>70</b>	<b>0</b>	<b>68</b>	<b>355</b>
Land	19,673	148	0	0	0	19,821
Buildings	100,630	903	4,070	(53)	3,410	108,960
Undeveloped land	9,418	0	0	(508)	0	8,910
Plant and machinery	361,885	7,334	18,301	(3,370)	14,340	398,491
Other fixtures and fittings, tools and equipment	15,424	35	4,752	(940)	138	19,409
Advance payments made and assets under construction	22,928	137	21,660	(91)	(17,956)	26,678
<b>Property, plant and equipment</b>	<b>529,958</b>	<b>8,557</b>	<b>48,783</b>	<b>(4,962)</b>	<b>(68)</b>	<b>582,268</b>

in EUR thsd.	As of Jan 1, 2010	Currency translation differences	Additions	Disposals	Reclassifi- cations	As of Dec 31, 2011
<b>Intangible assets</b>	<b>431</b>	<b>0</b>	<b>16</b>	<b>(229)</b>	<b>0</b>	<b>218</b>
Land	19,357	326	27	(37)	0	19,673
Buildings	98,011	1,981	1,070	(637)	205	100,630
Undeveloped land	9,407	0	11	0	0	9,418
Plant and machinery	325,276	15,035	20,863	(1,812)	2,523	361,885
Other fixtures and fittings, tools and equipment	12,737	74	2,505	(257)	365	15,424
Advance payments and assets under construction	4,654	168	21,448	(249)	(3,093)	22,928
<b>Property, plant and equipment</b>	<b>469,442</b>	<b>17,584</b>	<b>45,924</b>	<b>(2,992)</b>	<b>0</b>	<b>529,958</b>

**Depreciation, amortization and impairment losses**

in EUR thsd.	As of Jan 1, 2011	Currency translation differences	Additions	Disposals	Reclassifi- cations	As of Dec 31, 2011
<b>Intangible assets</b>	<b>128</b>	<b>0</b>	<b>48</b>	<b>0</b>	<b>0</b>	<b>176</b>
Land	1,613	92	475	0	0	2,179
Buildings	21,466	338	6,951	(14)	0	28,742
Undeveloped land	26	0	13	0	0	39
Plant and machinery	111,245	3,428	35,597	(3,000)	0	147,270
Other fixtures and fittings, tools and equipment	7,350	33	2,940	(768)	0	9,556
Advance payments and assets under construction	0	0	0	0	0	0
<b>Property, plant and equipment</b>	<b>141,700</b>	<b>3,891</b>	<b>45,977</b>	<b>(3,782)</b>	<b>0</b>	<b>187,786</b>

in EUR thsd.	As of Jan 1, 2010	Currency translation differences	Additions	Disposals	Reclassifi- cations	As of Dec 31, 2011
<b>Intangible assets</b>	<b>319</b>	<b>0</b>	<b>38</b>	<b>(229)</b>	<b>0</b>	<b>128</b>
Land	1,035	75	503	0	0	1,613
Buildings	14,451	271	6,866	(122)	0	21,466
Undeveloped land	25	0	1	0	0	26
Plant and machinery	74,993	2,841	35,120	(1,709)	0	111,245
Other fixtures and fittings, tools and equipment	5,109	30	2,390	(179)	0	7,350
Advance payments and assets under construction	0	0	0	0	0	0
<b>Property, plant and equipment</b>	<b>95,613</b>	<b>3,217</b>	<b>44,880</b>	<b>(2,010)</b>	<b>0</b>	<b>141,700</b>

**Book values**

in EUR thsd.	Historical costs Dec 31, 2011	Accumulated Amort/Depr. Dec 31, 2011	Book values Dec 31, 2011	Book values Dec 31, 2010
<b>Intangible assets</b>	<b>355</b>	<b>176</b>	<b>180</b>	<b>90</b>
Land	19,821	2,179	17,641	18,060
Buildings	108,960	28,742	80,218	79,164
Undeveloped land	8,910	39	8,871	9,392
Plant and machinery	398,491	147,270	251,221	250,640
Other fixtures and fittings, tools and equipment	19,409	9,556	9,853	8,074
Advance payments made and assets under construction	26,678	0	26,678	22,928
<b>Property, plant and equipment</b>	<b>582,268</b>	<b>187,786</b>	<b>394,483</b>	<b>388,258</b>

**Fair value as estimated acquisition costs**

In the opening balance sheet according to IFRS, intangible assets as well as property, plant and equipment were recognized at their fair value in place of acquisition costs. As of January 1, 2008, the totals were EUR 283 thousand for intangible assets and EUR 398,226 thousand for property, plant and equipment.

**Impairment losses and reversals of impairment losses**

In 2011, as in the prior year, there were no impairment losses on property, plant and equipment.

**Subsidies for property, plant and equipment**

In the fiscal year 2011, subsidies for property, plant and equipment were granted in the amount of EUR 738.7 thousand (prior year: EUR 0 thousand).



**Finance leases**

The AMAG Group was not a party to any finance lease agreements.

These lease agreements impose no restrictions on Group activities with regard to dividends, additional borrowings or other lease agreements.

**Operating leases**

The Group has entered into various operating lease agreements as lessee of buildings, machinery, office space and other items.

Future obligations from operating leases are as follows:

Payment obligations under operating leases in EUR thsd.	2011	2010
Up to one year	376	106
More than one up to five years	370	31
More than five years	5	0
	<b>751</b>	<b>137</b>

**Commitments in relation to non-current investments**

Commitments in relation to non-current investments were equal to EUR 18,111 thousand for the fiscal year (prior year: EUR 14,282 thousand).

## 2. Other non-current assets and financial assets

The non-consolidated equity investments include the shares in Hamburger Aluminium-Werk GmbH i.L., in Ausbildungszentrum Braunau GmbH and in Speditionsservice Ranshofen GmbH. To the first of these, a write-up was applied in the amount of EUR 504 thousand (prior year: application of a EUR 542 thousand write-down to the lower going-concern value) to adjust the measurement of the investment to the pro-rata equity.

The derivatives recognized as non-current assets break down into hedging instruments in cash flow hedges of EUR 13,883 thousand (prior year: EUR 3,031 thousand), held-for-trading derivatives of EUR 9,196 thousand (prior year: EUR 8,009 thousand) and hedging instruments in fair value hedges of EUR 0 thousand (prior year: EUR 12 thousand).

The value of the derivatives reported as cash flow hedges also includes a derivative embedded in the electric power supply contract for AAM, Phase I, in the amount of EUR 9,320 thousand (prior year: EUR 909 thousand).

The other non-current assets included firm commitments of EUR 722 thousand (prior year: EUR 298 thousand), as well as the fair value from preferential treatment in connection with the second expansion phase for the smelter operations in Canada in the amount of EUR 4,991 thousand (prior year: EUR 6,320 thousand).

The securities comprise shares of less than 20% in three entities. The fair value of securities available for sale remained unchanged at EUR 354 thousand.

in EUR thsd.	2011	2010
Non-consolidated equity investments	6,908	6,404
Other non-current assets	8,108	9,532
Derivatives recognized as non-current assets	23,079	11,052
Securities available for sale	354	354
	<b>38,448</b>	<b>27,342</b>

### 3. Inventories

This category includes impairment losses of EUR 16,378 thousand (prior year: EUR 16,150 thousand) which are mainly attributable to write-downs of specialized replacement parts due to slow inventory turnover.

in EUR thsd.	2011	2010
Raw materials and supplies	126,700	114,516
Work in progress	37,431	38,218
Finished goods	53,203	45,360
Merchandise and unbilled services	373	384
	<b>217,706</b>	<b>198,478</b>

### 4. Trade receivables

in EUR thsd.	2011	2010
Receivables due from third parties	64,061	55,883
Receivables due from affiliated companies	0	16,388
Receivables due from companies with which the company is linked by virtue of participating interests	16,562	64
Impairment charges	(1,021)	(897)
	<b>79,602</b>	<b>71,438</b>

Changes in the allowances for impairment losses were as follows:

in EUR thsd.	2011	2010
As of January 1	897	771
Addition	389	493
Utilization	(11)	0
Reversal	(255)	(367)
<b>As of December 31</b>	<b>1,021</b>	<b>897</b>

## 5. Other receivables

in EUR thsd.	2011	2010
Other receivables and advance payments	16,373	13,166
Derivatives recognized as current assets	38,153	38,862
Financial receivables	248	56,825
	<b>54,775</b>	<b>108,853</b>

Other receivables and advance payments include an amount of EUR 1,587 thousand (prior year: EUR 407 thousand) for firm commitments.

The derivatives are broken down into categories in accordance with IAS 39, with the following market values on the balance-sheet date:

- Derivatives that are not designated and accounted for as a hedging instrument in accordance with IAS 39: EUR 19,653 thousand (prior year: EUR 31,488 thousand).
- Derivatives that are designated as a hedging instrument in a documented and demonstrably effective fair value hedge of a recognized asset or a firm commitment: EUR 1,398 thousand (prior year: EUR 1,906 thousand).
- Derivatives that are designated as the hedging instrument in a documented and demonstrably effective cash flow hedge: EUR 17,103 thousand (prior year: EUR 5,468 thousand). This also includes the current portion of the derivative embedded in the electric power supply contract for AAM, Phase I, in the amount of EUR 4,405 thousand (prior year: EUR 956 thousand).
- The decrease in the amount recognized for financial receivables is due to investments made with the Group Treasury department of the Constantia Packaging Group being terminated.

## 6. Equity

Changes in equity are shown in a separate schedule (Consolidated statement of changes in equity).

### Capital stock

The capital stock is made up of 35,264,000 non-par-value shares, each representing a pro-rata value of the capital stock of EUR 1.00. All shares have been paid up in full.

### Additional paid-in capital

Of the additional paid-in capital in the amount of 379.3 mEUR (prior year: 97.1 mEUR), 94.8 mEUR (prior year: 0 mEUR) relates to restricted and 284.5 mEUR to unrestricted reserves (prior year: 97.1 mEUR).

The costs for the capital increase that were incurred in the context of the IPO were recognized in the additional paid-in capital at 5.0 mEUR.

### Retained earnings

The retained earnings comprise the accumulated retained earnings from prior years and from the current year.

The Management Board proposes that EUR 0.75 per share plus a maximum bonus of EUR 0.75 per share, thus a maximum amount of EUR 52,896,000.00, be distributed out of the parent company's net profit as a dividend.

### Authorized shares

By resolution of the shareholders' meeting of AMAG Austria Metall AG of February 24, 2011, the Management Board of the company was authorized pursuant to sec. 169 of the (Austrian) AktG (Stock Corporation Act) to increase, within five years from the entry of the resolution in the commercial register, i.e., by March 8, 2016, with the consent of the Supervisory Board, the company's capital stock by up to EUR 15,000,000 by issuing up to 15,000,000 non-par-value bearer shares in one or several tranches, also to the full or partial exclusion of the existing shareholders' subscription rights, against cash payment or contributions in kind, and to fix the issue price, which must not be lower than the pro-rata amount of the current capital stock represented by each non-par-value share, as well as the other issuing conditions by mutual agreement with

the Supervisory Board (authorized capital as defined in Article 4 para. 5 of the Articles of Association). A portion of the authorized capital was used to increase the capital stock by 5,264,000 shares in the course of the IPO.

By resolution of the shareholders' meeting of AMAG Austria Metall AG of March 21, 2011, the Management Board of the company was authorized pursuant to sec. 174 of the Stock Corporation Act to issue, within five years from the adoption of the resolution, i.e., by March 20, 2016, with the consent of the Supervisory Board, convertible bonds which also grant or provide a right to exchange them for and/or subscribe to up to 15,000,000 non-par-value bearer shares representing a pro-rata amount of the capital stock of up to EUR 15,000,000, in one or several tranches, also to the full or partial exclusion of the existing shareholders' subscription rights. The determination of the relevant issue price and the exchange ratio, for which the help of expert third parties may be enlisted, has to be made in accordance with accepted finance-mathematical methods and in accordance with the stock exchange price of the shares of the company, while safeguarding the interests of the company, the existing shareholders and the subscribers to the convertible bonds. The issue price and all other issuing conditions, as well as the possible (even partial) exclusion of the existing shareholders' subscription rights, have to be established by the Management Board with the consent of the Supervisory Board.

For servicing exchange rights and/or subscription rights resulting from convertible bonds that are issued on the basis of the authorization provided by the resolution of the shareholders' meeting of March 21, 2011, the capital stock of the company was conditionally increased in accordance with sec. 159 para. 2

sub-para. 1 of the Stock Corporation Act. This means that a conditional capital increase may be performed only to the extent that the creditors of the convertible bonds avail themselves of their right to exchange them for and/or subscribe to shares of the company (conditional capital according to Article 4 para. 6 of the Articles of Association). Ultimately, the total of the number of new shares to be issued, actually or potentially, according to the conditions of the convertible bonds plus the total of the shares to be issued from the authorized capital must not exceed 15,000,000 shares.

#### Restrictions

Any and all shares acquired by Raiffeisenlandesbank Oberösterreich Aktiengesellschaft, by the AMAG Employees Private Foundation, as well as by the Management Board and senior management in the course of the IPO are subject to a prohibition of sale and/or transfer ("lock-up") for a period of 12 months or 360 days from the date of admission. The Management Board has no knowledge of any other restrictions of this kind.

#### Additional disclosures about capital management

AMAG is not subject to any capital requirements under its Articles of Association. On account of the volatility characterizing the aluminium business and given the high ratio of fixed assets to total assets, a sound capital structure is the basis for financial flexibility, among other things.

Capital management is aimed in particular at ensuring AMAG's further development while also optimizing the yield for the shareholders. The capital structure is being monitored continuously and presents itself as follows on the balance-sheet date:

in EUR thsd.	2011	2010
Total equity	542,554	514,174
Equity ratio	62.0%	62.0%
Balance-sheet total	875,641	828,783

## 7. Non-current provisions

in EUR thsd.	2011	2010
Severance payments	22,536	21,672
Pensions	20,072	14,634
Medical care benefits	5,932	5,071
Service anniversary bonuses	3,303	3,183
Other non-current provisions	18,725	24,362
	<b>70,569</b>	<b>68,922</b>

The notes on "other non-current provisions" are provided below in accordance with the reconciliation amounts from the provisions for social security and employee benefits.

### Provision for severance payments

in EUR thsd.	2011	2010	2009	2008
Present value of the obligation as of January 1	21,672	19,885	21,846	21,561
Current service cost	715	665	579	768
Interest expenses	903	937	1,085	789
Use of provisions for severance payments made	(1,128)	(988)	(2,146)	(1,480)
Actuarial (gains) / losses	375	1,173	(1,479)	208
<b>Present value of the obligations as of December 31</b>	<b>22,536</b>	<b>21,672</b>	<b>19,885</b>	<b>21,846</b>

in EUR thsd.	2011	2010	2009	2008
Current service cost	715	665	579	768
Expenses for severance payments	178	237	210	149
Contributions to staff severance pay funds	355	262	234	227
<b>Expenses for severance payments and contributions to staff severance pay funds</b>	<b>1,248</b>	<b>1,164</b>	<b>1,023</b>	<b>1,144</b>

The provision for severance payments is mainly a provision for severance claims in Austria. Actuarial gains and losses are taken to equity in accordance with IAS 19.93A. The major assumptions for the actuarial calculations were:

in %	Dec. 31, 2011	Dec. 31, 2010	Dec. 31, 2009	Dec. 31, 2008
Increase in salaries	5.00	5.00	5.00	5.00
Discount factor	4.50	4.50	5.00	5.00

#### Provision for pensions in 2011

2011 in EUR thsd.	funded	unfunded	Total
Present value of the obligation as of January 1	50,248	410	50,658
(Gains)/losses from currency translation differences	474	5	479
Current service cost (employer and employees)	1,304	17	1,321
Interest expenses	2,273	21	2,294
Contributions to the plan assets (employer and employees)	577	0	577
Use of provisions for pension benefits paid	(2,104)	(24)	(2,128)
Actuarial (gains)/losses	2,057	84	2,141
<b>Present value of the obligations as of December 31</b>	<b>54,830</b>	<b>513</b>	<b>55,343</b>

#### Less the assets built up to cover the obligations

2011 in EUR thsd.	funded	unfunded	Total
Fair value of plan assets as of January 1	36,024	0	36,024
Gains/(losses) from currency translation differences	398	0	398
Expected return on plan assets	2,040	0	2,040
Contributions to the plan assets (employer and employees)	1,849	0	1,849
Payments from the plan assets	(2,104)	0	(2,104)
Actuarial (gains)/losses	(2,937)	0	(2,937)
<b>Fair value of plan assets as of December 31</b>	<b>35,271</b>	<b>0</b>	<b>35,271</b>

2011 in EUR thsd.	funded	unfunded	Total
Current service cost (employer)	1,304	17	1,321
Employer contributions to the plan assets	0	0	0
	<b>1,304</b>	<b>17</b>	<b>1,321</b>
Pension fund payments	548	169	717
<b>Retirement benefit costs</b>	<b>1,853</b>	<b>186</b>	<b>2,039</b>

### Provision for pensions in 2010

2010 in EUR thsd.	funded	unfunded	Total
Present value of the obligation as of January 1	41,874	310	42,184
(Gains)/losses from currency translation differences	2,191	39	2,230
Current service cost (employer and employees)	1,074	10	1,084
Interest expenses	2,827	19	2,846
Contributions to the plan assets (employer and employees)	630	3	633
Use of provisions for pension benefits paid	(2,061)	(19)	(2,080)
Actuarial (gains)/losses	3,713	48	3,761
<b>Present value of the obligations as of December 31</b>	<b>50,248</b>	<b>410</b>	<b>50,658</b>

### Less the assets built up to cover the obligations

2010 in EUR thsd.	funded	unfunded	Total
Fair value of plan assets as of January 1	30,254	0	30,254
Gains/(losses) from currency translation differences	1,882	0	1,882
Expected return on plan assets	2,536	0	2,536
Contributions to the plan assets (employer and employees)	2,576	0	2,576
Payments from the plan assets	(2,061)	0	(2,061)
Actuarial (gains)/losses	837	0	837
<b>Fair value of plan assets as of December 31</b>	<b>36,024</b>	<b>0</b>	<b>36,024</b>

2010 in EUR thsd.	funded	unfunded	Total
Current service cost (employer)	1,074	10	1,084
Employer contributions to the plan assets	(630)	0	(630)
Past service cost	0	0	0
	<b>444</b>	<b>10</b>	<b>454</b>
Pension fund payments	633	23	656
<b>Retirement benefit costs</b>	<b>1,077</b>	<b>33</b>	<b>1,110</b>



**Provision for pensions in 2009**

<b>2009 in EUR thsd.</b>	<b>funded</b>	<b>unfunded</b>	<b>Total</b>
Present value of the obligation as of January 1	38,077	163	38,240
Reclassifications	0	0	0
(Gains)/losses from currency translation differences	1,238	13	1,251
Current service cost (employer and employees)	2,715	14	2,729
Interest expenses	2,882	2	2,884
Use of provisions for pension benefits paid	(2,103)	0	(2,103)
Past service cost	716	54	770
Actuarial (gains)/losses	(1,651)	64	(1,587)
<b>Present value of the obligations as of December 31</b>	<b>41,874</b>	<b>310</b>	<b>42,184</b>

**Less the assets built up to cover the obligations**

<b>2009 in EUR thsd.</b>	<b>funded</b>	<b>unfunded</b>	<b>Total</b>
Fair value of plan assets as of January 1	23,751	0	23,751
Gains/(losses) from currency translation differences	1,176	0	1,176
Expected return on plan assets	2,670	0	2,670
Contributions to the plan assets (employer and employees)	4,510	0	4,510
Payments from the plan assets	(2,103)	0	(2,103)
Actuarial (gains)/losses	250	0	250
<b>Fair value of plan assets as of December 31</b>	<b>30,254</b>	<b>0</b>	<b>30,254</b>

<b>2009 in EUR thsd.</b>	<b>funded</b>	<b>unfunded</b>	<b>Total</b>
Current service cost (employer)	1,303	8	1,311
Employer contributions to the plan assets	(488)	0	(488)
Past service cost	716	54	770
	<b>1,531</b>	<b>62</b>	<b>1,593</b>
Pension fund payments	433	175	608
<b>Retirement benefit costs</b>	<b>1,964</b>	<b>237</b>	<b>2,201</b>

### Provision for pensions in 2008

2008 in EUR thsd.	funded	unfunded	Total
Present value of the obligation as of January 1	38,416	715	39,131
(Gains)/losses from currency translation differences	648	8	656
Current service cost (employer and employees)	1,103	13	1,116
Interest expenses	1,835	10	1,845
Use of provisions for pension benefits paid		(48)	(48)
Payments from the plan assets	(2,174)	0	(2,174)
Past service cost	158	16	174
Actuarial (gains)/losses	(1,909)	(551)	(2,460)
<b>Present value of the obligations as of December 31</b>	<b>38,077</b>	<b>163</b>	<b>38,240</b>

### Less the assets built up to cover the obligations

2008 in EUR thsd.	funded	unfunded	Total
Fair value of plan assets as of January 1	31,769	0	31,769
Gains/(losses) from currency translation differences	554	0	554
Expected return on plan assets	1,841	0	1,841
Contributions to the plan assets (employer and employees)	1,506	0	1,506
Payments from the plan assets	(2,174)	0	(2,174)
Actuarial (gains)/losses	(9,745)	0	(9,745)
<b>Fair value of plan assets as of December 31</b>	<b>23,751</b>	<b>0</b>	<b>23,751</b>

2008 in EUR thsd.	funded	unfunded	Total
Current service cost (employer)	1,103	12	1,115
Employer contributions to the plan assets	(388)	0	(388)
Past service cost	158	16	174
	<b>873</b>	<b>28</b>	<b>901</b>
Pension fund payments	(454)	238	(216)
<b>Retirement benefit costs</b>	<b>419</b>	<b>266</b>	<b>685</b>

in EUR thsd.	2011	2010	2009	2008
<b>Present value of the obligations as of December 31</b>	<b>55,343</b>	<b>50,658</b>	<b>42,184</b>	<b>38,240</b>
unfunded	513	410	310	163
funded	54,830	50,248	41,874	38,077
<b>Fair value of plan assets as of December 31</b>	<b>35,271</b>	<b>36,024</b>	<b>30,254</b>	<b>23,751</b>
unfunded	0	0	0	0
funded	35,271	36,024	30,254	23,751
<b>Excess of obligation = provision for pensions as of December 31</b>	<b>20,072</b>	<b>14,634</b>	<b>11,930</b>	<b>14,489</b>
unfunded	513	410	310	163
funded	19,559	14,224	11,620	14,326

The provision for pensions mainly relates to provisions for pension benefits in Austria and Canada; a major portion of this is covered by invested plan assets. In Canada, a subsidiary of AMAG Austria Metall AG offers its employees pension benefits that are tied to their length of service and average income and are calculated using the "projected benefit method." The

associated costs of the plan are calculated in consultation with an actuary. Actuarial gains and losses are taken to equity in accordance with IAS 19.93A.

The major assumptions for the actuarial calculations were:

Canada in %	Dec. 31, 2011	Dec. 31, 2010	Dec. 31, 2009	Dec. 31, 2008
Increase in remuneration	3.00	3.00	3.00	3.00
Discount factor	4.75	5.00	5.75	6.00
Expected return on plan assets	7.25	7.25	7.25	7.25
Austria in %	Dec. 31, 2011	Dec. 31, 2010	Dec. 31, 2009	Dec. 31, 2008
Increase in remuneration	3.00	3.00	3.00	3.00
Discount factor	4.50	4.50	5.00	5.00
Expected return on plan assets	4.50	4.50	5.00	5.00

The major categories of plan assets in percent break down as follows:

in %	2011	2010	2009	2008
Equity securities	49.7	44.6	42.2	36.8
Bonds	36.9	32.5	37.9	46.0
Other investments	13.4	22.9	19.9	17.2

The expected total returns on plan assets are calculated, on the basis of the market prices currently prevailing, for the period over which the related obligation is settled. The investment returns on the plan assets

over the past year amounted for Austria to 3.2% (prior year: 8.7%) and for Canada to 4.0% (prior year: 5,0%).

#### Provisions for medical care benefits

in EUR thsd.	2011	2010	2009	2008
Present value of the obligation as of January 1	5,071	3,584	3,918	3,442
(Gains)/losses from currency translation differences	112	471	470	215
Current service cost (employer and employees)	220	215	173	287
Interest expenses	250	249	199	261
Payouts	(17)	(16)	(1,248)	0
Past service cost	0	0	0	395
Actuarial (gains)/losses	296	568	72	(682)
<b>Present value of the obligations as of December 31</b>	<b>5,933</b>	<b>5,071</b>	<b>3,584</b>	<b>3,918</b>

in EUR thsd.	2011	2010	2009	2008
Current service cost (employer)	220	215	173	287
Past service cost	0	0	0	395
<b>Expenses for medical care benefits</b>	<b>220</b>	<b>215</b>	<b>173</b>	<b>682</b>

The major assumptions for the actuarial calculations were:

<b>Canada in %</b>	<b>Dec. 31, 2011</b>	<b>Dec. 31, 2010</b>	<b>Dec. 31, 2009</b>	<b>Dec. 31, 2008</b>
Increase in salaries	3.00	2.00	3.00	3.00
Discount factor	4.75	5.00	5.75	6.00

The calculation of the actuarial parameters assumed an expected increase of 11% in the cost of medical care benefits starting in 2000. However, starting in 2012, the costs are expected to decline in stages to 5%.

The effects of a 1-percent change in the assumed medical care cost trend would be as follows:

<b>in EUR thsd.</b>	<b>Increase</b>	<b>Decrease</b>
Effect on the sum of current service costs and interest expenses	94	(74)
Effect on the defined benefit obligation	1,098	(867)

Actuarial gains and losses are taken to equity in accordance with IAS 19.93A. These amounted to minus EUR 5,774 thousand (prior year: minus EUR 4,665 thousand).

### Provisions for service anniversary bonuses

in EUR thsd.	2011	2010	2009	2008
Present value of the obligation as of January 1	3,183	2,888	2,983	2,928
Current service cost	191	202	146	163
Interest expenses	135	138	144	112
Use of provisions for service anniversary bonuses paid	(195)	(149)	(325)	(263)
Actuarial (gains)/losses	(11)	104	(60)	43
<b>Present value of the obligations as of December 31</b>	<b>3,303</b>	<b>3,183</b>	<b>2,888</b>	<b>2,983</b>

in EUR thsd.	2011	2010	2009	2008
Current service cost	191	202	146	163
Actuarial (gains)/losses	(11)	104	(60)	43
<b>Expenses for service anniversary bonuses</b>	<b>180</b>	<b>306</b>	<b>86</b>	<b>206</b>

The major assumptions for the actuarial calculations were:

in %	Dec. 31, 2011	Dec. 31, 2010	Dec. 31, 2009	Dec. 31, 2008
Increase in salaries	5.00	5.00	5.00	5.00
Discount factor	4.50	4.50	5.00	5.00

The provisions for service anniversary bonuses are related to service anniversary bonuses payable by Austrian Group affiliates that must be set up on the basis of legal mandates or collective bargaining agreements and/or company agreements, and are dependent on lengths of service.

The deduction for employee turnover was applied at 2.0% in Austria and at an average of 4.4% in Canada. Provisions for pensions in Austria were calculated based on a retirement age of 65.0 years.

### Other non-current provisions

in EUR thsd.	2011	2010
Book value as of January 1	24,362	26,145
(Gains)/losses from currency translation differences	(29)	685
Utilization	(1,607)	(2,811)
Reversal	(1,082)	0
Addition	1,995	343
Reclassification into current provisions	(4,914)	0
<b>Book value as of December 31</b>	<b>18,725</b>	<b>24,362</b>

The other non-current provisions mainly include provisions for contract risks and other hazards, as well as provisions for follow-up costs and asset retire-

ment obligations in connection with the closing of the smelter operations.

### 8. Current provisions

in EUR thsd.	2011	2010
Book value as of January 1	20,227	22,817
(Gains)/losses from currency translation differences	364	249
Utilization	(4,695)	(4,835)
Reversal	(2,839)	(4,742)
Addition	10,411	6,738
Reclassification of non-current provisions	4,914	0
<b>Book value as of December 31</b>	<b>28,382</b>	<b>20,227</b>

Current provisions mainly include provisions for customer complaints, sales bonuses, contract risks and

other hazards as well as legal and consulting costs.

## 9. Liabilities

2011 in EUR thsd.	Total	Remaining term less than 1 year	Remaining term more than 1 but less than 5 years	Remaining term more than 5 years
Financial liabilities	73,728	22,901	31,608	19,219
Other non-current liabilities	12,541	0	12,541	(0)
Trade payables	58,104	58,104	0	0
Current tax liabilities	8,650	8,650	0	0
Other liabilities	40,729	40,729	0	0
	<b>193,752</b>	<b>130,384</b>	<b>44,149</b>	<b>19,219</b>

2010 in EUR thsd.	Total	Remaining term less than 1 year	Remaining term more than 1 but less than 5 years	Remaining term more than 5 years
Financial liabilities	45,368	23,526	21,842	0
Other non-current liabilities	34,495	0	18,572	15,923
Trade payables	46,033	46,033	0	0
Current tax liabilities	1,609	1,609	0	0
Other liabilities	64,043	64,043	0	0
	<b>191,548</b>	<b>135,211</b>	<b>40,414</b>	<b>15,923</b>



Financial liabilities increased by EUR 28,359 thousand in the year under review to EUR 73,728 thousand. The change was due on the one hand to a non-interest bearing loan to the Canadian subsidiary with a book value of EUR 16,961 thousand (prior year: EUR 15,923 thousand) being reclassified from other non-current liabilities to financial liabilities. The change is furthermore due to taking out a loan to finance dividend payments, of which EUR 20,000 thousand are still outstanding, as well as to new ERP loans having been allotted. On the other hand, the change is due to the scheduled amortization of the financing for the equity investment in the Canadian smelter operation and of ERP loans as well as the settlement of a clearing obligation. There are no outstanding interest-bearing financial liabilities secured by mortgages.

Other non-current liabilities also include a total amount of EUR 10,706 thousand (prior year: EUR 13,328 thousand) for derivatives. This breaks down into EUR 4,051 thousand (prior year: EUR 8,987 thousand) for derivatives with a negative market value not

designated as part of a hedging relationship in accordance with IAS 39 and recognized in liabilities as such, EUR 722 thousand (prior year: EUR 309 thousand) for derivatives designated as hedging instruments in a documented and demonstrably effective fair value hedge for a recognized asset or firm commitment, and finally EUR 5,933 thousand (prior year: EUR 4,031 thousand) designated as part of a documented and demonstrably effective cash flow hedge.

Of the hedging transactions related to the smelter operations, which had been expensed when first ever preparing the IFRS consolidated financial statements as of October 1, 2007, the non-current portion in the amount of EUR 3,440 thousand recognized in other non-current liabilities in the prior year was reclassified to other liabilities in the year under review.

Of the trade payables, EUR 8,945 thousand (prior year: EUR 4,494 thousand) are related to liabilities for investments.

## 10. Other current liabilities

in EUR thsd.	2011	2010
Derivatives	20,461	41,927
Hedge related to smelter operations	3,440	3,676
Liabilities due to employees	4,868	4,165
Accrued unused vacations and flex credits	5,528	4,898
Other tax liabilities	1,295	1,547
Liabilities due to social security carriers	1,712	1,585
Deferred income	0	1,264
Other liabilities	3,425	4,981
	<b>40,729</b>	<b>64,043</b>

The drop of derivatives from EUR 41,927 thousand to EUR 20,461 thousand largely reflects the movement of aluminium prices at year-end.

Derivatives include derivatives with a negative market value in the amount of EUR 14,128 thousand (prior year: EUR 33,464 thousand) that were not designated as part of a hedging relationship in accordance with IAS 39 and accounted for as such. These derivatives are primarily used as hedges for the aluminium inventories and orders on hand of the AMAG Group.

The remaining derivatives break down into the following categories in accordance with IAS 39, with the following market values on the balance-sheet date:

- Derivatives that are designated as a hedging instrument in a documented and demonstrably effective fair value hedge of a recognized asset or a firm commitment: EUR 1,587 thousand (prior year: EUR 6,169 thousand).
- Derivatives that are designated as the hedging instrument in a documented and demonstrably effective cash flow hedge: EUR 4,746 thousand (prior year: EUR 2,294 thousand).

## J. NOTES TO THE CONSOLIDATED STATEMENT OF INCOME

### 11. Sales

By spreading its operations across multiple segments, the AMAG Group significantly lowers the risk of dependency on a few customers. The top ten customers accounted for 41.8% (prior year: 31.0%) of sales and the share of the largest customer was 8.7% (prior year: 9.9%). Sales revenues related to the largest customer were equal to EUR 70,883 thousand (prior year: EUR 66,092 thousand); they are attributable to the Metal Division.

Additional information on sales is found in the segment report. Sales revenue includes income of EUR 7,265 thousand (prior year: expenses of EUR 1,958 thousand) from derivatives designated as hedging instruments in a cash flow hedge in accord-

ance with IAS 39, as well as expenses of EUR 1,394 thousand (prior year: EUR 388 thousand) from derivatives designated as part of a fair value hedging relationship in accordance with IAS 39. The change in the fair value of hedged foreign currency receivables was EUR 1,394 thousand (prior year: EUR 388 thousand).

The cost of materials furthermore includes income in the amount of EUR 1,204 thousand (prior year: EUR 7,427 thousand) from derivatives designated as part of a cash flow hedging relationship in accordance with IAS 39, as well as income of EUR 14,662 thousand (prior year: EUR 7,547 thousand) from derivatives designated as part of a fair value hedging relationship in accordance with IAS 39. The change in the fair value of hedged aluminium inventories was EUR 12,006 thousand (prior year: EUR 12,662 thousand).

### 12. Other operating income

in EUR thsd.	2011	2010
Gains from the disposal of property, plant and equipment and intangible assets	172	75
Insurance proceeds	291	1,099
Grants and government subsidies	1,042	1,807
Rental income	494	556
Other	15,251	14,670
	<b>17,249</b>	<b>18,207</b>

The line item "Other" includes in particular income from the re-charging of infrastructure services provided to third-party customers.

### 13. Personnel expenses

in EUR thsd.	2011	2010
Wages	51,560	48,383
Salaries	27,327	25,620
Expenses for severance payments and contributions to MVK	1,248	1,164
Retirement benefit costs	2,039	1,186
Expenses for social security contributions	16,627	15,151
Other expenses for social benefits	252	36
	<b>99,052</b>	<b>91,540</b>

Expenses for severance payments and contributions to MVK include contributions to staff severance pay funds (Mitarbeitervorsorgekassen, MVK) equal to EUR 355 thousand (prior year: EUR 262 thousand).

The variable remuneration of the Management Board of AMAG Austria Metall AG is oriented exclusively on the operating performance. The ratio of the fixed components to the variable components of the total compensation of the Management Board is approximately 60% to 40%. In addition, a premium payment of EUR 48 thousand (prior year: EUR 24 thousand) was made under a D&O liability insurance.

The company pension schemes for the Management Board members and senior management of the fully consolidated companies are based exclusively on defined contribution plans for which no additional payment obligations on the part of the company are incurred.

In 2011, the Supervisory Board members of Austria Metall GmbH were paid compensation of EUR 51 thousand (prior year: EUR 64 thousand).

The compensation for the Supervisory Board members is determined annually at the shareholders' meeting of AMAG Austria Metall AG and is required to take the responsibility and scope of duties of the Supervisory Board into account. Special consideration is given in this connection to the size and structure of the company as well as the scope of decisions made by the Supervisory Board.

In contrast to its role in the compensation of the Management Board members, the financial position of the company is not important here – the activities of the Supervisory Board do not lend themselves to performance-based measurement.

The distribution of the total compensation among the Supervisory Board members is left to the Supervisory Board.

Average number of employees (Full Time Equivalents)	2011	2010
Blue-collar employees	977	795
White-collar employees	445	380
	<b>1,422</b>	<b>1,175</b>

In 2011 AMAG's percentage personnel share out of the 20% participation in smelter Alouette (196 employees; thereof 54 white-collar and 142 blue-collar

workers) was included in the personnel count for the first time.

#### 14. Other operating expenses

in EUR thsd.	2011	2010
Freight	18,118	17,527
Maintenance	12,654	11,686
Other purchased services and consulting fees	10,368	12,794
Rent and lease payments	330	408
Travel and motor vehicle expenses	1,195	1,179
Commissions	1,834	1,483
Insurance	2,641	2,701
Other taxes	168	174
Advertising and entertainment expenses	765	651
Expenses related to foreign currency translation differences	421	1,424
Money transfer fees	112	187
Losses from the disposal of property, plant and equipment and intangible assets	185	850
Risk provisions	401	491
Other miscellaneous expenses including expenses to be re-charged	9,668	4,268
	<b>58,861</b>	<b>55,823</b>

Research and development costs recognized as expenses in the statement of income for the fiscal year amounted to EUR 6,163 thousand (prior year: EUR 5,974 thousand). The remaining miscellaneous operating expenses mainly include expenditures for

services re-charged to third parties as well as income from derivatives designated as part of a hedging relationship in accordance with IAS 39 for a total of EUR 2,320 thousand (prior year: EUR 2,475 thousand).

### 15. Net financial income (expenses)

in EUR thsd.	2011	2010
Interest income	3,514	3,284
Interest expenses	(8,522)	(7,516)
Other financial income (expenses)	543	(280)
	<b>(4,465)</b>	<b>(4,512)</b>

Interest expenses include expenses totaling EUR 798 thousand (prior year: EUR 1,200 thousand) related to derivatives designated as part of a hedging relationship in accordance with IAS 39.

Other financial income and expenses inter alia include an amount of EUR 6 thousand (prior year: EUR 141 thousand) from non-consolidated equity investments

and shares, an amount of EUR 351 thousand (prior year: expenses of EUR 783 thousand) from effects from currency translation from financing, as well as EUR 867 thousand (prior year: EUR 1,186 thousand) for effects from derivatives that cannot be designated as part of a hedging relationship in accordance with IAS 39.

### 16. Taxes on income and earnings

Under the group taxation system, Austria Metall GmbH and its Austrian subsidiaries were consolidated into a tax group as defined in sec. 9 of the (Austrian) KStG (Corporate Income Tax Act). Taxable results of the Group members after set-off of losses incurred before becoming members of the tax

group are allocated to Austria Metall GmbH (parent group for taxation purposes). To compensate for the taxable results being passed on, a tax compensation to be calculated using the stand-alone method was agreed under the Tax Group and Tax Compensation Agreement.

#### Tax reconciliation

in EUR thsd.	2011	2010
Earnings before taxes (EBT)	99,128	89,313
<b>Tax expense at 25%</b>	<b>24,782</b>	<b>22,328</b>
Other non-deductible expenses	1,224	205
Tax-exempt income	(982)	(448)
Other tax rates	850	1,083
Releases of/additions to accrued/ deferred taxes, official tax audits, withholding taxes	6	10
Tax rate changes	62	(1,043)
Prior years' tax expense	1,074	(860)
Recognition / reversals of impairment losses in relation to deferred taxes	(14,779)	(8,302)
Other	(1,244)	685
<b>Current tax expense</b>	<b>10,993</b>	<b>13,658</b>
Taxes paid	4,393	1,164

**17. Deferred taxes**

in EUR thsd.	Deferred taxes 2011		Deferred taxes 2010	
	Assets	Liabilities	Assets	Liabilities
Property, plant and equipment	0	45,482	0	46,465
Other non-current assets and financial assets	2,529	7,993	1,657	7,039
Inventories	2,744	0	0	1,137
Receivables	2,584	13,402	684	11,151
Loss carryforward	20,625	0	18,900	0
Untaxed reserves	1,676	0	0	6
Provisions	9,690	2,198	14,138	0
Liabilities	12,924	163	18,298	3,791
Other	1,623	5	2,595	23
	<b>54,395</b>	<b>69,243</b>	<b>56,272</b>	<b>69,612</b>
Set-off with the same taxation authority	28,858	28,858	35,700	35,700
<b>Net deferred tax assets and liabilities</b>	<b>25,537</b>	<b>40,385</b>	<b>20,572</b>	<b>33,912</b>

No deferred tax assets were calculated for temporary differences and loss carryforwards totaling EUR 175,010 thousand (prior year EUR 240,448 thousand).

## K. SEGMENT REPORTING

### Business divisions

The breakdown into the segments Metal, Casting, Rolling and Service, as well as Consolidation corresponds to the internal organizational and management structure of the Group and thus serves as the basis for segment reporting.

The Metal segment encompasses the hedging transactions concerning our raw materials basis in connection with the 20% equity interest in the Canadian smelter Aluminerie Alouette as well as the marketing of primary aluminium.

The Casting segment includes the production of high-grade cast aluminium alloys from aluminium scrap that are used by the automotive industry and its suppliers, and by the mechanical engineering, electrical engineering and other sectors.

The Rolling segment encompasses the production of high-grade rolled aluminium products, such as sheets, strips and plates. They are used in the automotive and aircraft industries as well as in the sports equipment, mechanical engineering and transportation and industrial sectors.

The segment also focuses on the production of bright products, customized cathode elements for zinc electrolysis plants, braze clad materials and specialized tread plates as well as high-strength alloys. The portfolio is rounded off by foil stock for the packaging industry.

The Service Division comprises all centrally organized services for the operating divisions of AMAG at

the Ranshofen location as well as all of the holding company functions of AMAG Austria Metall AG and of Austria Metall GmbH. Its activities relate, in particular, to all of the building and area management functions at the Ranshofen location. The values of its land and buildings are assigned entirely to this Division. The division further covers the supply of utilities and waste disposal, general site services as well as materials management.

No business divisions were combined to create the above reporting divisions. The measurement and recognition criteria used for the segment reporting of AMAG Austria Metall AG are based on the IFRS standards applied in the consolidated financial statements.

AMAG Austria Metall AG evaluates the performance of the divisions on the basis of sales and EBIT among other indicators.

Inter-divisional sales and outlays are allocated on the basis of market prices. Division assets and liabilities include all assets and liabilities that are recognized on the basis of financial statements prepared by the operative divisions and included in the consolidated financial statements. The division investments comprise additions to intangible assets as well as property, plant and equipment.

### Inter-divisional transactions

Income, expenses and earnings for the various divisions include eliminations between these business and/or geographic divisions. Inter-divisional transfer prices are based on prices for comparable arms-length transactions.



**Business divisions**

2011 in EUR thsd.	Metal	Casting	Rolling	Service	Consolidation	Group
<b>Sales</b>						
External sales	200,425	125,924	486,783	0	(0)	813,132
Internal sales	380,546	4,698	60,321	0	(445,565)	0
	<b>580,971</b>	<b>130,622</b>	<b>547,104</b>	<b>0</b>	<b>(445,565)</b>	<b>813,132</b>
<b>Earnings</b>						
Earnings before interest and taxes	51,001	5,391	52,234	(5,032)	0	103,594
Interest income	2,817	4	301	2,663	(2,272)	3,514
Interest expenses	(3,843)	(255)	(3,025)	(3,670)	2,272	(8,522)
Interest income (expenses)	(1,026)	(251)	(2,724)	(1,007)	0	(5,008)
<b>Net financial income (expenses)</b>	<b>456</b>	<b>(255)</b>	<b>(2,873)</b>	<b>(1,791)</b>	<b>(3)</b>	<b>(4,465)</b>
<b>Earnings before taxes</b>	<b>51,457</b>	<b>5,136</b>	<b>49,361</b>	<b>(6,813)</b>	<b>(13)</b>	<b>99,128</b>
Taxes on income and earnings	(14,096)	(1,277)	(12,035)	16,416	(0)	(10,993)
<b>Net income after taxes</b>	<b>37,361</b>	<b>3,859</b>	<b>37,326</b>	<b>9,603</b>	<b>(13)</b>	<b>88,136</b>
of which attributable to the equity holders of the parent						<b>86,020</b>
attributable to non-controlling interests						2,116
<b>Balance sheet</b>						
Division assets	459,027	36,345	210,995	1,311,418	(1,142,143)	875,641
Division liabilities	201,770	23,430	108,927	83,462	(84,502)	333,087
<b>Other disclosures</b>						
Depreciation, amortization and impairment losses	22,553	2,154	14,447	6,939	0	46,093
Investments (excluding financial investments)	12,201	2,006	27,469	7,177	0	48,853
Employees (FTE)	203 *)	116	992	111	0	1,422

\*) In 2011 AMAG's percentage personnel share of the 20% participation in smelter Alouette (196 employees; thereof 54 white-collar and 142 blue-collar workers) was included in the employee figures for the first time.

2010 in EUR thsd.	Metal	Casting	Rolling	Service	Consolidation	Group
<b>Sales</b>						
External sales	177,750	109,637	440,583	0	0	727,970
Internal sales	335,637	4,853	53,066	0	(393,556)	0
	<b>513,387</b>	<b>114,490</b>	<b>493,649</b>	<b>0</b>	<b>(393,556)</b>	<b>727,970</b>
<b>Earnings</b>						
Earnings before interest and taxes	52,699	3,622	41,681	(4,187)	10	93,825
Interest income	1,809	16	235	2,025	(801)	3,284
Interest expenses	(4,363)	(199)	(1,970)	(1,785)	801	(7,516)
Interest income (expenses)	(2,554)	(183)	(1,735)	240	0	(4,232)
Other financial income (expenses)	325	0	(3)	(602)	0	(280)
<b>Net financial income (expenses)</b>	<b>(2,229)</b>	<b>(183)</b>	<b>(1,738)</b>	<b>(362)</b>	<b>0</b>	<b>(4,512)</b>
<b>Earnings before taxes</b>	<b>50,470</b>	<b>3,439</b>	<b>39,943</b>	<b>(4,549)</b>	<b>10</b>	<b>89,313</b>
Taxes on income and earnings	(16,689)	(840)	(9,978)	13,849	0	(13,658)
<b>Net income after taxes</b>	<b>33,781</b>	<b>2,599</b>	<b>29,965</b>	<b>9,300</b>	<b>10</b>	<b>75,655</b>
of which attributable to the equity holders of the parent						47,181
attributable to non-controlling interests						28,474
<b>Balance sheet</b>						
Division assets	426,139	39,213	183,173	411,854	(231,596)	828,783
Division liabilities	225,198	27,583	81,976	53,179	(73,327)	314,609
<b>Other disclosures</b>						
Depreciation, amortization and impairment losses	23,057	2,020	13,332	6,717	0	45,126
Investments (excluding financial investments)	17,995	2,259	20,432	5,254	0	45,940
Employees (FTE)	7	112	947	109	0	1,175

**Geographic divisions**

2011 in EUR thsd.	Production site Austria	Production site Canada	Total	Consolidation	Group
<b>Sales</b>					
Austrian market <sup>1)</sup>	130,112	197,170	327,282	(198,158)	129,124
European market	551,595	0	551,595	0	551,595
Other markets	131,013	0	131,013	1,400	132,413
	<b>812,720</b>	<b>197,170</b>	<b>1,009,890</b>	<b>(196,758)</b>	<b>813,132</b>
<b>Earnings</b>					
Earnings before interest and taxes	76,964	25,992	102,956	638	103,594
<b>Balance sheet</b>					
Segment assets	668,670	289,940	958,610	(82,969)	875,641

2010 in EUR thsd.	Production site Austria	Production site Canada	Total	Consolidation	Group
<b>Sales</b>					
Austrian market <sup>1)</sup>	109,842	182,635	292,477	(182,635)	109,842
European market	512,203	0	512,203	0	512,203
Other markets	105,925	0	105,925	0	105,925
	<b>727,970</b>	<b>182,635</b>	<b>910,605</b>	<b>(182,635)</b>	<b>727,970</b>
<b>Earnings</b>					
Earnings before interest and taxes	69,719	25,610	95,329	(1,504)	93,825
<b>Balance sheet</b>					
Segment assets	644,634	267,187	911,821	(83,038)	828,783

1) The pro-rata share of the Canadian smelter production was allocated to the Austrian metals management company, which, in turn, resold the aluminium

## L. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

The consolidated statement of cash flows is prepared using the indirect method. Within the statement of cash flows, the presentation differentiates between cash flows from operating activities, from investing activities and from financing activities. The cash funds shown in the cash flow statement include cash balances of EUR 21 thousand (prior year:

EUR 16 thousand), investments with a maximum remaining term of three months at the acquisition date in the amount of EUR 60,562 thousand (prior year: EUR 9,123 thousand). In the prior year, short-term loans taken out under an intra-group clearing arrangement with Constantia Packaging GmbH, equal to EUR 56,825, had still been included.

## M. FINANCIAL INSTRUMENTS

### Risk management strategies

AMAG Austria Metall AG is exposed to risk arising from changes in currency exchange rates, interest rates and stock market prices with respect to its assets, liabilities and planned transactions. The management of these risks is governed by Group-wide guidelines. The goal of financial risk management is to limit these market risks through continuous operating and finance-oriented activities. Derivatives are employed exclusively as hedging instruments.

### Liquidity risk

Liquidity risk is the risk of not being able to obtain funds at all times needed to settle the financial obligations that have been assumed. The Group acts accordingly to ensure that adequate cash and cash equivalents are in hand and/or that the necessary financing can be obtained through corresponding credit facilities. Liquidity risks are identified by Group-wide liquidity planning on a currency-by-currency basis. Based on these findings, measures are planned to ensure adequate capital for the Group affiliates.

The AMAG Group has obtained securitized and unsecuritized credit lines for EUR 120,000 thousand (prior year: EUR 89,150 thousand) to guard against liquidity risk. In addition, the Group also has access to guarantee facilities in the amount of EUR 77,286 thousand (prior year: EUR 76,935 thousand).

### Credit risk

Credit risk or counterparty default risk is managed through the use of credit reviews, credit limits and routine audits. Where appropriate, the Group obtains government export guarantees or guarantees from private insurers in order to reduce the risk of a payment default.

The credit risk is also mitigated by the fact that the Group only works with financial partners of good financial standing.

With respect to assets, the amounts reported for primary financial instruments also represent the maximum credit and default risk. Impairment allowances have been applied for all identified risks, so that management is of the opinion that no further credit risks will emerge.

The trade receivables that are not yet due for payment are mainly due from business partners of many years' standing. The credit quality ratings are assigned on the basis of internal assessment guidelines. The majority of trade receivables are covered by credit insurance obtained from various insurance providers. These insurance policies provide for a deductible in case of a loss event. For such receivables, the deductible is applied as a maximum impairment allowance in accordance with an evaluation by local management. No such receivables are overdue.

The aging schedule of overdue trade receivables breaks down as follows:

in EUR thsd.	2011	2010
<b>Receivables not yet due</b>	<b>62,222</b>	<b>63,683</b>
<b>Overdue receivables</b>	<b>18,401</b>	<b>8,652</b>
Overdue by less than 30 days	15,987	7,875
Overdue by more than 30 days but less than 60 days	2,086	671
Overdue by more than 60 days but less than 90 days	137	45
Overdue by more than 90 days but less than 180 days	190	20
Overdue by more than 180 days	0	41
	<b>80,623</b>	<b>72,335</b>
Allowances for doubtful debt	(1,021)	(897)
<b>Total</b>	<b>79,602</b>	<b>71,438</b>

### Market risk

#### Foreign exchange rate risk

Foreign exchange rate risk arises from the fact that the value of a financial instrument can change as the result of exchange rate fluctuations. The Group enters into foreign currency forwards and options contracts in order to exclude the exchange rate risk attaching to the cash flow from operating activities (cash flow hedge). The fair value of the assets and liabilities on the balance sheet is hedged by foreign currency forwards and options (fair value hedge.)

The transaction risk is calculated individually for each foreign currency. Foreign currency receivables and liabilities arising from transactions required to be recognized on the balance sheet are taken into account as of the transaction date, as are certain off-balance-sheet

items, which include primarily recurring transactions required for operating reasons (anticipated purchases of materials and proceeds from sales). The Group is further exposed to foreign exchange rate risk due to the fact that the AMAG Group maintains operations and transacts sales in various countries world-wide.

Materials purchases are mostly denominated in the national currency of the local entity. Accordingly, the majority of outgoing invoices of foreign entities are presented in the same local currency. This closes out currency positions, significantly mitigating the identifiable exchange rate risk. In the case of positions that cannot be closed out by such matching positions (natural hedge), overhangs are hedged by means of forward or options contracts that are aligned with the risk position and the risk horizon.

As of the balance-sheet date, primary financial instruments, which include trade receivables and trade payables, financial receivables and financial liabilities

as well as securities, break down by currency position as follows:

	Dec. 31, 2011			Dec. 31, 2010		
	Currency	in EUR thsd.	Share	Currency	in EUR thsd.	Share
<b>Primary financial instruments/ assets</b>	<b>EUR</b>	<b>102,258</b>	<b>59.92%</b>	<b>EUR</b>	<b>110,469</b>	<b>74.96%</b>
	USD	60,927	35.70%	USD	27,432	18.61%
	CAD	5,045	2.96%	CAD	7,682	5.21%
	GBP	2,063	1.21%	GBP	1,352	0.92%
	CHF	0	0.00%	CHF	0	0.00%
	DKK	121	0.07%	DKK	67	0.05%
	SEK	0	0.00%	SEK	0	0.00%
	NOK	162	0.09%	NOK	0	0.00%
	Other	75	0.04%	Other	372	0.25%
		<b>170,651</b>	<b>100.00%</b>		<b>147,374</b>	<b>100.00%</b>

	Dec. 31, 2011			Dec. 31, 2010		
	Currency	in EUR thsd.	Share	Currency	in EUR thsd.	Share
<b>Primary financial instruments/ assets</b>	<b>EUR</b>	<b>90,155</b>	<b>63.01%</b>	<b>EUR</b>	<b>36,435</b>	<b>31.70%</b>
	USD	35,007	24.47%	USD	62,443	54.33%
	CAD	17,777	12.42%	CAD	15,923	13.85%
	GBP	100	0.07%	GBP	80	0.07%
	CHF	0	0.00%	CHF	0	0.00%
	DKK	29	0.02%	DKK	52	0.05%
	SEK	2	0.00%	SEK	0	0.00%
	NOK	1	0.00%	NOK	0	0.00%
	Other	6	0.01%	Other	8	0.00%
		<b>143,075</b>	<b>100.00%</b>		<b>114,941</b>	<b>100.00%</b>

**Interest rate risk**

Interest rate risk is the risk of changes in net interest flows or changes in the present value of a financial instrument. Interest rate risk cannot be eliminated entirely since there is interaction between the risk related to net interest flows and the risk related to present values. Present value risk affects the Group in relation to the fair value of interest-bearing financial instruments and investments; net interest flow risk affects it in relation to net interest expenses or income.

On the balance-sheet date, the Group was a party in interest rate swaps qualifying as cash flow hedges denominated U.S. dollars. Under the swap contracts that it uses, AMAG Austria Metall AG pays fixed inter-

est on the notional value of the swap contract and in return receives variable interest payments on the same notional principal amount. The interest rate swaps smooth out the impact of future changes in interest rates on cash flows from the underlying variable-rate financial liabilities. The interest rate swaps are carried at fair value on the balance sheet.

Changes in the fair value of interest rate swaps classified as cash flow hedges are recognized directly in equity under the hedging reserve. When interest payments on the hedged item are received, the amounts in the hedging reserve are reclassified and recognized through profit and loss under net interest income (expenses).

On the balance-sheet date, the detailed breakdown of weighted interest rates was as follows:

#### Interest rate summary as of Dec. 31, 2011

Position	Rate type	Average	Bank accounts	Current	Non-current
Deposits	Fixed	-	-	-	-
	Variable	0.94%	0.25%	1.13%	-
	<b>Average</b>	<b>0.94%</b>			
Financial liabilities	Fixed	0.94%	-	3.40%	0.38%
	Variable	2.39%			2.39%
	<b>Average</b>	<b>1.34%</b>			

#### Interest rate summary as of Dec. 31, 2010

Position	Rate type	Average	Bank accounts	Current	Non-current
Deposits	Fixed	-	-	-	-
	Variable	0.51%	0.21%	0.54%	-
	<b>Average</b>	<b>0.51%</b>			
Financial liabilities	Fixed	3.08%	-	3.06%	3.11%
	Variable	1.62%	6.81%	1.61%	-
	<b>Average</b>	<b>3.04%</b>			

#### Commodity price risk

As regards commodities, AMAG Austria Metall AG is exposed in particular to price risk with respect to aluminium. The Group's exposure to risk related to aluminium arises from the fact that the AMAG Group produces and processes aluminium. The production of aluminium creates price risk, which is mitigated by the use of derivatives. Risk also arises from aluminium (re)processing. In this connection, aluminium-based metals (e.g. scrap) are purchased and are then (re) sold after they have been processed.

The related risks inherent in these purchases and sales are mitigated with the use of hedging instruments.

The risk of price changes for commodities quoted on the London Metal Exchange (LME) are hedged by

means of standard commodity forward contracts and commodity options. Hedges of future cash flows from aluminium production are designated as cash flow hedges. Inventory hedges are designated as fair value hedges in accordance with the IFRS criteria.

Under current accounting regulations, derivatives classified as held for trading are not eligible to be designated as cash flow or fair value hedges, but nevertheless serve to hedge the Group's financial risk.

In light of the - in some cases - long risk horizon, these risk mitigating contracts are entered into for terms up until 2015. The principle that derivatives are only employed if they can be clearly accounted for and measured applies equally in connection with these commodity price hedges.



### Sensitivity analysis

The table below shows the sensitivity to a change in interest rates - to the order generally considered possible by reasonable estimation - on this part of the loans or investments after the effect of the hedging relationship. If all other variables remain constant, the impact on the consolidated earnings before taxes attributable to the effect of such a change on variable interest rate loans and investments is as follows:

#### Sensitivity analyses as of December 31, 2011 (amounts in EUR thsd.)

Foreign exchange rate risk	Change	EUR	USD	Other	Total
Change in net financial liabilities due to an exchange rate reduction by	10%	0	(2,276)	0	(2,276)
Interest rate risk	Change	EUR	USD	Other	Total
Change in net interest income/expenses due to an interest rate increase by	1%	167	158	0	325
Commodity price risk	Change			AL	Total
Change in inventory write-down due to LME aluminium price reduction by	10%			(9,221)	(9,221)

#### Sensitivity analyses as of December 31, 2010 (amounts in EUR thsd.)

Foreign exchange rate risk	Change	EUR	USD	Other	Total
Change in net financial liabilities due to an exchange rate reduction by	10%	0	(3,012)	0	(3,012)
Interest rate risk	Change	EUR	USD	Other	Total
Change in net interest income/expenses due to an interest rate increase by	1%	574	(17)	4	561
Commodity price risk	Change			AL	Total
Change in inventory write-down due to LME aluminium price reduction by	10%			(8,425)	(8,425)

The table further shows the sensitivity of consolidated earnings before taxes (as a result of changes in the fair value of the monetary assets and liabilities, including the non-designated foreign currency derivatives) and the equity of the Group (due to changes in the fair value of the foreign currency forward transactions entered into as cash flow hedges and as net investment hedges of a foreign subsidiary or operation) to a change - on an order generally considered

possible according to a reasonable estimation - in the exchange rate of the U.S. dollar.

All other variables remain constant. The risk exposure of the Group to changes in the exchange rates of all other currencies is not material. Finally the table also shows the effects of changes in the price of aluminium after the effect of the hedging relationships.

**Primary financial instruments**

For the holdings of primary financial instruments, please refer directly to the balance sheet and the related disclosures in the Notes.

**Cash and cash equivalents**

The book values can be considered as appropriate estimates of their market value.

**Securities recognized as current and non-current assets**

The securities represent an interest of less than 20%; they are classified as financial assets available for sale and are carried at cost.

**Derivatives**

Only standard market instruments traded in a sufficiently liquid market are used as hedges.

**Cash flow hedges**

Currency derivatives are used to hedge future cash flows from pending and anticipated transactions denominated in foreign currencies. Commodity derivatives are likewise used to hedge commodity price risks (aluminium and, to a small extent, copper) in relation to anticipated or highly probable transactions. Interest rate swaps denominated in U.S. dollars are used to hedge interest rate risk. The fair values of the derivatives are the result of changes in the yield curve since the contract start dates. In the case of options, only the intrinsic value of the derivative is designated as a hedging instrument; only changes in the fair value of this intrinsic value are recognized in the hedging reserve; other changes in fair value are recognized directly through profit or loss.

Derivatives qualifying as cash flow hedges and recognized in the hedging reserve:

			Dec. 31, 2011		Dec. 31, 2010	
<b>CASH FLOW HEDGE</b>	Currency or commodity		Nominal values <sup>1)</sup>	Market values in EUR thsd	Nominal values <sup>1)</sup>	Market values in EUR thsd.
<b>Currency derivatives</b>						
Foreign exchange forwards	USD	Sale	195,618	(9,973)	112,383	(1.269)
	CAD	Buy	44,424	389	54,900	3.646
	USD	Buy	15,032	355	8,878	106
Foreign exchange options	USD	Put	2,500	0	0	0
<b>Commodity derivatives</b>						
Forward contracts	AL	Sale	34,175	7,285	42,700	(8.625)
	AL	Buy	0	0	0	0
	CU	Sale	25	(6)	0	0
	CU	Buy	450	162	250	282
Options	AL	Sale	138,000	5,203	130,200	0
<b>Interest rate derivatives</b>						
Interest rate swaps	USD		25,000	(274)	38,000	(951)
Forward Rate Agreement	USD				10,000	0
<b>Embedded derivative</b>	<b>USD</b>	<b>Sale</b>	<b>45.265</b>	<b>13,725</b>	<b>54,157</b>	<b>1,865</b>

1) Amounts of nominal values for currencies are stated in thousands, for commodities in metric tons of aluminium (AL) or copper (CU).

### Fair value hedges

Currency forwards are used to hedge receivables denominated in foreign currency and are designated as fair value hedges. Changes in the fair value of these foreign currency derivatives due to market fluctuations are recognized as sales revenue. Forward contracts are used to hedge aluminium inventories and are designated as fair value hedges. Changes in the fair value of these derivatives due to market fluctuations are recognized as cost of materials.

### Trading

Foreign currency derivatives and commodity (aluminium) derivatives that do not meet the requirements for hedge accounting in accordance with IAS 39 with respect to documentation or effectiveness are classified as held for trading. Changes in the fair value of these derivatives are recognized through profit or loss and reported in the income statement.

Derivatives qualifying as fair value hedges or classified as held for trading and recognized through profit or loss:

			Dec. 31, 2011		Dec. 31, 2010	
FAIR VALUE HEDGE			Nominal values <sup>1)</sup>	Market values in EUR thsd.	Nominal values <sup>1)</sup>	Market values in EUR thsd.
<b>Commodity derivatives</b>						
Forward contracts	AL	Sale	40,000	1,345	44,668	(3,974)
	AL	Buy	12,350	(2,256)	19,434	1,332
Hedged firm commitments	AL	Sale	12,350	2,256	19,434	(1,332)
	AL	Buy	0	0	4,668	118

1) Amounts of nominal values for currencies are stated in thousands, for commodities in metric tons of aluminium (AL) or copper (CU).

HELD FOR TRADING	Currency or commodity		Dec. 31, 2011		Dec. 31, 2010	
			Nominal values <sup>1)</sup>	Market values in EUR thsd.	Nominal values <sup>1)</sup>	Market values in EUR thsd.
<b>Currency derivatives</b>						
Foreign exchange forwards	USD	Buy	3,829	40	22,655	2
	GBP	Sale	2,016	(14)	1,950	27
	JPY	Sale	28,750	(4)	35,500	(10)
	USD	Sale	38,500	(427)	55,660	290
	CHF	Sale			85	(4)
	NOK	Sale	3,420	(2)	7,880	(45)
Foreign exchange options	USD	Put	2,500	22	0	0
<b>Commodity derivatives</b>						
Forward contracts	AL	Buy	229,300	(15,669)	190,191	24,924
	AL	Sale	229,300	19,744	190,232	(28,029)
Options	AL	Sale	138,000	6,978	130,200	152
	AL	Buy			7,000	(261)

1) Amounts of nominal values for currencies are stated in thousands, for commodities in metric tons of aluminium (AL) or copper (CU).

The nominal values correspond to the total underlying amount of all purchase and sale transactions for financial derivatives, not netted, while the commodity derivatives are stated in metric tons by transaction currency.

Fair values are derived from the amounts at which the financial transactions in question were trading on the balance-sheet date. The fair values of commodity derivatives are based on official quotations for aluminium on the LME on the balance-sheet date. The fair values of foreign currency derivatives are determined on the

basis of forward prices as of the balance-sheet date. Standard option pricing models were used to determine the value of options. The fair value of interest rate swaps, interest rate caps and forward rate agreements was determined on the basis of generally accepted mathematical valuation models.

Hedging periods are generally based on the term of the hedged item. Maturities for foreign currency derivatives extend to 2016; those for commodity derivatives and interest rate derivatives extend, respectively, to 2015 and 2012.

### Additional disclosures concerning financial instruments according to IFRS 7

2011 Amounts in EUR thsd.	Book value Dec. 31, 2011	Fair- value hedge	Cash-flow hedge	Held for Trading
<b>Assets</b>				
Other non-current assets and financial assets	38,448	722	13,883	9,196
Trade receivables	79,602	0	0	0
Current tax receivables	4,327	0	0	0
Other receivables	54,775	1,397	17,103	19,653
Cash and cash equivalents	60,583	0	0	7,391
<b>Liabilities</b>				
Non-current financial liabilities	50,827	0	0	0
Other non-current liabilities	12,541	722	5,933	4,051
Current financial liabilities	22,901	0	0	0
Trade payables	58,104	0	0	0
Current tax liabilities	8,650	0	0	0
Other current liabilities	40,729	1,587	8,186	14,128

2010 Amounts in EUR thsd.	Book value Dec. 31, 2010	Fair- value hedge	Cash-flow hedge	Held for Trading
<b>Assets</b>				
Other non-current assets and financial assets	27,342	310	3,031	8,009
Trade receivables	71,438	0	0	0
Current tax receivables	4,613	0	0	0
Other receivables	108,853	2,313	5,467	31,488
Cash and cash equivalents	9,139	0	0	0
<b>Liabilities</b>				
Non-current interest-bearing financial liabilities	21,842	0	0	0
Other non-current liabilities	34,495	310	7,472	8,987
Current interest-bearing financial liabilities	23,526	0	0	0
Trade payables	46,033	0	0	0
Current tax liabilities	1,609	0	0	0
Other current liabilities	64,043	6,169	5,970	33,464

\*) Kredite und Forderungen zu fortgeführten Anschaffungskosten

Held to maturity	Available for sale	Loans, receivables and liabilities *)	Cash and cash equivalents	Not a financial instrument	Fair value as of Dec. 31, 2011
6,907	354	2,395	0	4,991	<b>38,448</b>
0	0	79,602	0	0	<b>79,602</b>
0	0	4,327	0	0	<b>4,327</b>
0	0	15,009	248	1,366	<b>54,775</b>
0	0	0	53,192	0	<b>60,583</b>
0	0	50,827	0	0	<b>50,827</b>
0	0	1,835	0	0	<b>12,541</b>
0	0	22,901	0	0	<b>22,901</b>
0	0	51,804	0	6,300	<b>58,104</b>
0	0	8,650	0	0	<b>8,650</b>
0	0	7,134	0	9,693	<b>40,729</b>

Held to maturity	Available for sale	Loans, receivables and liabilities *)	Cash and cash equivalents	Not a financial instrument	Fair value as of Dec. 31, 2010
6,404	354	9,234	0	0	<b>27,342</b>
0	0	71,438	0	0	<b>71,438</b>
0	0	4,613	0	0	<b>4,613</b>
0	0	13,166	56,418	1	<b>108,853</b>
0	0	0	9,139	0	<b>9,139</b>
0	0	21,842	0	0	<b>21,842</b>
0	0	15,923	0	1,803	<b>34,495</b>
0	0	23,526	0	0	<b>23,526</b>
0	0	46,033	0	0	<b>46,033</b>
0	0	1,609	0	0	<b>1,609</b>
0	0	7,297	0	11,143	<b>64,043</b>

Cash and cash equivalents, securities, trade receivables as well as other receivables mainly have short remaining maturities. The book values of these items thus approximate their fair value at the reporting date. The financial instruments not classified according to the IFRS 7 categories and other financial instruments include financial instruments recognized at fair value as well as instruments measured at amortized cost.

The fair values of other non-current receivables, as well as other investments held to maturity with remaining terms of more than one year correspond to the present value of the payments associated with the-

se assets, taking into account the respective current interest rates that reflect market and counter-party based changes in conditions and expectations.

Trade payables and other current payables mainly have short remaining maturities of less than one year; the recognized book values correspond to their approximate fair value.

The fair value of liabilities due to banks and other financial liabilities are calculated as the present value of the payments related to the debt on the basis of the relevant applicable yield curves.

The measurement classes break down as follows:

in EUR thsd.	Dec. 31, 2011				Dec. 31, 2010			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
<b>ASSETS</b>								
Other non-current assets and financial assets	0	14,481	9,320	23,801	0	10,441	909	11,350
Other receivables	0	33,748	4,405	38,153	0	38,312	956	39,268
Cash and cash equivalents	7,391	0	0	7,391	0	0	0	0
<b>LIABILITIES</b>								
Non-current liabilities	0	10,706	0	10,706	0	16,769	0	16,769
Current financial liabilities	0	23,900	0	23,900	0	45,603	0	45,603

The Group uses the following fair value hierarchy to measure and recognize the fair values of financial instruments according to the respective measurement method:

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

Level 2: methods that use input parameters having a material effect on the fair value of the asset or liability to be recognized which are all either directly or indirectly observable;

Level 3: methods that use input parameters having a material effect on the fair value of the asset or liability to be recognized which are not based on observable market data;



The other non-current liability that is to be measured in a subsequent measurement at a fair value that is determined in accordance with Level 3, represents

the embedded derivative in the Alouette electric power supply contract. For details, please refer to Section E.

#### Net gains and losses by measurement category

Net gains (losses) on financial instruments in EUR thsd.	2011	2010
Held for trading	6,845	(4,580)
Available for sale	6	(141)
Held to maturity	504	(542)
Receivables and loans	(355)	(477)
Liabilities at amortized cost	656	(1,447)
	<b>7,656</b>	<b>(7,187)</b>

Net financial income includes dividend income but not the proportionate share of income from associated entities or interest expenses or income. The amount reported as net income from financial instruments includes impairment losses and reversals of impairment losses, income and expenses from currency translations, gains and losses on disposal as well as other changes to the fair value of financial instruments

recognized through profit or loss. In the 2011 fiscal year, impairment losses of EUR 1,021 thousand (prior year: EUR 897 thousand) were recorded against trade receivables. Income and expenses from derivatives used to hedge operating risks for which the matching expenses or income are recognized as sales revenue or as cost of materials are not included in the income/ (losses) from financial instruments.

#### N. CONTINGENT LIABILITIES

##### Litigation

There were no pending lawsuits as of the balance-sheet date that present a risk exceeding the scope of normal business operations. Nor were there any known significant legal issues that could give rise to such a lawsuit.

##### Other

The suretyships and guarantees mainly comprise bank guarantees for public institutions.

in EUR thsd.	2011	2010
Suretyships and guarantees	5,732	4,620
Discounted bills of exchange	32	88
	<b>5,764</b>	<b>4,708</b>

## O. RELATED PARTY DISCLOSURES

The relevant business transactions are settled under arms-length conditions.

Business relations with Raiffeisenlandesbank Oberösterreich AG and Oberbank AG are being maintained in the areas of financing, investment and foreign currency transactions.

Compensation awarded to the Management Board members of AMAG Austria Metall AG was equal to

EUR 2,550 thousand in 2011 (prior year: EUR 2,119 thousand). Persons in key positions within the Group were awarded compensation equal to EUR 4,114 thousand (prior year: EUR 4,140 thousand).

No loans were granted to members of the Management Board or supervisory bodies, nor were liabilities entered into on their behalf. No transactions of any other kind, and in particular no contracts for the purchase of material assets, were entered into with the same.

### Supply relationships concerning goods and services

in EUR thsd.			2011		2010	
Company	Received and provided	Status of receivables	Status of payables	Received and provided	Status of receivables	Status of payables
Constantia Flexibles Group	74,245	16,455	720	79,112	16,406	1,102
Hamburger Aluminiumwerk GmbH i.L.	590		6,550	0		5,960
Speditionsservice Ranshofen Ges.m.b.H.	12,214	125	1,060	11,772	65	764
Other	2,266	0	46	2,124		2
	<b>89,315</b>	<b>16,580</b>	<b>8,376</b>	<b>93,008</b>	<b>16,470</b>	<b>7,828</b>

#### P. EXPENSES FOR THE AUDITOR OF THE CONSOLIDATED FINANCIAL STATEMENTS

The domestic network comprises Deloitte Audit Wirtschaftsprüfungs GmbH as the appointed auditor of the consolidated financial statements, as well as its affiliated companies within the meaning of sec. 228 (3) of the Commercial Code. The totals by category include all expenses for services of Deloitte as the appointed auditor of the consolidated financial statements and/or for the global network of Deloitte partners.

The costs for audits of financial statements include the fees for the audit of the individual financial statements according to local law, of the IFRS packages of the individual entities and of the consolidated financial statements of AMAG Austria Metall AG by Deloitte as the auditor of the consolidated financial statements.

Other services and other certification services mainly include services provided in connection with AMAG's IPO.

#### Expenses for the auditor of the consolidated financial statements

in EUR thsd.	2011	2010
Audits	215	296
of which to the domestic network	189	259
Tax advisory services	329	397
of which to the domestic network	0	0
Other services and other certification services	941	5
of which to the domestic network	940	0

## Q. MEMBERS OF THE GROUP

Corporate name	Registered office	Shares in%	
		direct *	indirect **
<b>Full consolidation</b>			
AMAG Austria Metall AG (parent company)	Ranshofen, A		
AMAG Erste Beteiligungsverwaltungs GmbH	Ranshofen, A	100.0	100.0
Austria Metall GmbH	Ranshofen, A	100.0	100.0
AMAG metal GmbH	Ranshofen, A	100.0	100.0
AMAG rolling GmbH	Ranshofen, A	100.0	100.0
AMAG France S.A.R.L.	Suresnes, F	100.0	100.0
AMAG Benelux B.V.	Delft, NL	100.0	100.0
AMAG UK Ltd.	Great Bookham, Surrey, GB	100.0	100.0
AMAG USA Corp.	Upper Saddle River, New Jersey, USA	100.0	100.0
AMAG Italia S.R.L.	Milan, IT	100.0	100.0
AMAG Deutschland GmbH	Duisburg, G	100.0	100.0
AMAG casting GmbH	Ranshofen, A	100.0	100.0
AMAG service GmbH	Ranshofen, A	100.0	100.0
Metallwerke Furth	Furth, G	100.0	100.0
Aluminium Austria Metall (Québec) Inc.	Montréal, CAN	100.0	100.0
<b>Proportional consolidation</b>			
Aluminerie Alouette Inc.	Sept-Îles, CAN	20.0	20.0
(The direct shareholder is Aluminium Austria Metall Inc., which is fully consolidated)			
<b>Leaving the scope of full consolidation</b>			
Sulipo Dritte Beteiligungsverwaltungs GmbH (merged with and into AMAG Erste Beteiligungsverwaltungs GmbH as of June 30, 2011)	Ranshofen, A	100.0	100.0
AMAG Holding GmbH (merged with and into Sulipo Dritte Beteiligungsverwaltungs GmbH as of June 30, 2011)	Ranshofen, A	100.0	100.0
Constantia Alumet GmbH (merged with and into AMAG Holding GmbH as of June 30, 2011)	Ranshofen, A	100.0	100.0
AMAG treasury GmbH (merged with and into AMAG service GmbH as of December 31, 2010)	Ranshofen, A	100.0	100.0
<b>Other equity investments</b>			
Ausbildungszentrum Braunau GesmbH	Braunau, A	20.0	20.0
Hamburger Aluminium Werk GmbH i.L.	Hamburg, G	33.3	33.3
Speditionsservice Ranshofen GesmbH	Ranshofen, A	25.1	25.1
<b>Companies not included in the consolidation</b>			
APK Pensionskasse AG	Vienna, A	2.0	2.0
unit-IT Dienstleistungs GmbH & Co KG	Linz, A	12.6	12.6
unit-IT Dienstleistungs GmbH	Linz, A	12.6	12.6

\*) from the perspective of the immediate parent company

\*\*) from the perspective of AMAG Austria Metall AG

**R. OTHER DISCLOSURES**

**Events after the balance-sheet date**

No reportable events have occurred after the balance-sheet date.

Ranshofen, February 9, 2012

The Management Board



**Gerhard Falch**  
Chief Executive Officer



**Dr. Helmut Kaufmann**  
Chief Operating Officer



**Gerald Mayer**  
Chief Financial Officer

**Statement by the Management Board in accordance with sec. 82 (4) of the Stock Exchange Act**

We, the Management Board of AMAG Austria Metall AG, confirm that, to the best of our knowledge, the Consolidated Financial Statements prepared in accordance with the relevant accounting standards represent a true and fair view of the asset, financial and earnings positions of the Group, that the consolidated management report represents the course of business, the operating profit/loss and the position of the Group in a manner that gives a true and fair view of the asset, financial and earnings position of the Group and that the consolidated management report describes the significant risks and uncertainties to which the Group is exposed.



**Gerhard Falch**  
Chief Executive Officer



**Dr. Helmut Kaufmann**  
Chief Operating Officer



**Gerald Mayer**  
Chief Financial Officer

## AUDITORS' REPORT

### Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of AMAG Austria Metall AG, Ranshofen, for the fiscal year from January 1, 2011 to December 31, 2011. These consolidated financial statements comprise the consolidated balance sheet as of December 31, 2011, the consolidated income statement, the consolidated cash flow statement and the consolidated statement of changes in equity for the fiscal year ended December 31, 2011, and a summary of significant accounting policies and other explanatory notes.

### Management's responsibility for the consolidated financial statements and for the accounting system

The company's management is responsible for the group accounting system and for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### Auditors' responsibility and description of type and scope of the statutory audit

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with laws and regulations applicable in Austria and Austrian Standards on Auditing, as well as in accordance with International Standards on Auditing (ISAs) issued by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC).

Those standards require that we comply with professional guidelines and that we plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the Group's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

Our audit did not give rise to any objections. In our opinion, which is based on the results of our audit, the consolidated financial statements comply with legal requirements and give a true and fair view of the financial position of the Group as of December 31, 2011 and of its financial performance and its cash flows for the fiscal year from January 1, 2011 to December 31, 2011 in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU.

**Comments on the Management report**

Pursuant to statutory provisions, the management report for the Group is to be audited as to whether it is consistent with the consolidated financial statements and as to whether the other disclosures are not misleading with respect to the company's position. The auditor's report also has to contain a statement as to whether the management report for the Group is consistent with the consolidated financial statements and whether the disclosures pursuant to Section 243a UGB (Austrian Commercial Code) are appropriate.

In our opinion, the management report for the Group is consistent with the consolidated financial statements. The disclosures pursuant to Section 243a UGB (Austrian Commercial Code) are appropriate.

Vienna, February 9, 2012

Deloitte Audit Wirtschaftsprüfungs GmbH



Mag. Manfred Geritzer  
(Certified Public Accountant)



Mag. Michael Schober  
(Certified Public Accountant)

These consolidated financial statements with our Auditor's Report may be publicized or passed on only in the version confirmed by us. This Auditor's Report refers exclusively to the complete consolidated financial statements including the management report for the Group prepared in the German language. The provisions of sec. 281 para. 2 of the Austrian Commercial Code (UGB) shall be observed in respect of any deviating versions. This English translation of the audit report was prepared for the client's convenience only. It is no legally relevant translation of the German audit report.

# GLOSSARY

## TECHNICAL GLOSSARY

**Bright sheet:** Sheet characterized by strongly reduced surface roughness and thus a bright, reflective surface, produced in a bright-rolling process

**Cast ingots:** Aluminium or aluminium alloy ingots cast in moulds for re-melting in aluminium foundries (die casting, mould casting, sand casting)

**Cathode sheet:** Metallic zinc deposits on pure aluminium sheets which are placed in an electrolysis tank containing zinc solvent in a sulfuric solution

**Clad brazing sheet:** Composite material consisting of a high-melting core aluminium alloy and one or more alloys that have a lower melting point, combined to form cladding layers, clad by hot-rolling (for use in coolers and heat exchangers)

**Continuous casting:** Method for manufacturing rolling ingots or extrusion billets through non-continuous as well as continuous casting. Casting can be vertical or horizontal

**Continuous solution annealing furnace for aluminium strip:** Continuous solution annealing furnace to adjust certain metallurgical properties of the aluminium strip

**Ductility:** Characteristic of a material that allows it to undergo heavy plastic deformation under strain before actually failing

**Heat-treatable plates:** Aluminium plates whose increased hardness is achieved through special thermal processing

**Heat-treating capacity:** Maximum volume (capacity) of a heat treatment facility for strips, plates or sheets, depends heavily on the product mix

**Homogenization furnace:** Type of furnace used to produce a homogenized microstructure after casting

**Horizontal heat-treatment furnace:** Non-continuous, multizone furnace, used for solution annealing of heat-treated sheets and plates

**Hot-rolling modeling:** Computer simulation of hot rolling to make statements about suitable process parameters and the characteristics of the final product prior to the actual rolling process

**Liquid transportation:** Delivery of aluminium foundry alloys from the alloy producer to the casting plant by truck in the form of melt in insulated transportation ladles

**Passivation:** The oxide layer of the aluminium is replaced by an artificial barrier layer, providing a good surface for adhesively bonded joints, varnishing, etc.

**Plant for semi-finished products:** Manufacturing facility to produce prefabricated materials

**Primary aluminium:** Aluminium produced by electrolysis, from alumina, petroleum coke, pitch and other raw materials using electric power

**Rolling ingots:** Vertically cast ingots for use in rolling mills

**Rolling:** Forming process by which materials are formed by passing between two or more rotating tools, i.e. rollers.

**Secondary aluminium:** Aluminium alloys produced from aluminium scrap by recycling

**Semi-finished aluminium:** Generic term used to describe aluminium products in the form of sections, sheet and strip, pipes, etc.

**Semi-finished products:** Generic term used to describe prefabricated raw materials

**Sows:** Ordinary cast form for aluminium alloys, which are cast into trough-shaped molds.

**Specialty rolled products (specialties):** Rolled products that are distinguished from standard products through a combination of specific properties

**Two-piece ingots and horizontal direct chill cast ingots:** Ingots produced in two-part or horizontally continuous casting lines

## FINANCIAL GLOSSARY

**ATX Prime:** Benchmark index of the Vienna Stock Exchange; it includes all stocks in the Prime Market segment

**Backwardation:** A futures market condition where the spot price is higher than the futures price

**Capital employed:** Annual average of equity, interest-bearing financial liabilities and cash and cash equivalents

**Cash flow:** Financial parameter indicating the net cash received over a period of time, and an indicator of a company's solvency

**Closing:** The time when all conditions in a contract have been met and the asset is transferred from the seller to the buyer

**Compliance:** Adherence to laws, guidelines and even voluntary codes

**Contango:** Market situation involving commodity futures where the spot price is lower than the future delivery price

**Corporate governance:** Rules for the responsible management and control of companies that are set forth in the Austrian Corporate Governance Code; compliance with this code is voluntary



**Corporate social responsibility:** Term to describe voluntary initiatives on behalf of sustainable corporate governance that exceed legal requirements and reflect the interests of all shareholders

**Coverage:** Regular reporting on a company's developments by equity analysts

**D&O:** Directors and Officers, i.e. legally liable members of company boards such as the Executive Board or Supervisory Board of a stock corporation, or corporate officers and directors in a limited liability corporation

**Derivatives:** Financial instruments whose prices depend on actual or expected price changes of underlying instruments

**Dividend yield:** Ratio of a company's dividend to its stock price, expressed as a percentage. It reflects the return on invested capital per share

**Earnings per share:** Group earnings relative to the weighted average number of shares outstanding

**EBIT (Earnings before interest and taxes):** A measure of operating income

**EBITDA (Earnings before interest, taxes, depreciation and amortization):** A measure of gross operating income  
EBT (Earnings before taxes): Correspond to the company's net income before taxes

**Employees (Full-time equivalent):** All blue-collar and white-collar workers (without apprentices) in an employment relationship with a group affiliate of AMAG Austria Metall AG, less temporary absentees, percentage share of part-time employees and leasing personnel

**Employees:** All blue-collar workers, white-collar workers and apprentices in an employment relationship with a group affiliate of AMAG Austria Metall AG

**Equity ratio:** The ratio of equity to total assets

**Gearing:** Ratio of net financial debt (balance of liquid funds and financial receivables less financial liabilities) to equity

**Hedging:** Measures used in the management of financial risk to limit or avoid negative market changes in the areas of interest rates, foreign currency, market values or raw materials

**Income attributable to non-controlling interests:** Portion of net income attributable to non-controlling interests. If the value is positive, the proportionate share of the consolidated subsidiary's net loss is added to the group's after tax income

**ISIN (International Security Identification Number):** A reference number for securities

**London Metal Exchange (LME):** One of the world's biggest metals markets for spot and forward deals

**Management Letter:** A document addressed to the Executive Board, with recommendations for potential areas for improvement at the company, published by the independent auditor as part of the legally prescribed audit report and opinion

**Market capitalization:** The number of shares outstanding in a company multiplied by the current stock price

**Memorandum of Understanding (MoU):** Mutual declarations of intent exchanged by future contracting parties fixing the cornerstones of a contract yet to be concluded

**NOPAT:** Net operating profit after taxes, or operating income after taxes less interest expense and related taxes (tax impact on net financial result)

**P/E ratio:** The price/earnings ratio reflects the current stock price relative to earnings per share, and is a measure of a stock's value on capital markets

**ROCE:** Return on capital employed, or NOPAT divided by average capital employed; net yield on capital employed

**ROE (Return on equity):** The ratio of net income to average equity, it measures the profitability of the equity used during the year

**Small- and mid-cap segments:** Listed companies with small or medium-sized market capitalizations

**Stakeholder:** Person with a vested interest in the conduct of a company (e.g. shareholder, employee, client, supplier); the stakeholder principle assesses the company in its overall socio-economic context and endeavors to reconcile the needs of the various groups of stakeholders

**Treasury:** Company department responsible for finance, market risk management and cash management issues

**Working capital employed:** Composed of "inventories" and "trade receivables" less "trade payables" (without trade payable for investments)

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#### **DISCLAIMER**

The forecasts, plans and forward-looking assessments and statements contained in this annual report are based on the information currently available to us. Should the assumptions on which the forecasts have been based fail to occur, the targets not be met or risks materialize, then the actual results may deviate from the results currently anticipated.

We have exercised the utmost diligence in preparing this annual report and have checked the data contained therein. However, rounding, transmission and printing errors cannot be ruled out. This annual report is also available in German. In case of doubt, the German version prevails.

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