AMAG
AUSTRIA METALL

ANNUAL REPORT 2017

Key figures

Content

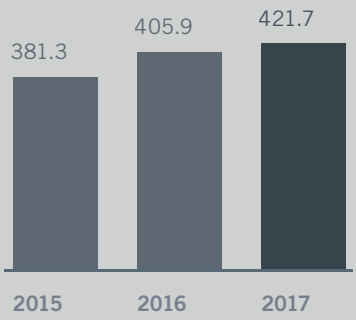
Key figures for the AMAG Group

Key figures for the Group in EUR million	2017	2016	Change in %	2015
Economy				
Shipments in tonnes	421,700	405,900	3.9 %	381,300
External shipments in tonnes	395,900	375,200	5.5 %	347,100
Group revenue	1036.2	906.2	14.3 %	913.3
EBITDA	164.5	143.0	15.0 %	123.9
EBITDA margin	15.9 %	15.8 %	-	13.6 %
Operating result (EBIT)	86.8	73.0	19.0 %	54.7
EBIT margin in %	8.4 %	8.1 %	-	6.0 %
Earnings before taxes (EBT)	81.7	63.0	29.7 %	48.4
Net income after taxes	63.2	46.3	36.4 %	40.5
Cash flow from operating activities	101.8	114.9	(11.3 %)	109.9
Cash flow from investing acitivites	(108.2)	(185.4)	41.6 %	(91.2)
Total assets	1,404.9	1,389.7	1.1 %	1,104.3
Equity	607.9	630.5	(3.6 %)	638.0
Equity ratio in %	43.3 %	45.4 %	-	57.8 %
Working capital employed	297.4	256.4	16.0 %	238.5
Capital employed	873.3	804.1	8.6 %	732.8
ROCE in %	7.8 %	6.5 %	-	6.2 %
ROE in %	10.2 %	7.3 %	-	6.4 %
Net financial debt	282.4	225.8	25.0 %	113.8
Gearing ratio in %	46.4 %	35.8 %	-	17.8 %
Social				
Number of employees – full-time equivalents (annual average)[1]	1,881	1,762	6.8 %	1,704
TRIFR accident rate[2]	1.5	2.6	(42.3 %)	2.2
Number of CIP suggestions submitted[2]	13,590	12,809	6.1 %	10,331
Ecology[2]				
Scrap utilisation in tonnes	347,800	330,200	5.3 %	306,000
Specific energy consumption in kWh/tonne production	1,178	1,131	4.2 %	1,160
Specific CO_2 emissions in tonnes (CO_2/tonne production)	0.23	0.22	6.4 %	0.25
Share				
Market capitalisation	1,812.2	1,172.5	54.6 %	1,128.4
Closing price in EUR	51.39	33.25	54.6 %	32.00
Earnings per share in EUR	1.79	1.31	36.4 %	1.15
Dividend per share in EUR[3]	1.20	1.20	0.0 %	1.20

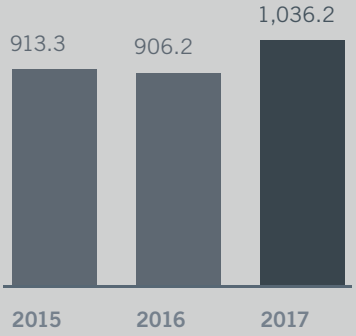
1) Average number of employees (full-time equivalents) including temporary help workers and excluding apprentices. Includes 20 % pro rata share of labour force at Alouette smelter
2) Data without 20 % stake in Alouette smelter
3) According to proposal to the Annual General Meeting

Economy

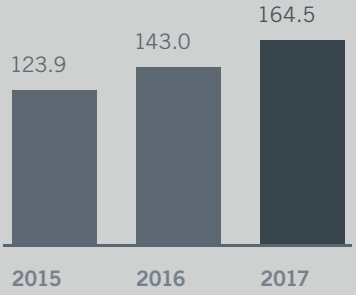
Shipments
in thousand tonnes



Revenue
in EUR million

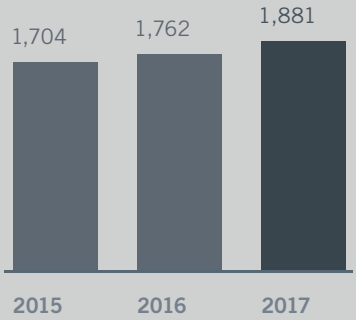


EBITDA
in EUR million

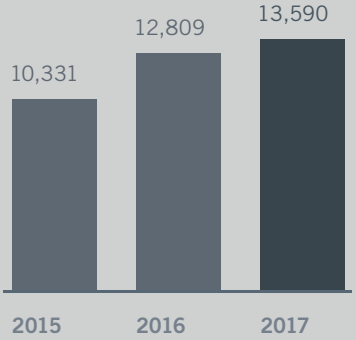


Social

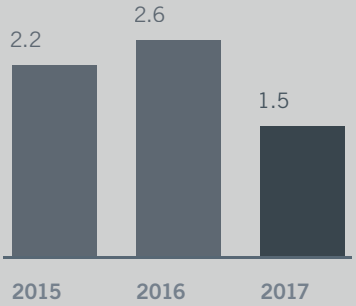
Number of employees AMAG Group
full-time equivalents, annual average



CIP suggestions submitted[2)]

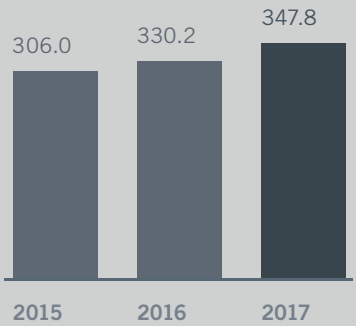


TRIFR accident rate[2)]

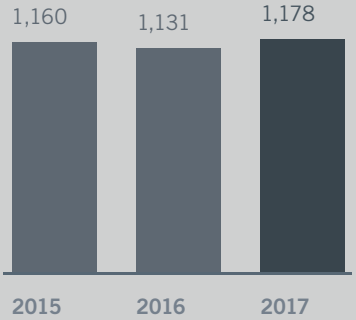


Ecology[2)]

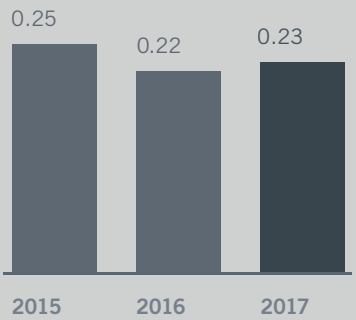
Scrap utilisation
in thousand tonnes



Specific energy consumption
in kWh/tonne production



Specific CO_2 emissions
in tonnes CO_2/tonne production



Dear reader, valued friends of the company,

2017 was a special year for AMAG. We not only achieved the highest operating result in the company's history but also reached an important milestone for the successful future of AMAG with the commissioning of the new plants related to the "AMAG 2020" site expansion project.

After the commissioning of our new hot rolling mill in the autumn of 2014 we complemented the site expansion with the new cold rolling mill and further finishing plants and thus we are now operating the most advanced, state-of-the-art plant in the European aluminium industry. Along with the new cold rolling mill, the "AMAG 2020" project also comprises an additional continuous heat-treatment furnace for the heat treatment of aluminium sheets and many additional finishing plants. We have also invested in expanding our recycling and casting capacities to produce our own rolling slabs. The investment volume for this project weighed in at around EUR 300 million, the majority of which we have already invested. As with our previous site expansion project, the construction of the new hot rolling mill, we built the plants in record time and in line with our budget and schedule.

Europe's most state-of-the-art aluminium plant

Harnessing these state-of-the-art plants and additional capacities, we will further expand our role as an innovation and growth partner for our customers. We are extending our portfolio to include aluminium sheets and strips of over two metres width, thereby offering a comprehensive range of high-quality products across all alloy families. The broad product portfolio – for customers from the aerospace, automotive and packaging industries through to special products for the sports, consumer electronics and cooling industries – make this location unique.

The high alloy diversity at our integrated location in Ranshofen enables us to combine our knowledge across many application areas, and to consistently develop optimal product solutions. We are constantly expanding our technological capabilities in high-quality special products, developing new and optimised product solutions together with our customers and research partners. We deploy the most advanced, leading-edge automation and simulation technologies in this context.

Long-term profitable growth and sustainability are key elements of our corporate strategy. The recycling of aluminium scrap plays a major role in our value creation process at our Ranshofen site. In producing our foundry alloys and rolling slabs we utilise around 75 to 80% aluminium scrap as input material. Our primary aluminium smelter in Canada also sets benchmarks in sustainable production by deploying electricity from hydropower. For the first time, we have integrated our sustainability reporting into our annual report. You will find our detailed non-financial statement in the Group management report.

Growth and sustainability go hand in hand.

The positive development and growth of AMAG is also reflected in its share price. With an appreciation of 54.6 % in 2017, the AMAG share was one of the top performers on the Vienna Stock Exchange, significantly outperforming the ATX index (+ 30.6 %). The AMAG share has appreciated by 170.5 % since our IPO in April 2011. The total shareholder return including dividends amounts to 203.7 % since the IPO.

The market environment for aluminium products proved positive in the 2017 financial year. In the course of the year the growth forecasts for demand for primary aluminium and aluminium rolled products in 2017 were upgraded several times. Attractive growth rates of 3 to 4 % per annum worldwide are also anticipated for the coming years. The aluminium price continued on the uptrend it started in 2016. At the end of 2017 it reached the highest level for more than five years. On a year-average basis, the aluminium price (3-month LME) of 1,980 USD/t stood 22.9 % above the previous year's average.

The very good operating results AMAG achieved confirm the adopted path. The total shipments increased to a new historic

record level of 421,700 tonnes. The 3.9 % year-on-year increase is mainly due to the organic growth path and the advancing ramp-up of the new plants in the Rolling Division.

In the 2017 financial year we achieved for the first time revenues of more than EUR 1 billion. The higher shipment volume, coupled with the increase in the aluminium price, resulted in revenue growth of 14.3 % to EUR 1,036.2 million. Earnings before interest, tax, depreciation and amortisation (EBITDA) also performed well. At EUR 164.5 million, we achieved the highest operating result in the history of AMAG, reflecting a year-on-year improvement of 15.0 %. Positive contributions in this context mainly included the volume growth and an improved product mix in the Rolling Division, as well as the higher aluminium price. Despite higher depreciation due to the commissioning of the new plants, we also reported a significant gain of 19.0 % to EUR 86.8 million in terms of earnings before interest and tax (EBIT). Net income after taxes appreciated by 36.4 % to EUR 63.2 million.

The highest operating income in the company's history.

Cash flow from operating activities amounted to EUR 101.8 million (2016: EUR 114.9 million), almost fully covering the cash flow from investing activities of EUR -108.2 million (2016: EUR -185.4 million). Free cash flow improved year-on-year from EUR -70.5 million to EUR -6.3 million.

Taking this positive business trend into account, we are proposing to the AGM to distribute a dividend of EUR 1.20 per share for the 2017 financial year. This would correspond to a dividend yield of 2.6 % in relation to the average share price for 2017.

We aim to continue our successful growth and development over the coming years and create sustainable value. A stable ownership structure, a solid balance sheet, attractive market prospects and the investments in the site expansion constitute a good basis for this.

Due to the investments that have been realised in the site expansion, we will benefit from a larger product portfolio, rising shipment volumes and productivity gains over the coming years. The ramp-up of the new plants is planned over several years.

Additional growth potentials will be tapped in 2018 through individual targeted investments to extend the vertical range of production in the Rolling Division and through modernising the equipment in the Casting Division.

Business trends in the Metal Division in 2018 will depend on the trend in the market prices of aluminium and the related requisite raw materials, as well as on the currency situation. During the second half of 2017, the market price for primary aluminium appreciated significantly, although prices of raw materials such as aluminium and petroleum coke have also become considerably more expensive. Moreover, the US dollar depreciated against the euro and the Canadian dollar. We anticipate a solid earnings performance in the Casting Division. In the Rolling Division, we expect further growth, mainly driven by the investments we have realised. The prerequisites for this include the successful continuation of the ramp-up of the new plants and the achievement of the requisite customer qualifications.

It is still too early to provide a results forecast for the 2018 financial year, as experience shows that commodity and currency markets may prove to be very volatile. We are confident, however, of continuing to benefit in 2018 from the growth path we have adopted in the Rolling Division.

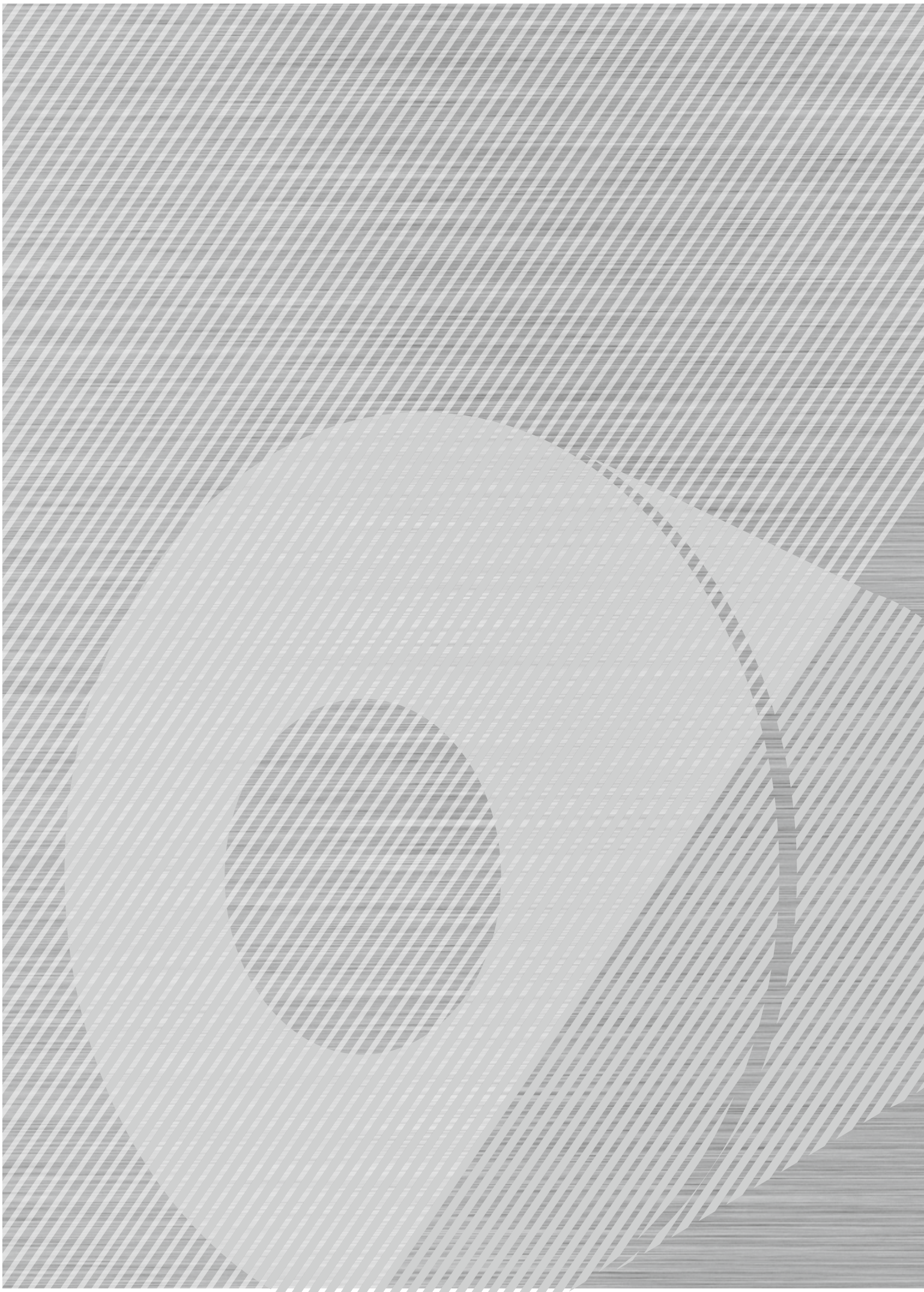
Content

MANAGEMENT BOARD
OF AMAG AUSTRIA METALL AG

Mag.
Gerald Mayer
Member of the Management Board
(Chief Financial Officer)

Dipl.-Ing.
Helmut Wieser
Chairman of the Management Board
(Chief Executive Officer)

Priv. Doz. Dipl.-Ing. Dr.
Helmut Kaufmann
Member of the Management Board
(Chief Operating Officer)

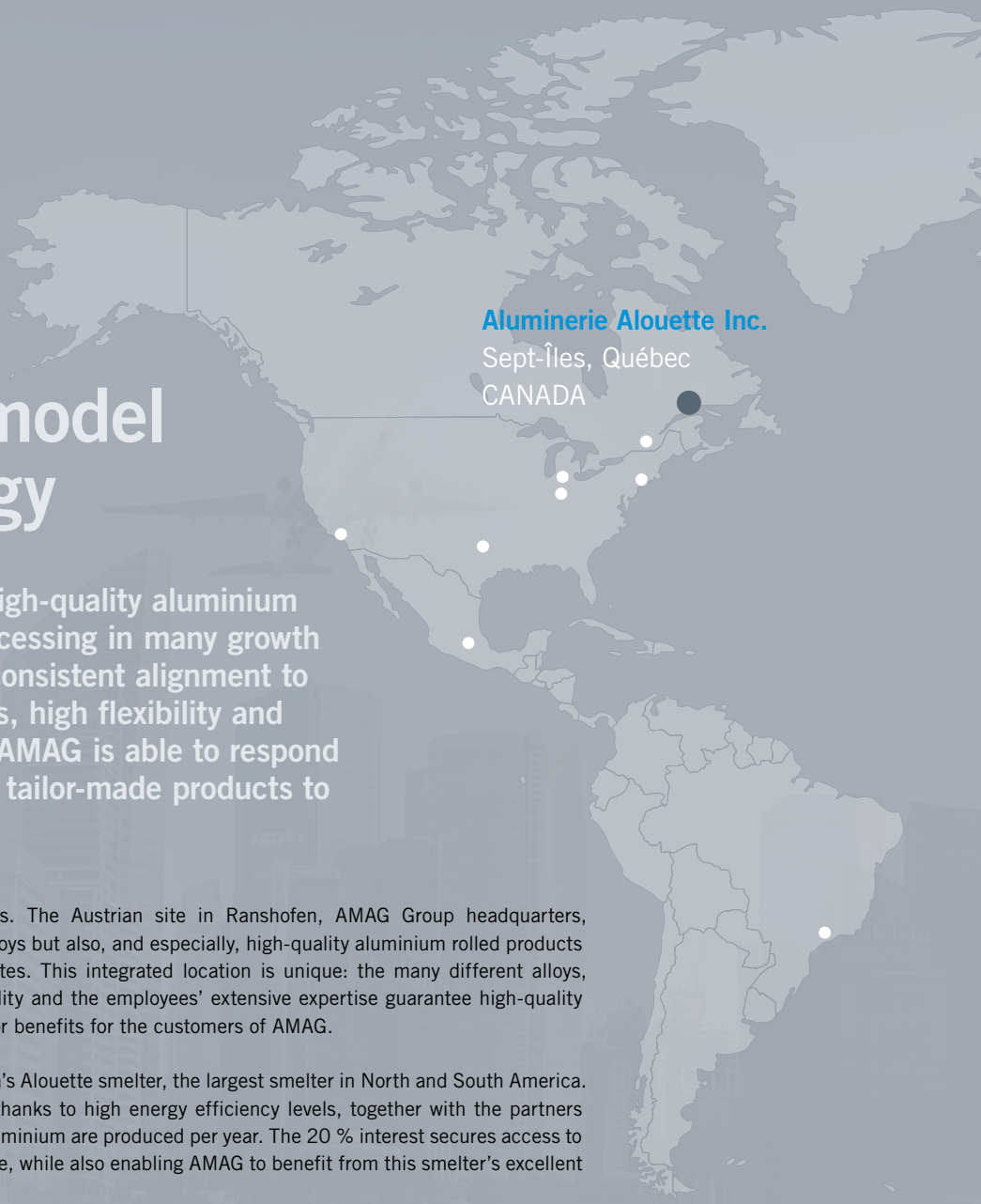


Business model and strategy

Strategy of profitable growth

AMAG is on a growth course. Due to the site expansion in Ranshofen, the capacity for aluminium rolled products will increase to more than 300,000 tonnes and the product portfolio will be expanded to include larger dimensions.

The attractive market prospects and the rising demand for the high-quality aluminium rolled products of AMAG form the basis of this growth course.



Business model and strategy

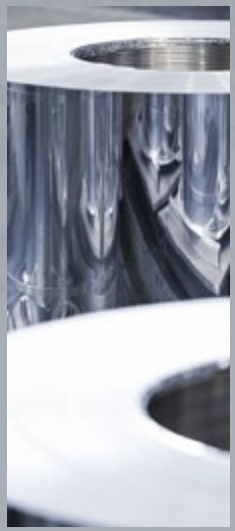
AMAG is a supplier of high-quality aluminium products for further processing in many growth sectors. Thanks to the consistent alignment to customers' requirements, high flexibility and innovation capabilities, AMAG is able to respond flexibly and rapidly with tailor-made products to customers' needs.

AMAG operates two production sites. The Austrian site in Ranshofen, AMAG Group headquarters, produces not only recycled foundry alloys but also, and especially, high-quality aluminium rolled products in the form of strips, sheets and plates. This integrated location is unique: the many different alloys, an extraordinarily high level of flexibility and the employees' extensive expertise guarantee high-quality aluminium products delivering superior benefits for the customers of AMAG.

AMAG owns a 20 % interest in Canada's Alouette smelter, the largest smelter in North and South America. Harnessing hydroelectric power and thanks to high energy efficiency levels, together with the partners around 600,000 tonnes of primary aluminium are produced per year. The 20 % interest secures access to primary aluminium for the Austrian site, while also enabling AMAG to benefit from this smelter's excellent cost structure.

Aluminerie Alouette Inc. PRIMARY ALUMINIUM

Headquarters in Ranshofen RECYCLING - FOUNDRY ALLOYS - ROLLED PRODUCTS



Top AMAG products for different sectors:

The high-quality cast and rolled AMAG products are used in highly differing areas. Aside from the transportation industry, with a focus on aerospace and automotive, AMAG aluminium is utilised in the packaging, construction and engineering industries, as well as in the sports equipment and electronics sectors.

Broad portfolio of special products

The high-quality products are sold worldwide. Sales revenue generated abroad amounted to around 86 % in 2017. Along with the headquarters operations, AMAG has numerous sales branches worldwide. In order to advance sales activities new sales subsidiaries for the Eastern European and Chinese markets were set up in 2017. All in all, the AMAG Group is represented in more than 20 countries on four continents.

Divisions [1]	METAL	CASTING	ROLLING	SERVICE	GROUP
Total shipments in tonnes	120,400	87,400	213,900		421,700
External shipments in tonnes	120,400	61,600	213,900		395,900
External revenue in EUR million	208.0	110.2	712.2	5.9	1,306.2
Employees	190	126	1,424	141	1,881
Products and services	Primary aluminium Access to raw materials market	High-quality recycled aluminium foundry alloys in the form of liquid aluminium, ingots and sows	High-quality aluminium rolled products in the form of plates, sheets and strips: - High strength materials - Tread plate - Bright products - Brazing sheet - Foil stock - Precision plate - Cathode sheets	Group management Services at the Ranshofen site	

[1] 2017 figures

Attractive market prospects

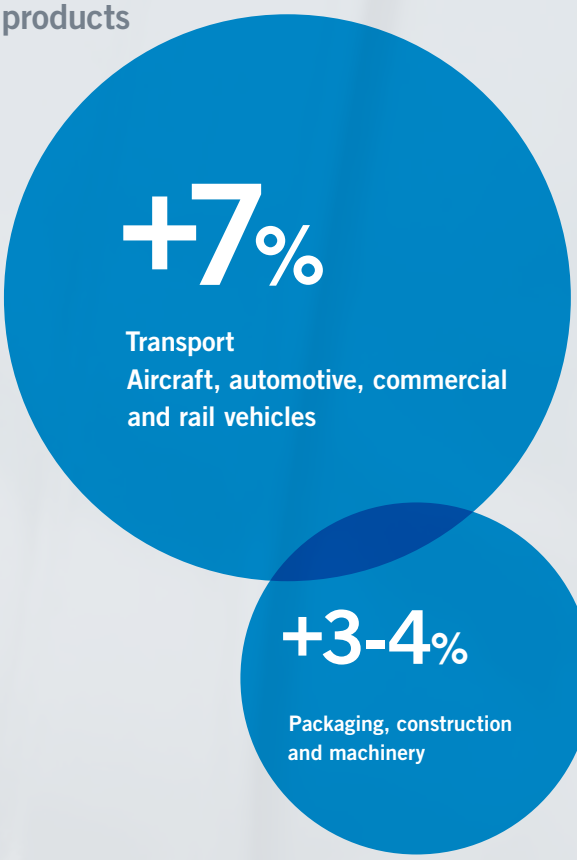
Thanks to its outstanding properties, aluminium has developed into the second most important industrial metal within half a century, and is deployed in almost all areas of our lives.

Global consumption of primary aluminium increased from 60 to **64 million tonnes** in 2017, representing an increase of 6 %. Attractive growth rates of 3 to 4 % p.a. are also anticipated for the coming years.

A significant share of primary aluminium is deployed in aluminium rolled products. Growth rates of around 4 % p.a. are also anticipated in this area over the next five years. While the transport industry is the most significant demand growth driver, attractive growth is also anticipated in many other industries for the coming years.

Aluminium rolled products

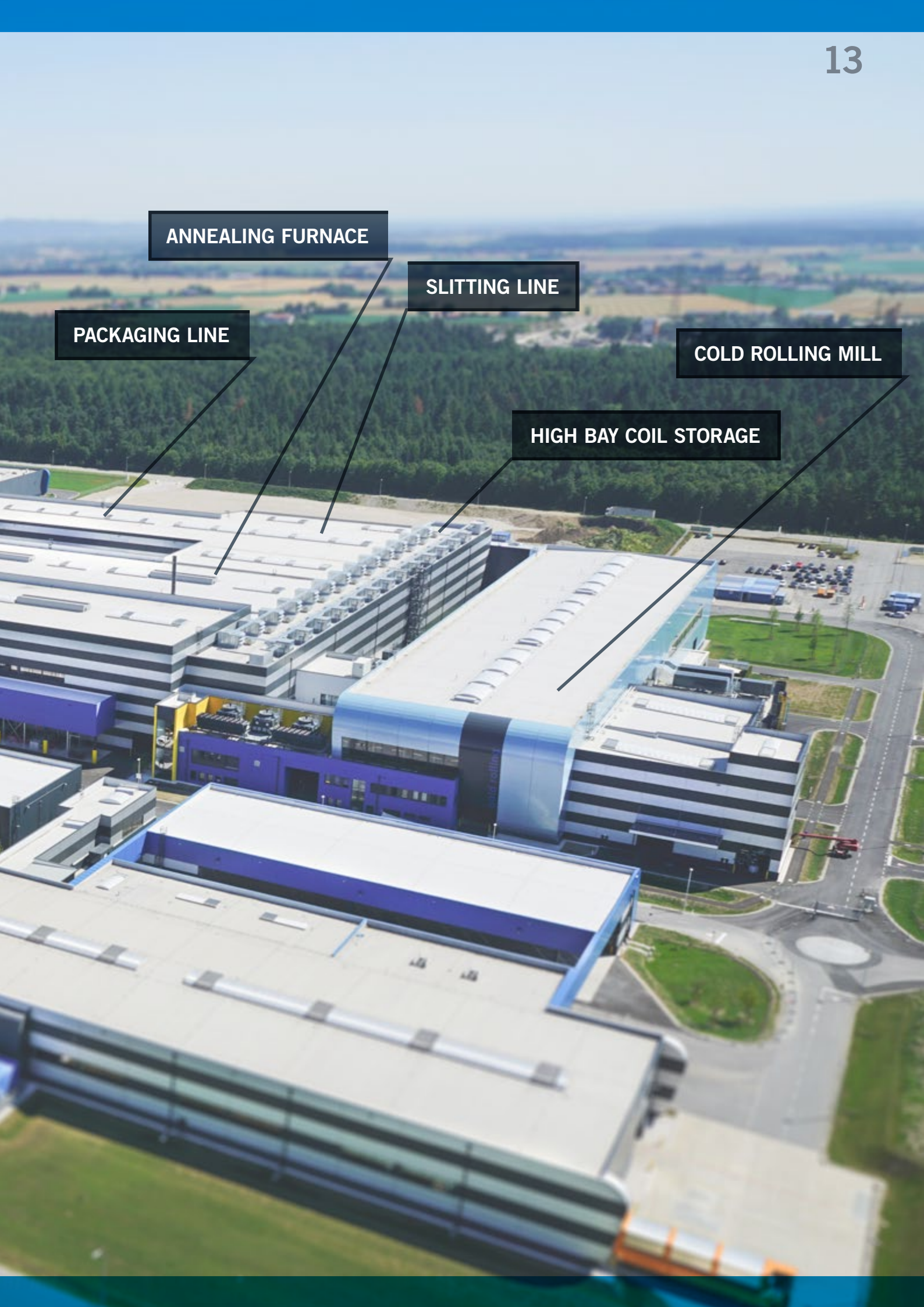
Annual growth worldwide to 2022 in %



Source: CRU

AMAG 2020

Site expansion in Ranshofen


ANNEALING FURNACE
SLITTING LINE
PACKAGING LINE
COLD ROLLING MILL
HIGH BAY COIL STORAGE

Site expansion in Ranshofen – new cold rolling mill and finishing plants

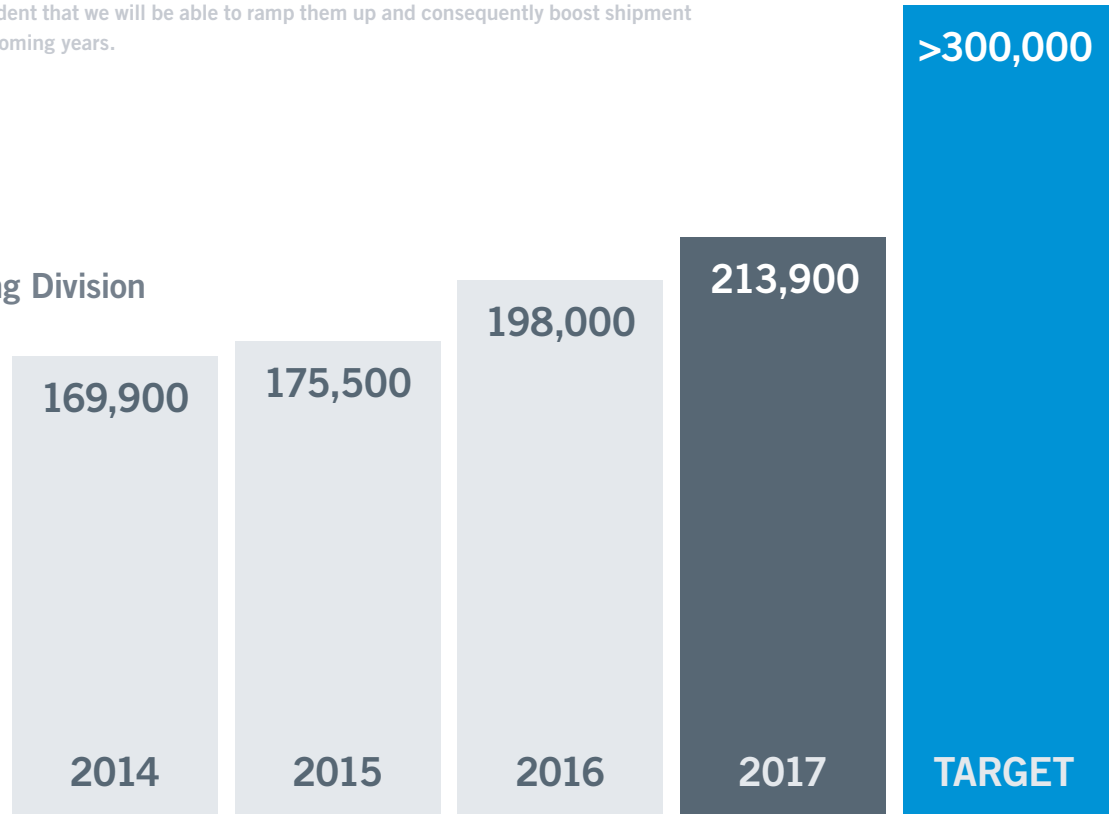
Thanks to the positive market prospects for aluminium rolled products and high customer demand for high-quality products, close to EUR 500 million had been invested in the two site expansion projects "AMAG 2014" and "AMAG 2020" by 2017.

Following the new hot rolling mill, which was opened within the "AMAG 2014" project in September 2014, the cold rolling mill as well as further finishing plants of the "AMAG 2020" project were commissioned on schedule in June 2017.

These investments not only raise capacity in the Rolling Division to more than 300,000 tonnes but also expand the product portfolio in cold rolled and heat-treated sheets and strips to a width of more than two metres.

The ramp-up of the new plant is planned over several years, especially reflecting the necessary qualifications. Thanks to the employees' expertise and the advanced state-of-the-art equipment, we are highly confident that we will be able to ramp them up and consequently boost shipment volumes over the coming years.

Shipments in the Rolling Division in tonnes

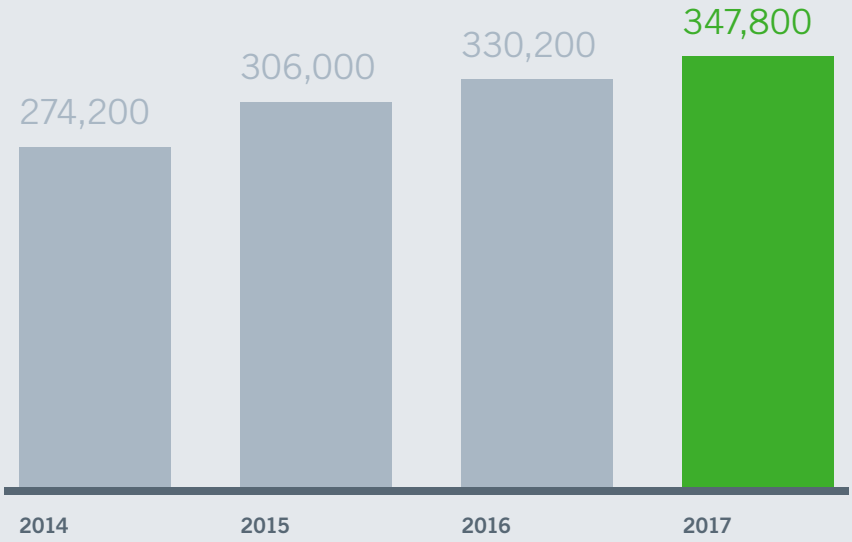


Adding value through appreciation

The sustainability strategy is based on the principle of "adding value through appreciation" and is consistently pursued.

The successful development of AMAG shows that growth and sustainability go hand in hand. This is why AMAG consistently follows a sustainable corporate strategy, which is described extensively as part of this annual report in the form of the non-financial statement in the Group management report.

Scrap utilisation at the Ranshofen site in tonnes



Hydroelectric power:

The Canadian location utilises hydroelectric power in the production of primary aluminium. The smelter boasts an outstanding net CO_2 impact on a sector comparison. Alouette generates only around one eighth of the CO_2 emissions of many other smelters operated with electricity generated from coal power plants.

Aluminium scrap recycling:

Aluminium is not only distinguished by its lightweight properties, but also by the fact that it can be infinitely recycled – and without loss of quality. Aluminium scrap can be reintroduced repeatedly into the value creation cycle – an advantage both ecologically and economically, as aluminium scrap recycling requires just 5 % of the energy that would be required for primary metal production, while aluminium scrap also contains valuable alloy elements.

Aluminium scrap represents the most important input material at the Ranshofen site in volume terms. The scrap utilisation rate in the production of foundry alloys and rolling slabs averages 75 to 80 %.

The main reasons for this extraordinarily high recycling proportion on a sector comparison include the employees' many years of recycling expertise, ongoing investments in advanced, leading-edge sorting, processing and smelter technologies, and the high alloy diversity at the integrated location in Ranshofen. Consequently, it is possible to utilise aluminium scrap with highly differing characteristics and chemical composition for high-quality products.

Energy Star 2017:

Energy-saving measures are also being further advanced as part of expanding the Ranshofen plant. One salient example is the "Optimal Energy Utilisation through Heat Recovery" flagship project, for which AMAG received the Region of Upper Austria's "Energy Star" award in 2017.

With the heat recovery project launched in 2015, AMAG will be able to utilise waste heat from casting plants to heat halls and office buildings. The proximity of the individual production and office buildings at the integrated site in Ranshofen represents a major advantage in this context.

This project enables natural gas required for heating to be reduced by up to 35 %, with a total of around 17,000 MWh of heating energy being saved – corresponding to the annual energy demand of approximately 700 households.

This project also benefits the environment. A total of around 4,500 tonnes of CO_2 emissions will be reduced annually, roughly equivalent to the CO_2 emissions of 2,000 cars per year.

To our shareholders

AMAG share

The positive development and growth of AMAG are also reflected in its share price. The share reported a year-on-year price increase of around 55 % in 2017 and continued its multiannual uptrend. Since the IPO in April 2011, the AMAG share has recorded a gain of 170 % and a total shareholder return of more than 200 %.

Report of the Supervisory Board

Dear reader,

In the 2017 financial year, the Supervisory Board performed the tasks incumbent upon it according to the law and the company's articles of incorporation, and in compliance with the Austrian Corporate Governance Code. The Management Board reported regularly to the Supervisory Board both verbally and in written form, promptly and comprehensively on all material developments within the company, its business policy, on the financial position and performance, investments, and other fundamental issues relating to corporate management and planning.

Between meetings, the Management Board consistently informed the Supervisory Board about important matters, with resolutions concerning matters of urgency being passed by way of written circular. Current specific topics and projects were discussed in regular conversations between the Management Board and the Supervisory Board Chairman.

Main topics of the meetings

The Supervisory Board of AMAG Austria Metall AG met on February 27, April 19, June 22, September 18 and November 29, 2017, in accordance with the obligations imposed by law and the articles of incorporation. These meetings included discussions with the Management Board on the course of business, and the Group's current performance and strategic development. In particular, regular reports were issued on progress made with the large-scale "AMAG 2020" investment project, which was commissioned in June. Investments for the continuous development of the site were also approved as well as a strategy for digitalisation. Future business policy, and future financial position and performance trends, were agreed as part of the forecast for 2018, as well as the medium-term planning through to 2027. Sales subsidiaries in Eastern Europe and in China were founded to strengthen international sales. New managing directors have been appointed for AMAG service GmbH and for AMAG rolling GmbH as of January 1, 2018. The Supervisory Board also concerned itself with the issuer compliance officer's annual activity report, and with anti-corruption measures as well as with the Supervisory Board's self-assessment.

Moreover, the Supervisory Board of AMAG Austria Metall AG reconstituted itself at its April 19, 2017 meeting. The members of the Audit, Nomination, Remuneration and Strategy committees, as well as the Committee for Urgent Matters, were re-elected on an unchanged basis.

Supervisory Board and committees

The corporate governance report provides further information about the composition and working methodology of the Supervisory Board, and its remuneration.

The Remuneration Committee of the Supervisory Board of AMAG Austria Metall AG convened three times during the 2017 reporting year. Representatives of the auditor also attended these meetings to report on their activities and the content of the management letter. In addition, specific accounting topics were discussed in the auditor's presence. Along with examining and preparing the approval of the separate and consolidated annual financial statements, the Audit Committee also concerned itself with the additional tasks pursuant to Section 92 (4a) of the Austrian Stock Corporation Act (AktG). In particular, the functioning and efficacy of the internal controlling, auditing and risk management system was critically scrutinised and monitored. The Audit Committee was also concerned with the structuring of the non-financial statement. The results were subsequently discussed with the plenary Supervisory Board.

The Nomination Committee of AMAG Austria Metall AG met twice during the year under review. It concerned itself with the election of Supervisory Board members and submitted corresponding proposed resolutions to the AGM. The Committee was also engaged with the appointment of managing directors.

The Remuneration Committee of AMAG Austria Metall AG met twice during the reporting year. Target agreements with the Management Board were handled in depth.

The Strategy Committee convened twice during the year under review, and concerned itself particularly with an update to strategy implementation in the "AMAG 2020" project, market-related topics and the further strategic development of AMAG Austria Metall AG. The results were subsequently discussed with the plenary Supervisory Board.

Corporate governance

The Supervisory Board of AMAG is committed to adhering to the Austrian Corporate Governance Code, and consequently to responsible corporate governance and control systems designed to deliver sustainable value creation. A summary of activities in this area is presented in the corporate governance section in this annual report and on the website of AMAG.

Audit and approval of the 2017 annual financial statements

The Management Board prepared the separate annual financial statements, the separate management report, the consolidated financial statements according to International Financial Reporting Standards (IFRS), the Group management report as of December 31, 2017, including the non-financial statement, and the disclosures required pursuant to Section 245a of the Austrian Commercial Code (UGB), which Ernst & Young Wirtschaftsprüfungsgesellschaft m.b.H. (appointed pursuant to Section 270 UGB) audited and awarded an unqualified audit opinion. Ernst & Young Wirtschaftsprüfungsgesellschaft m.b.H. also audited the corporate governance report. The result of this audit showed that the statement that AMAG Austria Metall AG issued with regard to compliance with the Corporate Governance Code in the version dated January 2015 corresponds to actual circumstances. The Supervisory Board, in the auditor's presence, examined in the meaning of Section 96 of the Austrian Stock Corporation Act (AktG) the separate and consolidated annual financial statements, the management report and Group management report, including the non-financial statement, as well as the corporate governance report, the proposal for the distribution of profit, and the management letter with the audit findings, and approved them on February 26, 2018. The Supervisory Board concurs with the Management Board's proposal for the application of profits, whereby a dividend of EUR 1.20 per dividend-entitled share is to be distributed, with the remaining amount to be carried forward to a new account. The separate annual financial statements have thereby been adopted pursuant to Section 96 (4) of the Austrian Stock Corporation Act (AktG).

Thanks

The Supervisory Board would like to express its thanks and recognition for the hard work of the Management Board as well as all employees at AMAG. Due to their personal contributions and commitment, AMAG continued on its growth path and set new records in the company's history in many areas.

We also appreciate the trust and close connections that we enjoy with our shareholders, customers, suppliers and lenders, and look forward to our further successful cooperation.

Ranshofen, February 26, 2018

Dr. Josef Krenner
Chairman of the Supervisory Board

Corporate governance report

Declaration concerning the Austrian Corporate Governance Code

The Austrian Corporate Governance Code provides domestic stock corporations with a framework for managing and supervising companies. The Code aims to promote the management and controlling of companies and corporate groups based on sustainable and long-term value creation. This in turn is intended to create a high degree of transparency for all stakeholders in the company.

The basis for the Code published at www.corporate-governance.at is formed by the guidelines of the Austrian Stock Corporation Act (UGB), the Stock Exchange Act and the Capital Market Act, European Union recommendations on tasks of supervisory board members and remuneration of management board members, as well as OECD guidelines on corporate governance, in its principles. This Corporate Governance Report is based on the status of the revised Code published in January 2015.

The Code, which requires voluntary commitment, was recognised and implemented by the Management and Supervisory boards of AMAG Austria Metall AG in the 2017 financial year. AMAG Austria Metall AG is consequently committed to adhering to the Austrian Corporate Governance Code in its latest version.

AMAG Austria Metall AG adheres to all "L rules" and "C rules"*.

Composition of the Management Board

The Management Board's composition was unchanged compared with the previous year.

Dipl.-Ing. Helmut Wieser (1953)
Chairman of the Management Board
First appointed as Management Board member: March 1, 2014, as Management Board Chairman (CEO): April 1, 2014
Contract expires on: December 31, 2018
Allocated Group functions: Strategy and Group Communications, Investor Relations, Human Resources, Key Accounts Sales, Purchasing, Service and Infrastructure
Supervisory board mandates at other companies: OJSC Novolipetsk Steel (NLMK), Russia; RAIN CII (holding company of Rütgers GmbH), Belgium; Hödlmaier International AG, Austria

Priv. Doz. Dipl.-Ing. Dr. Helmut Kaufmann (1963)
Management Board member, Chief Technology Officer
Appointed on: February 18, 2011, initial appointment to the predecessor company Austria Metall AG in September 2007
Contract expires on: December 31, 2019
Allocated Group functions: AMAG casting GmbH, AMAG rolling GmbH, Corporate Technology, Business Development, Sales, Investment Planning, Occupational Safety, Commercial Law Management and Management Systems
Supervisory board mandates at other companies: -

Mag. Gerald Mayer (1971)
Management Board member, Chief Financial Officer
Appointed on: February 18, 2011, initial appointment to the predecessor company Austria Metall AG in November 2007
End of contractual term: December 31, 2019
Allocated Group functions: Financing, Controlling and Reporting, Financial Accounting, Information Technology, Legal, AMAG metal GmbH (Managing Director) and AMAG service GmbH
Supervisory board mandates at other companies: -
(GRI 405-1)

*) The Corporate Governance Code includes the following rules: "L rules" (= Legal), measures prescribed by law; "C rules" (Comply or Explain), where non-compliance must be justified and explained; "R rules" (Recommendations), recommendations that AMAG Austria Metall AG complies with as far as possible.

Composition of the Supervisory Board

The composition of the Supervisory Board has not changed during 2017.

Dr. Josef Krenner (1952)
Supervisory Board Chairman
First appointed: May 16, 2012
Mandate duration: until the Annual General Meeting that passes a resolution concerning the discharge for the 2017 financial year
Supervisory board mandates at other listed companies: Lenzing AG

Dr. Hanno M. Bästlein (1963)
First Deputy Supervisory Board Chairman
First appointed: April 10, 2014
Mandate duration: until the Annual General Meeting that passes a resolution concerning the discharge for the 2020 financial year
Supervisory board mandates at other listed companies: Lenzing AG (Chairman)

Dipl.-Ing. Gerhard Falch (1948)
Deputy Supervisory Board Chairman
First appointed: April 10, 2014
Mandate duration: until the Annual General Meeting that passes a resolution concerning the discharge for the 2019 financial year
Supervisory board mandates at other listed companies: -

Dr. Heinrich Schaller (1959)
Deputy Supervisory Board Chairman
First appointed: May 16, 2012
Mandate duration: until the Annual General Meeting that passes a resolution concerning the discharge for the 2017 financial year
Supervisory board mandates at other listed companies: voestalpine AG (Deputy Chairman), Raiffeisen Bank International AG (Second Deputy Chairman)

Dr. Franz Gasselsberger, MBA (1959)
Supervisory Board member
First appointed: May 16, 2012
Mandate duration: until the Annual General Meeting that passes a resolution concerning the discharge for the 2017 financial year
Supervisory board mandates at other listed companies: Bank für Tirol und Vorarlberg AG (Chairman), BKS Bank AG (Deputy Chairman), voestalpine AG, Lenzing AG

Otto Höfl (1946)
Supervisory Board member
First appointed: March 21, 2011
Mandate duration: until the Annual General Meeting that passes a resolution concerning the discharge for the 2017 financial year
Supervisory board mandates at other listed companies: -

Mag. Patrick F. Prügger (1975)
Supervisory Board member
First appointed: May 16, 2012
Mandate duration: until the Annual General Meeting that passes a resolution concerning the discharge for the 2021 financial year
Supervisory board mandates at other listed companies: Lenzing AG, Semperit AG Holding (First Deputy Chairman)

Prof. Dr. Sabine Seidler (1961)
Supervisory Board member
First appointed: May 16, 2012
Mandate duration: until the Annual General Meeting that passes a resolution concerning the discharge for the 2017 financial year
Supervisory board mandates at other listed companies: -

Dipl.-Ing. Franz Viehböck (1960)
Supervisory Board member
First appointed: April 16, 2015
Mandate duration: until the Annual General Meeting that passes a resolution concerning the discharge for the 2017 financial year
Supervisory board mandates at other listed companies: -

Works Council delegates

Martin Aigner (1968)
Supervisory Board member
Delegated: January 1, 2017

Max Angermeier (1958)
Supervisory Board member
Delegated: April 14, 2011

Robert Hofer (1977)
Supervisory Board member
Delegated: December 31, 2011

Günter Mikula (1966)
Supervisory Board member
Delegated: August 1, 2014

Mr. Dipl.-Ing. Gerhard Falch was able to participate in just two of five Supervisory Board meetings in the 2017 financial year for health reasons. The remaining Supervisory Board members participated in more than half of the meetings.

(GRI 405-1)

Disclosures on the independence of Supervisory Board members

Apart from Gerhard Falch, all members of the Supervisory Board elected by the Annual General Meeting have confirmed that they regard themselves as independent based on the criteria defined by the Supervisory Board (rule 53). The criteria defined by the Supervisory Board for independence largely correspond with Annex 1 of the Austrian Corporate Governance Code.

Due to the low free float of below 20 %, rule 54 is no longer applicable for AMAG.

Supervisory Board committees

The articles of incorporation empower the Supervisory Board to form committees from among its ranks and to define their tasks and rights. Committees can also be granted the right to decision-making. The employee representatives appointed to the Supervisory Board have the right to nominate members to Supervisory Board committees in line with the ratio specified in Section 110 (1) of the Austrian Work Organisation Act (ArbVG). This does not apply to committees that handle relationships between the company and its Management Board members.

Audit Committee

The Audit Committee is responsible for the auditing and preparation of the adoption of the separate annual financial statements, the proposal for distributing profit, the management report and the examination of the risk management system. It is also tasked with examining the consolidated financial statements as well as submitting a proposal for the selection of the auditor.

Members of the Audit Committee as of December 31, 2017:

+ Mag. Patrick F. Prügger (Chairman and finance expert)
+ Dr. Josef Krenner (Deputy Chairman)
+ Dr. Hanno M. Bästlein
+ Dr. Heinrich Schaller
+ Max Angermeier
+ Robert Hofer

Nomination Committee

The tasks of the Nomination Committee include succession planning, the submission of proposals to the Supervisory Board for filling vacant Management Board mandates and the submission of proposals to the Annual General Meeting for filling vacant Supervisory Board mandates. The committee is also required to give its agreement to appointing and dismissing Group companies' managing directors.

Members of the Nomination Committee as of December 31, 2017:

+ Dr. Josef Krenner (Chairman)
+ Dr. Hanno M. Bästlein (Deputy Chairman)
+ Mag. Patrick F. Prügger
+ Dr. Heinrich Schaller
+ Max Angermeier
+ Robert Hofer

Strategy Committee

The Strategy Committee's tasks include discussing the corporate strategy, current strategy implementation controlling, and strategy process controlling.

Members of the Strategy Committee as of December 31, 2017:

+ Dr. Hanno M. Bästlein (Chairman)
+ Dr. Josef Krenner (Deputy Chairman)
+ Dr. Heinrich Schaller
+ Dipl.-Ing. Franz Viehböck
+ Max Angermeier
+ Robert Hofer

Remuneration Committee

The Remuneration Committee is responsible for drafting, concluding, amending and terminating employment agreements with Management Board members. Moreover, it regularly examines the remuneration policy and checks on the execution and enforcement of Management Board agreements.

Members of the Remuneration Committee as of December 31, 2017:

+ Dr. Josef Krenner (Chairman)
+ Dr. Hanno M. Bästlein (Deputy Chairman)

Committee for Urgent Matters

The Committee for Urgent Matters is authorised to make decisions which, due to particular urgency, cannot be postponed until the next ordinary Supervisory Board meeting.

Members of the Committee for Urgent Matters as of December 31, 2017:

+ Dr. Josef Krenner (Chairman)
+ Dr. Hanno M. Bästlein (Deputy Chairman)
+ Dipl.-Ing. Gerhard Falch
+ Dr. Heinrich Schaller
+ Max Angermeier
+ Robert Hofer

Number and main focuses of Supervisory Board and committee meetings

The Supervisory Board of AMAG Austria Metall AG fulfilled the tasks assigned to it according to the law and articles of incorporation in the 2017 financial year as part of five ordinary Supervisory Board meetings, including one constitutive meeting. In addition to the ongoing reporting on the current business and financial situation of the AMAG Group, these meetings addressed progress made with the "AMAG 2020" expansion project. Along with the 2018 forecast and medium-term planning up to 2027, additional focus areas of Supervisory Board meetings included the re-appointment of two managing director positions in Group companies as well as the founding of sales subsidiaries in Eastern Europe and China. At the constitutive Supervisory Board meeting, the individual committee members were re-elected unchanged.

At its three meetings, the Audit Committee focused on preparing and examining the consolidated and separate financial statements, the audit findings for 2016 and the audit planning of the auditor for 2017 as well as the effectiveness and functionality of the internal control system, risk management and specific accounting issues.

The Remuneration Committee convened twice during the 2017 financial year. Focus areas included target agreement discussions with the Management Board members.

The Nomination Committee met twice in 2017, and concerned itself especially with the election of Supervisory Board members and the appointment of the two managing directors for two Group companies of AMAG.

At two meetings, the Strategy Committee particularly addressed the "AMAG 2020" expansion project and the further strategic development of AMAG.

Remuneration report for the Management and Supervisory boards

Management Board remuneration

Pursuant to the Management Board contracts valid from 2016, remuneration for the Management Board consists of a current fixed and variable component, as well as a long-term performance-based component.

The measurement basis for the current variable component includes ROCE and personal qualitative targets. Current variable compensation is limited to 75 % of annual fixed salary. The ratio of fixed to current variable compensation for the Management Board amounted to around 62 % to 38 % in the 2017 financial year.

The calculation of the long-term performance-based component is based on the future trend in the equity value of AMAG Austria Metall AG up to the respective contractual duration of the individual Management Board members. The enterprise value consists of the net debt and a multiplication of the average operating earnings of the respective last four years by a predefined factor. The payout and level of this long-term remuneration component depends on the enterprise value growth achieved until the respective contract end and on the extension of the Management Board contract. The level of this long-term compensation component is limited to between 100 and 155 % of the corresponding fixed compensation for the period. A total of EUR 1,549 thousand was provisioned in respect of the actual Management Board contracts, should the corresponding targets be achieved in full in 2018 and 2019.

A defined contribution pension scheme exists for all Management Board members. The expenses for pensions totalled EUR 123.0 thousand, as in the previous year, and are included in the reported current fixed remuneration. A defined benefit pension commitment also exists for one Management Board member due to previous activity for AMAG. An amount of EUR 267.9 thousand was recognised directly in equity for this in the financial year under review.

A change of control clause exists for all Management Board members. A severance entitlement does not exist for the instance that a Management Board contract is dissolved for this reason. D&O insurance (directors & officers insurance) exists, with the company bearing its costs.

Ongoing Management Board remuneration in EUR thousand	2017			2016		
	Ongoing fixed compensation	Ongoing variable compensation	Sum	Ongoing fixed compensation	Ongoing variable compensation	Sum
Dipl.-Ing. Helmut Wieser	617.1	390.1	1,007.2	627.5	602.0	1,229.4
Dr. Helmut Kaufmann	463.3	284.0	747.3	465.4	307.1	772.4
Mag. Gerald Mayer	463.3	284.0	747.3	465.4	307.1	772.4
Sum	1,543.7	958.1	2,501.8	1,558.2	1,216.1	2,774.3

Supervisory Board remuneration

The principles of remuneration for members of the Supervisory Board are regulated in the articles of incorporation (section 13), which are published on the website.

In accordance with the resolution of the Annual General Meeting 2017, the remuneration for the Supervisory Board in the 2017 financial year, including attendance fees, amounted to EUR 602.0 thousand.

Paid remuneration for members of the Supervisory Board in EUR thousand	2017
Dr. Josef Krenner	139.5
Dr. Hanno M. Bästlein	114.5
Dipl.-Ing. Gerhard Falch	52.5
Dr. Heinrich Schaller	83.5
Dr. Franz Gasselsberger, MBA	32.5
Otto Höfl	32.5
Mag. Patrick F. Prügger	72.0
Prof. Dr. Sabine Seidler	32.5
Dipl.-Ing. Franz Viehböck	42.5
Sum	**602.0**

Diversity concept and promotion of women

Respect, diversity and inclusion form integral and indispensable elements of the corporate culture of AMAG Austria Metall AG and are taken into consideration in appointments to all functions.

For Supervisory Board appointments proposed to the Shareholders' General Meeting and when nominating Management Board members, attention is paid to a balance in relation to qualifications and diversity, as these contribute significantly to the professionalism and effectiveness of the work of the Supervisory and Management boards. Along with specialist and personal qualifications, this approach also includes aspects such as age structure, origin, gender, education and experience. A diversity concept in written form was approved with effect February 7, 2018.

The results of Works Council elections at the individual Group companies form the decision-making basis for the delegation of workforce representatives. The D'Hondt method was applied to calculate the election results for the Group Works Council.

The proportion of women employed in Ranshofen was at 12 % in the 2017 financial year. The proportion of women apprentices stood at 29 %. The non-financial statement in the Group management report presents more information on the topic of equal opportunities and diversity.

AMAG is committed to equal opportunities, and rejects any type of discrimination, especially based on age, gender, skin colour, sexual orientation, background, religion or handicap.

Issuer compliance organisation

As a stock market listed company, AMAG Austria Metall AG is especially subject to the provisions of the EU Market Abuse Regulation (MAR) and Directive (MAD) as well as to the Austrian Stock Market Act concerning the principles for disseminating information within companies as well as relating to organisational measures to avoid the abuse of inside information by issuers.

An issuer compliance officer and a deputy have been appointed who are responsible for the ongoing monitoring of adherence to the relevant provisions and for reporting directly to the Management Board on issuer compliance issues.

A set of guidelines is in force concerning "the principles for the disclosure of information within the company as well as relevant organisational measures for avoiding the misuse of insider information" ("Issuer Compliance Directive"), including the provisions of the EU Market Abuse Regulation which became effective in 2016.

The tasks of the issuer compliance officer are also recorded in the AMAG internal control system, and the execution of such tasks is regularly checked as part of this system. AMAG employees receive ongoing issuer compliance training.

Pursuant to the EU Market Abuse Regulation, the dealings of Management and Supervisory board members in financial instruments of AMAG Austria Metall AG are published on the website of AMAG and via an electronic information distribution system.

No infringements of issuer compliance provisions were identified in 2017.

AMAG Code of Ethics and Conduct

AMAG has very high ethical standards. It is conscious of its role as a leading company in Upper Austria, and the responsibility to society, business partners, employees and shareholders this position entails. The Code of Ethics creates the framework for these standards, and exists as a set of internal guidelines. It is published on the AMAG website.

In addition to the Code of Ethics and Conduct, AMAG has anti-corruption and anti-trust guidelines in place to support staff in all business transactions, so they always act in accordance with the law and on a morally impeccable basis. Staff affected by these guidelines' scope of application are required to complete regular training sessions.

AMAG has an internal control structure and an open corporate culture, whereby adhering to the relevant legal provisions is ensured and infringements against internal guidelines should be avoided. Involvement in the company as part of the Employee Foundation boosts the loyalty of the company's employees and reinforces adherence to this behavioural code.

AMAG provides its employees and business partners with a communication channel in the form of a compliance line, to report (potential) infringements. In 2017, as in previous years, no offences were reported through the compliance infringement hotline.

External evaluation

The Corporate Governance Code stipulates regular external evaluation of company compliance with the Code. This was performed for “C rules” 1 to 76 by the Group auditor as part of the audit of the 2017 financial statements. As part of the audit, the auditors found that the statement that AMAG Austria Metall AG issued relating to compliance with the Corporate Governance Code in the version dated January 2015 corresponds to actual circumstances. The auditor's report on the external evaluation can be downloaded from the website at www.amag.at.

Changes after the reporting date

No changes occurred to reportable matters between the reporting date and the date when the corporate governance report was prepared.

(GRI 102-18)

Investor relations

Equity markets

Supported by a historically low interest rate and more upbeat economy, equity markets worldwide reported further price gains in 2017.

The American stock market continued its uptrend. The Dow Jones Industrial Index exceeded the 20,000-point level for the first time in its history, reaching a new historic level of 24,876 points in December 2017. As of the year-end, the index traded at 24,719 points, 25.1 % higher than a year before. The Eurostoxx 50 Index, encompassing the Eurozone's 50 strongest capitalised companies, also reported gains. At 3,504 points as of the end of 2017 the index stood 6.5 % above the previous year's level. In line with the Dow Jones Industrial, the German DAX index of leading equities reached a new all-time high, ending 2017 at 12,912 points, a gain of 12.5 % compared to the end of 2016.

The Vienna Stock Exchange performed very well in 2017. The ATX Index increased by a total of 30.6 % during the year to reach 3,420 points.

Asia's most important indices also recorded positive trends. The Nikkei 225 Index was 19.1 % higher as of the year-end, and the Hang Seng Index even climbed by a total of 36.0 %.

AMAG share price performance

The AMAG share continued its uptrend in 2017, reaching a new all-time high of EUR 55.22. The share ended 2017 at a closing price of EUR 51.39. Compared to the previous year's end (December 30, 2016: EUR 33.25), the gain thereby amounts to 54.6 %, representing a significant outperformance of the ATX Index. The total shareholder return, including the EUR 1.20 per share dividend paid in 2017, consequently amounted to 58.2 %.

Since the IPO in April 2011, the total shareholder return, including dividends, amounts to 170.5 %, based on the EUR 19.00 issue price, reflecting a 203.7 % share price appreciation.

The market capitalisation increased to EUR 1,812.2 million as of the end of 2017 (end of December 2016: EUR 1,172.5 million).

The average trading volume (double counting excluding OTC) in AMAG shares increased from 8,997 in the previous year to 9,326 units. The total turnover in AMAG shares traded on the Vienna Stock Exchange (excluding OTC) rose year-on-year by 57.6 % to EUR 52.6 million (2016: EUR 33.4 million).

Share price performance YTD

Investor relations (IR) work

In the interests of ensuring equal treatment of all shareholders, the company's IR work aims to provide prompt and transparent information on company developments of relevance to the capital markets, which is made available to all shareholders and interested parties at the same time.

To raise the profile of AMAG on the capital market and communicate with our investors in person, AMAG attended several roadshows and investor conferences in 2017.

As part of three roadshows, four investor conferences, several plant tours and numerous telephone conferences, the company engaged in dialogue with analysts, and with both private and institutional investors.

Analyst coverage

Five financial institutions regularly issued analyses of the AMAG share in the 2017 financial year: Baader Bank (hold), Erste Group (hold), Kepler Cheuvreux (reduce), Landesbank Baden-Württemberg (sell) and Raiffeisen Centrobank (hold).

Sustainable dividend policy

At the company's seventh Ordinary Annual General Meeting to be held in Linz, Austria, on April 17, 2018, the Management Board will propose a dividend of EUR 1.20 per dividend-entitled share, unchanged compared with the previous year. The dividend yield on the volume-weighted average price of the AMAG share in 2017 consequently amounts to 2.6 %. The ex-dividend date is April 24, 2018. The dividend payment date is April 26, 2018.

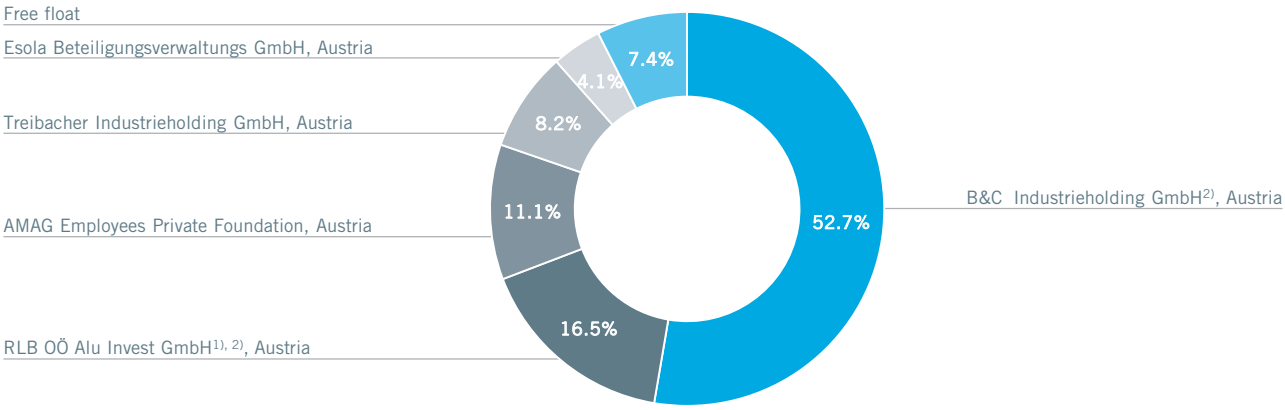
Share price performance since IPO

Stable core shareholder structure

AMAG Austria Metall AG enjoys a stable ownership structure. B&C Industrieholding GmbH holds a majority interest of 52.7 % in the company. RLB OÖ Alu Invest GmbH and AMAG Employees Private Foundation hold 16.5 % and 11.1 %, respectively, as in the previous year.

Ownership structure

as at December 31, 2017



1) RLB OÖ Alu Invest GmbH is an indirect wholly-owned subsidiary of Raiffeisenlandesbank Oberösterreich AG
2) B&C Industrieholding GmbH and Raiffeisenlandesbank Oberösterreich concluded a participation agreement on April 1, 2015

Stock market indicators in EUR	2017	2016	Change in %
Highest price	55.22	33.76	63.6
Lowest price	33.65	25.06	34.3
Average price (volume-weighted)	45.65	30.27	50.8
Closing price	51.39	33.25	54.6
Earnings per share	1.79	1.31	36.4
Cash flow from operating activities per share	2.89	3.26	(11.3)
Proposed dividend per share	1.20	1.20	0.0
Dividend yield (annual average price)	2.6 %	4.0%	-
Market capitalisation on the last trading day of the year in EUR million	1,812.2	1,172.5	54.6

Financial calendar 2018	
February 27, 2018	Full year results 2017
April 7, 2018	Record date (Annual General Meeting)
April 17, 2018	Annual General Meeting
April 24, 2018	Ex-dividend date
April 25, 2018	Record date (Dividends)
April 26, 2018	Payment date (Dividends)
May 3, 2018	Report on the 1st quarter 2018
August 2, 2018	Report on the 1st half-year 2018
October 31, 2018	Report on the 3rd quarter 2018

Information on the AMAG stock	
ISIN	AT00000AMAG3
Class of shares	Ordinary shares made out to bearer
Ticker symbol on the Vienna Stock Exchange	AMAG
Indexes	ATX-Prime, ATX BI, ATX GP, ATX TD, Voenix, WBI
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

New records in revenue and earnings

In the fiscal year 2017 revenue and earnings increased significantly. Revenue was up by 14 % and exceeded the threshold of EUR 1.0 billion for the first time in the company's history. Earnings before interest, tax, depreciation and amortisation (EBITDA) increased by 15 % to a new record of EUR 164.5 million.

Group management report

Company profile

AMAG Austria Metall AG uniquely combines top product quality, efficient production, a broad product portfolio comprising a high specialities component, and aluminium recycling expertise, in a unique manner. (GRI 102-1)

The headquarters of AMAG are located in Ranshofen, Upper Austria, which is where the Group produces high-quality recycling foundry alloys and aluminium rolled products. (GRI 102-3)

AMAG also holds a 20 % interest in Canada's Alouette smelter, the largest smelter in North and South America. (GRI 102-4)

Products for different sectors

The Alouette smelter in Canada produces primary aluminium in the form of sows and ingots. Alouette reports an excellent net environmental impact thanks to its harnessing of hydroelectric power and its very high energy efficiency.

The recycling foundry alloys produced at the Ranshofen location in Austria are delivered to the manufacturing industry in the form of ingots and sows, as well as in the form of liquid aluminium, where they are used especially in die casting applications.

A range of high-quality aluminium rolled products also comes out of Ranshofen in the form of sheets, strips and plates. The broad product portfolio comprises high-strength materials, tread plates, bright products, brazing sheets, foil stock for the packaging industry, precision plates and cathode sheets. These products are deployed in many different industrial sectors, such as aerospace, automotive, packaging, construction and engineering.

AMAG products are shipped worldwide. The share of Group sales revenue generated abroad amounts to 86 %. Sales occur through the company's headquarters in Ranshofen, supported by sales operations in China, Germany, France, the United Kingdom, the Netherlands, Spain, South Korea, Taiwan, the Czech Republic, Turkey and the USA. Together with further commercial agencies, the AMAG Group is represented overall in more than 20 countries on four continents. (GRI 102-4, GRI 102-6)

Key figures, condensed in EUR million	2017	2016	Change in %
Total shipments in tonnes	421,700.0	405,900.0	3.9
Revenue	1,036.2	906.2	14.3
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	164.5	143.0	15.0
Net income after taxes	63.2	46.3	36.4
Employees[1)]	1,881	1,762	6.8
Total assets	1,404.9	1,389.7	1.1
Equity	607.9	630.5	(3.6)
Net financial debt	282.4	225.8	25.0

1) Average number of employees (full-time equivalents) includes a 20 % pro rata share of the labour force at the Alouette smelter

(GRI 102-7)

Company structure

AMAG Austria Metall AG, as the Group holding company, manages business through its four operating divisions – Metal, Casting, Rolling and Service.

Metal Division

The Metal Division includes the AMAG Group's 20 % interest in the Aluminerie Alouette smelter and is responsible for the risk management and steering of metal flows within the AMAG Group. Located in Canada, the Alouette aluminium smelter is one of the most efficient in the world, and benefits from a secure long-term energy supply in a politically stable country.

Casting Division

The AMAG Group's Casting Division recycles aluminium scrap to produce high-quality foundry alloys. Its product portfolio covers aluminium materials tailored to customer requirements in the form of ingots, sows and liquid aluminium.

Rolling Division

The AMAG Group's Rolling Division is responsible for the production and sale of rolled products (sheets, strips and plates), and precision cast and rolled plates. The rolling mill specialises in premium products for selected markets. The company's rolling slab casthouse supplies the rolling mill with rolling slabs predominantly with a very high scrap proportion.

Service Division

Along with the Group management, the Service Division's portfolio includes facility management (building and area management), energy supplies, waste disposal, and purchasing and materials management. Consequently, this Division creates the preconditions for the operating divisions to concentrate on their respective core businesses.
(GRI 102-2)

Divisions	Metal	Casting	Rolling	Service
Total shipments in tonnes	120,400	87,400	213,900	
External shipments in tonnes	120,400	61,600	213,900	
External revenue in EUR million	208.0	110.2	712.2	5.9
Employees[1)]	190	126	1,424	141
Products and services	Primary aluminium Access to raw materials market	High-quality recycling aluminium foundry alloys	High-quality aluminium rolled products	Group management Services at the Ranshofen site
Brands		AMAG TopCast®	AMAG Multiclad® AMAG Procath® AMAG Titanal® AMAG TopBright® AMAG TopClad® AMAG TopForm® AMAG TopGrip® AMAG TopPlate® AMAG TopResistant®	

1) The figure includes a 20 % pro rata share of the labour force at the Alouette smelter, figures in terms of full-time equivalents

(GRI 102-2, GRI 102-6, GRI-102-7)

Non-financial statement

Report profile

Since 2013, AMAG has been publishing its own sustainability report in a two-year cycle. This "Non-financial statement" represents the follow-up report to the sustainability report last published in 2015 and will be published annually from the 2017 reporting year on.

The integration of sustainability reporting into the 2017 management report highlights the interaction between financial, ecological and social factors. The non-financial statement pertains to the 2017 financial year, with the previous annual data from 2016 and 2015 being utilised for comparative purposes. (GRI 102-50, GRI 102-51, GRI 102-52)

Scope of report

The contents and quality of the report reflect the principles of stakeholder inclusion, materiality, the sustainability context, and completeness.

The stakeholders of AMAG were involved in selecting the report's contents. The reported information was selected based on the results of the materiality analysis in accordance with GRI guidelines. In order to determine and prioritise the report contents, AMAG conducted a detailed materiality analysis in 2015 and updated it for the 2017 reporting year. Accordingly, the report covers all those sustainability aspects that either reflect important economic, ecological or social impacts of the organisation or could exert considerable influence over stakeholders.

The completeness of the non-financial statement refers to the treatment of the significant topics and how they are demarcated. (GRI 102-46)

Conformity

This statement follows the standards of the Global Reporting Initiative (GRI) and, as in the last published sustainability report, was prepared in accordance with GRI Standards: Core Option, to ensure a high degree of transparency to shareholders, and enable comparison with other companies. The GRI content index lists all topics regarded as significant for AMAG. The management approaches to the main topics are presented in the respective chapters. An independent third party audited the disclosures published in this statement. GRI Standards: Core Option formed the audit criteria. The corresponding audit confirmation by Ernst & Young Wirtschaftsprüfungsgesellschaft m.b.H. is presented in a separate audit report. Along with the audit of the non-financial statement, Ernst & Young Wirtschaftsprüfungsgesellschaft m.b.H. was mandated to audit the consolidated financial statements and the Group management report for 2017. The Management Board instructed the relevant staff from the respective specialist areas to make available the complete and correct documents and information required for the audit. (GRI 102-54, GRI 102-55, GRI 102-56)

Report boundaries

The disclosures in the non-financial statement relate exclusively to the headquarter operations in Ranshofen, Austria, and consequently the production site for high-quality recycling foundry alloys and aluminium rolled products.

Detailed information about the ecological and social aspects of the 20 % interest in the Alouette smelter held through Aluminerie Alouette Inc. is not presented. In this connection, please refer to the Sustainable Development Report published by Alouette.

For reasons of materiality, the sales locations employing a total of 39 staff (see the company profile in the management report) as well as other participating interests are excluded from consideration. (GRI 102-45)

The presentation of the shareholdings as of December 31, 2017 as well as the companies included in the consolidated financial statements are presented in section D, Consolidation principles.

Changes to size and structure

The new cold rolling mill (including finishing and upgrading plants) in Ranshofen was opened in June 2017. The rolling slab casthouse was also expanded again. The plant expansion extends the aluminium rolled product portfolio towards larger dimensions (width, gauge). New markets are developed and existing customer relationships are expanded as a consequence. The capacity for rolled products has thus been expanded to more than 300,000 tonnes overall. (GRI 102-10)

Contact point

For questions relating to the content of this report, and dialogue concerning AMAG and its sustainability management, please contact the strategy and communication department (email: sustainability@amag.at). (GRI 102-53)

Position on the significance of sustainability

We are our customers' reliable partner for sustainably produced premium-quality aluminium. Our strategy of profitable growth is accompanied by social and environmentally compatible development. In this context, we endeavour to balance the interests of our business partners and shareholders with those of our employees and the environment.

A growing market and a broad positioning with regard to our products' final applications form the foundation of our growth strategy. The numerous positive properties of aluminium provide the basis for this, especially given its increasing importance for applications where weight, technological characteristics, reliability and above all sustainability are vital. Our growth takes place in a specialised market with stringent quality requirements that demand innovation and environmentally compatible, resource-efficient downstream aluminium processing.

We attach great importance to operating to the highest moral, legal and ethical standards and to expanding profitably in line with the principles of fair competition. Megatrends such as globalisation, mobility, climate change, digitalisation, resource availability and demographic shifts are presenting companies with new challenges, and also driving development. We are preparing ourselves for this future, based on the principle of "adding value through appreciation", which we consistently pursue. For us, sustainable business means establishing harmony among the three dimensions of economy, ecology and social aspects.

Economically, sustainable business means generating sustainable, profitable growth through production that efficiently handles goods and resources, while also making an economic contribution. Risk-aware corporate management reflecting moral and ethical principles secures the company's continued existence and value.

Ecologically, we aim to efficiently utilise resources, construct production facilities that operate in an environmentally compatible manner and supply our customers with environmentally compatible products. The processing and recycling of aluminium scrap, which we have expanded as part of our site expansion project, is essential in this context. Together with our customers, we are working on closing materials cycles in industrial production, referred to as the closed-loop concept. The aim is to retain aluminium within a cycle that maintains the metal's value.

Our objective with regard to our social orientation is to perform our corporate activities in a socially balanced manner, improve our employees' occupational health and safety, and promote their qualification and further training. Expanding production capacities in Ranshofen secures employment in the region medium-term, thereby making an important contribution to regional value creation.

With a look to demographic developments, we have launched personnel policy measures such as knowledge and experience transfer through our in-house Alu-Academy in order to retain the expertise accumulated within the company.

We cultivate communication with our internal and external contacts to identify significant opportunities and risks for our company. Through active membership in sector associations and R&D networks, intensive collaboration with our customers and the involvement of our employees, augmented by certification according to international norms and standards, we are constantly engaged with the significant topics of our industry and their effects on our environment.

The Management Board

(GRI 102-14)

Value chain

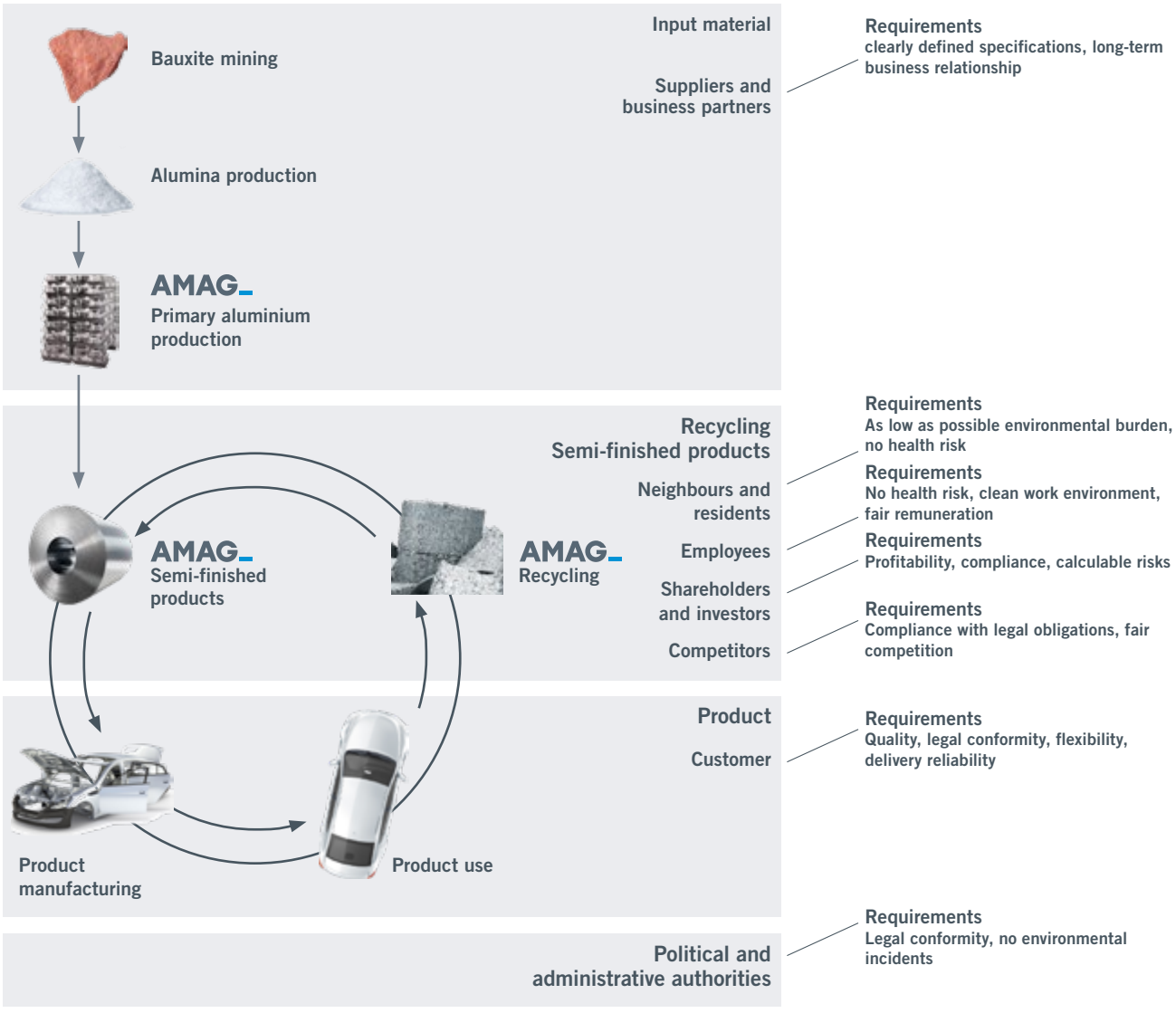
The following graph presents an overview of the product life cycle, reflecting identified stakeholder groups and issues.

The activities of AMAG include the production of primary aluminium, recycling foundry alloys and rolled products – each of which have clear strengths in terms of sustainability. The value chain of AMAG starts with the production of primary aluminium at the Canadian Alouette smelter in Sept-Îles, Québec, in which AMAG holds an interest of 20 %. Its other owners include Norsk Hydro with 20 %, Rio Tinto with 40 % and Albecour/Marubeni with 20 %.

The smelter produces primary aluminium in the form of low-profile sows and is one of the input material suppliers for AMAG in Ranshofen. Production occurs through the efficient deployment of hydroelectric power, thereby operating with exemplary net environmental impact, especially in terms of CO_2 emissions. Alouette's alumina supplies are secured by its owners. AMAG covers its raw materials requirements from major mining groups and raw materials dealers. (GRI 102-9)

AMAG is aware of the effects of bauxite mining and subsequent alumina production on the environment and society. To the extent possible based on industry structure, dimensions and volumes, the company demands responsible approaches from its suppliers when sourcing alumina.

Value chain



The company manufactures recycling foundry alloys and aluminium rolled products at its integrated site in Ranshofen. The rolling slabs required to manufacture rolled products are largely produced at the company's own wrought alloy foundry. Input stock for the two casthouses consists on average of around 75 to 80 % recycled aluminium scrap that stems especially from processing industries and products that have reached the end of their life cycle, as well as from our internal Group materials cycle. Because aluminium can be recycled without loss of quality, aluminium scrap can be reintroduced repeatedly into the value chain and utilised to manufacture high-quality aluminium products.

Operating activities' impact on the regional economy

The sourcing of raw materials, plant and equipment (buildings and machinery), operating resources, energy and services (logistics and IT) constitute an important economic driver within the region.

AMAG issued significant orders worth a total of EUR 94 million in Upper Austria in the 2017 financial year, including EUR 53 million in the Innviertel region. Thanks to orders awarded locally and the prominent presence of suppliers' personnel at the site (accommodation, gastronomy, commerce), companies within the region and the Austrian federal state of Upper Austria benefit from the growth path of AMAG. (GRI 204-1)

Regional & social commitment

We regard ourselves as part of society and assume social responsibility. We put this claim and ambition into practice by deploying financial resources, donations of materials and other tangible assets, as well as personal commitment. As a consequence, commitment to people in the region, the positive structuring of our environment, and fostering enthusiasm for technology, are matters that go without saying for us.

Our sponsorship activities near the company's headquarters comprise four areas:

+ Education, science and research: As part of our education sponsorship, we promote the development and further training of children, young people and adults.
+ Social initiatives: The company supported many projects in the social area in 2017, including as part of the AMAG Social Award.
+ Sport: Attractive leisure offerings form part of the quality of life of a region, making an important contribution to the wellbeing of the population, including the employees of AMAG. A significant proportion of spending goes into helping young people in this context. The company also sponsored many sports events.
+ Culture: We promote various cultural institutions as part of our cultural sponsorship.

Our employees' dedication forms a key element in the Group's social activities. The AMAG Social Award, which the company holds every year, creates a connection between not-for-profit campaigns and AMAG employees who wish to become involved in social initiatives. The main aim is to highlight the value of voluntary work. Employees are invited to submit social projects for consideration by an independent jury that decides whether to provide support. The key criterion is that aid should directly benefit disadvantaged individuals or people in need within the region. Support is given in the form of financial or in-kind donations to organisations (such as hospitals or nursing homes) or individuals.

Sustainability concept

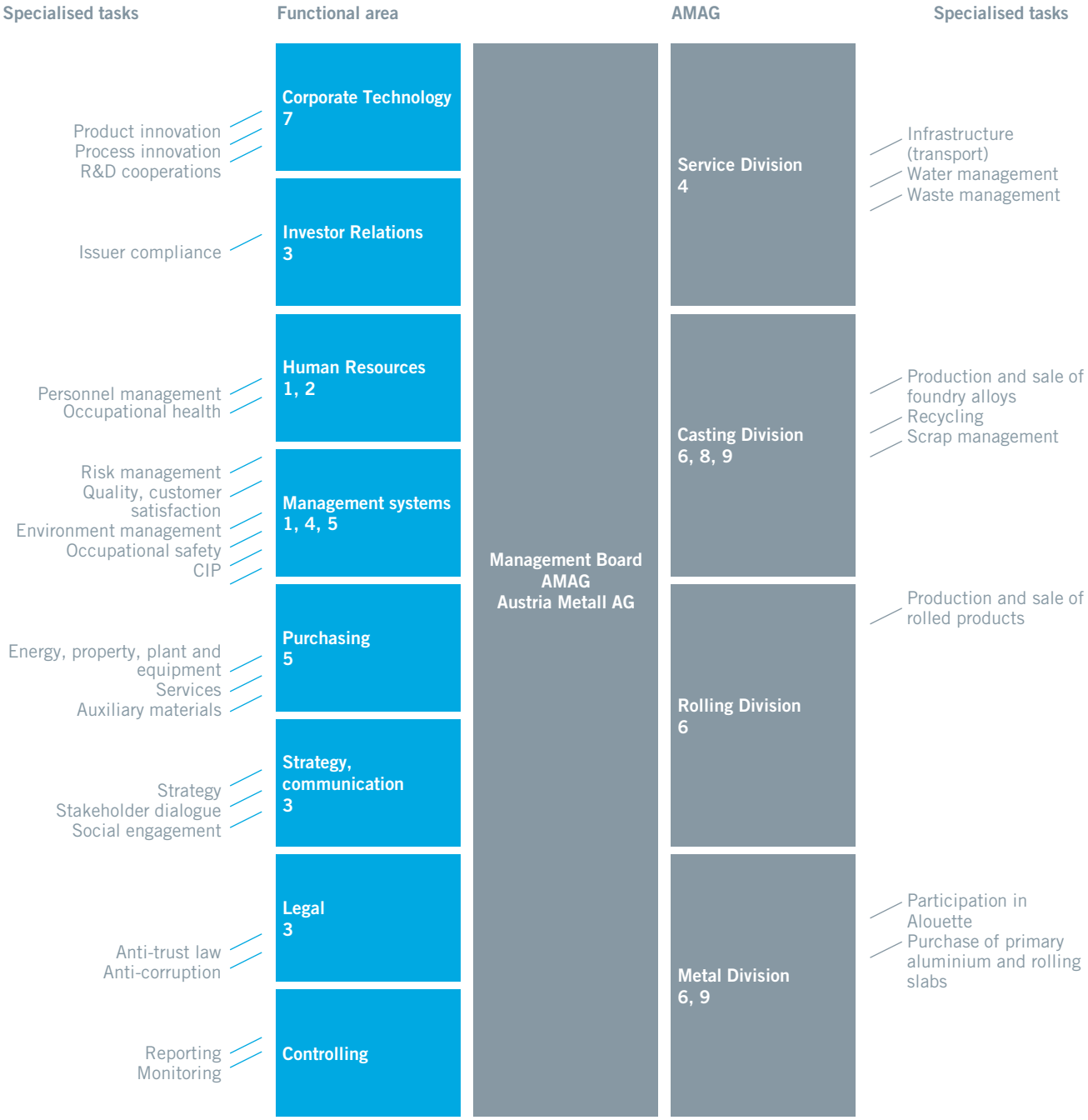
Sustainability management at AMAG is based on the following principles:

+ **Prevention**: In order to avoid burdens for man and the environment as best as possible, hazards for human beings and the environment are handled at an early stage, and on a forward-looking basis. In this context, AMAG operates certified management systems focused on occupational health & safety, quality, the environment, and energy efficiency, as well as an extensive risk management system and an internal controlling system. (GRI 102-11)
+ **Efficiency**: When developing plants, processes and products, we pay attention to resource and energy efficiency, and to minimising environmental effects, based on the AMAG guiding principle of "adding value through appreciation".
+ **Balance**: The broad positioning of AMAG by sector and products, as well as in terms of the geographic markets it supplies, ensures a high degree of balance and stability. This balance of sustainability activities in different corporate areas enables us to achieve our sustainability targets.
+ **Materiality:** AMAG focuses on the significant economic, environmental and social effects of its operating activities, and maintains constant dialogue with its stakeholders to determine important topics.
+ **Completeness**: The principles of transparency, up-to-dateness, and completeness are of cardinal significance in internal and external corporate communication. AMAG communicates promptly and comprehensively about key topics relating to its business activities.
+ **Flexibility**: We perceive changes to our economic and social environment, as well as new challenges posed by our customers and markets, as opportunities to be met with great flexibility.
+ **Innovative spirit**: Researching technologically challenging questions, the development of marketable applications, and continuous process and product improvement express the innovative spirit of AMAG.

Main topics of relevance

1	Occupational health and safety	4	Emissions	7	Innovation
2	Training and development	5	Energy	8	Recycling
3	Compliance	6	Customer satisfaction	9	Raw materials

Responsibilities for main topics of relevance



Responsibility for sustainability is anchored at Management Board level, being transferred with clearly defined areas of responsibility to a management structure based on proven functions. Annual target agreements with management generate incentives to boost performance, making target attainment measurable. The AMAG Executive Management Team (the Management Board and the management teams of the individual companies) cover sustainability-related topics based on reports and submissions from the functional areas. The corporate governance report presents general information about the company's management structure. (GRI 102-18)

In the interests of sustainability, risk management integrates ecological and social aspects. It is of crucial importance to effectively utilise scarce resources in a manner that is forward-looking, efficient and effective, to make decisions about new investments and (business) activities on a timely and risk-oriented basis, to avoid "accidents", and to be as best prepared as possible when accidents occur. A sufficiently high level of risk awareness at all organisational levels of AMAG is indispensable in this context, and the stronger assumption of responsibility on the part of all individuals involved. Active risk management counters risks entailed in operating activities, including operative, personnel, business, ecological and social risks. Based on the risk strategy approved by the Management Board, the current risk situation is evaluated annually and a catalogue of risk-minimising measures and supervisory tasks is defined. The risk and opportunity report contained in the management report presents more details on this topic. (GRI 102-11)

Stakeholder involvement

As a globally operating, forward-looking industrial company, AMAG is required to identify topics related to sustainability, to set corresponding targets, and instigate the requisite measures. Communication and dialogue with stakeholders plays a central role in identifying important topics in this context.

Depending on the level of intensity, we differentiate three types of stakeholder involvement: information, dialogue and participation. Information refers to unilateral communication, such as through brochures and the company's website. Dialogue, as bilateral communication, occurs as part of ongoing contact with stakeholders. AMAG also participates in lobby groups and sustainability networks, for example. The stakeholders of AMAG include individuals or groups with legitimate interests or requirements related directly or indirectly to the company's operations. Relevant stakeholder groups were defined by an internal working group in 2015. One important criterion in this context was a direct or indirect relationship to corporate activity, and its economic, social and environmental effects. (GRI 102-42)

Stakeholder management process

Stakeholder management at AMAG is oriented to the guiding principles of the Global Reporting Initiative (GRI), based on a structured, three-step approach:

+ Stakeholder mapping and analysis
+ Consultation and cooperation
+ Evaluation and communication

As part of preparing the 2017 annual report, the completeness of the stakeholder groups was analysed by the AMAG sustainability team together with sustainability experts from plenum – gesellschaft für ganzheitlich nachhaltige entwicklung gmbh, and summarised in the five following groups:

+ Shareholders and investors
+ Business partners
+ Employees
+ Public
+ Government bodies

(GRI 102-40)

Stakeholders are consulted continuously, applying different dialogue formats for specific groups. These include questionnaires (ongoing customer satisfaction assessments, broad-based online stakeholder survey, last conducted in 2015), annual target attainment discussions with employees, personal discussions and dialogue at local, national and international level, participation in bodies and associations, topic-related stakeholder events at the Ranshofen plant, participation in trade fairs and conferences, and communication through social media.

A stakeholder survey with representatives from the region was held as part of a dialogue event in the 2017 reporting year. Around 100 stakeholders were asked to evaluate various predefined topics relating to AMAG in terms of their significance to them. The participants assessed the topics of environmental protection, innovation, and AMAG as an employer as especially important. Two customer satisfaction surveys with around 808 participants from 27 countries (32 % response rate) were also conducted in 2017. Key topics cited included quality, delivery reliability, product portfolio and employee expertise in processing customer issues. An externally conducted employee survey (around 1,600 questionnaires issued, 73 % response rate) focusing on health showed that 83 % of the workforce is satisfied or very satisfied with their work. Corporate culture, qualification and appreciative interaction with colleagues were specified as significant topics. The results of the survey were integrated into the company's health scheme. (GRI 102-43, GRI 102-44)

The following table lists the stakeholder groups and formats of AMAG.

	Stakeholder	Communication and cooperation formats
Shareholders and investors	+ Shareholders + Banks + Investors	Frequency: continuous/quarterly + One-on-one meetings with investors and owners + Financial reporting (quarterly) + Annual General Meeting + Investor conferences, roadshows, investor fairs + Plant visits
Business partners	+ Customers + Suppliers + Science and research	Frequency: continuous + Working groups + Audits + Reporting + Complaints management + Research projects + Communicating through social media + Partnerships with universities, talks + AluReport customer magazine + Customer satisfaction measurement + Trade fairs and specialist conferences + Training activities + Company website + Plant visits + Science & technology advisory board
Employees	+ Applicants + Management + Employees	Frequency: continuous + Intranet (newsletter) + Career fairs + Communicating through social media + Continuous improvement process (CIP) + Employee surveys and meetings + Employee appraisals + Events, dialogue with employees and management
Public	+ Neighbours + NGOs + Media + Competitors + Associations	Frequency: continuous + Active collaboration in associations and bodies + Working groups + Questionnaires + Reporting of non-financial information + Communicating through social media + Cultural sponsorship + Press relations, conferences, interviews, one-on-one meetings + Stakeholder surveys + Events and dialogue + Plant visits
Government bodies	+ Public authorities + Legislators + Policymakers	Frequency: continuous + Dialogue, specialist discussions and talks + Authorisation procedures + Stakeholder surveys + Opinions + Plant visits

(GRI 102-40, GRI 102-43)

Materiality analysis

Effective sustainability management and transparent reporting is based on identifying sustainability topics that exhibit significant economic, ecological and social effects, and substantially influence stakeholders' assessments and decisions. At AMAG, the materiality analysis and review of topics for reporting was conducted in four phases. The results of the 2015 materiality analysis were drawn upon and reviewed as the starting point for the current materiality analysis.

Phase 1: Identification & review of set topics
Through an online survey of internal and external stakeholders, a list of 20 relevant topics was established for the 2015 sustainability report to form the basis to prepare this report. On this foundation, current stakeholder engagement was evaluated (customer and stakeholder surveys, dialogue and one-on-one discussions with stakeholders during the reporting period), with any need to update or make additions being reviewed. The topics were also compared with a sector-specific materiality evaluation conducted by the Global Reporting Initiative and RobecoSam and assessed for materiality. As a result, the 20-topic list was confirmed.

Phases 2 and 3: Evaluation and prioritisation
In order to prioritise the topics, both the relevance for internal and external stakeholders as well as the significance of the effects of AMAG operating activities were gauged, with eight key topics being derived.

Phase 4: Validation
The final step entailed internal validation of the main topics and approval by the Management Board. The main topics of relevance to stakeholders and the significance of the economic, ecological social effects of AMAG operating activities form the basis for reporting. The sections covering

+ Ethics & integrity in business practice,
+ Customer relationships,
+ Innovation,
+ AMAG as an employer,
+ Raw materials & recycling, and
+ Environmental protection

explain how AMAG takes the main topics into consideration as part of its sustainability management, which related management approaches it pursues, and which related developments occurred in the reporting period.

The company intentionally refrained from a prioritisation (differentiated evaluation) of the main topics, as the effects of its operating activities can differ very significantly depending on value creation level, region or stakeholder group. Furthermore, no weighting has been applied to e.g. whether customer satisfaction is more important than employee health, or the environment. The crucial point is to establish a balance of interests between business partners and shareholders as well as employees and the environment.

The main topics are:

+ Occupational health and safety (GRI 403 Occupational health and safety)
+ Training and education (GRI 404 Training and education)
+ Compliance (GRI 307, 419 Compliance)
+ Energy (GRI 302 Energy)
+ Emissions (GRI 305 Emissions)
+ Innovation (not a separate GRI standard)
+ Customer satisfaction (not a separate GRI standard)
+ Raw materials & recycling (GRI 301 Materials)

Continuing from the 2015 sustainability report, trends and developments in relation to the following topics are also reported upon:

+ Waste
+ Water
+ Regional and social commitment
+ AMAG as an employer
+ Biodiversity (mainly connected with the plant expansion)
+ Human rights
+ Supply chain

(GRI 102-47, GRI 102-49)

Ethics and integrity in business practice

AMAG exerts both direct and indirect effects on its environment through its operating activities. Forward-looking planning is essential to manage such effects responsibly. Therefore, the declared intention of AMAG is for environment and society to benefit from its operating activities and be subject to low burdens in this context.

Key topic: Compliance
+ Compliance principles form the basis of fair business conduct and lay the foundation for dialogue with society, especially with suppliers and business partners. Breaches of laws and illicit and non-compliant behaviour can exert far-reaching social and commercial effects. (GRI 103-1)

Principles
AMAG wishes to be perceived as a trustworthy partner by its stakeholders. For this reason, top priority is given to complying with all relevant laws, voluntary self-commitments and internal regulations, as well as fair competition. Related regulations are contained in the AMAG anti-corruption, anti-trust and issuer compliance guidelines. The AMAG Code of Conduct supplements these guidelines and provides regulations for the interaction of AMAG with business partners, shareholders and employees, thereby forming the basis of daily activity.

The aim of the anti-corruption and anti-trust guidelines is to help staff act legally and morally impeccably in all business transactions. Staff affected by these guidelines' scope of application are required to com-

plete regular training sessions on the anti-corruption topic. The relevant departments (see the compliance structure table) conduct such training sessions.

Clear rules of behaviour binding on all employees are included in the AMAG Code of Conduct issued by the plenary Management Board. It was revised in 2017 and issued as part of the guideline system to all employees with the requirement that they take note of its content. The Code of Conduct can be found on the company website together with the compliance rules for suppliers. (GRI 102-16)

Human rights

AMAG is committed to respecting human rights within its sphere of influence. Along with working conditions within the company and the protection of personal data, the focus is on expectations made of respecting human rights along the supply chain. Suppliers and contractual partners are expected to behave in accordance with the corporate ethical values of AMAG. The related requirements are set out in the compliance rules for suppliers. These rules are communicated actively to all suppliers and are integrated into the general purchasing terms and conditions. AMAG expects support from its suppliers in adhering to such principles.

The company has also installed a process to conduct compliance checks on suppliers, entailing up-to-date sanction lists for systematic review. Environmental criteria have not been examined for new suppliers to date. (GRI 308-1)

Implementation

The compliance function is structured as follows at present:

Area	Responsible department
Issuer Compliance	Investor Relations
Anti-trust law	Legal department
Anti-corruption	Legal department
Code of Conduct	Strategy & Communication
Guidelines	Strategy & Communication
Risk management	Management Systems

The heads of the departments listed above work together on a compliance board on the ongoing updating of the compliance system, reporting within their area of responsibility to the Management Board. Ongoing audit checks and an internal control system (ICS) secure the compliance system.

A compliance hotline operating as an anonymous point of contact is available for employees and business partners to alert the Group to potential offences. All employees are required to immediately report any suspicions of compliance offences (infringements of the Code of Conduct, internal regulations, statutory regulations). Besides the compliance hotline, employees can also inform the compliance officer directly.

Developments in the reporting period

In 2017, no proceedings due to anti-competitive behaviour or offences against anti-trust and monopoly law were reported or determined at AMAG. Moreover, no significant fines were paid due to non-compliance with laws and regulations in the social and economic area in 2017. (GRI 206-1, GRI 419-1)

Targets and measures

The uppermost objective in the compliance area is to avoid committing offences. The following measures have been implemented for this purpose:

+ Further development of the compliance system that has been established (training, controls)
+ Ongoing reviews of legislative amendments
+ Regular review of compliance guidelines
+ Implementing statutory regulations in the data protection area (EU General Data Protection Regulation and relevant EU regulations)
+ Regular training for individuals in in roles involving confidentiality
+ Participation in relevant events

The AMAG Compliance Program supports employees in performing their daily work in accordance with legal regulations as well as internal guidelines, to avoid negative effects on reputation as well as legal consequences. (GRI 103-2, 103-3)

External initiatives and memberships

AMAG is committed to the principles of the Austrian Corporate Governance Code, and consequently to responsible corporate governance and control systems designed to deliver sustainable value creation. (GRI 102-12)

AMAG was a member of the following associations and lobby groups in 2017:

+ A2LT - Austrian Advanced Lightweight Technology
+ AAI - Austrian Aeronautics Industries Group
+ ASI - Aluminium Stewardship Initiative, a founder initiative to create a sustainable standard for the aluminium value chain – from responsible corporate management through to meeting environmental standards as well as social standards.
+ ASMET - Austrian Society for Metallurgy and Materials
+ Automobil Cluster – cross-sector network to support automotive sector companies
+ BIR - Bureau of International Recycling
+ Christian Doppler Research Association
+ CIRA - Cercle Investor Relations Austria
+ EAA - European Aluminium Association
+ GDA - German Aluminium Association
+ GDMB - Society for Mining, Metallurgy, Resource and Environmental Technology
+ ÖGfZP - Austrian Society for Non-destructive Testing
+ IV - Federation of Austrian Industries
+ ÖVFA - Austrian Association for Financial Analysis and Asset Management

+ respACT – Austrian Business Council for Sustainable Development
+ VDM - German Association of Metal Dealers
+ VNL - Association for Network Logistics
+ WGM - Semifinished Metal Products Wholesalers Association (GRI 102-13)

Customer relationships

The AMAG strategy aims at sustainable growth in selected product markets with a balanced mix of specialty products and high-quality standard products. AMAG is an attractive growth and development partner for customers in such markets. The new works' plant and the expanded product range have created the basis for these strengths.

AMAG customers benefit from the following USPs:

+ Production of all aluminium alloy families (1xxx – 8xxx) at one location
+ Maximum flexibility (plant configurations, plant redundancies)
+ Maximum quality in product markets supplied by AMAG (niches)
+ Sustainable production (hydroelectric power – Alouette, recycling proportion in Ranshofen well above industry average)
+ Maximum concentration of expertise (experience and expertise in many products, synergies)

Key topic: Customer satisfaction
Customer satisfaction is the central benchmark for a company, describing the benefit and utility that products deliver for customers. Its effects are considerable as a consequence, especially where AMAG is concerned. Dissatisfaction with aluminium as a material can lead to AMAG being squeezed out by competitors regionally, and substitution of aluminium by other materials. (GRI 103-1)

Principles
Sustainable long-standing customer relationships create a trusting basis for collaboration and the expansion of business relationships. Responsibility for the sales process lies with the Chief Executive Officer as far as key customers are concerned, as well as with the Chief Operating Officer. In the operating segments, the respective commercial management reporting directly to the Management Board is responsible.

The following functions have also been established within the Rolling Division:

+ Strategic business units (oriented to customer sectors)
+ Key account managers
+ Sales team
+ International sales subisiaries
+ International sales representatives

The following departments support the sales organisation:

+ Customer support (process, systems, documentation)
+ Strategy (market and competitor monitoring, trend analyses)
+ Marketing and PR
+ Business development (surveying and analysing business potentials)
+ Business optimisation (delivery performance, efficiency enhancement, customer complaints)
+ Management Systems (certifications, audits, CIP)

All companies have set up quality management systems based on extensive certification by customer specification and the following quality standards:

+ ISO 9001 general quality standard (certified July 2015)
+ ISO 16949 in the automotive management systems area (certified June 2015)
+ AS9100 for the aerospace industry (certified May 2015)

Ongoing audits are an important tool to identify risks and improvement potentials.

Targets and measures
Enhancing customer benefits and consequently customer satisfaction take top priority in the AMAG target system. The following measures have been implemented:

+ Ongoing improvement of product and service quality and reliable delivery
+ Qualification of the new works' plant
+ Boosting shipment volumes to meet growing demand
+ Market launch of new products (dimensions, alloys)
+ Greater vertical range of production (contour sawing for aerospace applications), start in 2018

To measure customer satisfaction, we launched the Net Promoter Score (NPS) as a uniform standard in 2015 and conducted surveys based on it. A total of 8 surveys have been conducted to date, involving contacting 1,790 individuals, 608 of whom participated. Along with being questioned about whether they would recommend AMAG, customers were able to use freely structured responses to specify important topics for cooperation, which were utilised for the materiality analysis. These included quality, delivery reliability, product portfolio and employee expertise in processing customer issues. The so-called closed loop process, the mandatory and fast feedback loop for below-average evaluations, forms an important part of this methodology.

With regard to the consumption of aluminium rolled products, the CRU market research institute anticipates growth of around 4 % per annum over the next five years (7 % per annum in the transport). [1] Following the commissioning of the new plant, production capacity has been boosted to over 300,000 tonnes and the product portfolio is extended to include larger dimensions (width, gauge). Special sur-

1) See CRU Aluminium Rolled Products Outlook, November 2017

faces for the automotive industry are produced with the new passivation plant. In connection with rising customer demand, the aforementioned measures enjoy special priority. Demand for near-net-shape products is also increasing. In response to this, the value chain is being extended. The related production waste also remains within AMAG thanks to such in-house processing and can be converted directly back into high-quality products. (GRI 103-2, 103-3)

Developments in the reporting period

A customer relationship management system (CRM) was introduced to support the sales process. This serves to systematically process customer issues and produce documentation (client visits, telephone calls, written correspondence).

In customer communication AMAG focuses particularly on:

+ Trade fairs and events, specialist conferences
+ The "AluReport" customer and market magazine, which is generally published three times a year and provides information on product news and development projects.
+ Social media such as Facebook and LinkedIn (since 2017)

For many years, the AMAG brand has stood for superior customer orientation, flexibility and speed in fulfilling customer orders. The AMAG brand landscape, which was launched in 2017, focuses on this commitment in a structured manner. Under the AMAG brand umbrella, three brand families will be managed in the future, specifically relating to different requirements in the area of quality, sustainability and specialisation:

+ AMAG prime: The aluminium for special requirements in terms of mechanical and technological characteristics. The material of choice for sustainability, precision, stability and optimal processability.
+ AMAG green: The aluminium of choice for environmental compatibility and resource conservation.
+ AMAG AI4: Special aluminium products for particular requirements in different sectors and for very varied applications. (GRI 102-2)

The TOP brands maintain their position.

Innovation

The research strategy of AMAG is aimed at boosting competitive strengths, thereby making important contributions to the AMAG growth strategy.

Key topic: Innovation

Innovation is an important pillar to advance products for a sustainable future and master technological challenges along the aluminium value chain. Many AMAG product innovations directly or indirectly address current and global social and ecological topics such as fossil resource shortage, recycling, climate change and mobility. A special focus is directed to solutions enabling closed-loop concepts with customers, reducing environmental impact (e.g. lightweight design components) and offering new and improved application potential. (GRI 103-1)

Principles

Responsibility for research and development lies with the Corporate Technology specialist area, which is responsible for developing and implementing the R&D strategy, product and process innovations as well as the further development of products and processes, and application-based materials development. The head of this area reports to the Chief Operating Officer. Technology areas are installed within the operating companies. The focus in the casting area is on metallurgy and metals analysis. In the rolling mill, focus areas include sector-specific materials development, process optimisation and materials inspection.

The accredited testing centre with its departments consisting of metallography/physics, surface technology, chemical analysis/environment, and materials inspection, delivers not only the test results required for certification purposes, but also the data required to appraise R&D test results.

AMAG has established a Science and Technology Advisory Board to enhance the efficiency of its R&D activities. The board consists of six university professors whose expertise covers all the production areas of AMAG. The AMAG R&D strategy is constantly reviewed and updated in coordination with the Advisory Board. Cooperation with universities and non-university research institutions makes an important contribution to innovative strength at AMAG. Principal examples include current cooperation ventures with the University of Leoben, Vienna University of Technology, Graz University of Technology, ETH Zürich, Friedrich Alexander University Erlangen Nuremberg, Light Metals Technologies Ranshofen, and the Max Planck Institute for Iron Research in Düsseldorf. Global partnerships in the area of testing technology have also been set up, and are utilised consistently. Important activities include collaboration committees and working groups such as at European Aluminium (EA), and in very varied standardisation bodies such as the Austrian Standards Institute, the German Institute for Standardisation, the Austrian Society for Non-destructive Testing (ÖGfZP) as well as the Aluminium Stewardship Initiative. AMAG is also significantly involved with leading representatives from the business world as a founding member in the Austrian initiative "A2LT - Austrian Advanced Lightweight Technology". This initiative has set itself the goal of strengthening and further developing lightweight construction methods.

Targets and measures

The paramount objective of R&D activities is to enhance competitiveness as part of the profitable growth strategy. The following measures have been implemented for this purpose:

+ Developing special products and efficient production processes
+ Tapping new applications for AMAG products
+ Advancing digitalisation (automation, simulation, in-house data processing)
+ Boosting materials efficiency, alloy optimisation

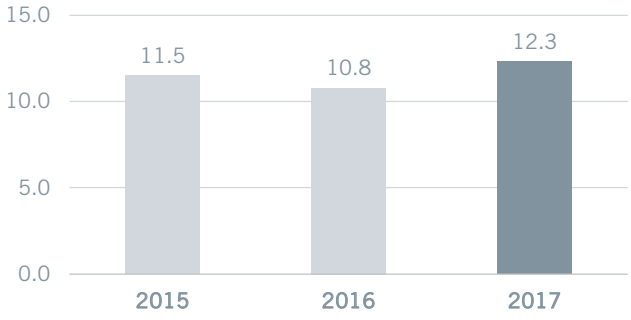
The aluminium industry is on an uptrend worldwide, which is especially reflected in a higher level of investment activity in China as well as in automotive capacities in Europe and the USA. Competitive pressure and, with it, the demand for characteristics offering differentiation against competitors, are increasing as a consequence. A high degree of specialisation, state-of-the-art production technologies and far-reaching digitalisation play an important role in this context. R&D activities at AMAG also include optimisation of material properties and efficient materials deployment. AMAG focuses here on collaborating with key customers from technologically challenging sectors with high innovation potential (e.g. automotive, aerospace). The integrated site with foundry and rolling mill, and its geographic proximity to the strong industrial regions and development centres, foster technological advancement and intensive customer service. (GRI 103-2)

Developments in the reporting period

Research and development expenditures amounted to EUR 12.3 million in 2017, up 14 % compared with the previous year (2016: EUR 10.8 million). A total of around 110 individuals (full-time equivalents) were engaged with R&D and innovation tasks in 2017. This reflects a 17 % year-on-year increase.

AMAG Group research and development expenditures

in EUR million



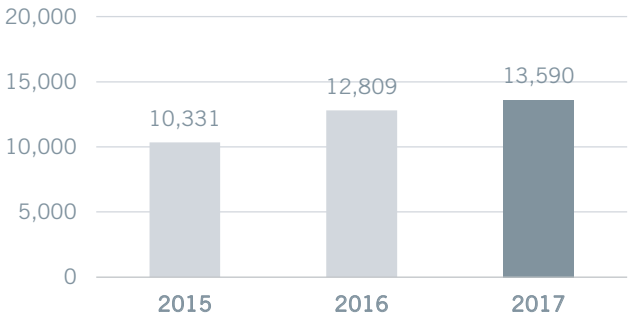
Research focus areas in 2017 included:

+ Alloy development, especially with regard to mechanical and technological properties, as well as a high recycling shares
+ Optimising mechanical properties as well as the processability of rolled products, especially in the aerospace and automotive areas
+ Enhancing production process efficiency
+ Extending simulation expertise and further developing the digital twin of the value chain

Continuous improvement process (CIP)

The special strength of AMAG lies in its employees' creative potential and commitment. The continuous improvement process (CIP) gives employees the opportunity to play an active role in shaping working processes. If our employees' suggested improvements are implemented successfully, they receive bonuses based on the proposals' net benefit. This actively promotes a culture of change and constant improvement. A total of 13,590 proposals were submitted in 2017, around 78 % of which were implemented. (GRI 103-3)

Number of suggestions as part of the CIP



AMAG as an employer

Qualified and motivated staff comprise a key element in the success of AMAG.

Employees participate in the success of AMAG insofar as the AMAG Employees' Private Foundation comprises a core shareholder of the company. The AMAG Employees' Private Foundation holds 3.9 million shares in AMAG, equivalent to an 11.1 % interest. This forms an additional factor strengthening employee loyalty and fostering the commitment to joint success.

Key topic: Occupational health and safety

Occupational health and safety exert considerable effects, as occupational accidents and illness entail not only health effects for employees but also costs for the company and the social security system as well as reputational losses. For this reason, both companies and employees benefit equally from a safe working environment. (GRI 103-1)

Principles

AMAG supports its own employees' health potentials and ensures the highest safety standards in its production facilities. Along with statutory regulations, specific measures in this context include works agreements, guidelines and safety instructions. The occupational safety topic comprises a fixed element in the integrated management system and is certified according to the Occupational Health and Safety Assessment System (OHSAS) 18001. The OHSAS system evaluates the company's occupational health and safety scheme above and beyond statutory regulations.

All staff are represented by formal employer-employee committees for occupational health & safety. The efficacy of occupational health and safety is monitored by the safety steering committee under the direction of the Management Board. Its members include the managers of the operating companies, occupational health and safety managers, the occupational medical department, the personnel department and the Group Works Council. This system is supplemented by regular safety audits. (GRI 403-1)

AMAG aims for the target of zero accidents with its "Consistently Safe" campaign. Extensive safety instructions and training measures, safety audits, and workshops as part of the Continuous Improvement Process (CIP) serve target attainment. The main safety indicator is the so-called TRIFR (Total Recordable Injury Frequency Rate). This internationally comparable figure shows Lost Time Injuries (LTIs) per capita plus incidents entailing medical treatment per 200,000 working hours. Commuting accidents are not included.

Occupational health and safety aims to prevent workplace illness and leverage health potentials. Employees can contribute health-promoting ideas to the continuous improvement system. Since 2009, AMAG has been the bearer of the "Quality Seal for Occupational Health Promotion" bestowed by the Austrian Network for Occupational Health Promotion (ÖNBGF), with renewed awards in 2012 and 2015.

The occupational health department of AMAG, which forms part of the personnel department, is the central point of contact for all health-relevant topics, such as first aid, medical examinations, healthcare and advice.

Targets and measures

The following measures are implemented to reduce the TRIFR accident rate as part of the "zero accidents" strategy:

+ Information and raising awareness: Preparing safety videos and installing screens in production areas for information and training purposes
+ Training employees, managers and safety officers
+ Safety patrols
+ Fifteen-minute safety sessions: Addressing current incidents with high risk potential relating to the occupational health and safety topic in the form of "ad hoc" training
+ Checking the efficacy of implemented measures

Occupational health & safety measures implemented in the 2017 reporting year included:

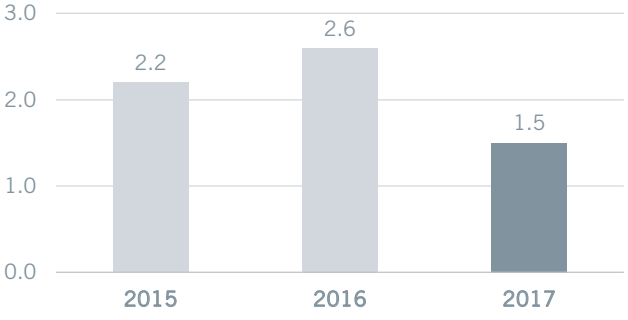
+ Investing in air conditioning systems and desks that can be set electrically to different working heights for ergonomic sitting and standing working positions
+ Varied training programs
+ New protective equipment in the casthouses
+ Various lifting aids
+ Voluntary health checks
+ Launching a weekly AMAG running event

(GRI 103-2)

Developments in the reporting period

Progress in the occupational health and safety area is evident in the reduction in the key TRIFR figure from 2.6 in 2016 to 1.5 in the 2017 reporting year. The illness rate was reduced from 2.1 in 2016 to 1.2 in the 2017 reporting year (definition of the illness rate: accidents entailing illness (LTI) per 100 employees in relation to the total number of employees).

TRIFR



Significant achievements in the 2017 reporting year included the successful OHSAS 18001 reaudit and recertification as an integral element of occupational safety management. Safety workshops and incident analyses are held to minimise risks and eliminate related causes.

In order to also regularly review implemented health promotion measures for their effectiveness, a corporate survey was conducted in the spring of 2017 that yielded very positive results. (GRI 103-3)

Key topic: Training and development

Very well-trained employees are essential for business success and make a considerable contribution to customer satisfaction. Targeted support and promotion of employees boosts motivation and readiness to perform and generates prospects for the employees themselves to remain competitive in their future careers.
(GRI 103-1)

Principles

Our personnel strategy aims to cover future personnel requirements both qualitatively and quantitatively. It is based on corporate objectives approved by the Management Board. Related guidelines and instruments are implemented in the personnel area, comprising tried and tested processes for recruitment, the induction phase, career planning, personnel development and successor planning for employees. The head of the personnel department reports to the Chief Executive Officer (CEO). The Works Council is responsible for employee representation, with four representatives on the Supervisory Board of AMAG Austria Metall AG.

An important personnel development instrument is the annual appraisal, a consultation between employee and manager to discuss targets and development, which reviews the past year, sets targets for cooperation and training & further development in the coming year, and serves to assess technical and professional performance. Recognition and appreciation of good work play an important role in this context. All employees are obligated to participate in such appraisals, with the exception of apprentices, employees with reasons for absence (such as military/community service, parental leave) and employees with employment contracts shorter than six months. (GRI 404-3)

The training of apprentices enjoys a high priority within the company. As of end of September 2017, a total of 72 AMAG apprentices were being trained, including 63 industrial apprentices and 9 commercial apprentices.

AMAG offers young people applications-based training in high-tech workshops in collaboration with the Braunau Training Centre. Apprentices complete theoretical and practical training in the shops at the centre and at AMAG, with a special emphasis also being placed on promoting social skills. Moreover, apprentices have the opportunity to complete their training with school-leaving certificates.

The company already held its third apprentices information day in 2017, to provide information about training options and apprenticeships. Around 150 interested schoolchildren and their parents visited AMAG and talked with trainers and apprentices. The subsequent on-site tour gave insights into the company.

Targets and measures

As part of the growth path, the technological leading position is being expanded and new jobs are being created. AMAG is also investing in its employees' expertise, thereby enabling the company to offer innovative products for varied applications and rising technical requirements in combination with its leading-edge plants. A key objective of personal development is to create an environment which, based on an e-learning platform, offers all employees the opportunity to develop their full potential.

The following measures have been implemented for this purpose:

+ Preparing training sessions in appropriate learning formats such as compliance training, IT awareness training, etc.
+ Creating a training program based on evaluating individual requirements
+ Recruiting new employees

Developments in the reporting period

In 2017, the company started to implement a learning management system (LMS) with an integrated e-learning platform for sustainable, IT-supported knowledge transfer. This system helps determine the individual learning requirements and personal development targets of employees and supports successor planning. The qualification management system also ensures compliance with the requirement to provide evidence of qualification measures to customers. AMAG also offers all employees its in-house training academy to expand their specialist expertise. At the "Alu-Academy", employees are taught by experienced AMAG specialists and technical experts who hand on their specific knowledge and skills to their colleagues. Learning contents range from occupational health and safety, materials science, production processes, quality and environmental management through to teambuilding units. The training program is oriented to all employees and managers. The groups consist of around 20 participants, with a total of 45 teaching units being held in the evening. A total of 81 employees participated in the Alu-Academy in the 2017 reporting year. (GRI 103-2, 103-3)

Number of hours for education and training	2017	2016	Change in %
Total	**48,263**	**48,334**	**(0.1)**
Per employee	27	29	(6.5)
per woman	35	41	(14.0)
per man	26	27	(4.9)
per industrial worker	9	10	(5.8)
per salaried employee	16	14	9.2
per apprentice	401	416	(3.6)

AMAG employees completed a total of 48,263 training hours in the 2017 reporting year. The average annual education and training per employee amounted to 9 hours in the case of industrial workers and to 16 hours in the case of salaried employees. The high number of 401 training hours in the case of apprentices is due to external training at the Braunau Training Centre. (GRI 404-1)

Employment

At the Ranshofen site, the number of employees in the 2017 reporting year increased by 6.8 % and amounted to 1,796 (December 31 reporting date/individuals). In terms of geographic distribution, most of the workforce is based in Austria. Around 82 % of the employees at the Ranshofen location are resident in Austria, and 18 % in Germany. Of the managers employed in Ranshofen (by this we refer to individuals at the first management level below the Management Board), around 80 % are recruited from Austria. (GRI 102-8, GRI 202-2)

The proportion of employees to which collective bargaining wage agreements apply amounts to 99 % (excluding respective managing directors and the plenary Management Board). (GRI 102-41)

A total of 1,780 employees were permanently employed and 16 employees had temporary employment contracts.

The staff turnover rate has remained at a very low level for some years and stood at 4.6 % in 2017. This includes all staff departures (excluding individuals starting retirement and employment contracts ending due to expiry or probationary periods concluding). (GRI 401-1)

Personnel recruitment

AMAG makes early preparations to cover future long-term requirements for employees and aligns its young employee and further training programs accordingly. An average period of employment at the company of 11.1 years ensures that accumulated knowledge and expertise remains with the company. Appointments are made to job vacancies while taking long-term prospects into account.

The implementation of the new candidate database in the 2017 reporting year raised the quality and speed of internal personnel processes, and also helped modernise the online application portal and enhance data security. The number of newly employed individuals until December 31, 2017 amounted to 243, including 218 men and 25 women. (GRI 401-1)

A measure to recruit production employees in the 2017 reporting year included holding five job interview sessions in the form of "job speed-dating" on site in Ranshofen. This innovative form of personnel recruiting enables the company and its career options to be quickly presented to applicants in a ten-minute presentation talk. The plant expansion, creating a total of around 450 jobs, forms the background to the new application format.

The employer brand is being strengthened through greater presence on online job portals such as karriere.at, Stepstone and LinkedIn and social media platforms such as Facebook. AMAG is also present at career fairs in order to recruit young talents. The Group also comes into contact with students by organising information evenings. In addition, AMAG focuses on strategic partnerships with universities to provide practical supplements to teaching and research in specialist areas of relevance for AMAG.

Equal opportunities & diversity

AMAG is committed to equal opportunities, and rejects any type of discrimination, especially based on age, gender, skin colour, sexual orientation, origin, religion or handicap. We align ourselves with the UN Charter in this context, as well as with the European Convention on Human Rights. All employees have the opportunity to report suspected discriminatory treatment to the compliance manager, or through a compliance hotline. No cases of discrimination were reported in the 2017 reporting year. (GRI 406-1)

As of the December 31, 2017 reporting date, the proportion of women at the Ranshofen site amounted to 12 %, with the proportion of women industrial workers standing at just 2 %, compared with 32 % among salaried employees. A higher proportion of women employees is also reported in the apprentices category at 29 %. A great number of female graduates from technical colleges and universities were also recruited in the area of research, development and technology. A high degree of working time flexibility and many part-time working models also make it easier to combine work and family. It goes without saying for us to offer our employees attractive job opportunities after maternity/paternity leave, or periods of part-time working for maternity/paternity reasons.

An example of supporting individuals with immigrant backgrounds is our renewed participation in the "Start" scholarship, which enables committed young people from immigrant backgrounds to acquire university entry qualifications.

With regard to the minimum disclosure periods for organisational changes, AMAG complies with all applicable Austrian laws and orders, and with the provisions of the collective agreement for the iron and metalworking industry. No significant changes occurred during the reporting period that had a material impact on the Group's employees and required disclosure. (GRI 402-1)

Total number of employees at the Ranshofen site (December 31 reporting date/individuals)	2017	2016	Change in %
Total	**1,796**	**1,681**	**6.8**
thereof women	**220**	**208**	**5.8**
thereof permanent employment contract	217	208	4.3
thereof temporary employment contract	3	0	-
thereof full-time	153	144	6.3
thereof part-time	67	64	4.7
thereof men	**1,576**	**1,473**	**7.0**
thereof permanent employment contract	1,563	1,463	6.8
thereof temporary employment contract	13	10	30.0
thereof full-time	1,526	1,428	6.9
thereof part-time	50	45	11.1
Leased employees	**31**	**15**	**106.7**
Contract workers	**1**	**2**	**(50.0)**

(GRI 102-8)

New hired employees in Ranshofen (December 31 reporting date/individuals)	2017	2016	Change in %
Total	**243**	**200**	**21.5**
thereof women	**25**	**22**	**13.6**
thereof younger than 30	15	18	(16.7)
thereof between the ages of 30 and 50	9	4	125.0
thereof older than 50	1	0	-
thereof men	**218**	**178**	**22.5**
thereof younger than 30	115	99	16.2
thereof between the ages of 30 and 50	94	77	22.1
thereof older than 50	9	2	350.0

Employees who left the Ranshofen site (December 31 reporting date/individuals)	2017	2016	Change in %
Total	**83**	**67**	**23.9**
thereof women	**6**	**8**	**(25.0)**
thereof younger than 30	4	4	0.0
thereof between the ages of 30 and 50	2	4	(50.0)
thereof older than 50	0	0	-
thereof men	**77**	**59**	**30.5**
thereof younger than 30	42	21	100.0
thereof between the ages of 30 and 50	31	31	0.0
thereof older than 50	4	7	(42.9)

(GRI 401-1)

Breakdown of employees by diversity aspects	2017	2016	Change in %
Industrial workers	**65%**	**65%**	**0.0**
thereof women	2%	2%	0.0
thereof men	98%	98%	0.0
thereof younger than 30	31%	32%	(3.1)
thereof between the ages of 30 and 50	53%	52%	1.9
thereof older than 50	16%	16%	0.0
Salaried employees	**31%**	**31%**	**0.0**
thereof women	32%	32%	0.0
thereof men	68%	68%	0.0
thereof younger than 30	21%	21%	0.0
thereof between the ages of 30 and 50	56%	56%	0.0
thereof older than 50	23%	23%	0.0
Apprentices	**4%**	**4%**	**0.0**
thereof women	29%	27%	7.4
thereof men	71%	73%	(2.7)
Total employees	**100%**	**100%**	**0.0**
Thereof other diversity indicators (registered disabled people)	3%	4%	(8.3)

(GRI 405-1)

Raw materials & recycling

Aluminium is one of the most frequently occurring elements in the Earth's crust. Industrial production started in 1886. Since then, around 1 billion tonnes of aluminium have been produced, of which around 75 % is still in use. Aluminium can be recycled indefinitely without quality loss, thereby forming an important part of an economy oriented to efficient resource utilisation. Current recycling rates in Europe stand at around 90 % in the transport and building area, and at more than 60 % in packaging. The aluminium industry is working together with policymakers at raising these rates[2].

Key topic: Raw materials

Raw materials utilisation is accompanied by climate change or the loss of biodiversity, especially in ecologically sensitive areas. Aluminium production starts with the raw material bauxite. AMAG is aware of the ecological effects of bauxite mining and the subsequent production of alumina. AMAG contributes to defining and implementing sustainable standards in the aluminium industry through membership in initiatives such as the ASI, the EA, the GDA and the OEA.
(GRI 103-1)

Principles

AMAG activities in Ranshofen comprise:

+ The purchasing of primary aluminium, rolling slabs and almost-primary scrap in the Metal Division. Its management reports directly to the Chief Financial Officer.
+ The purchasing of aluminium scrap and alloy metals as well as the recycling of aluminium scrap and production of recycling cast alloys and rolling slabs in the Casting Division.

Business, ethical and ecological principles are anchored within our general terms and conditions of business and in compliance regulations for suppliers. The purchasing process is regulated in procedural instructions and guidelines, whereby we not only minimise purchasing-specific risks such as supply bottlenecks and major price fluctuations but also secure our competitiveness and smooth production processes. (GRI 308-1)

Targets and measures

AMAG is a founding member of the Aluminium Stewardship Initiative (ASI), an initiative comprising aluminium industry companies, and remains constantly involved in collaborating on the further development of ASI Performance Standards.

The initiative aims to develop an independent third-party certification program entailing responsible production, purchasing, and aluminium handling. The contribution of the ASI consists in bringing all aluminium sector lobby groups around one table to develop a joint strategy to implement best practice procedures for these topics. The certifiable standard has been available since December 2017. Through the involvement of AMAG in the initiative (and, not least, through certification according to ASI standards), AMAG customers will benefit from aluminium deliveries in compliance with ASI sustainability criteria certified by third parties by means of an extensive audit program.

The aim in this area is to implement ASI Performance Standards. The following measures have been implemented for this purpose:

+ Certification according to the Aluminium Stewardship Initiative (ASI) Performance Standard

Developments in the reporting period

The following materials required for the manufacture of cast and rolled products at the Ranshofen site were purchased:

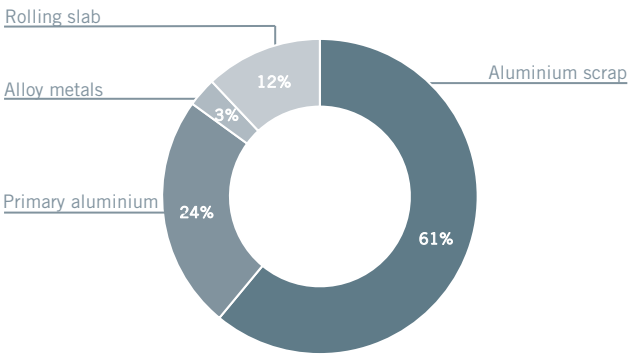
+ Aluminium scrap: AMAG has around 192 suppliers of a broad spectrum of aluminium scrap types. The company bought in a total of around 196,800 tonnes of aluminium scrap in 2017. AMAG also has contracts (such as with customers of its rolling mill) to collect and sort aluminium scrap from processing or production. (GRI 301-2)
+ Primary aluminium is purchased in the form of sows and ingots. AMAG utilises only material from smelters it has approved, including the Alouette smelter in Canada. The company bought in a total of around 76,400 tonnes of primary aluminium in 2017.
+ Along with rolling slabs produced in the AMAG foundry, AMAG also purchases low-alloy rolling slabs from smelters that it qualifies. The company bought in around 38,400 tonnes of rolling slabs in 2017.
+ Alloy elements: The most important alloy elements are magnesium, silicon, manganese, copper and zinc. They play a major role in ensuring that finished products have the required characteristics. The company bought in around 10,100 tonnes of metal alloys in 2017.

(GRI 102-9, GRI 103-2, 103-3)

Total materials purchases (volumes purchased from third parties) in the year under review amounted to 321,700 tonnes. No significant changes occurred to the supply chain structure during the reporting period. (GRI 102-10)

Purchase of raw materials

in %



2) See https://european-aluminium.eu/media/1712/ea_recycling-brochure-2016.pdf

Key topic: Recycling

Aluminium can be constantly re-smelted to manufacture products of consistently high quality. Three quarters of the aluminium ever processed worldwide remain in the recycling system today. As a consequence, the recycling topic is strategically essential to secure the raw materials base and a high proportion of scrap utilisation. This is becoming more significant given the rising significance of ecological considerations globally and is also thereby becoming a co-determining factor in competition. (GRI 103-1)

Principles

AMAG is an aluminium recycling specialist. Aluminium scrap is the most important raw material utilised at the Ranshofen site. The energy consumption to create aluminium products from aluminium scrap is significantly lower than from primary aluminium, thereby saving up to 95 % of energy and eliminating more than 85 % of CO_2 emissions[3].

Targets and measures

In the recycling area, AMAG pursues the objective of boosting production while keeping the scrap utilisation rate in the 75-80 % range, comprising the purchasing of scrap externally and internally recycled scrap. The following measures have been implemented for this purpose:

+ Expanding recycling capacities and expertise in the scrap sorting area
+ Expanding closed-loop relationships with customers
+ Expanding the supplier base in Europe

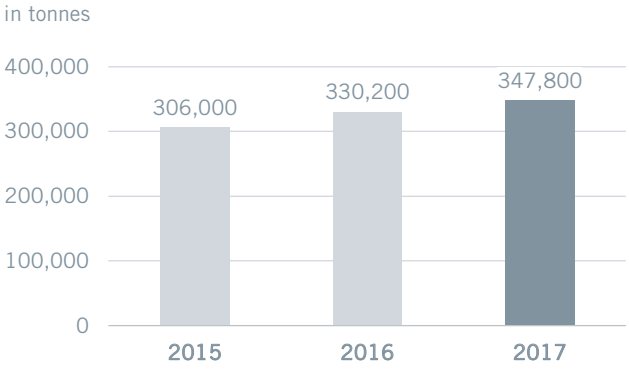
As the aluminium industry is increasingly focusing on recycling, aluminium scrap is expected to be in greater demand over the coming years. Around 4.7 million tonnes of aluminium alloys were produced through recycling in Europe in 2015[4]. Approximately 0.9 million tonnes of aluminium scrap were exported in 2016, of which 80 % went to Asia[5]. With the measures defined, AMAG aims to ensure it has sufficient capacity and technical possibilities to process almost all scrap types available in this market environment. Scrap of a very varied composition, unit volume and contamination can be reutilised by means of advanced, leading-edge sorting and processing technologies. Scrap incurred when customers further process AMAG products (such as in the packaging and automotive industries) comprises an increasingly important source of input material. Constant work on expanding the supplier base also continues.

Developments in the reporting period

AMAG makes a considerable contribution to sustainable raw material supplies at the Ranshofen site through its significant expertise in scrap recycling deploying advanced processing, smelting and casting technologies. Due to the expansion of the rolling slab casthouse and related expansion of recycling competencies, AMAG is able to continue to chart its growth course on a high ecological level.

Scrap utilisation (purchased including scrap recycled from the company's own production) was increased to 347,800 tonnes in 2017. This corresponds to a scrap utilisation rate of 80 %.

Usage of scrap at Ranshofen site



Recycling involves a greater focus on recycling contaminated scrap as well as the best possible sorting, and thereby on the "alloy-to-alloy recycling" topic. The company invested in a customised scrap sorting plant in 2016 specialising in sensor-based scrap sorting applying XRT technology, producing input material qualities close to target alloys and expanding the bandwidth of recycling material deployable in casting and wrought alloy production. The closure of materials cycles in industrial production, the so-called "closed-loop" concept, represents a further step. The aim is to manage aluminium within a cycle that maintains its value and avoids downgrading. Aluminium scrap generated by customers in processing can be returned to AMAG unmixed and without losses, to be reutilised in most cases as input for the respective product. (GRI 103-2, 103-3)

Environmental protection

The company has identified the environmentally compatible manufacturing of products, the prevention and reduction of environmental burdens, and compliance with statutory provisions and regulatory requirements as the responsibility of all its employees.

The environmental and energy management system is presented in a management manual defining the structural and process organisation, as well as responsibilities and detailed procedural instructions. Re-certifications according to EN ISO 14001 and EN ISO 50001 in the 2016 and 2017 reporting years confirmed the functionality of the environmental and energy management system. Responsibility for this lies with the Management Systems department, whose head reports to the Chief Operating Officer.

3) See EA, https://european-aluminium.eu/data/environmental-data/greenhouse-gas-emissions-in-the-aluminium-industry/
4) See EA, https://european-aluminium.eu/media/1899/pro_sustainable-devolopment-indicators-2015_20170614.pdf
5) See http://europa.eu/geninfo/query/index.do?queryText=recycling&query_source=GROWTH&summary=summary&more_options_source=global&more_options_date=*&more_options_date_from=&more_options_date_to=&more_options_language=en&more_options_f_formats=*&swlang=de

The environmental management system includes:

+ Compliance with all statutory regulations and regulatory requirements
+ Continually improving corporate environmental protection through avoiding or reducing environmental burdens
+ Annual setting and review of environmental and energy targets
+ Periodic internal audits of defined areas to ensure the efficacy of the management system
+ Systematic evaluation of relevant environmental aspects and effects
+ Training of employees, who subsequently thereby become personally responsible for environmental matters

Employees also make valuable contributions to environmental protection and efficient energy utilisation as part of the continuous improvement process (CIP). (GRI 103-2)

Key topic: Energy

Aluminium manufacturing is generally very energy-intensive. A differentiation is made between primary and secondary aluminium in production. Significant energy input is harnessed to produce primary aluminium from bauxite and subsequently from alumina (the energy costs amount to as much as 40 % of production costs)[6]. Aluminium scrap is utilised when producing secondary aluminium, thereby requiring just 5 % of the energy needed for primary production[7]. (GRI 103-1)

Principles

The efficient utilisation of energy and resources plays an important role in the sustainable development and growth of AMAG. Significant energy consumers at the Ranshofen production site include:

+ The casthouse, which uses natural gas for melting and tempering aluminium. Significant energy savings have been achieved over the past years thanks to the utilisation of waste heat from the furnaces to preheat combustion air using regenerative burners.
+ The rolling mill, where the majority of the electricity consumed is utilised to drive the mill stands, and electricity and natural gas are deployed in the heat treatment of aluminium strips and plates.

The energy management department established in 2013 as part of EN ISO 50001 certification focuses on systematically boosting energy efficiency at AMAG, achieved through consistent improvement of processes and plants as well as heat recovery. Energy management forms an integral element of the AMAG management system.

The AMAG Management Board defines the energy strategy, which forms the framework for setting energy targets, and appoints the energy officer responsible for the introduction, realisation and continuous improvement of energy management.

Energy consumption by area (plants, processes, systems) and influencing factors such as product mix are analysed constantly as part of the energy management system. Based on this, possibilities to enhance energy efficiency are identified in collaboration with the respective specialist managers. The energy evaluation also takes into consideration past appraisals as well as future energy consumption. The following key indicators are documented and calculated on an ongoing basis to monitor and measure energy-related performance:

+ Absolute energy consumption and energy costs of AMAG
+ Composition of total energy demand (electricity, gas, compressed air, diesel, etc.)
+ Change in energy consumption compared to energy starting basis, and in relation to the previous year
+ Specific energy consumption (consumption per production unit, energy consumption per plant unit)

Investments with a significant bearing on energy consumption are reviewed in relation to energy-relevant criteria before being purchased. In the case of investment projects, this role is performed by the energy officer as part of the relevance test.

The purchasing guidelines set out requirements for the purchasing of energy and energy-relevant purchasing criteria for facilities and products. New plants (such as smelting or casting furnaces) are state-of-the-art or exceed existing standards.

Targets and measures

Energy management at AMAG aims to continuously improve energy-related performance, and thereby reduce energy costs and greenhouse gas emissions.

Energy targets deriving from the annual energy evaluation are established by the energy officer in collaboration with the energy planning team in the "AMAG Energy Efficiency Program" and reviewed by senior management. The setting of targets factors in statutory requirements and the main energy inputs.

The following measures were determined as part of the energy efficiency program:

+ Implementation of the "Optimal Energy Utilisation through Heat Recovery" flagship project, making waste heat from the casting plants usable for heating purposes
+ Optimising the hall heating from the new cold rolling mill by means of heat recovery
+ Optimising compressed air consumption
+ Saving electricity through more efficient hall lighting
+ Optimising energy consumption in individual process steps or plants
+ Raising employee awareness
+ Incentive scheme to suggest energy-saving improvements

6) See Aluminum Association, http://www.aluminum.org/industries/production/primary-production

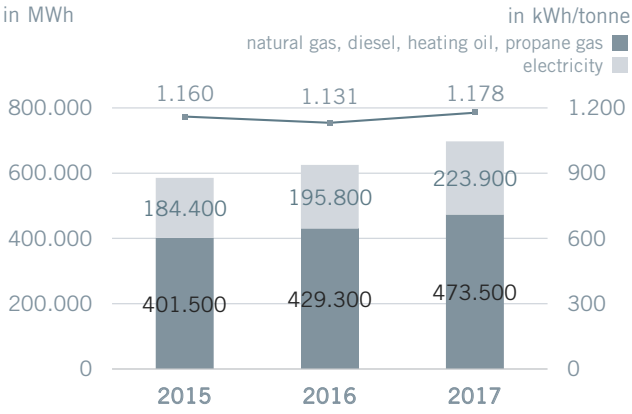
7) See EA, https://www.european-aluminium.eu/advocacy/circular-economy/

Our aim is also to continually reduce – and thereby avoid as far as possible – our operating activities' effects on the environment, especially in the form of gas emissions damaging the climate and the environment. (GRI 103-2, 103-3)

Developments in the reporting period

The total energy consumption of the Ranshofen site was 697,400 MWh in 2017 (2016: 625,100 MWh). This is calculated as the consumption of fuel from non-renewable sources (natural gas, diesel, heating oil and propane) and electricity. The respective energy volumes are calculated by multiplying actually measured fuel volumes by the relevant conversion factors[8].

Energy consumption and energy intensity coefficient



Total energy consumption rose by 12 % year-on-year because of increased output, a higher proportion of wrought alloys and changes in the product portfolio in favour of higher-strength products which require additional heat treatment. Higher energy demand also reflected the ramp-up of several new plants. The total consumption of electricity at AMAG in 2017 amounted to 223,900 MWh (2016: 195,800 MWh).

In terms of energy sources in the electricity mix in 2017, the proportion of hydroelectric power amounted to 65 %, the proportion of renewable energies to 16 %, and the proportion of fossil fuel sources to 19 %. Heating energy consumption of 34,200 MWh was approximately at the previous year's level (2016: 32,800 MWh). Energy in the form of renewable fuels (wood chips, biodiesel) and cooling or steam energy is not bought in. Heating is generated only partly through heat recovery plants from process waste heat, with the remaining proportion being covered by heating produced in-house from fuels. (GRI 302-1)

Specific energy consumption in relation to production volume of 1,178 kWh/tonne in 2017 was higher than the previous year's level of 1,131 kWh/tonne. The change derives from shifts in the product mix to more energy-intensive products. The specific total energy consumption at AMAG was selected for the key indicator for energy intensity. The energy volume includes all energy products that AMAG consumes (electricity, natural gas, diesel, extra-light heating oil, propane). The annual production volume in tonnes was applied as the denominator. The specific energy consumption relating to the production volume amounted to 1,144 kWh/tonne in the 2014 year that was taken as the basis. The 2014 year was selected as it marked the start of the significant expansion of the site. (GRI 302-3)

Key topic: Emissions

Significant volumes of greenhouse gases are emitted as part of aluminium production and processing. The aluminium industry's efforts to reduce greenhouse gas emissions and its investments to enhance production process efficiency have already resulted in a 53 % reduction of greenhouse gas emissions in the aluminium industry since 1997[9].

Innovations and legal conditions comprise two important levers for further improvements. At product level, aluminium actively contributes to climate protection – compared with conventional metal materials, lightweight aluminium components reduce weight and consequently cut fuel consumption, emissions and carbon dioxide output. (GRI 103-1)

Principles

Climate-relevant emissions generally correlate with energy consumption. Greenhouse gases derive especially from the gas-fired melting and heat treatment of aluminium alloys, temperature control of fluids, the generation of heating, and the diesel used for the vehicle fleet. Direct emissions ("Scope 1") relate to those CO_2 emissions generated on site when burning fossil fuels. Scope 2 emissions arise when generating the electricity consumed at AMAG. They are measured based on data from our electricity suppliers about the CO_2 intensity of their electricity generation.

The procedural instructions for the management of greenhouse gas emissions regulates related handling and responsibilities.

In relation to CO_2 emissions, AMAG casting GmbH, AMAG service GmbH and AMAG rolling GmbH are subject to EU emissions trading, and consequently to stringent reporting and monitoring requirements. Third parties verify the annual emission reports.

8) Standards, methods and assumptions applied: lower combustion heat natural gas: 10.1 kWh/Nm³, lower combustion heat diesel: 9.99 kWh/l, lower combustion heat extra-light heating oil: 10.02 kWh/l, lower combustion heat propane gas: 12.78 kWh/kg (Source: standard factors for fuels from the national greenhouse gas inventory to apply Level 2A in Austria)

9) See EA, https://www.european-aluminium.eu/media/1717/driver-of-change-energy-aluminium-s-lifeblood.pdf

The following principles are adhered to in this context:

+ Transparent calculation and testing of greenhouse gas emissions in compliance with all international and national requirements
+ Securing cost-efficient energy supplies through active energy management
+ Systematic and regular monitoring of legal requirements and in-house processes

Targets and measures

AMAG pursues the objective of reducing its specific CO_2 emissions, implementing the following measures to this end:

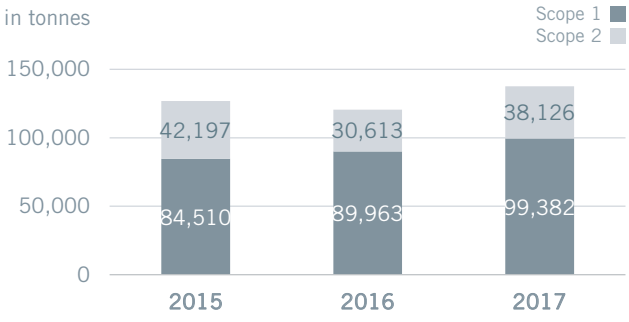
+ Implementation of the "Optimal Energy Utilisation through Heat Recovery" flagship project

Developments in the reporting period

In the 2017 reporting year, direct greenhouse gas emissions (Scope 1) increased by 10 %, and indirect greenhouse gas emissions (Scope 2) by 25 %. This is chiefly attributable to the higher production volume level.

CO_2 is the greenhouse gas included in the calculation. The total annual energy consumption in 2014 (518,600 MWh) represents the current energy basis. The CO_2 emissions are calculated from the actually measured fuel volumes applying the standard factors from the national greenhouse gas inventory.

Direct (Scope 1) and indirect (Scope 2) CO_2 emissions

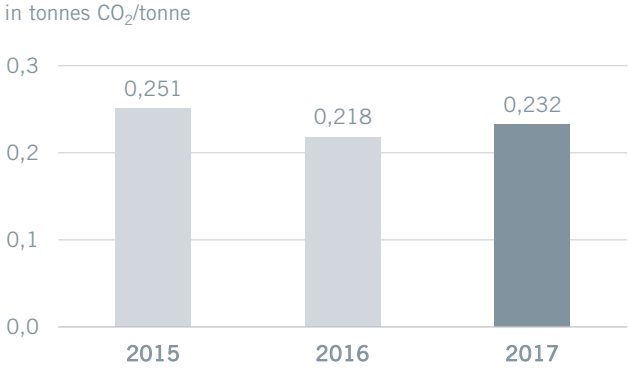


Specific CO_2 emissions (Scope 1 + 2) in relation to production volume (tonnes of CO_2/tonne) grew to 0.232 tonnes CO_2/tonne in 2017 (2016: 0.218 tonnes CO_2/tonne). [10] The rise in specific CO_2 emissions especially reflects shifts in the product mix towards a higher proportion of heat-treated products, and the ramp-up of several new plants. To produce high-strength and heat-treated plates, for instance, around three times as much energy is utilised as for naturally hard plates.

(GRI 103-2, 103-3, 305-1, 305-2)

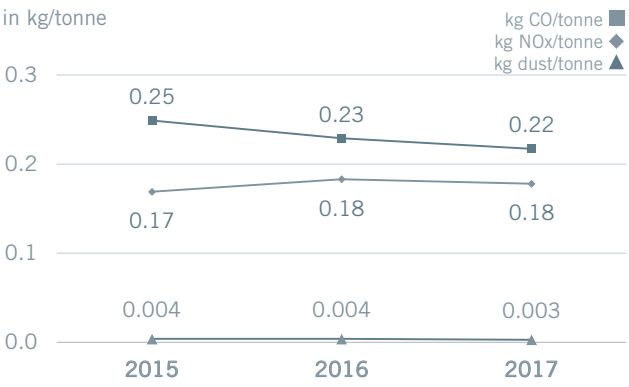
10) Direct CO_2 emissions in the 2014 basis year amounted to 75,371 t.
The location-based Scope 2 emission factor from total domestic baseload electricity production amounted to 0.000302 t CO_2/kWh in 2017. (Source of emission factors: German Federal Environment Agency [UBA], October 2017).
The market-based Scope 2 emission factor amounted to 0.00017026 t CO_2/kWh in 2017 (Source: electricity suppliers).

Specific CO_2 emissions/production volume



Besides the greenhouse gas CO_2, the most important AMAG air emissions include nitrogen oxide (NOx), carbon monoxide (CO) and dust. By contrast with greenhouse gases with global impact, these air emissions tend to exert local effects. Nitrogen oxides arise when burning natural gas at high temperatures in the furnace plants. Carbon monoxide arises mainly because of incomplete combustion. At AMAG, compliance with emission limits is confirmed both by continuously registering measuring equipment and taking individual measurements. The regulator is informed if limits are exceeded.

Emissions of air pollutants per tonne of production



No significant excesses were registered in the 2017 reporting year. The annual volume of emitted pollutants is calculated by multiplying the results of individual measurements by the gas consumption or the operating hours of the respective plant.

In the case of nitrogen oxides, the specific emissions amount to 0.18 kg NOx/tonne, with the total emission for 2017 amounting to 106

tonnes (2016: 101 tonnes). In the case of specific carbon monoxide emissions, marked reductions are evident from 0.23 kg CO/tonne in 2016 to 0.22 kg CO/tonne in 2017 thanks to ongoing plant optimisation (total emission in 2017: 129 tonnes). A decline in dust emissions has also been recorded. Compared with 2.1 tons of total dust still being emitted in 2016, 2.0 tonnes were emitted in 2017. (GRI 305-7)

Water

We regard it as our task to utilise water efficiently and handle it as sparingly as possible. Most of the water is utilised for cooling in the foundry, rolling and heat treatment processes. Before any water goes into the canalisation system, contaminated effluents are drawn into water treatment plants where they are processed and purified.

The effluent volume corresponds, less (evaporation) losses, to the withdrawal volume of drinking and service water. At the Ranshofen headquarters, water supply is taken from two service water wells and one drinking water well supplied by groundwater. Volumes are calculated from measurements taken directly at the tapping point. Rainwater is discharged directly into the River Inn through the rainwater channel or seeps into the land at AMAG, and in-house waste water is fed to the Braunau waste water treatment plant. Contaminated operating waste waters are processed and purified in water treatment plants. Before going into the canalisation system, waste water is tested for corresponding quality, and retained if a divergence has arisen.

In 2017, we received a renewed water regulatory permit to withdraw groundwater at the Ranshofen site. We accompany groundwater withdrawal with extensive monitoring, also including measuring the groundwater level.

Despite higher production volumes, AMAG has kept its service water withdrawal constant by means of cycle management. Total service water withdrawal in 2017 amounted to 3,486,000 m^3 (2016: 3,252,000 m m^3). Specific service water withdrawal in 2017 amounted to 5.9 m^3/tonne (2016: 5.9 m^3/tonne). (GRI 303-1)

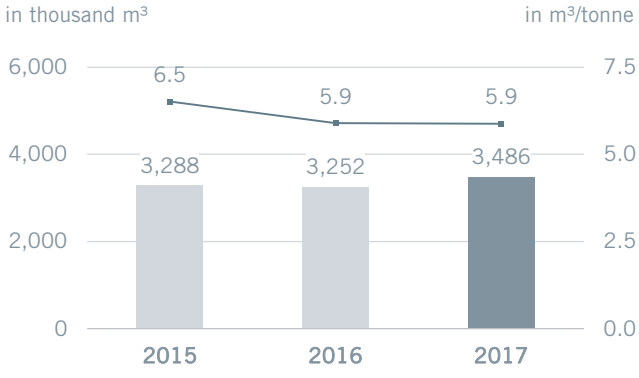
Projects to utilise water more efficiently are being constantly implemented. A cooling water cycle is currently being implemented at the electromagnetic casting plants, thereby further reducing water requirements.

Waste

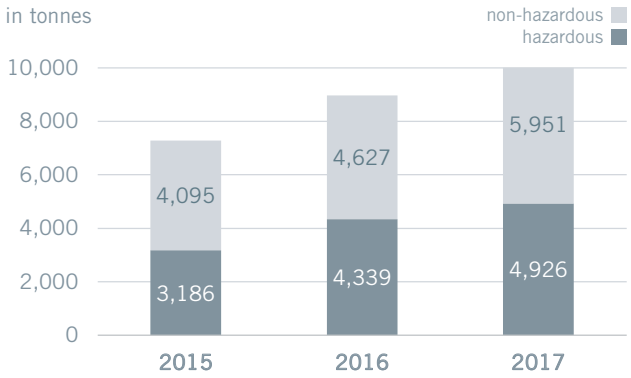
AMAG service GmbH acts as a waste collector for the Ranshofen site. Accumulated waste is recorded by waste type and volume and disposed of through licensed companies in accordance with statutory legislation.

AMAG endeavours to avoid generating waste in line with the Austrian Waste Management Act 2002, prepare waste for reuse, or put it to other uses (e.g. as an energy source). Disposal of hazardous waste (such as used oil, emulsions, workshop waste and filter dust) in line with the statutory requirements is a leading priority.

Total and specific service water withdrawal



Waste by type



Higher production volumes in the period under review and the plant expansion resulted in an increase in waste volumes to 10,877 tonnes.

At the same time, the specific waste volume in relation to production volume rose to 18 kg/tonne in 2017 (2016: 16 kg/tonne).

The figures do not include:
+ Waste metal generated during production, as this is recycled and returned to the internal materials cycle
+ Construction waste from the expansion works, the majority of which is assessed in accordance with the guidelines for recycling construction materials of the Austrian Construction Material Recycling Association (BRV) and reused on-site
+ Salt slag

(GRI 306-2)

Salt slag

Salt slag comprises the largest waste volume at AMAG. Recycling contaminated scrap requires the application of special salts to provide protection against oxidation and to remove and separate the oxidic and non-metallic contaminants. This generates salt slack, which is processed by specialist companies. As part of this recycling process, the salt and the residual aluminium are recovered and reutilised in melting plants. The oxidic residue is processed and utilised in the insulation materials industry, for example.

Because of the closure of the smelting operations at the Ranshofen site in 1992, a need arose to dispose of waste materials. AMAG owns a landfill site which is currently subject to aftercare and is included in the Austrian register of contaminated sites. The Group regularly monitors the groundwater near the landfill. We are also aware of other former landfills which are included in the register of potentially hazardous sites. In addition, AMAG owns a disused landfill in Furth im Walde, Germany. AMAG is required to submit annual reports to the relevant authorities on the environmental state of the site and precautionary measures taken.

Biodiversity

AMAG currently owns 297 hectares of land, of which 125 hectares can be used for industrial purposes. The operational site is situated in Lachforst Forest. The following nature protection areas with high priority for biodiversity conservation are located in the immediate vicinity of the operating site:

+ The "Unterer Inn" nature protection area
+ The "Buchenwald" nature protection area, a mainly enclosed wooded area directly next to the operating site
+ The "Auwälder am unteren Inn" fauna-flora habitat area
+ The "Salzachmündung" bird reserve in Bavaria

AMAG endeavours to minimise its interference with nature as far as possible and protect the habitat of animals and plants within the environment.

As part of expanding the casthouse and related review of environmental compatibility, no official obligations above and beyond those deriving from prevailing statutory regulation were imposed on AMAG. The official experts categorised the expansion as environmentally compatible. In the forestry and soil area, biomonitoring of the surrounding area was prescribed, entailing examining various pollutants such as heavy metals and dioxins in ground and spruce needle samples. Tests to date have shown that pollutant content lies in the range of natural background levels, and that the ground can be utilised for multifunctional purposes at all test sites – including in the immediate vicinity of the AMAG operating site.

Along with monitoring environmental effects of normal operating activities as part of certified environmental management, AMAG has also implemented processes regulating the handling of divergent conditions. Corresponding environmental incident and crisis management regulates responsibilities and measures in unforeseen operating circumstances.

The primary objective is to prevent the inadvertent release of materials, and thereby rule out potential harm to people and the environment. No significant fines or non-monetary sanctions were imposed in the 2017 reporting year due to non-compliance with environmental legislation and directives. (GRI 304-1, GRI 307-1)

Sustainability program relating to the main topics

Goals	Measures	Status
Ethics & integrity in business practice		
Topic: Compliance **Target: No offences**	+ Further development of the compliance system that has been established (training, controls) + Ongoing reviews of legislative amendments + Regular review of compliance guidelines + Implementing statutory regulations in the data protection area (EU General Data Protection Regulation and relevant EU regulations) + Regular training for individuals in in roles involving confidentiality + Participation in relevant events	ongoing
Customer relationships		
Topic: Customer satisfaction **Target: Enhancing customer satisfaction**	+ Ongoing improvement of product and service quality and reliable delivery + Qualification of the new works' plant + Boosting shipment volumes to meet growing demand + Market launch of new products (dimensions, alloys) + Greater vertical range of production (contour sawing for aerospace applications)	ongoing 2018
Innovation		
Topic: Innovation **Target: Boosting competitiveness**	+ Developing special products and efficient production processes + Tapping new applications for AMAG products + Advancing digitalisation (automation, simulation, data exchange) + Boosting materials efficiency, alloy optimisation	ongoing
AMAG as an employer		
Topic: Occupational health and safety **Target: Reducing the TRIFR accident rate as part of the "zero accidents" strategy**	+ Information and raising awareness + Training employees, managers and safety officers + Safety patrols + Fifteen-minute safety sessions + Checking the efficacy of implemented measures	ongoing
Topic: Training and further development Target: Establishing an e-learning platform	+ Preparing training sessions in appropriate learning formats + Creating a training program based on evaluating individual requirements + Recruiting new employees	2018 ongoing
Raw materials, recycling		
Topic: Raw materials **Target: Implementing ASI Standard**	+ Certification according to the Aluminium Stewardship Initiative (ASI) Performance Standard	2018
Topic: Recycling **Target: Production growth retaining 75-80 % scrap utilisation rate**	+ Expanding recycling capacities and expertise in the scrap sorting area + Expanding closed-loop relationships with customers + Expanding the supplier base in Europe	ongoing
Environmental protection		
Topic: Energy **Target: Continuous improvement of energy-related output**	+ Implementation of the "Optimal Energy Utilisation through Heat Recovery" flagship project, making waste heat from the casting plants usable for heating purposes + Optimising the hall heating from the new cold rolling mill by means of heat recovery + Optimising compressed air consumption + Saving electricity through more efficient hall lighting + Optimising energy consumption in individual process steps or plants + Raising employee awareness + Incentive scheme to suggest energy-saving improvements	ongoing
Topic: Emissions **Target: Reducing specific CO_2 emissions**	+ Implementation of the "Optimal Energy Utilisation through Heat Recovery" flagship project	ongoing

GRI content index

GRI Standard	Disclosure	Page number	Omission	Topic boundaries
GRI 102 General Disclosures 2016				
Organisational profile				
102-1	Name of the organisation	34		
102-2	Activities, brands, products, and services	35, 46		
102-3	Location of headquarters	34		
102-4	Location of operations	34		
102-5	Ownership and legal form	86		
102-6	Markets served	34 f., 67		
102-7	Scale of the organisation	34 f.		
102-8	Information on employees and other workers	50 f.		
102-9	Supply chain	38, 53		
102-10	Significant changes to the organisation and its supply chain	36, 53		
102-11	Precautionary principle or approach	39, 41, 80 ff.		
102-12	External initiatives	44		
102-13	Membership of associations	45		
Strategy				
102-14	Statement from senior decision-maker	37		
Ethics and integrity				
102-16	Values, principles, standards, and norms of behaviour	44		
Governance				
102-18	Governance structure	22-27, 41		
Stakeholder engagement				
102-40	List of stakeholder groups	41 f.		
102-41	Collective bargaining agreements	50		
102-42	Identifying and selecting stakeholders	41		
102-43	Approach to stakeholder engagement	41 f.		
102-44	Key topics and concerns raised	41		
Reporting practice				
102-45	Entities included in the consolidated financial statements	36, 98 f.	See consolidated financial statements, section D, Consolidation principles	
102-46	Defining report content and topic boundaries	36		
102-47	List of material topics	43		
102-48	Restatements of information		No material restatements of information	
102-49	Changes in reporting	43		
102-50	Reporting period	36		
102-51	Date of most recent report	36		
102-52	Reporting cycle	36		
102-53	Contact point for questions regarding the report	36		
102-54	Claims of reporting in accordance with the GRI Standards	36		
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102-56	External assurance	36		

GRI Standard	Disclosure	Page number	Omission	Topic boundaries
GRI 103 Management approach 2016				
103-1	Explanation of the material topic and its boundary		Described in the respective chapter	
103-2	The management approach and its components		Described in the respective chapter	
103-3	Evaluation of the management approach		Described in the respective chapter	
GRI 201 Economic performance 2016				
201-1	Direct economic value generated and distributed	92 f.		
GRI 202 Market presence 2016				
202-2	Proportion of senior management hired from the local community	50		
GRI 204 Procurement practices 2016				
204-1	Proportion of spending on local suppliers	39		raw materials, recycling
GRI 206 Anti-competitive behaviour 2016				
206-1	Legal actions for anti-competitive behaviour, anti-trust, and monopoly practices	44		compliance
GRI 301 Materials 2016				
301-2	Recycled input materials used	53		raw materials, recycling
GRI 302 Energy 2016				
302-1	Energy consumption within the organisation	56		energy
302-3	Energy intensity	56		
GRI 303 Water 2016				
303-1	Water withdrawal by source	58		
GRI 304 Biodiversity 2016				
304-1	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	59		
GRI 305 Emissions 2016				
305-1	Direct (Scope 1) GHG emissions	57		emissions
305-2	Energy indirect (Scope 2) GHG emissions	57		emissions
305-7	Nitrogen oxides (NO_X), sulfur oxides (SO_X), and other significant air emissions	58	Annual averages were not calculated for sulphur oxide (SOx), persistent organic pollutants (POP), volatile organic compounds (VOC) and hazardous air pollutants (HAP); particulate matter (PM) is measured as total dust emissions	emissions
GRI 306 Effluents and waste 2016				
306-2	Waste by type and disposal method	59		
GRI 307 Environmental compliance 2016				
307-1	Non-compliance with environmental laws and regulations	59		compliance
GRI 308 Supplier environmental assessment 2016				
308-1	New suppliers that were screened using environmental criteria	44, 53		
GRI 401 Employment 2016				
401-1	New employee hires and employee turnover	50, 52		
GRI 402 Labor/Management relations 2016				
402-1	Minimum notice periods regarding operational changes	51		

GRI Standard	Disclosure	Page number	Omission	Topic boundaries
GRI 403 Occupational health and safety 2016				
403-1	Workers representation in formal joint management–worker health and safety committees	48		occupational health and safety
GRI 404 Training and education 2016				
404-1	Average hours of training per year per employee	50		training and education
404-3	Percentage of employees receiving regular performance and career development reviews	49		training and education
GRI 405 Diversity and equal opportunity 2016				
405-1	Diversity of governance bodies and employees	22f., 52		
GRI 406 Non-discrimination 2016				
406-1	Incidents of discrimination and corrective actions taken	50		
GRI 419 Socioeconomic compliance 2016				
419-1	Non-compliance with laws and regulations in the social and economic area	44		compliance

Economic environment

Economic trends

The worldwide economy improved in 2017, with global economic growth forecasts being upgraded several times during the year. According to recent IMF estimates[11], global economic growth amounted to 3.7 % in 2017, 0.5 percentage points higher than in the previous year.

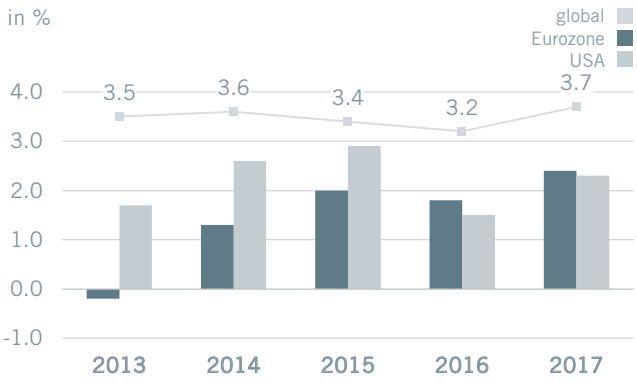
Stronger growth dynamics were registered in almost all regions and countries of the world. In 2017 growth in industrialised nations amounted to 2.3 %, compared with 1.7 % in the previous year.

The Eurozone economy expanded by 2.4 % (2016: 1.8 %). With a look to Germany, the IMF anticipates 2.5 % economic growth in 2017 (2016: 1.9 %). Year-on-year higher growth rates were also calculated for France (1.8 % compared with 1.2 % in the previous year) and Italy (1.6 % compared with 0.9 % in the previous year). Austria's economy registered 3.0 % growth (2016: 1.5 %), according to the Austrian Institute of Economic Research (Wifo)[12].

The US economy is also expected to have reported stronger economic growth than in the previous year. According to the most recent IMF forecast, the USA registered an increase of 2.3 % in 2017, following 1.5 % growth in the previous year.

The group of emerging and developing countries also reported a year-on-year higher economic growth rate in 2017 with an increase of 4.7 % (2016: 4.4 %). China's economy is estimated to have expanded by 6.8 % to 2017, compared with an increase of 6.7 % in 2016.

Real economic growth

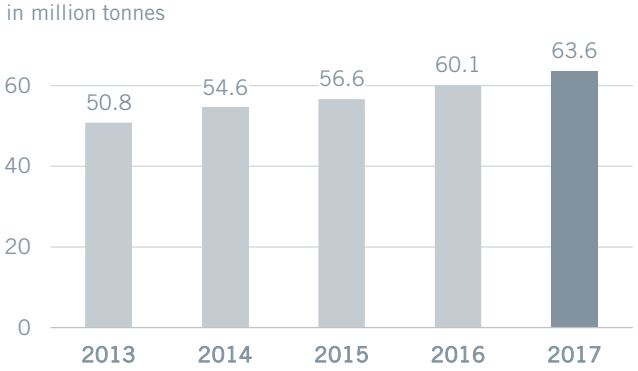


Demand for aluminium products

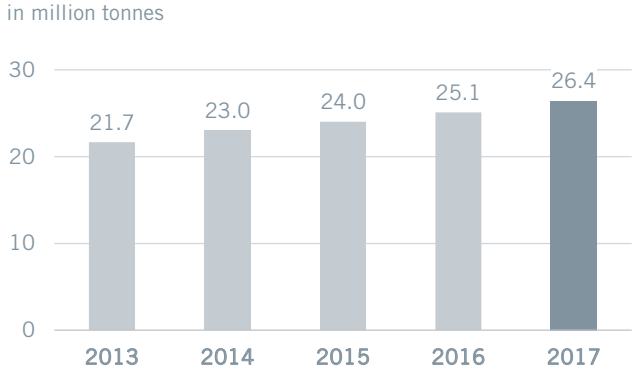
The Metal and Rolling divisions of AMAG operate worldwide. Global consumption of primary aluminium and rolled products is of central importance as a consequence. Attractive growth continued to be registered in both areas in 2017, with annual global consumption in each case reaching a new historic record level, according to estimates by market research institute CRU.

In terms of worldwide demand for primary aluminium[13], global growth of 5.8 % is calculated for 2017, reaching a total of 63.6 million tonnes. Global demand for rolled products[14] increased by 5.2 % from 25.1 million tonnes in the previous year to 26.4 million tonnes in 2017, according to the Commodity Research Unit (CRU).

Global consumption of primary aluminium



Global consumption of aluminium rolled products



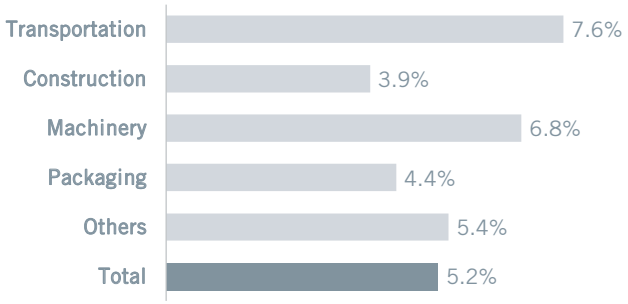
11) See International Monetary Fund, World Economic Outlook, January 2018
12) See Wifo economic forecast, December 2017
13) See CRU Aluminium Market Outlook, October 2017
14) See CRU Aluminium Rolled Products Outlook, November 2017

The strongest growth in the consumption of aluminium rolled products was registered in the transport area, which benefited particularly from lightweight design dictating the use of aluminium in cars and from rising demand for aircraft. Demand for rolled products in the transport industry was up by 7.6 % year-on-year to 4.4 million tonnes. The large-volume packaging area recorded a demand increase of 4.4 % in 2017. The construction, the engineering and the electronics industries also registered attractive growth rates of between 4 and 7 %.

In the Casting Division of AMAG, the foundry alloys business features as a regional business with a focus on Western and Central Europe. The automotive industry is the most important customer sector. European automotive production[15] was up by around 3 % year-on-year in 2017, according to the most recent estimates.

Global demand for aluminium rolled products in 2017

year-on-year, in %



Price trends in aluminium and raw materials

The aluminium price (3-month LME) continued on the uptrend it started in early 2016, and at the end of 2017 reached its highest level for more than five years.

The aluminium price registered its high for the year at 2,257 USD/t on December 28, 2017. The low for the year was recorded at 1,689 USD/t on January 4, 2017. Consequently, the fluctuation range amounted to 568 USD/t.

The year-average aluminium price of 1,980 USD/t stood 22.9 % above the previous year's 1,610 USD/t.

At the year-end, the aluminium price quoted at 2,251 USD/t, 32.3 % higher than at the previous year's end (December 31, 2016: 1,702 USD/t).

AMAG holds a 20 % interest in the Canadian Aluminerie Alouette smelter, which has a long-term electricity contract, and is one of the world's most efficient smelters. Despite the use of hedging instruments, the earnings of the Metal Division reflect LME aluminium price trends. The aluminium price risk exposures of the Casting and Rolling divisions are fully hedged at the Ranshofen site.

Aluminium price

three-month settlement in USD/t

15) See IHS Automotive, Global Light Vehicle Production Summary, October 2017

The premiums that are added to aluminium prices are determined, in particular, by the location of delivery, and by supply and demand. Premiums in the 2017 financial year were slightly above the previous year's level.

Raw materials required to produce primary aluminium – especially alumina, petroleum coke and pitch – became considerably more expensive during 2017 and were significantly above the previous year's level.

Aluminium scrap is the most important raw material in terms of volume for the Ranshofen site. For the most part, the price of such aluminium scrap reduced slightly year-on-year, adjusted by the aluminium price component.

Currency market trends

Aluminium is traded in US dollars on the London Metal Exchange (LME). US dollars are also the transaction currency to purchase raw materials required for primary metal production. Moreover, trends in the Canadian dollar are important due to the production site in Canada.

The US dollar (USD) depreciated against the euro during the year. Based on exchange rates on the reporting date, the EUR/USD exchange rate increased by 13.8 % to 1.20 as of December 31, 2017. On a year-average basis, an increase of 2.0 % was recorded. The US dollar also trended down in relation to the Canadian dollar (CAD). In comparing the two year-end rates, the USD/CAD exchange rate of 1.25 was 6.8 % below the previous year's level. On a year-average basis, the change amounted to -2.1 %.

EUR/USD exchange rate

USD/CAD exchange rate

Business performance

Revenue and earnings trends

Shipments and revenue

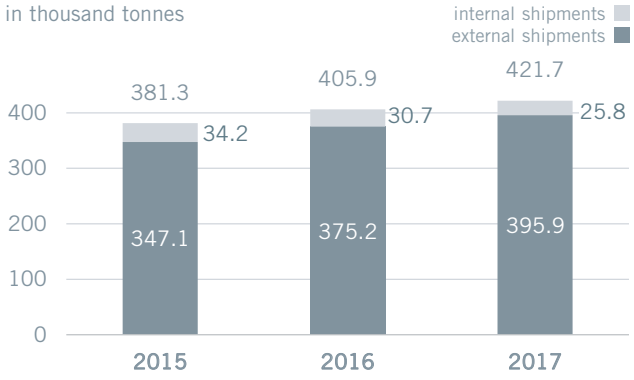
The total shipments of the AMAG Group increased year-on-year especially due to the organic growth path in the Rolling Division. A new historic record in terms of shipments was reached at 421,700 tonnes. Compared with the previous year (2016: 405,900 tonnes), the growth amounts to 3.9 %.

External shipment volumes rose year-on-year from 375,200 to 395,900 tonnes, an increase of 5.5 %.

In addition to the volume increase, the higher aluminium price also exerted a positive effect on consolidated revenue in 2017. Totalling EUR 1,036.2 million, the figure stood 14.3 % above the previous year's level (2016: EUR 906.2 million).

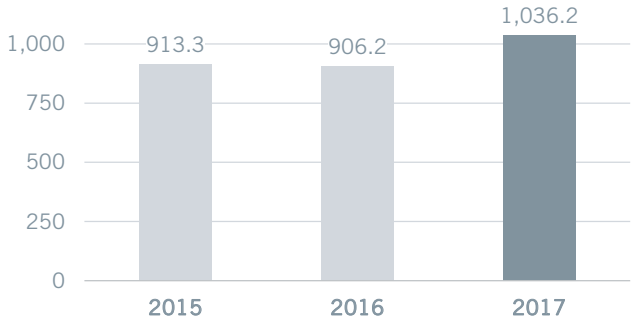
Shipments

in thousand tonnes



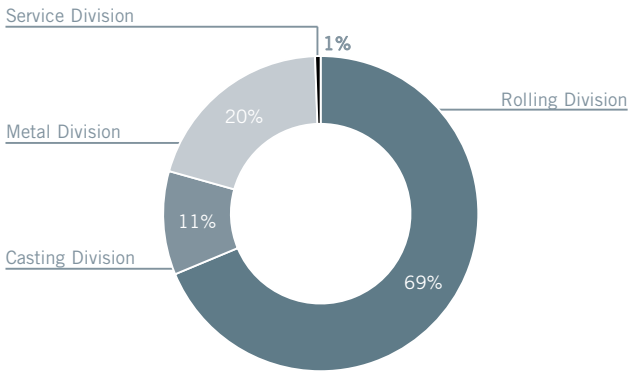
Group revenue

in EUR million



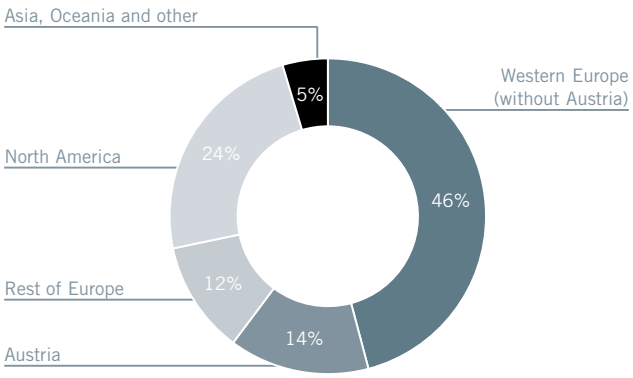
Group revenue by divisions

in %



Group revenue by regions

in %



(GRI 102-6)

Results of operations

AMAG continued to report growth in its key results figures in the 2017 financial year. Earnings before interest, tax, depreciation and amortisation (EBITDA) of EUR 164.5 million were up by 15.0 % compared with the previous year. Firstly, AMAG benefited from the higher aluminium price. Secondly, the higher shipment volume together with the organic growth track and an improved product mix led to a significantly higher earnings contribution.

The EBITDA margin of the AMAG Group improved from 15.8 % in the previous year to 15.9 %.

Reporting EBITDA of EUR 41.3 million, the Metal Division made a higher earnings contribution than in the previous year (EUR 37.9 million).

This increase is attributable to the considerably higher aluminium price, which more than offset the negative effects from higher raw materials costs and the weaker US dollar.

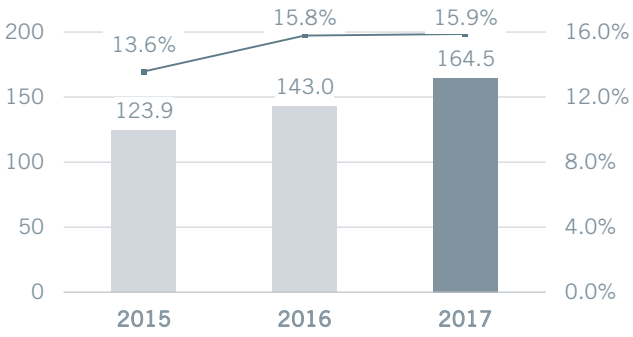
EBITDA in the Casting Division in the 2017 financial year of EUR 5.7 million came in below the previous year's level (2016: EUR 6.1 million).

The Rolling Division increased its EBITDA by 10.8 %, from EUR 95.6 million to EUR 105.9 million, especially due to the higher shipment volume and improved product mix.

The Service Division recorded EUR 11.5 million of EBITDA in the 2017 financial year (2016: EUR 3.4 million).

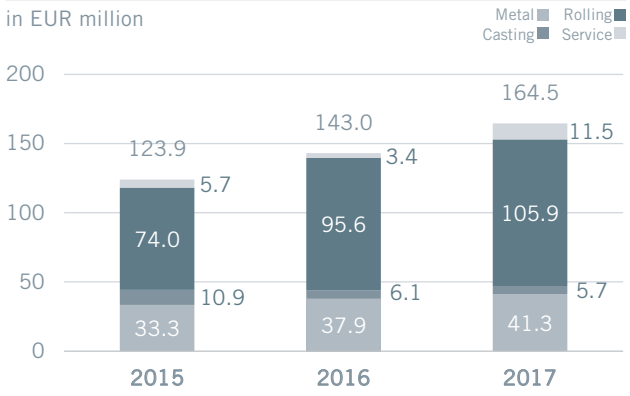
EBITDA and EBITDA margin

in EUR million and %



EBITDA by divisions

in EUR million



Consolidated Statement of Income, condensed in EUR million	2017	Structure in %	2016	Structure in %	Change in %
Revenue	1,036.2	100.0	906.2	100.0	14.3
Cost of sales	(880.0)	(84.9)	(755.9)	(83.4)	(16.4)
Gross profit	**156.2**	**15.1**	**150.4**	**16.6**	**3.9**
Other income	15.0	1.4	7.0	0.8	113.9
Selling and distribution expenses	(45.3)	(4.4)	(42.0)	(4.6)	(8.0)
Administrative expenses	(22.5)	(2.2)	(24.6)	(2.7)	8.5
Research and development expenses	(12.3)	(1.2)	(10.8)	(1.2)	(13.6)
Other expenses	(5.8)	(0.6)	(7.0)	(0.8)	17.1
Share of profit of associates	1.5	0.1	0.0	0.0	0.0
Earnings before interests and taxes (EBIT)	**86.8**	**8.4**	**73.0**	**8.1**	**19.0**
EBIT margin in %	8.4	-	8.1	-	-
Net financial income (expenses)	(5.1)	(0.5)	(10.0)	(1.1)	48.6
Earnings before taxes (EBT)	**81.7**	**7.9**	**63.0**	**6.9**	**29.7**
EBT margin in %	7.9	-	6.9	-	-
Income taxes	(18.5)	(1.8)	(16.6)	(1.8)	(11.1)
Net income after taxes	**63.2**	**6.1**	**46.3**	**5.1**	**36.4**

The profit and loss statement, which is prepared applying the cost of sales method, reports a cost of sales of EUR 880.0 million for the 2017 financial year. The increase compared with the previous year (2016: EUR 755.9 million) chiefly reflects a higher average aluminium price and the greater shipment volume.

Other income stood at EUR 15.0 million in the 2017 financial year, and includes not only income passed on for maintenance and infrastructure services but also currency translation gains. The rise compared with the previous year (2016: EUR 7.0 million) is mainly attributable to a higher level of research & development grants.

Selling and distribution expenses were up by 8.0 %, from EUR 42.0 million to EUR 45.3 million. This increase mainly reflects the higher shipment volume.

Administrative expenses of EUR 22.5 million were recorded, slightly below the level of the previous year (2016: EUR 24.6 million).

Research & development expenses at the AMAG Group were up by 13.6 % year-on-year to reach EUR 12.3 million. The previous year's figure of EUR 10.8 million included a one-off effect that reduced expenses.

The first-time equity accounting of the interest in Speditionsservice Ranshofen Ges.m.b.H. generated a profit of associates EUR 1.5 million for 2017.

Depreciation and amortisation of EUR 77.7 million, included in the above-mentioned positions, was significantly above the level of the previous year (2016: EUR 70.0 million). This is especially attributable to the commissioning of new plants as part of the site expansion in Ranshofen.

The operating result (EBIT) of the AMAG Group also reported considerable growth. It amounted to EUR 86.8 million in 2017, compared with EUR 73.0 million in 2016. The corresponding EBIT margin came in at 8.4 %, compared with 8.1 % in the previous year.

The net financial result stood at EUR -5.1 million, after the previous year's EUR -10.0 million. The rise is attributable to positive earnings from held-for-trading-derivatives.

Thanks to the positive operating trend, earnings before tax (EBIT) improved by 29.7 %, from EUR 63.0 million in the previous year to EUR 81.7 million in 2017.

A current tax expense of EUR 11.1 million and a deferred tax expense of EUR 7.4 million in 2017 led to an expense from income taxes of EUR 18.5 million, which was above the previous year's level (2016: EUR 16.6 million) due to the higher pre-tax result.

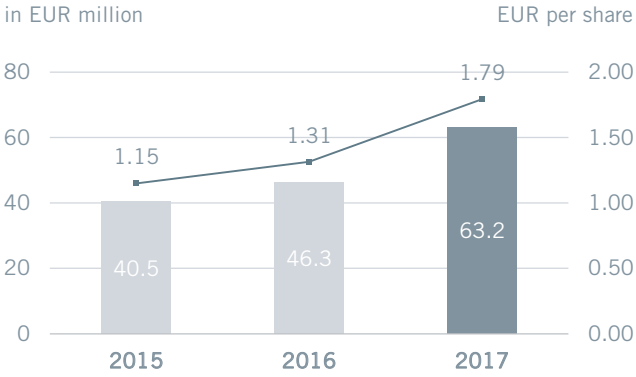
Net income after taxes reported a considerable year-on-year improvement. Standing at EUR 63.2 million, it exceeded the previous year's level of EUR 46.3 million by 36.4 %.

Taking into account a year-on-year unchanged number of AMAG shares, earnings per share amount to EUR 1.79 (2016: EUR 1.31).

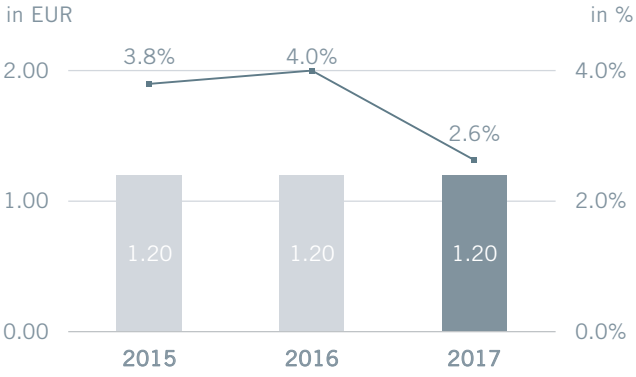
Dividend

The Management Board will propose to the Annual General Meeting on April 17, 2018, the payment of a dividend of EUR 1.20 per share, which corresponds to the dividend paid in the previous year. Based on the 2017 average share price in 2017 of EUR 45.65, this is equivalent to a 2.6 % dividend yield.

Net income after taxes



Dividend per share and dividend yield



Structure of assets and capital

Consolidated statement of financial position

The total assets of the AMAG Group of EUR 1,404.9 million as of the end of 2017 were above the previous year's level (previous year-end: EUR 1,389.7 million).

Non-current assets reduced from EUR 876.9 million to EUR 824.8 million, which is particularly attributable to the measurement of the electricity contract for the Alouette smelter, which has been valid since 2017. Other non-current assets and deferred taxes decreased in this connection from EUR 126.1 million to EUR 62.9 million.

Inventories of EUR 227.2 million as of the 2017 year-end were above the previous year's level, in line with the aluminium price (December 31, 2016: EUR 199.0 million). Trade receivables were up from EUR 102.6 million to EUR 120.4 million, mainly due to the greater sales volume and the higher aluminium price. Other current assets rose slightly from EUR 58.2 million in 2016 to EUR 61.4 million in the year elapsed.

The equity of the AMAG Group reduced from EUR 630.5 million as of the end of 2016 to EUR 607.9 million as of the end of 2017. In contrast to the positive effects from the earnings growth and the change in the hedging reserve, the reasons for this reduction included negative effects from currency translation as well as the dividend payment of EUR 42.3 million.

Non-current liabilities reduced from EUR 555.8 million to EUR 513.9 million, which is particularly attributable to the measurement of the electricity contract for the Alouette smelter.

Current liabilities rose from EUR 203.5 million in 2016 to EUR 283.1 million as of the end of 2017 especially due to the reclassification of non-current and current financial liabilities.

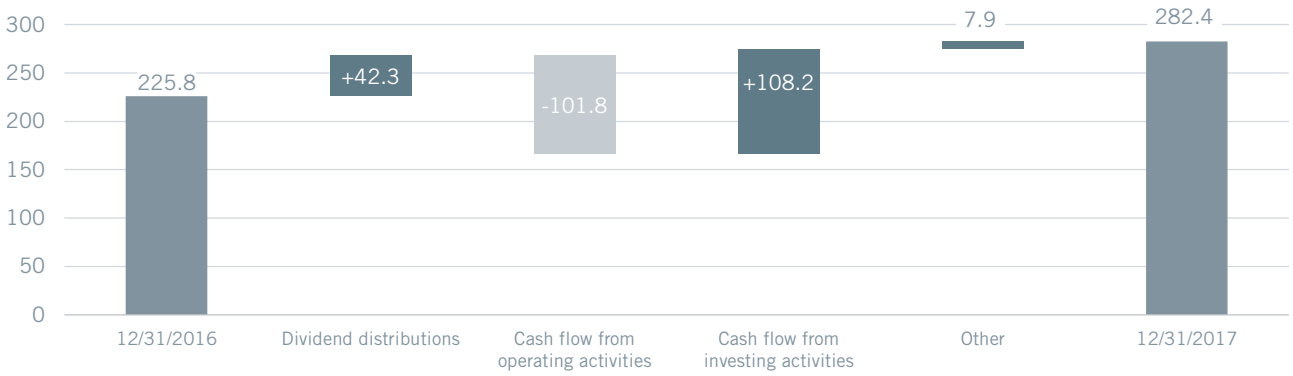
Equity ratio

The equity ratio expresses the relationship between equity and the sum of equity and liabilities. The equity ratio stood at 43.3 % as of the end of 2017, slightly below the level as of the previous year's reporting date.

Consolidated balance sheet, condensed in EUR million	2017	Structure in %	2016	Structure in %
Intangible assets, property, plant and equipment	760.5	54.1	750.8	54.0
Equity-Investments	1.4	0.1	0.0	0.0
Other non-current assets and deferred taxes	62.9	4.5	126.1	9.1
Non-current assets	**824.8**	**58.7**	**876.9**	**63.1**
Inventories	227.2	16.2	199.0	14.3
Trade receivables	120.4	8.6	102.6	7.4
Current tax assets	1.3	0.1	3.2	0.2
Other current assets	61.4	4.4	58.2	4.2
Cash and cash equivalents	169.8	12.1	149.8	10.8
Current assets	**580.0**	**41.3**	**512.8**	**36.9**
Assets	1,404.9	100.0	1,389.7	100.0
Equity	**607.9**	**43.3**	**630.5**	**45.4**
Non-current liabilities	**513.9**	**36.6**	**555.8**	**40.0**
Current liabilities	**283.1**	**20.2**	**203.5**	**14.6**
Equity and liabilities	1,404.9	100.0	1,389.7	100.0

Net debt development

in EUR million



Net financial debt

Net debt comprises cash and cash equivalents plus loans receivable, less borrowings. The net financial debt of EUR 282.4 million as at the end of 2017 was above the previous year's level (2016 year-end: EUR 225.8 million). This increase mainly reflects the cash flow from investing activities, a higher level of capital employed due to the increase in the aluminium price, the higher shipment volumes, as well as the dividend payments.

Gearing ratio

Gearing represents the ratio between net financial debt and equity. At 46.4 %, gearing at the end of December 2017 was recorded above its level a year ago (2016 year-end: 35.8 %), chiefly reflecting the rise in net financial debt.

Cash flow

Cash flow from operating activities of EUR 101.8 million in the 2017 financial year was below the previous year's EUR 114.9 million. The higher operating result offset most of the effects from the rise in the aluminium price and an increase in tax payments.

Cash flow from investing activities amounted to EUR -108.2 million (2016: EUR -185.4 million), and related mainly to the site expansion in Ranshofen.

Free cash flow improved from EUR -70.5 million in the previous year to EUR -6.3 million in the 2017 reporting year.

Cash flow from financing activities stood at EUR 34.3 million in 2017. Drawdowns of borrowings totalled EUR 107.8 million (previous year: EUR 140.4 million), while dividend payments amounted to EUR -42.3 million (previous year: EUR -42.3 million) and debt repayments totalled EUR -31.1 million (previous year: EUR -13.4 million).

Consolidated cash flow statement, condensed in EUR million	2017	2016	Change in %
Cash flow from operating activities	101.8	114.9	(11.3)
Cash flow from investing activities	(108.2)	(185.4)	41.6
Free cash flow	(6.3)	(70.5)	91.0
Cash flow from financing activities	34.3	84.7	(59.5)

Investments

Investments (capital expenditure) amounted to EUR 107.2 million in the 2017 financial year, after the high in 2016 (2016: EUR 201.3 million). Overall, however, investments in 2017 continued to stand significantly above the level of depreciation and amortisation of EUR 77.7 million (2016 depreciation and amortisation: EUR 70.0 million), contributing to the rise in property, plant and equipment accordingly.

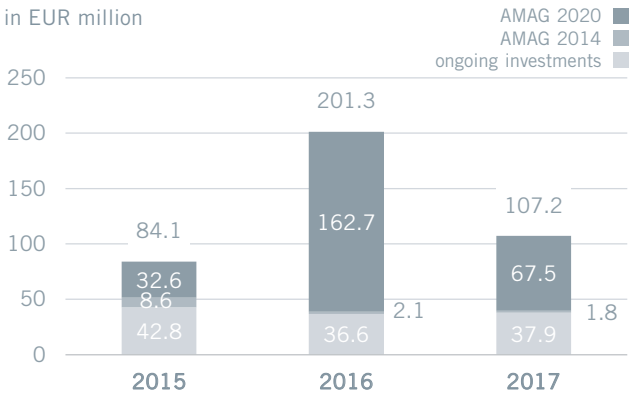
Of the investments realised in 2017, EUR 104.2 million were attributable to property, plant and equipment and EUR 2.9 million to intangible assets.

Most of the investments the AMAG Group realised related to the large-scale "AMAG 2020" project.

The total amount invested in this project, which extends over several years, amounts to slightly more than EUR 300 million. Of this amount, EUR 67.5 million were recognised as additions to non-current assets in 2017. This entailed the Rolling and Service divisions.

The "AMAG 2020" site expansion project comprises a new cold rolling mill, a continuous heat-treatment line and additional finishing plants. "AMAG 2020" also includes the expansion of the rolling slab casthouse. As planned, the commissioning of the new plants started in mid-2017 with the kick-off of the several-year ramp-up phase.

Group investments



Adjusted for the site expansion investments, the investment volume of EUR 37.9 million was 3.7 % above the previous year's level. Investment activity in the Metal Division focused on new refractory linings for smelter pots. The investments in the Casting and Rolling divisions especially included modernisation of plant and machinery, as well as individual measures to enhance productivity and extend the vertical range of manufacture. The construction of the heat recovery plant for the Ranshofen site represented another focus of investments in the Service Division.

Key financial performance indicators

Return on Capital Employed

Return on capital employed (ROCE) is defined as the ratio between net operating profit after tax (NOPAT) and average capital employed, expressed as a percentage.

In other words, ROCE measures the profitability of a business based on average capital employed during the financial year.

Average capital employed comprises the total of average equity and average net debt (long-term and short-term interest-bearing financial liabilities, less liquid assets and short-term securities).

The return on capital employed of the AMAG Group in 2017 was increased from the previous year's 6.5 % to 7.8 %.

The improvement in the operating income after taxes, in particular, contributed to this change. The increase in NOPAT was correspondingly higher than the risein capital employed, which rose especially as a consequence of the investments in the "AMAG 2020" expansion project.

Return on Equity

Return on equity is the ratio between net income after taxes and average equity, expressed as a percentage. It shows the profitability in relation to average equity employed during the financial year.

The return on equity increased from 7.3 % in the previous year to 10.2 % in the 2017 reporting year elapsed. On a slightly lower equity base year-on-year, the improved after-tax result was the key driver of higher ROE.

Calculation of ROCE and ROE in EUR million	2017	2016
Net income after taxes	63.2	46.3
Net interest income (expenses)	(6.4)	(8.3)
Taxes on interest income	1.6	2.1
NOPAT	68.0	52.5
Equity [1)]	619.2	634.2
Non-current interest-bearing financial liabilities [1)]	341.1	287.6
Current interest-bearing financial liabilities [1)]	73.3	23.5
Cash and cash equivalents [1,2)]	(160.3)	(141.3)
Capital employed [1)]	**873.3**	**804.1**
ROCE in %	7.8	6.5
Net income after taxes	63.2	46.3
Equity [1)]	619.2	634.2
ROE in %	10.2	7.3

1) Year-average
2) Cash and cash equivalents

Segment reporting

Metal Division

Economic environment

Global demand for primary aluminium was on a positive trend in 2017, reaching a new historic high of 63.6 million tonnes, according to the Commodity Research Unit (CRU)[16]. By comparison with the previous year, demand was up by 5.8 % worldwide (2016: to 60.1 million tonnes).

Demand growth was evident in almost all regions worldwide. In China, demand climbed by 7.8 % to reach 34.4 million tonnes. This corresponds to approximately 54 % of global demand. In Europe, demand in 2017 rose by 3.7 % to 9.2 million tonnes, while an increase of 3.2 % to 6.7 million tonnes was registered in North America.

Worldwide production also reached a new historic high of 63.3 million tonnes in 2017. Compared to demand of 63.6 million tonnes, the CRU thereby calculates a slight market deficit, which is especially pronounced in the rest of the world excluding China. A production surplus still prevails in China.

Primary aluminium stocks at LME-registered warehouses continued to reduce, amounting to 1.1 million tonnes at the end of 2017 (2016 year-end: 2.2 million tonnes). The CRU estimates total global primary aluminium stocks at around 12.2 million tonnes at the end of December 2017, compared with 12.5 million tonnes at the previous year-end.

The aluminium price (3-month LME) continued on the uptrend it started in early 2016, and at the end of 2017 reached its highest level for more than five years. The aluminium price marked its high for the year at 2,257 USD/t on December 28, 2017. The low for the year was recorded at 1,689 USD/t on January 4, 2017. The fluctuation range thereby amounted to 568 USD/t. On a year-average basis, the aluminium price (3-month LME) of 1,980 USD/t was registered at 22.9 % above the previous year's level of 1,610 USD/t.

The premiums that are added to aluminium prices are determined, in particular, by the location of delivery, and by supply and demand. These premiums have increased slightly compared to 2016.

Raw materials required to produce primary aluminium, especially alumina, petroleum coke and pitch, became considerably more expensive during 2017 and were significantly above the previous year's level.

Aluminium price risk management

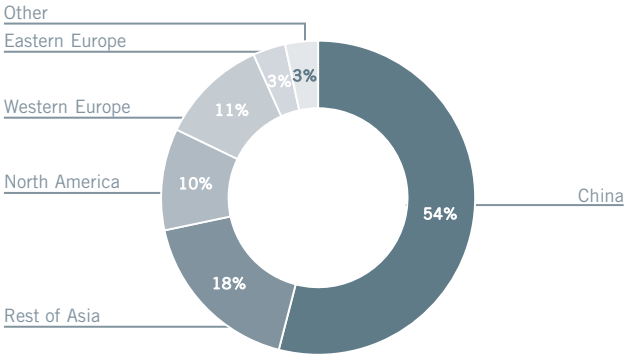
The Metal Division hedges the risk exposure of the Rolling and Casting divisions to the aluminium price, which arises from purchases, sales and stocks of aluminium. Derivatives deployed for hedging purposes are arranged with brokers on the LME (London Metal Exchange). A fee for these services is charged to each division at normal market rates. The Metal Division's earnings also depend on the term structure for aluminium. In 2017, the aluminium price on the LME reported a very flat term structure, leading to a result from inventory hedging of just EUR 0.6 million (2016: EUR 1.0 million).

To ensure stable earnings from the Group's interest in the Alouette smelter, the selling price for a portion of output is hedged on the metal exchange, in some cases for several years, with forwards and options. This limits the risk of losses on the Alouette investment due to low aluminium prices, while also securing the possibility to reap the benefits of rising prices. Besides the current market situation, projected aluminium price trends and resultant production cost changes comprise key decision-making criteria for such hedging transactions. Subsequent physical settlement of such transactions is not envisioned, and they are normally covered by other hedges.

The proportion of natural price hedging increased again in 2017 thanks to the new electricity contract for the Alouette smelter, which bases the electricity price on the trend in the market price for aluminium. Further hedging transactions were also realised during 2017.

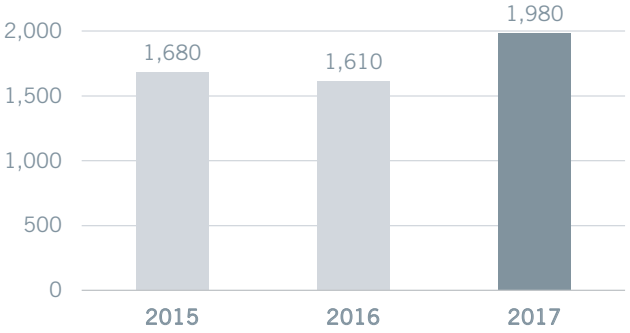
Consumption of primary aluminium in 2017 by region

in %



Average LME aluminium price

three-month settlement in USD/t



16) See CRU, Aluminium Market Outlook, October 2017

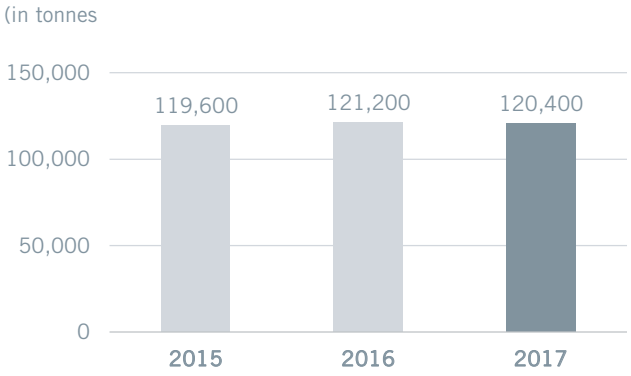
2017 financial year

The proportionate procurement of alumina for the smelter forms one of the Metal Division's core tasks. Purchasing volumes amounted to around 220,000 tonnes in 2017 (2016: 240,000 tonnes). Most of the volume of this key raw material in 2017 was priced based on the Alumina Price Index (API).

The Alouette smelter has an annual capacity of about 600,000 tonnes of primary aluminium. The production volume attributable to the Metal Division amounted to 119,000 tonnes in 2017, consequently 2.2 % below the previous year's level of 121,700 tonnes. This reduction is chiefly attributable to a higher level of pot relining activities.

Total shipments in the Metal Division amounted to 120,400 tonnes in the 2017 financial year, compared with 121,200 tonnes in the previous year. No intragroup primary aluminium shipments from Canada to Ranshofen were made in the 2017 financial year (2016 6,000 tonnes).

Metal Division shipments



2017 earnings trends

Thanks to the higher aluminium price, revenue generated in the year increased from EUR 611.1 million in the previous year to EUR 730.9 million. Of this amount, EUR 522.9 million was attributable to intragroup revenue. This consisted mainly of deliveries of input materials – including primary aluminium, scrap and rolling slabs – to the casthouse and rolling mill.

EBITDA generated by the Metal Division improved year-on-year from EUR 37.9 million to EUR 41.3 million, an increase of 9.1 %. The main reason for this rise was the considerable appreciation of the aluminium price, which more than offset higher raw materials costs and the negative currency effects from the weaker US dollar. The EBITDA margin declined from 6.2 % to 5.7 %.

The operating result (EBIT) was also up markedly. At EUR 13.1 million, it was 42.4 % higher than in the previous year. The EBIT margin improved from 1.5 % in the previous year to 1.8 % in 2017.

Investments

Investments in property, plant and equipment and in intangible assets in the Metal Division amounted to EUR 12.3 million (previous year: EUR 7.0 million), and related mainly to new refractory linings for smelter pots.

Employees

The number of employees (full-time equivalents) decreased compared with the previous year (2016: 195 employees) to an average of 190 employees.

Key figures for the Metal Division in EUR million	2017	2016	Change in %
Revenue	730.9	611.1	19.6
thereof, internal revenue	522.9	425.2	23.0
EBITDA	41.3	37.9	9.1
EBITDA margin in %	**5.7**	**6.2**	**-**
EBIT	13.1	9.2	42.4
EBIT margin in %	**1.8**	**1.5**	**-**
Investments	12.3	7.0	75.7
Employees [1]	190	195	(2.6)

1) The figure includes a 20 % pro rata share of the labour force at the Alouette smelter

Casting Division

Economic environment

The Casting Division's key geographical markets are mainly Germany and Austria, as well as other neighbouring countries. The automotive sector (including its respective supply industry) comprises the division's largest customer. European automotive industry trends consequently have a defining effect on the business environment for the Casting Division.

Demand for new cars in the European Union[17] rose in 2017. A total of 15.1 million units were newly registered in 2017, 3.4 % more than in the previous year. Increases were registered in almost all European Union countries. New registrations were up by 2.7 % in Germany. Italy and France reported growth rates of 7.9 % and 4.7 %, respectively.

Furthermore, production figures from the European automotive industry registered a positive trend. Automotive production was up by around 3 % year-on-year according to the latest IHS forecasts[18]. In Germany, the most important market for the Casting Segment, automotive production reduced by 2 % to 5.6 million units, by contrast[19].

Demand for recycling foundry alloys was stable overall. Prices for recycling foundry alloys registered considerable year-on-year increases, in line with the aluminium price (3-month LME) and many other commodities. At the same time, however, the price level for aluminium scrap rose in this area, leaving the realised margin approximately at the previous year's level.

2017 financial year

Capacities in the Casting Division were fully utilised again in 2017. The total shipment volume, including internal deliveries to the Rolling Division, increased year-on-year from 86,700 tonnes to 87,400 tonnes.

Besides the external sales market, the Casting Division makes a valuable contribution to supplying the Rolling Division with input materials. Utilising various processing and melting technologies enabled around 25,800 tonnes to be delivered to the Rolling Division's rolling slab casthouse. Additional recycled aluminium was thereby successfully reintroduced into the value creation cycle to produce high-quality aluminium rolled products. As a consequence, the Casting Division made an important contribution to a further significant year-on-year increase in the volume of scrap utilised at the Ranshofen site.

2017 earnings trends

Thanks to the higher price level for recycling foundry alloys and the higher shipment volume, revenues grew from EUR 112.1 million to EUR 119.5 million.

EBITDA in the 2017 financial year of EUR 5.7 million was thereby slightly below the previous year's level (2016: EUR 6.1 million). This was mainly due to costs expensed in connection with the modernisation of plant and equipment.

The EBIT margin amounted to 4.7 %, compared with 5.5 % in the previous year. The operating result (EBIT) decreased to EUR 3.6 million (previous year: EUR 3.9 million). The EBIT margin amounted to 3.0 % (2016: 3.5 %).

Investments

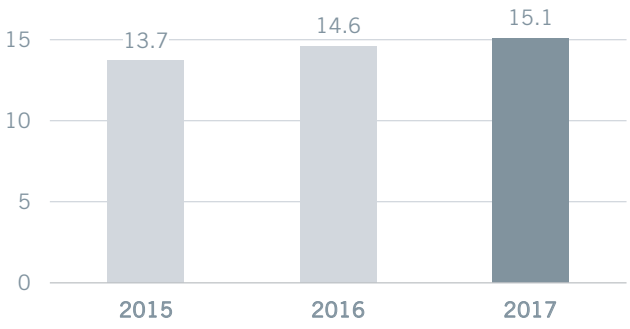
In the Casting Division, investments in property, plant and equipment in 2017 of EUR 3.5 million were above the previous year's level (2016: EUR 1.1 million), and especially related to measures to boost productivity and modernise operating plants.

Employees

The average number of employees of 126 stood slightly above the previous year's level (125 employees).

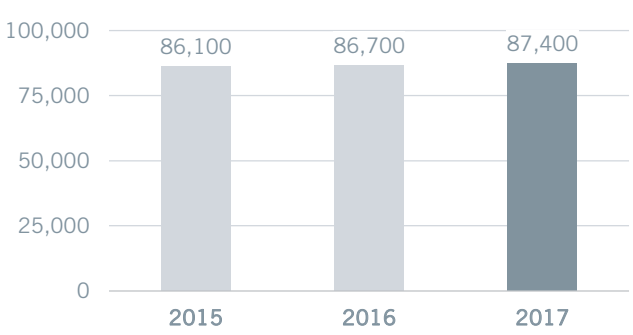
European Union new car registrations

in million units



Casting Division shipments

in tonnes



17) See ACEA (European Automobile Manufacturers Association), press release of January 17, 2018

18) See IHS Automotive, Global Light Vehicle Production Summary, October 2017

19) See VDA (German Association of the Automotive Industry), press release of January 4, 2018

Key figures for the Casting Division in EUR million	2017	2016	Change in %
Revenue	119.5	112.1	6.6
thereof, internal revenue	9.3	9.4	(0.8)
EBITDA	5.7	6.1	(7.7)
EBITDA margin in %	**4.7**	**5.5**	-
EBIT	3.6	3.9	(8.5)
EBIT margin in %	**3.0**	**3.5**	-
Investments	3.5	1.1	215.6
Employees	126	125	0.8

Rolling Division

Economic environment

2017 demand trends

Demand for aluminium rolled products reported further growth in 2017, according to the latest estimates from the CRU[20]. With global consumption of 26.4 million tonnes in 2017, the previous year's level of 25.1 million tonnes was exceeded and a new historic record was posted.

Almost all regions worldwide benefited from rising demand for aluminium rolled products in this context. Especially in the core markets of Western Europe and North America, growth dynamics improved considerably compared with the previous year. Demand in Western Europe was up by 3.1 %, from 4.1 to 4.3 million tonnes. In North America, a 5.0 % demand increase to 5.5 million tonnes was recorded. Attractive growth continues to be registered in Asian countries, too, where demand was up by 5.9 % to 13.9 million tonnes. China made an important contribution in this context, with demand trending upwards by 7.3 % year-on-year.

The demand growth is reflected in many different industries. Demand in the large-volume packaging industry grew by 4.4 % to 13.2 million tonnes in 2017. The construction and engineering sectors also registered attractive growth of 3.9 % and 6.8 %, respectively.

The transport industry again reported the largest percentage increase in 2017. Rising production figures in the aerospace industry and the trend to lightweight design in the automotive industry pushed demand for aluminium rolled products up by 7.6 % in 2017 to a new record level of 4.4 million tonnes.

Demand trends up to 2022

For the coming years, too, the CRU sees attractive growth rates of around 4 % per year for aluminium rolled products, providing a good basis for the growth path the Rolling Division has adopted.

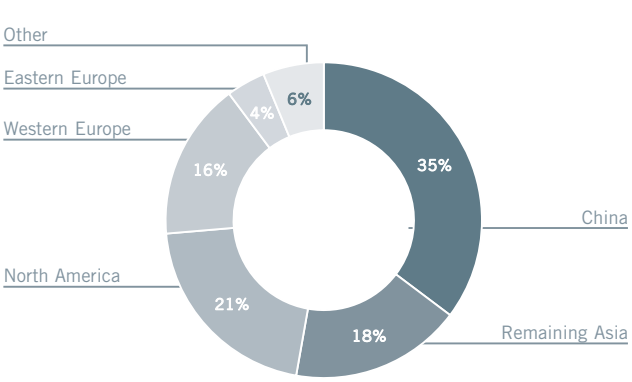
Global demand is set to increase by a total of around 5.5 million tonnes over the coming five years to reach 31.9 million tonnes in 2022.

As far as regions are concerned, good growth prospects are given in many markets. For the core markets of Western Europe and North America, the CRU forecasts annual demand growth of around 3 % up to 2022. In China and the rest of the Asian region, demand is predicted to increase by approximately 4 % per year.

The transport industry is set to remain the strongest growth driver with forecast annual growth rates of 7.3 %, especially the automotive sector, which legislation is requiring to cut CO_2 emissions from its fleets. Weight reduction through lightweight design with aluminium represents an important measure in this context. Weight savings of up to 50 % can be achieved especially in the case of external bodywork, such as engine hoods, doors and fenders. The CRU also anticipates that other sectors, such as mechanical engineering, electronics, and the construction packaging industries, will report attractive annual growth rates of between 3 and 5 %, however.

Consumption of rolled products in 2017 by region

in %



20) See CRU Aluminium Rolled Products Market Outlook, November 2017

2017 financial year

Business trends in 2017 reflected the profitable growth strategy in the Rolling Division.

Shipment volumes in the Rolling Division were raised to a new record level as part of the ramp-up of plants installed in previous years. With a total of 213,900 tonnes, the previous year's level of 198,000 tonnes was exceeded by 8.0 %.

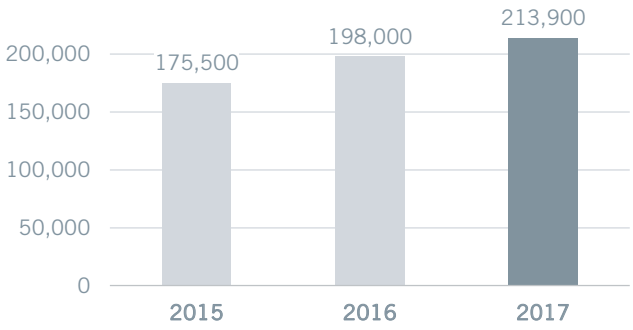
Firstly, the Rolling Division achieved a significant volume growth year-on-year in aerospace industry. Here, the division benefited from a new multi-year contract with Airbus. Shipment volumes also performed extremely well in the automotive area and in brazing products. In the packaging industry, too, volumes registered year-on-year growth. Shipment volumes remained at the previous year's level in the bright and façade products area.

The commissioning of the new cold rolling mill as well as other finishing plants formed a special highlight of the 2017 financial year. This expanded the product range to include cold rolled and heat-treated sheets more than two metres wide. The total capacity in the Rolling Division will rise to more than 300,000 tonnes in the coming years according to the planned ramp-up curve.

This site expansion program also included expanding the company's recycling and casting capacities to produce its own rolling slabs, which serve as the basic material to manufacture high-quality rolled products. Most of the rolling slabs are produced utilising aluminium scrap, predominantly deploying state-of-the-art casting technologies in our own wrought alloy casthouse at the Ranshofen site. Thanks to additional capacities and the higher shipment volume in the Rolling Division, the company's manufacturing of its own aluminium rolling slabs increased significantly compared with the previous year.

Rolling Division shipments

in tonnes



2017 earnings trends

Revenue reported a marked rise compared with the previous year from EUR 702.2 million to EUR 809.6 million. The volume growth as well as the higher aluminium price exerted a positive effect here.

The division benefited from its adopted growth course and lifted its EBITDA from EUR 95.6 million in the previous year to EUR 105.9 million due to the higher shipment volume and an improved product mix. The EBIT margin amounted to 13.1 %, compared with 13.6 % in the previous year.

Due to the commissioning of the new plants as part of the site expansion, depreciation and amortisation rose from EUR 28.9 million in the previous year to EUR 35.4 million in 2017.

The operating result (EBIT) rose by 5.8 % year-on-year to EUR 70.5 million.

Key figures for the Rolling Division in EUR million	2017	2016	Change in %
Revenue	809.6	702.2	15.3
thereof, internal revenue	97.4	90.3	7.9
EBITDA	105.9	95.6	10.8
EBITDA margin in %	**13.1**	**13.6**	-
EBIT	70.5	66.6	5.8
EBIT margin in %	**8.7**	**9.5**	-
Investments	73.5	138.2	(46.8)
Employees	1,424	1,309	8.8

Investments

Given that the year 2016 represented the high point of investment activity and the "AMAG 2020" project plants were commissioned in mid-2017, investments in property, plant and equipment and intangible assets reduced from EUR 138.2 million in the previous year to EUR 73.5 million.

The "AMAG 2020" project comprises a new cold rolling mill, a continuous heat-treatment furnace, further finishing plants and the expansion of the rolling slab casthouse. This will boost the capacity in the Rolling Division to more than 300,000 tonnes over the coming years.

Besides investing in the site expansion, the company realised various modernisation measures and investments to improve product quality and plant safety in 2017.

Employees

The number of employees (full-time equivalents) amounted to 1,424 individuals on a year-average basis, 8.8 % above the previous year's 1,309 staff, reflecting the personnel requirements for the expansion project.

Service Division

Through providing infrastructure and services, the Service Division makes an important contribution to the AMAG Group's sustainable corporate success, profitability and continued growth.

Service Division areas

The facility management function is responsible for around 300 hectares of ground area, with buildings occupying approximately 100 hectares of this total space.

In 2017, the supplies function provided a procurement volume of 224 GWh (previous year: 196 GWh) of electric energy and approximately 46 million m³ of natural gas (previous year: around 41 million m³ of natural gas).

Besides managing the Group, the Service Division is also responsible for waste disposal, as well as steps aimed at preventing waste and boosting recycling. The works services function comprises site infrastructure services such as security guards and messengers.

2017 earnings trends

Revenue amounted to EUR 81.3 million in 2017 (previous year: EUR 71.7 million), and included services for the other divisions as well as for entities outside the Group.

The Service Division generated EUR 11.5 million of EBITDA (previous year: EUR 3.4 million). This increase reflects the first-time equity accounting of the interest held in Speditionsservice Ranshofen Ges.m.b.H., the higher level of site services rendered at Ranshofen, as well as year-on-year positive provisioning effects.

Investments

Investments of EUR 18.0 million were considerably below the previous year's level (previous year: EUR 55.0 million). Focus areas in 2017 included the "AMAG 2020" expansion project as well as investing in heat recovery at the Ranshofen site.

Employees

The average number of employees of 141 was above the previous year's level (133 employees).

Key figures for the Service Division in EUR million	2017	2016	Change in %
Revenue	81.3	71.7	13.4
thereof, internal revenue	75.4	66.0	14.3
EBITDA	11.5	3.4	238.3
EBITDA margin in %	**14.2**	**4.8**	**-**
EBIT	(0.4)	(6.8)	93.7
EBIT margin in %	**(0.5)**	**(9.5)**	**-**
Investments	18.0	55.0	(67.3)
Employees	141	133	6.0

Risk and opportunity report

A formalised risk management system designed to identify, assess and manage all the AMAG Group's significant risk exposures and opportunities is integral to our business activities. Risks should be identified as early as possible and be countered proactively where possible, to limit them to the greatest possible extent. At the same time we seek to capitalise on the business opportunities on hand. A balanced approach to opportunity and risk management is one of the Group's key success factors.

Risk management system

The risk management system of AMAG is aimed at a sustainably positive trend in the financial position and performance of the entire Group. The system relies primarily on:

+ Groupwide standards to regulate operational processes with a view to identifying, analysing, assessing and communicating risks, and actively managing risks and opportunities,
+ active hedging of specific risks (aluminium price and exchange rate volatility),
+ covering certain risks under a comprehensive insurance strategy.

Risks are managed at all levels in the management hierarchy based on these standards. Strategic and operating risks are reviewed on an annual basis, and any business policy adjustments required are made as part of an institutionalised process. The standards, and the scope and amount of insurance cover, are subject to ongoing review and updated whenever necessary.

In addition, external auditors conduct evaluations on a case-by-case basis in selected areas of the business to determine the effectiveness of the internal control system.

Internal control system

The AMAG Group's internal control and risk management systems are based on the Internal Control and Enterprise Risk Managing Frameworks – internationally recognised standards established by the Committee of Sponsoring Organisations (COSO) of the Treadway Commission – and on ISO 31000:2010. The objective is for the relevant managers to identify and manage potential risks.

Main features of the internal control and risk management system relating to the accounting process

As a matter of principle, the establishment of an appropriate internal controlling and risk management system in relation to the financial accounting process and financial reporting is the responsibility of the respective management. The AMAG Group has established Groupwide mandatory standards for the management of the most important business risks, and for the accounting and financial reporting process. The standards are implemented by the management teams within the various entities, and augmented where necessary.

The integrated financial accounting and reporting system for the Ranshofen site is performed centrally. Appropriate organisational measures ensure compliance with statutory requirements, and that entry in the books of accounting and other records is complete, correct, timely and proper. The entire process from procurement to payment is governed by stringent regulations and guidelines, which are intended to ensure that all associated risks are avoided.

The regulations require functional separations, regulations relating to signing authorities, joint signatory powers for payments restricted to a limited number of persons, and system-supported checks for the deployed software (SAP). The financial accounting systems are by and large based on standard software, and protected against unauthorised access.

A standardised financial reporting system is available throughout the AMAG Group. The management is updated on all important matters, including additional company-specific information as required. The AMAG Austria Metall AG Supervisory Board is informed at the Supervisory Board meeting, which occurs at least every quarter, about current business progress, and also annually about the Group's operating planning and medium-term strategy. The Supervisory Board is also informed directly in special cases. The audit committee meetings also confer about the internal controlling system, the risk management system and corruption prevention measures.

Personnel risks

As a result of their expertise and commitment, AMAG Group staff form a critical factor in the success of AMAG. To secure and strengthen this factor, investments in occupational safety ("consistently safe") and the promoting of health enjoy a very high priority. In the accident prevention area, extensive measures are in place, such as job evaluation and safe structuring, preventative measures and ongoing staff training. AMAG prides itself on its performance-related rewards system, its training and continuing education programs (such as the alu_akademie), its early identification and promotion of talent, and its attractive incentive system for managers. The company takes the protection of its employees' data very seriously.

Based on analyses of future qualification requirements, especially in connection with the expansion investment, corresponding personnel measures have been realised and recruiting activities have been strengthened.

Moreover, further measures have been emphasised to strengthen the employer brand in order to position AMAG as an attractive employer.

Operational risks

Production-related risks

At various stages in the value chain, the operating companies of the AMAG Group are exposed to the risk of interruption of operations and risks with respect to quality and occupational safety. Such risks are largely avoided as the result of comprehensive established procedures in production, quality management and occupational safety, including as part of the continuous improvement process (CIP), which encourage employees to assume personal responsibility. The risks of plant breakdown and interruption of energy supply at AMAG are also countered with systematic preventative maintenance and regular risk-based maintenance (RBM), as well as a regular evaluation of technical plant risk and setting appropriate measures. In addition, modernisation and replacement investments are planned long-term. With the investments in the new hot rolling and cold rolling mills as well as casting capacities, the redundancy of the leading-edge plants at the Ranshofen site has risen. Emergency plans were prepared for important products that enable quick transitioning to a replacement manufacturing route in the case of a plant standstill. Additional security is provided by machine breakdown insurance.

Technological development risks

In technologically advanced sectors such as aerospace, automotive engineering and sports, the risk exists of aluminium being displaced by the development of alternative lightweight materials with comparable properties, such as carbon fibre composites, plastics, magnesium and advanced steels. Equally, some disruptive manufacturing processes (e.g. 3D printing) or technical upheaval in individual customer sectors might affect markets of relevance to AMAG. The AMAG Group endeavours to offset this potential risk by carefully monitoring the market, by engaging in joint development work with its customers, and by continuously improving the properties of the aluminium materials offered. At the same time, the company is working on tapping new application areas for aluminium alloys, and making recourse to partnerships to actively establish AMAG-relevant applications in potentially disruptive technologies.

AMAG conducts failure mode and effects analyses (FMEA) to identify potential error sources in product development, and to minimise risk accordingly.

Natural hazard risks

Appropriate measures are taken to minimise natural hazard risks.

+ Fire prevention: structural, technical and organisational measures appropriate to the potential hazards are realised. Examples include works fire services, fire compartments, fire alarm systems, carbon dioxide fire protection systems, fire insurance policies, and the construction of sprinkler plants in the new hot and cold rolling mills, the new plate manufacturing facility, and in sensitive technical facilities of the rolling slab casthouse, conducting crisis tests.
+ Flood and other natural hazard risks: ongoing improvement of preventative measures (e.g. expanding the rainwater percolation).

Information processing and security risks

The Group's primary focus in this sensitive area is on data security, systems compatibility and effectiveness, access protection, manipulation and malware protection, and operating reliability. The head of information technology is responsible for Groupwide control of IT activities on the basis of the Group's IT standard.

The standard is designed to ensure that IT services meet the 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.

Security and user authorisation systems are also in place. Back-up computer centres are available to reduce the risk of a system failure caused by defective hardware, data loss or data tampering.

IT security training sessions are also held regularly to raise employee awareness about such risks (e.g. cyber attacks). Regular external attack tests are also conducted to check the efficacy of the measures that have been implemented.

AMAG takes data protection very seriously. It has already implemented additional measures to avoid data misuse. ISO 27001 information security management certification is also planned.

Risks arising from insufficient supervisory systems and fraudulent activities

An extensive internal controlling system has been set up to identify risks at an early stage, and to monitor and avoid them. The system provides all of the instruments and procedures required for the avoidance and timely identification of risks, and for appropriate responses to any risk incidents.

Business risks

Procurement risks

The prices and availability of electricity and alumina represent a significant risk to the Alouette smelter in which AMAG owns an interest. This risk is minimised by medium and long-term supply contracts, however.

The chief risk for the casthouses is a potential shortage of ample scrap metal of sufficient quality. This risk is minimised through long-term contracts with professional metals dealers (regular suppliers with business relationships established over many years) and major collection points, and by internationally diversified sourcing. The company is gradually expanding the deployment spectrum through continuous investments in new sorting technologies, to further secure scrap supplies. The additional primary metal required is a liquid commodity, available in the form of ingots or sows. AMAG purchases from recognised international suppliers with which the company maintains long-standing business relationships. The possibility also exists to purchase primary aluminium for the Ranshofen site directly from the Alouette smelter.

The rolling mill sources most of its rolling slabs, which use a high percentage of recycled materials, from its own casthouse in Ranshofen. To ensure proper and full supply of the primary metal requirements, recognised international suppliers were selected on the basis of a competitive tender.

Materials procurement risk for AMAG Group can be considered low accordingly.

Compliance rules for AMAG suppliers include descriptions of codes of conduct connected with particular responsibilities to society, shareholders, employees and business partners. Suppliers are obligated to comply with such rules accordingly.

Sales risks

The broad product range of the AMAG Group ensures its independence from a handful of large customers, client sectors or sales regions. In 2017, its top 10 customers accounted for 31 % of sales. Long-term agreements with key customers help to keep sales risks to a minimum. At the same time, we are continuing to work on extending the product range and target markets into premium segments that require innovative solutions and top quality. The new hot and cold rolling mills, which expanded the product range towards larger dimensions, also made positive contributions in this context. Meeting the highest standards, particularly those of the automotive and aerospace industries, is of crucial importance to AMAG. The Rolling Division supplies to sectors entailing low-to-medium cyclical risk, such as the packaging and sports equipment industries, although it also has customers in cyclical industries such as construction, aerospace, automotive, and automotive suppliers.

Our focus on premium products and the wide range of customer sectors ensures a balanced portfolio. Relations with large customers are supported by joint development projects and high-quality customer service. Liquid aluminium supplies and the development and improvement of new alloys together with customers make an important contribution to greater customer loyalty in the Casting Division. Customer satisfaction is tested with regular surveys. Aluminium price risks and currency risks are minimised by active hedging.

Project risks

Risks emanating from large-scale projects are supervised at regular project supervisory meetings. A particular focus is on deadlines and costs, and on ensuring that the technical progress of the project is running to schedule. Commissioning and ramp-up planning, achieving the qualifications required for the new plants, and sales and purchasing risks connected with additional production volumes continue to be monitored. The ongoing search for ways to minimise risks and implement risk-reducing measures forms a key task for the project supervisors.

Competitive and capital market risks

The AMAG Group is committed without reservation to fair competition, fair and legally compliant contracts with its business partners, and compliance with capital market regulations. This commitment takes the form of appropriate rules and regulations (anti-trust guidelines, issuer compliance guidelines, and anti-corruption guidelines), and the code of ethics of AMAG.

The compliance structure of AMAG is divided into separate compliance areas. The respective compliance officers support the organisation through ongoing training measures, and supervise compliance with internal regulations, for example. A compliance hotline also exists that can be used to report any compliance breaches.

Research and development risks

The general increase in applications for intellectual property rights, encouraged in particular by the aluminium industry's continuing consolidation, poses a risk for development work.

When planning development activities, it is consequently essential to review the current protection law situation and to evaluate and document the present status of research in Austria and abroad, to thereby establish the extent of related risk, including implications for AMAG. Internal technical risks and the effects of a project on the Group's financial performance must be clarified when submitting a project proposal. An R&D steering group consisting of the Group's senior management and an external group of renowned experts regularly reviews (at least every two months) project proposals and the progress of existing projects, and the patent rights that can be derived from them for AMAG. Furthermore, joint research activities are always conducted with customers in all areas of relevance for AMAG. This is intended to minimise the risk of defective developments. Also in order to minimise risk, the company performs patent monitoring with external lawyers via all relevant databases and personal research conducted by AMAG staff, patent lawyers and members of the scientific advisory council.

Environmental risks

Environmental risks are minimised by the certified environmental management system within the relevant Group companies. Conventional energy sources such as diesel and natural gas are only available to a limited extent. Their combustion releases air emissions that impact negatively on the environment. More intensive climate policies may increase the costs for fossil energy and electricity, or lead to the introduction of additional CO_2 fees. Measures to boost energy efficiency are implemented, and planned legislative changes are monitored to minimise such risk and the burden placed on the environment. Past pollution from earlier use of the Ranshofen site has been rectified by prompt implementation of remedial measures. The expected costs are otherwise covered by provisions. Input materials carrying pollution risks are exhaustively examined at the time of delivery, and rejected where required.

Legal risks

The AMAG Group is exposed to a number of legal risks due to its international customer portfolio. It operates a specialised legal department that examines and appraises legal risks in-house or through recourse to external lawyers depending on requirement and jurisdiction. Risks in the structuring of contracts are mitigated through implementing liability limits.

Risks arising from potential losses due to product liability are minimised through quality assurance measures. Moreover, any residual risks are covered by liability insurance policies. The AMAG Group has standard terms and conditions of sale for customers and standard purchasing conditions for suppliers. As a general rule these are also used by the individual operating companies.

Compliance with legal obligations is subject to regular controls in the context of internal audits conducted as part of implemented management systems (e.g. environmental law, employee protection).

Financial risks

As a producer and processor of aluminium, the AMAG Group is principally exposed to metal price risks and currency risks. Aluminium is traded in US dollars on the LME. Without appropriate hedging measures, the volatility of aluminium prices and the US dollar exchange rate would have a direct impact on the profitability of AMAG. The Group's mandatory guidelines – its metal management guidelines and financial management guidelines – set out procedures for recording and hedging these two main risks.

To stabilise results from the AMAG interest in the Alouette smelter, the selling price for a portion of output can be hedged on a rolling basis by forward sales and options. Besides the current market situation, estimates of future aluminium price trends and attendant production costs comprise key decision-making criteria in this context. As a general rule, aluminium price volatility risks in Ranshofen are hedged.

The AMAG Group's metal management function registers all LME-related aluminium purchases and inventories, and all of the operating companies' LME-related sales, and constantly calculates the aluminium price risk exposure. The "metals book" – an SAP application developed at AMAG – comprises an important aid in managing the exposure. Open aluminium positions are hedged against metal price risk through contracts with brokers and investment banks. As a consequence, the underlying transactions' market price risk is fully offset by countervailing movements in the hedges. All underlying and hedge transactions in the metals book are marked to market daily. Since foundry alloys and LME prices are largely insufficiently price-correlated, foundry alloy sales are hedged by physical purchases of input materials. The position is monitored constantly.

Potential margin requirements associated with hedging (liquidity risks) are covered with liquid funds or bank guarantees. Counterparty risks on derivatives with a positive market value are limited by the careful selection of international banks and brokers, and a limit policy for risk diversification.

The AMAG Group operating companies utilise credit insurance and banking collateral such as guarantees and letters of credit to limit default risk on receivables.

Financing and investment activities, the hedging of such activities, and foreign currency management are managed centrally for the Group. Working capital financing is based on short-term liquidity planning. Centralised daily euro pooling serves the purpose of financial equalisation within the Group.

Medium and long-term corporate financing occurs on the basis of preview and budget data. Interest-rate risks pertaining to variable rate financing facilities can be hedged proportionally by way of swaps or caps.

Counterparty risks relating to bank balances are actively managed by setting deposit limits for each bank, and – where available – making recourse to credit ratings and the regular monitoring of CDS spreads.

To the extent that receipts and payments in the same foreign currency do not provide a natural protection against exchange rate risk, AMAG proportionally hedges major foreign currency exposures through forward currency transactions and, where required, options.

AMAG operates a payment process fully integrated into SAP. Manipulation risk in payment transactions is minimised through eliminating possibilities to intervene manually at interfaces. All billing and payment approvals occur according to a multiple scrutiny principle secured through technical systems.

Risks from the interest in Aluminerie Alouette

The significant arrangements relating to the joint operation of Alouette smelter are set out in a consortium agreement. In the case of significant decisions regarding Alouette's business, resolutions with 90 % approval are required. With the present ownership structure, or even with a change in structure, the risk exists of conflicting interests among the shareholders.

Pursuant to the existing consortium agreement, obligations exist that are of essential importance for current production operations. A failure to satisfy such obligations could result in a loss of co-determination rights, implying liability on the part of AMAG for potential losses. This applies, for example, with respect to the procurement of the share of the alumina required for production.

The sales price for the primary aluminium produced at Alouette is mainly defined by the price on the London Metal Exchange and cannot be influenced by AMAG as a consequence. The long-term and sustainable success of this investment hinges on a beneficial cost position on an international comparison. The electricity contract valid since 2017, cost-optimised production, and logistical advantages through direct access to deep-sea harbours represent important cornerstones of this smelter's long-term competitiveness. Strategic hedging instruments can also be deployed to reduce the risk of loss and the volatility of results.

Due to IFRS accounting standards, the new electricity price formula for the new electricity contract generates an embedded derivative whose recognition might temporarily affect the reported equity of the AMAG Group.

As far as operating risks are concerned, a proprietary risk management system and an extensive insurance concept also exist for the smelter. The risk of damages from events such as the loss of production owing to electrical power outages caused by bad weather is largely covered. Operating risks such as occupational health & safety, the useful life of the refractory linings of smelter pots, electricity outages within the company's own operations, as well as personnel risks, are monitored constantly and minimised through corresponding measures. As far as electricity supplies are concerned, even greater supply security for electric power has existed since the end of 2015 thanks to the construction of a redundant power line.

Business opportunities

The AMAG Group concentrates systematically on premium products in attractive market niches across a broad spread of industrial sectors. The business positioning with primary aluminium from Alouette and high-quality recycling foundry alloys and rolled products from Ranshofen offers a balanced mix of stability and growth.

The integrated site of AMAG with foundries and rolling mills, and its geographic proximity to strong industrial regions foster technological advancement and intensive customer service. The take back and recycling of aluminium fabrication waste (closed loop recycling) and liquid aluminium supplies additionally bolster customer loyalty. As a leading supplier of innovative products, the AMAG Group responds flexibly and rapidly to customers' requests on a customised basis. Due to the unique variety of alloys and products it produces at a single site, AMAG can offer its customers innovative and tailored products for very different application areas.

AMAG is distinguished by a very high proportion of speciality products on a sector comparison, and will further strengthen its innovative capability over the coming years through expanding its research and development activities. The high level of specialist and technical expertise of AMAG employees plays an important role in this context. AMAG also makes recourse to an extensive network of renowned universities and research institutions.

Our outstanding technological capabilities in casting and rolling, cladding, and the surface and heat treatment of rolled products, open up opportunities for further expansion in attractive growth sectors, such as automotive, aerospace, packaging, construction, bright products and engineering applications, and high-strength materials for sports industry applications, as well as braze clad materials and cathode sheets.

The site expansion at the Ranshofen site extends the aluminium rolled product portfolio towards larger dimensions (width, gauge), and significantly increases capacity in aluminium rolled products. New markets are tapped and existing customer relationships are expanded as a consequence. Productivity enhancement improves the cost position and competitiveness on the global market. Additional growth potentials are being tapped by investing in extending the vertical range of manufacture and investments in the foundry plant and equipment.

AMAG ascribes a high priority to the digitalisation of processes, and has already created a corresponding framework to integrate groundbreaking digital technologies. The company actively exploits the opportunities offered by digitalisation by deploying a digitalisation coordinator in order to closely coordinate strategy with the information processing and security area.

Considerable potential also exists for successful growth in marketing high-quality products worldwide. For this reason, the international sales and marketing network has been expanded consistently over the past years.

The two casthouses at Ranshofen offer the smelting technologies for almost all types of scrap, high-level skills and expertise in scrap sorting, and special plant for scrap processing. The Recycling Center Ranshofen has been expanded consistently over the past years.

A long-term trend to greater sustainability has been observable for several years now. The target of reducing CO_2 emissions plays an especially important role worldwide here. AMAG is very well positioned

in this context owing to its use of hydropower electricity for its Canadian smelter Alouette and the high recycling component on a sector comparison at its Ranshofen site. New sales opportunities arise thanks to this good net CO_2 impact. AMAG will also benefit from the growing trend to lightweight design in the automotive area. The deployment of aluminium rolled products in the automotive industry will increase significantly over the coming years to reduce weight and consequently car emissions.

The Alouette smelter in which AMAG owns a 20 % interest already commands an advantageous cost position on a sector comparison. As a result of the newly agreed electricity terms and the additionally agreed 70 MW electricity block, this cost position has improved even further on an international comparison. The electricity price during the coming years will be based on the market price for aluminium. This will also significantly improve the risk profile in terms of aluminium price and currency exchange rate fluctuations. (GRI 102-11)

Corporate governance report

The corporate governance report of AMAG Austria Metall AG can be downloaded at www.amag.at > Investor Relations > Corporate Governance.

Disclosures pursuant to Section 243a (1) of the Austrian Commercial Code (UGB)

The following disclosures are made pursuant to Section 243a of the Austrian Commercial Code (UGB):

1. The share capital of AMAG Austria Metall AG amounts to EUR 35,264,000, and is divided into 35,264,000 nil par shares, each corresponding to EUR 1 of the share capital. All the shares confer the same rights and obligations. Every share carries a right to one vote at the Annual General Meeting (AGM). No differing classes of shares exist. (GRI 102-5)

2. The Management Board is aware of the following agreements between shareholders:

+ Participation agreement between B&C Industrieholding GmbH and Oberbank AG: Besides agreements concerning the exercising of the voting rights arising from shares in AMAG, which result in attribution of all shares to the B&C Group that are held by B&C Industrieholding GmbH and Oberbank AG, B&C Industrieholding GmbH and Oberbank AG have agreed that B&C Industrieholding GmbH shall be entitled to acquire ordinary shares in AMAG held by Oberbank Industrie- und Handelsbeteiligungsholding GmbH if: (i) Oberbank Industrie- und Handelsbeteiligungsholding GmbH decides to sell the ordinary shares that it holds (or any part thereof) to any entity not belonging to the Oberbank Group ("Oberbank AG and all the companies which are wholly owned by the latter and in which it holds all the voting rights"); or ii) the company that owns these ordinary shares in AMAG were no longer to be a member of the Oberbank Group. These rights of pre-emption and first refusal on the part of B&C Industrieholding GmbH shall expire two years after the termination of the participation agreement, or on December 31, 2019 at the earliest. According to an announcement made by Oberbank AG on October 17, 2014, Oberbank AG has sold the 1,729,737 ordinary shares to the B&C Group. The participation agreement remains in place for the remaining 36,264 ordinary shares (equivalent to 0.1 % of the share capital) held by Oberbank AG.
+ Participation agreement between B&C Industrieholding GmbH and Raiffeisenlandesbank Oberösterreich Aktiengesellschaft dated April 1, 2015: on the basis of this participation agreement with Raiffeisenlandesbank Oberösterreich Aktiengesellschaft and pursuant to Section 92 of the Austrian Stock Exchange Act (BörseG), a further 5,818,560 shares and an equal number of voting rights in AMAG that are held by RLB OÖ Alu Invest GmbH are to be attributed to B&C Industrieholding GmbH. Also pursuant to this participation agreement, a further 18,588,631 shares in AMAG that are held by the B&C Group and an equal number of voting rights are to be attributed to Raiffeisenlandesbank Oberösterreich Aktiengesellschaft in addition to the voting rights arising from the shares held by RLB OÖ Alu Invest GmbH on the basis of a participation agreement pursuant to Section 92 of the Austrian Stock Exchange Act (BörseG).

3. Direct or indirect holdings in the company representing ten percent or more of its capital are comprised as follows as of the end of 2017:

+ B&C Industrieholding GmbH	52.7 %
+ Raiffeisenlandesbank Oberösterreich Alu Invest GmbH	16.5 %
+ AMAG Arbeitnehmer Privatstiftung	11.1 %

(GRI 102-5)

4. No shares exist that carry special control rights.

5. The voting rights attaching to the shares held in AMAG Austria Metall AG by the AMAG Employees' Private Foundation are exercised by the latter's management board, which has three members. The manner in which these voting rights are exercised requires the approval of the Foundation's advisory board, however. Decisions are taken at joint meetings of the Foundation's management board and advisory board. Approval is passed with a simple majority. The advisory board consists of three members who are nominated by the Group Works Council. The chairperson of the management board has a casting vote. The employees at the Austrian site are the Foundation's beneficiaries.

6. Amendments to the company's articles of association require a simple majority of the votes cast and the capital, unless the law prescribes a greater majority. Supervisory Board members can be recalled before the end of their term of office by a simple majority.

7. At the AGM of AMAG Austria Metall AG on April 16, 2015, the Management Board was authorised to exercise the following powers connected with the issuing and repurchase of shares:

+ With a resolution of the AGM of AMAG Austria Metall AG of April 16, 2015, the company's Management Board was authorised for a period of five years after the entry in the commercial register of the corresponding amendment to the articles of incorporation, to increase, with Supervisory Board approval, the company's share capital by up to EUR 17,500,000.00 (seventeen million five hundred thousand euros) through issuing 17,500,000 (seventeen million five hundred thousand) nil par value ordinary bearer shares (nil par value shares) in one or several tranches, including under full or partial exclusion of subscription rights, against cash or non-cash capital contributions, and to determine the issue amount, which cannot amount to less than the proportional amount of the ordinary shares in the share capital to date, as well as other issue terms by way of agreement with the Supervisory Board (Approved Capital 2015). Statutory subscription rights can be granted to the shareholders by transferring the new shares to a bank or a syndicate of banks with the obligation that they be offered to shareholders according to their subscription rights (indirect subscription rights).
+ With a resolution of the AGM of AMAG Austria Metall AG on April 16, 2015, the Management Board was authorised pursuant to

Section 174 of the Austrian Stock Corporation Act (AktG) for a period of five years from the date of the passing of this resolution, consequently until April 16, 2020, to issue, with Supervisory Board approval, convertible bonds that also grant or comprise the conversion and/or subscription right to up to 17,500,000 nil par value ordinary bearer shares (nil par shares) of the company with a proportional amount in the share capital of up to EUR 17,500,000, including under full or partial exclusion of subscription rights, in one or more tranches (Convertible Bond 2015). The issue price and the conversion ratio must be calculated in a recognised pricing process (basis on which the issue amount is calculated) in accordance with the interests of the company, existing shareholders and convertible bond subscribers, as well as generally accepted finance-mathematical methods, and the company's quoted share price; including by making recourse to expert third parties. The Management Board, with Supervisory Board assent, is to determine the issue amount and all other issue terms, as well as the potential (including partial) exclusion of subscription rights for shareholders in relation to the convertible bonds. The issue amount of the convertible bonds cannot lie below the proportional amount in the share capital. The Management Board is additionally authorised to grant statutory subscription rights, with Supervisory Board approval, in such a manner that the convertible bonds are to be offered by a bank or a syndicate of banks with the obligation that they be offered to shareholders in accordance with their subscription rights. The servicing of the conversion and/or subscription rights can occur through conditional capital or treasury shares, or a combination of these.

+ The company's share capital is increased conditionally pursuant to Section 159 (2) Clause 1 of the Austrian Stock Corporation Act (AktG) by up to EUR 17,500,000.00 (seventeen million five hundred thousand euros) (Conditional Capital 2015) through issuing up to 17,500,000 (seventeen million five hundred thousand) ordinary nil par value ordinary bearer shares (nil par value shares) for issuing to holders of convertible bonds that the Management Board issues in the future on the basis of the authorisation granted at the April 16, 2015 AGM, with Supervisory Board assent (Convertible Bond 2015). The conditional capital increase can be implemented only to the extent that holders of these convertible bonds utilise their exchange and/or subscription rights in relation to the company's shares. The issue price and conversion ratio must be calculated in a recognised pricing process (basis on which the issue amount is calculated) in accordance with the interests of the company, existing shareholders and convertible bond subscribers, as well as generally accepted finance-mathematical methods, and the company's quoted share price; including by making recourse to expert third parties; the issue amount of the new shares cannot lie below the proportional amount in the share capital. The newly issued shares from the conditional capital increase are to be dividend-entitled to the same extent as already existing shares in the company.

8. Loans as part of a promissory loan note, three committed credit lines, and twelve bilateral loan agreements contain change of control clauses that grant the lending banks a right of termination in the case of a change of control at AMAG Austria Metall AG. AMAG Austria Metall AG has entered into no other material agreements that would come into effect, be modified or terminate as a result of a change of control at AMAG Austria Metall AG due to a takeover bid.

9. The employment contracts of two members of the Management Board contain change of control clauses. A severance entitlement does not exist for the instance that a Management Board contract is dissolved for this reason.

Outlook

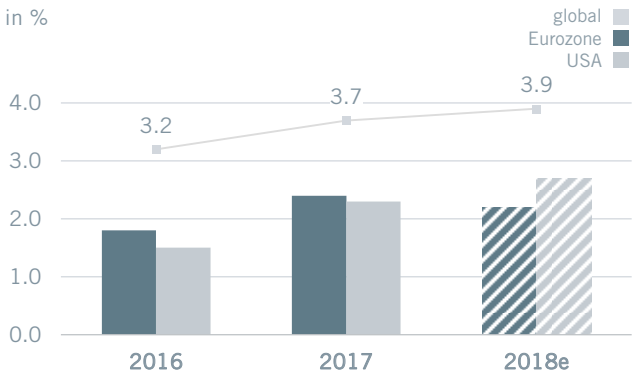
Economic outlook

IMF economists[21] expect the global economic upswing to continue in 2018. Their 3.9 % growth forecast is slightly above the 3.7 % rise estimated for 2017.

With regard to industrialised nations, as in the previous year, 2.2 % growth is expected in 2018. While a slightly rising growth trend is expected for the USA (+2.7 % compared with 2.3 % in 2017), the IMF anticipates a somewhat lower rate of increase of 2.2 % for the Eurozone (2017: +2.4 %).

The economy of the group of emerging and developing countries is set to expand by total of 4.9 % in 2018, according to IMF forecasts, thereby reporting higher growth than in the previous year (2017: +4.7 %). For China, a slightly lower year-on-year growth rate is anticipated (+6.6 %, compared with +6.8 % in 2017).

Real economic growth



Aluminium market outlook

Recourse was made to CRU forecasts, among others, in gauging overall conditions for the medium-term growth and 2018 outlook of AMAG. Global demand for primary aluminium[22] is set to grow by 3.4 % per year to reach 75.3 million tonnes by 2022, according to recent forecasts. As far as aluminium rolled products are concerned, the CRU[23] foresees an increase within five years from 26.4 million tonnes in 2017 to 31.9 million tonnes in 2022. This corresponds to annual growth of 3.9 %.

For 2018, the CRU expects global demand for primary aluminium to grow by 4.5 % to 66.4 million tonnes. Almost all regions will report growing demand for primary aluminium on this basis. As far as China is concerned, demand growth of 5.3 % to 36.2 million tonnes is expected. A rise of 3.1 % to 6.9 million tonnes is forecast in North America. In Europe, the institute foresees 2.6 % demand growth to a total of 9.4 million tonnes.

European automotive industry trends are the main drivers for the Casting Division. IHS forecasts that European automobile production will grow by around 2 % in 2018[24].

Demand for aluminium rolled products will continue to report attractive growth in 2018. According to the latest CRU estimates, worldwide demand is set to increase by 3.7 % in 2018 to reach 27.4 million tonnes. Rising demand is also forecast for the core markets of AMAG in this context. For Western Europe, demand growth of 3.8 % to 4.4 million tonnes is expected. In the USA, the CRU anticipates an expansion of 3.3 % to reach 5.7 million tonnes.

Growth prospects are also positive for 2018 as far as all relevant sectors are concerned. In the packaging, construction and engineering areas, worldwide demand is forecast to expand by between 2 and 4 % year-on-year.

The transport area is expected to continue to report the strongest growth in 2018. Thanks to high demand for aluminium sheets for the automotive industry, demand for aluminium rolled products in the transport area is anticipated to increase from 4.4 million tonnes to 4.7 million tonnes. This would be equivalent to a 7.5 % growth rate.

21) See International Monetary Fund, World Economic Outlook, January 2018
22) See CRU Aluminium Market Outlook, October 2017
23) See CRU Aluminium Rolled Products Market Outlook, November 2017
24) See IHS Automotive, Global Light Vehicle Production Summary, October 2017

Business trend outlook for 2018

Over the coming years, the successful development and growth is to be continued, with sustainable value being created. A stable ownership structure, a solid balance sheet, attractive market prospects and investments in the site expansion have created a good starting base in this context. Thanks to the investments that have been realised in the site expansion, AMAG will benefit from a larger product portfolio, rising shipment volumes and productivity gains over the coming years. The ramp-up of the new plants is planned to proceed over several years. Additional growth potentials will be tapped in 2018 through individual targeted investments to extend the vertical range of manufacture in the Rolling Division and through modernising the plant and equipment in the Casting Division.

Business trends in the Metal Division in 2018 will depend primarily on the future trend in the market prices of aluminium and the related requisite raw materials, as well as the currency situation. During the second half of 2017, the market price for primary aluminium appreciated significantly, although prices of raw materials such as aluminium and petroleum coke have also become considerably more expensive. Moreover, the US dollar depreciated against the euro and the Canadian dollar.

With regard to the Casting Segment, the Management Board expects a solid earnings performance for 2018 at the level of the 2017 financial year. Modernisation of plant and equipment will negatively affect shipments temporarily during the first half of 2018. Once commissioning starts in the second half of 2018, the Casting Division will profit from productivity gains.

The Management Board assumes further growth for the Rolling Division, especially thanks to the investments that have been realised. The prerequisites for this include the successful continuation of the ramp-up of the new plants and the achievement of the requisite customer qualifications.

It is still too early to issue a revenue and earnings forecast for the 2018 financial year as experience shows that commodity and currency markets may prove to be very volatile. The Management Board is confident, however, of continuing to benefit in 2018 from the growth course that has been adopted in the Rolling Division.

Ranshofen, February 9, 2018

The Management Board

Helmut Wieser
Management Board Chairman
(Chief Executive Officer)

Helmut Kaufmann
Management Board member
(Chief Operating Officer)

Gerald Mayer
Management Board member
(Chief Financial Officer)

Consolidated financial statements

Solid balance sheet structure

Despite the high investments in organic growth, AMAG reports a solid and healthy balance sheet and financial structure. At the end of 2017, the equity ratio amounted to roughly 43 % and net debt corresponded to approximately 1.7 times operating income (EBITDA).

Consolidated statement of financial position as of December 31, 2017

Assets in EUR thousand	Chapter J	December 31, 2017	December 31, 2016
Intangible assets	1	8,790	7,420
Property, plant and equipment	1	751,726	743,381
Investments in associates	2	1,395	0
Other non-current assets and financial assets	3	49,319	102,728
Deferred tax assets	4, K9	13,611	23,406
Non-current assets		824,840	876,935
Inventories	5	227,218	198,989
Trade receivables	6	120,404	102,641
Current tax assets		1,283	3,164
Other current assets	7	61,372	58,166
Cash and cash equivalents	8	169,752	149,833
Current assets		580,029	512,793
TOTAL ASSETS		**1,404,869**	**1,389,727**

Equity and liabilities in EUR thousand	Chapter J	December 31, 2017	December 31, 2016
Share capital	9	35,264	35,264
Capital reserves	9	379,337	379,337
Hedging reserve	9	(28,115)	(18,457)
Fair value reserve	9	(3,438)	0
Revaluation reserve	9	580	0
Revaluation of defined benefit plans	9	(27,232)	(18,519)
Share of other comprehensive income of associates	2	(11)	0
Exchange differences	9	36,647	59,833
Retained earnings	9	214,842	193,003
Equity		607,874	630,460
Non-current provisions	10, 11	91,762	79,167
Interest-bearing non-current financial liabilities	12	338,751	343,451
Other non-current liabilities and grants	14	83,349	120,113
Deferred tax liabilities	K9	0	13,066
Non-current liabilities		513,861	555,797
Current provisions	10, 11	16,977	17,434
Interest-bearing current financial liabilities	12	113,841	32,673
Trade payables	13	77,564	73,322
Current tax liabilities		1,036	6,732
Other current liabilities and grants	14	73,715	73,309
Current liabilities		283,134	203,470
TOTAL EQUITY AND LIABILITIES		**1,404,869**	**1,389,727**

The following notes to the consolidated financial statements form an essential component of the consolidated statement of financial position.

Consolidated statement of profit or loss for the 2017 financial year

Acc. to the cost of sales method in EUR thousand	Chapter K	1-12/2017	1-12/2016
Revenue	1	**1,036,238**	**906,246**
Cost of sales	2	(880,022)	(755,871)
Gross profit		156,216	150,375
Other income	3	15,025	7,026
Selling and distribution expenses		(45,339)	(41,992)
Administrative expenses	6	(22,467)	(24,552)
Research and development expenses		(12,315)	(10,842)
Other expenses		(5,835)	(7,043)
Share of profit of associates	7	1,517	0
Earnings before interest and taxes (EBIT)		**86,802**	**72,971**
Net interest result		(6,446)	(8,262)
Other financial result		1,300	(1,756)
Net financial income (expenses)	8	(5,146)	(10,018)
Earnings before taxes (EBT)		**81,657**	**62,953**
Current taxes		(11,085)	(8,078)
Deferred taxes		(7,412)	(8,570)
Income taxes	9	(18,497)	(16,648)
Net income after taxes		**63,160**	**46,305**
Thereof			
Attributable to the equity holders of the parent		63,160	46,305
Total number of non-par-value shares		35,264,000	35,264,000
Earnings per share		1.79	1.31
Proposed dividend per non-par-value share (in EUR)	J9	1.20	1.20

The following notes to the consolidated financial statements form an essential component of the consolidated statement of profit or loss.

Consolidated statement of comprehensive income for the 2017 financial year

in EUR thousand	1-12/2017	1-12/2016
Net income after taxes	63,160	46,305
Items that are or may be reclassified to profit or loss		
Currency translation differences	(23,186)	7,200
Changes in the hedging reserve		
Recognised (expenses) and income during the financial year	(29,322)	(13,486)
Reclassifications of amounts that have been recognised in the statement of profit or loss	12,765	(1,224)
Deferred taxes relating thereto	4,990	3,727
Currency translation differences	1,910	(4)
Changes in fair value reserve	(4,633)	0
Deferred taxes relating thereto	1,158	0
Items that will never be reclassified to profit or loss		
Changes in revaluation reserve	(38)	0
Deferred taxes relating thereto	9	0
Remeasurement of defined benefit plans	(13,461)	(10,049)
Deferred taxes relating thereto	3,489	2,521
Currency translation differences	1,259	(252)
Share of other comprehensive income of associates	(15)	0
Deferred taxes relating thereto	4	0
Other comprehensive income for the year net of income tax	**(45,071)**	**(11,567)**
Thereof		
Attributable to the equity holders of the parent	(45,071)	(11,567)
Total comprehensive income for the year	**18,089**	**34,738**

Consolidated statement of cash flows for the 2017 financial year

in EUR thousand	1-12/2017	1-12/2016
Earnings before taxes (EBT)	81,657	62,953
Interest income (expenses)	6,446	8,262
Share of profit of associates	(1,517)	0
Depreciation, amortisation and impairment losses/reversal of impairment losses on non-current assets	77,651	70,026
Losses/gains from the disposal of non-current assets	572	913
Proceeds from dividends	126	0
Other non-cash expenses/income	1,775	346
Changes in inventories	(31,170)	(11,099)
Changes in trade receivables	(16,843)	(9,389)
Changes in trade payables	7,459	2,470
Changes in provisions	713	(8,004)
Changes in derivatives	11,603	(91,391)
Changes in other receivables and liabilities	(18,477)	100,640
	119,993	125,727
Tax payments	(14,531)	(5,735)
Interest received	820	721
Interest paid	(4,441)	(5,836)
Cash flow from operating activities	101,841	114,877
Proceeds from disposals of non-current assets	787	503
Payments for investments in property, plant and equipment and intangible assets	(108,969)	(186,834)
Proceeds from grants for investments	0	941
Cash flow from investing activities	(108,182)	(185,390)
Repayments of borrowings	(31,144)	(13,371)
Proceeds from borrowings	107,770	140,357
Dividends paid	(42,317)	(42,317)
Cash flow from financing activities	34,309	84,669
Change in cash and cash equivalents	27,967	14,156
Cash and cash equivalents at the beginning of the period	149,833	132,282
Effect of exchange rate changes on cash and cash equivalents	(8,049)	3,394
Cash and cash equivalents at the end of the period	**169,752**	**149,833**

Consolidated statement of changes in equity for the 2017 financial year

in EUR thousand	Share capital	Capital reserves	Hedging reserve	Fair value reserve	Revaluation reserve	Revaluation of defined benefit plans	Share of other comprehensive income from associates	Exchange differences	Retained earnings	Equity
Balance as of January 1, 2016	35,264	379,337	(7,471)	0	0	(10,739)	0	52,633	189,014	638,039
Net income after taxes									46,305	46,305
Other comprehensive income for the year net of tax			(10,986)	0	0	(7,780)	0	7,200		(11,567)
Total comprehensive income for the year			**(10,986)**	**0**	**0**	**(7,780)**	**0**	**7,200**	**46,305**	**34,738**
Transactions with equity holders										
Dividend distributions									(42,317)	(42,317)
Balance as of December 31, 2016 = January 1, 2017	**35,264**	**379,337**	**(18,457)**	**0**	**0**	**(18,519)**	**0**	**59,833**	**193,003**	**630,460**
IFRS 9 adjustment January 1				37	608				996	1,641
Balance as of January 1, 2017 after adjustment	**35,264**	**379,337**	**(18,457)**	**37**	**608**	**(18,519)**	**0**	**59,833**	**193,999**	**632,101**
Net income after taxes									63,160	63,160
Other comprehensive income for the year net of tax			(9,657)	(3,475)	(28)	(8,712)	(11)	(23,186)		(45,071)
Total comprehensive income for the year			**(9,657)**	**(3,475)**	**(28)**	**(8,712)**	**(11)**	**(23,186)**	**63,160**	**18,089**
Transactions with equity holders										
Dividend distributions									(42,317)	(42,317)
Balance as of December 31, 2017	**35,264**	**379,337**	**(28,115)**	**(3,438)**	**580**	**(27,232)**	**(11)**	**36,647**	**214,842**	**607,874**

Notes to the consolidated financial statements

A The company

The corporate purpose of AMAG Austria Metall AG and its Group companies (referred to below as the "Group" or "AMAG") comprises the production, processing and distribution of aluminium, and of aluminium wrought and cast products.

As an Austrian holding company, AMAG Austria Metall AG is registered in the companies register at Ried im Innkreis District Court, and its headquarters are located in 5282 Ranshofen, Lamprechtshausener Strasse 61, Austria. The company prepares consolidated financial statements as the ultimate parent company of the AMAG Group. The shares of AMAG Austria Metall AG have been listed on the Prime Market of the Vienna Stock Exchange since April 8, 2011. The companies of the AMAG Group are included in the consolidated financial statements of B&C Holding Österreich GmbH. B&C Privatstiftung, based in Vienna, Austria, is the ultimate parent company of B&C Holding Österreich GmbH, and consequently of the company.

B Basis of accounting

Conformity with IFRS

The consolidated financial statements for the 2017 financial year were prepared in accordance with International Financial Reporting Standards (IFRS) and the interpretations of the International Financial Reporting Interpretations Committee (IFRIC) as formulated by the International Accounting Standards Board (IASB) and adopted by the European Union, which require mandatory application in 2017, as well as in accordance with Section 245a of the Austrian Commercial Code (UGB).

Functional currency

The consolidated financial statements have been prepared in euros, the functional currency of the Group parent company. The amounts presented in the consolidated financial statements have been commercially rounded to the nearest thousand. The totals of the values and percentages presented may differ as the result of such rounding.

Approval

The Management Board approved the consolidated financial statements on February 9, 2018 (previous year: February 10, 2017), and released them for examination by the Supervisory Board, for submission to the AGM, and for subsequent publication. The Supervisory Board can institute an amendment to the financial statements as part of the review incumbent upon it.

C Currency translation

The consolidated financial statements of AMAG Austria Metall AG have been prepared in Euros, and the separate financial statements of the consolidated companies have been prepared in their respective functional currencies. When preparing the consolidated financial statements, the assets and liabilities of entities applying a functional currency other than the euro are translated at the European Central Bank reference rate as at the end of the reporting period, and their statements of profit or loss at the annual average of the reference rate. Any resultant differences are recognised under the exchange differences item in other comprehensive income. In the event of the disposal of a foreign operation, the related exchange differences recognised as other comprehensive income are reclassified to profit or loss.

Foreign currency transactions are recognised on the transaction date applying the exchange rate prevailing at that date. Monetary foreign currency positions are measured applying the rates as of the balance sheet date. Translation differences are recognised in profit or loss in the period in which they occur. Non-monetary items measured at historical cost in a foreign currency are translated applying the exchange rate at the transaction date. Non-monetary items measured at fair value in a foreign currency are translated applying the exchange rate at the date when the fair value was measured. In the year under review, translation differences of EUR -2,257 thousand were recognised in profit or loss (previous year: EUR -1,782 thousand).

The exchange rates of the currencies that are of significance for the AMAG Group have changed as follows:

Exchange rates per EUR	Closing rate at the end of the reporting period		Annual average rate for the reporting period	
	December 31, 2017	December 31, 2016	1-12/2017	1-12/2016
U.S. Dollar (USD)	1.1993	1.0541	1.1293	1.1066
Canadian Dollar (CAD)	1.5039	1.4188	1.4644	1.4664
Pound Sterling (GBP)	0.8872	0.8562	0.8761	0.8189
Swiss Franc (CHF)	1.1702	1.0739	1.1115	1.0902
Japanese Yen (JPY)	135.0100	123.4000	126.6546	120.3138
Taiwan Dollar (TWD)	35.5825	34.1031	34.3394	35.6642
Chinese Yuan Renminbi (CNY)	7.8044	7.3202	7.6264	7.2983
Czech Koruna (CZK)	25.5350	27.0210	26.3272	27.0309
Norwegian Krone (NOK)	9.8403	9.0863	9.3286	9.2927
Danish Krone (DKK)	7.4449	7.4344	7.4433	7.4362

D Consolidation principles

Scope of consolidation and consolidation method

The scope of consolidation has changed as follows compared with the previous year's reporting date:

The 25.1 % interest in Speditionsservice Ranshofen GmbH was classified as material as of June 30. As a consequence, this company was accounted for using the equity method as of June 30, 2017. The proportional earnings of EUR 216 thousand were recognised through profit or loss as share of profit of associates (details see J 2 Notes to the consolidated statement of financial position and K 7 Notes to the consolidated statement of profit or loss).

The newly formed companies AMAG Rolling Eastern Europe s.r.o. and AMAG China Ltd. were included in the consolidation scope in June 2017.

As a consequence, as of December 31, 2017 the scope of consolidation of the AMAG Group, including AMAG Austria Metall AG as the parent company, includes 19 fully consolidated companies, one joint operation and one associated company (see next page for overview).

The consolidated financial statements include AMAG Austria Metall AG and the entities it controls. Control exists when AMAG Austria Metall AG has exposure, or rights, to variable returns from its involvement with an investee, and has the ability to use its power over the investee to affect the amount of the investor's returns.

Through AMAG Erste Beteiligungsverwaltungs GmbH, AMAG Austria Metall AG wholly owns Austria Metall GmbH, which, in turn, directly or indirectly wholly owns the other consolidated companies. A detailed presentation of the consolidated subsidiaries and the interests held in them is presented in the table on the next page.

The annual financial statements of the subsidiaries that are included in consolidation are based on uniform accounting policies. The reporting date of all these companies was December 31, 2017.

Intragroup transactions are eliminated on consolidation.

Intragroup trade receivables and other assets are offset against the corresponding intragroup liabilities as part of the consolidation of liabilities.

All intragroup expenses and income are eliminated as part of the consolidation of expenses and income, as well as intragroup profit or loss arising from intragroup delivery and service transactions.

Group companies

Corporate name	Registered office	Shares in %
Fully consolidated companies		
AMAG Austria Metall AG (parent company)	Ranshofen, A	
AMAG Erste Beteiligungsverwaltungs GmbH	Ranshofen, A	100.0
Austria Metall GmbH	Ranshofen, A	100.0
Aluminium Austria Metall Québec Inc.	Montréal, CAN	100.0
AMAG metal GmbH	Ranshofen, A	100.0
AMAG casting GmbH	Ranshofen, A	100.0
AMAG rolling GmbH	Ranshofen, A	100.0
AMAG Asia Pacific Ltd.	Taipei City, TW	100.0
AMAG Benelux B.V.	Delft, NL	100.0
AMAG China Ltd.	Shanghai, CN	100.0
AMAG Deutschland GmbH	Bergisch Gladbach, D	100.0
AMAG Eastern Europe, s.r.o.	Prague, CZ	100.0
AMAG France S.A.R.L.	Suresnes, F	100.0
AMAG Rolling Iberia S.L.	Barcelona, E	100.0
AMAG Italia S.R.L.	Milan, IT	100.0
AMAG UK Ltd.	Great Bookham, Surrey, GB	100.0
AMAG USA Corp.	Upper Saddle River New Jersey, USA	100.0
AMAG service GmbH	Ranshofen, A	100.0
Metallwerk Furth GmbH	Furth im Wald, D	100.0
Companies consolidated for its interest		
Aluminerie Alouette Inc. (direct shareholder is the fully consolidated Aluminium Austria Metall Québec Inc.)	Sept-Îles, CAN	20.0
Associated companies		
Speditionsservice Ranshofen Ges.m.b.H.	Ranshofen, A	25.1
Non-consolidated companies		
Ausbildungszentrum Braunau Ges.m.b.H.	Braunau, A	20.0
APK Pensionskasse AG	Vienna, A	2.0
unit-IT Dienstleistungs GmbH & Co KG	Linz, A	12.6
unit-IT Dienstleistungs GmbH	Linz, A	12.6

The shareholdings are unchanged compared with the previous year.

Business combinations

No corporate acquisitions or disposals occurred during the financial year under review.

Jointly controlled arrangement

The Group operates the Alouette smelter in Canada as part of a joint arrangement with other companies under the terms of a contractual agreement that gives the parties joint control over Alouette's commercial operations (Aluminerie Alouette Inc. – hereinafter referred to as "Alouette"). Through the joint arrangement, the parties have joint control of the business operations of the aluminium smelter (see also F Accounting judgements and estimates). In accordance with the agreement, a 20 % share of the assets, obligations for liabilities, and expenses is attributable to the Group. As a consequence, pursuant to IFRS 11, the Group assumes the proportionate assets, obligations for liabilities and expenses in this jointly controlled operation. Each party itself is responsible for sales, as Alouette does not realise sales revenues with third parties.

The consolidated financial statements as of December 31, 2017 comprise the following amounts for the jointly controlled operation of Aluminerie Alouette Inc.:

Amounts jointly controlled operations in EUR thousand	2017	2016
Non-current assets	157,315	259,426
Current assets	27,597	30,747
Non-current provisions and liabilities	115,709	134,648
Current provisions and liabilities	28,994	33,425
Expenses	124,503	123,450

The significant arrangements relating to the joint operation of Alouette smelter are set out in a consortium agreement. In the case of significant decisions regarding Alouette's business, resolutions with a minimum 90 % approval are required. With the present ownership structure, or even with a change in structure, the risk exists of conflicting interests among the shareholders.

Pursuant to the existing consortium agreement, obligations exist that are of essential importance for current production operations. A failure to satisfy such obligations could result in a loss of co-determination rights, implying liability on the part of AMAG for potential losses. This applies, for example, with respect to the procurement of share of AMAG of the alumina required for production.

E Accounting policies

First-time or early adopted standards

In the 2017 financial year, the following amended standards were applied for the first time as required, or applied prematurely:

IFRS 9 "Financial Instruments"

First-time application of IFRS 9 "Financial Instruments": In November 2016, the final version of IFRS 9 Financial Instruments was adopted into European law. The new version of IFRS 9 replaces IAS 39 "Financial Instruments: Recognition and Measurement" and all previous versions of IFRS 9. IFRS 9 does not replace rules for a portfolio fair value hedge against interest rate risks pursuant to IAS 39. IFRS 9 is to be applied for the first time in the first reporting period of a financial year beginning on or after January 1, 2018, although earlier application is permitted.

Voluntary early application occurred in the AMAG Group as of January 1, 2017. The accounting policies applied in these financial statements correspond to IFRS 9. The previous year's figures were not adjusted. The IAS 39 accounting policies valid in the previous year can be consulted in the previous year's consolidated financial statements.

IFRS 9 regulates the accounting treatment of financial assets and liabilities in terms of recognition, measurement and derecognition, as well as the accounting treatment of hedging instruments. The amendments to IFRS 9 relate to three areas: Classification and measurement of financial assets and liabilities, impairment of financial assets and the accounting treatment of hedges.

IFRS 9 includes a new classification model for assets: On initial recognition, classification occurs, firstly, based on the characteristics of cash flows generated from the financial asset (cash flow conditions) and, secondly, based on the company's business model to manage its financial assets (business model conditions). Depending on this, subsequent measurement is at either amortised cost or fair value (directly to equity or

through profit or loss). Assets were classified according to these categories as of January 1, 2017. As far as the company's participating interests are concerned, the option was exercised to carry their valuations directly to equity. No effects from IFRS 9 were generated by the financial liabilities, as no liabilities were designated at fair value.

Amendments to IFRS 9 generate a new impairment model for financial assets. The simplified approach is valid for trade receivables. For more information see M Financial instruments.

The regulations for hedge accounting continue to include the same types of hedge accounting. The hedges formed as of December 31, 2016 (cash flow hedges and fair value hedges) continue as of January 1, 2017 to be regarded as hedges pursuant to IFRS 9. The significant extent to which accounting reflects risk management can increase the possibilities for hedges for new business. Moreover, new regulations relating to effectiveness are applied (discontinuation of the 80/125% corridor). An adjustment was applied due to the recognition of the fair value component of options in other comprehensive income more specifically in the fair value reserve. This adjustment occurred retroactively as of January 1, 2017. For more information see M Financial instruments and J Notes to the consolidated statement of financial position.

For the effects of the adjustments, please see section H Adjustments from the first-time application of IFRS 9. The accounting policies are presented in this section under accounting policies. See also section M Financial instruments.

Miscellaneous amendments to standards

The amendments to IAS 7 "Statements of Cash Flows" aims to improve information published in IFRS financial statements about changes to a company's debt position. According to the amendments, disclosures about changes to financial liabilities are to be made where cash inflows and cash outflows from such financial liabilities are shown under cash flow from financing activities in the cash flow statement.

The amendments to IAS 12 "Income Taxes – Recognition of Deferred Tax Assets on Unrealised Losses" serve to clarify how some IAS 12 regulations are to be applied when recognising deferred tax assets deriving from the fair value measurement of acquired debt instruments.

No significant year-on-year changes arise due to the first-time application of the other aforementioned standards, and they have no significant effects on the accounting policies applied within the AMAG Group.

Standards adopted, but not yet applied

Application of the following new, revised or supplemented standards of the IASB and interpretations of the IFRIC is voluntary, and these will not be applied early.

Standard/ interpretation	Application mandatory	Endorsement status	Impact on the consolidated financial position of AMAG Group
IFRS 15 Revenue Recognition	01/01/2018	22/09/2016	see below
IFRS 16 Leasing	01/01/2019	31/10/2017	see below
IFRS 17 Insurance Contracts	01/01/2021	-	currently no impact
Amendment to IFRS 2 Share-based Payments - Classification and Valuation	01/01/2018	-	currently no impact
Amendment to IFRS 4 Insurance Contracts	01/01/2018	03/11/2017	currently no impact
Amendment to IFRS 9 Prepayment Features with Negative Compensation	01/01/2019	-	currently no impact
Amendment to IAS 28 Long-term Interests in Assocciates and Joint Ventures	01/01/2019	-	will be implemented
Amendment to IAS 40 Classification of Investment property under construction	01/01/2018	-	currently no impact
Amendment of IFRIC 22 Foreign Currency Transactions of Advance Considerations	01/01/2018	-	currently no impact
Amendment of IFRIC 23 Uncertainty over Income Tax Treatments	01/01/2019	-	currently no impact
Other Annual Improvements to IFRS - Cycle 2014 - 2016	01/01/2017 01/01/2018	-	currently no impact
Other Annual Improvements to IFRS - Cycle 2015 - 2017	01/01/2019	-	currently no impact

Amendments to IFRS 15 "Revenue from Contracts with Customers"

In September 2016, the final version of IFRS 15 "Revenue from Contracts with Customers" was adopted into European law.

IFRS 15 aggregates within one standard the rules relating to revenue recognition. In future, the decisive factor for the recognition of revenue is no longer the transfer of significant opportunities and risks, but instead the date on which the customer gains control of the agreed goods and services and can draw benefit from them. In the future, IFRS 15 replaces IAS 11 "Construction Contracts" and IAS 18 "Revenue" and all related interpretations.

Effects within the AMAG Group:

IFRS 15 is applicable for the first time in the first reporting period of a financial year beginning on or after January 1, 2018, although earlier application is permitted. Premature application was not opted for.

The following revenue streams are in place at AMAG:

Sale of primary aluminium (Metal Division), sale of aluminium rolled products (Rolling Division), sale of aluminium foundry alloys (Casting Division) and services connected with buildings and space management, works services etc. at the Ranshofen site, whereby external sales of services play only a minor role (0.57% of total revenue, previous year: 0.63%). See also notes on the operating segments under I Segment reporting.

Contracts relating to the revenue streams from Metal, Rolling and Casting are evaluated in relation to their future recognition and measurement applying the five-step model (identification of the contract with the customer, identification of the separate performance obligations, determining the transaction price, allocation of the transaction price to the performance obligations, revenue recognition). The assessment showed that, in general, no customer contracts exist including more than one performance obligation. The analysis also showed that these represent date-related services. As a consequence, revenues are recognised when the customer gains control over the goods that are transferred. Gaining power of control is in accordance with agreed Incoterms. Customer contracts with supply terms CIF comprise the only exception. In this case, transport services/insurance are invoiced in addition to the delivery. The corresponding revenue is deferred in such cases if the transport has not yet occurred as of the reporting date.

Warranties that AMAG grants to its customers are granted exclusively in the context of statutory periods. For this reason, these comprise statutory warranties, rather than performance obligations in the meaning of IFRS 15.

For contractually agreed bonuses and graduated prices, provisions are currently formed pursuant to IAS 37. The bonuses comprise variable payments pursuant to IFRS 15, which reduce the transaction price. These are to be regarded as variable consideration pursuant to IFRS 15 and are to be recognised based on IFRS 15 accordingly. As of December 31, 2017, provisions of EUR 5,650 thousand have been recognised for this purpose (previous year: EUR 4,833 thousand). These amounts are offset with the related customer receivables pursuant to IFRS 15. Only given an excess of liabilities over assets are they disclosed as contract liabilities. There is no adjustment calculation required.

The modified retrospective approach was selected as a transition method, where all conversion effects as of January 1, 2018 are recognised in equity as an adjustment to retained earnings. The adjustments will be applied to all open contracts.

The amendments to IFRS 15 have no significant effects on equity as of December 31, 2017. Goods still being transported as of the reporting date generate deferred revenue of EUR 373 thousand and after deducting deferred tax an effect on equity of EUR 280 thousand. There will be an effect on the presentation (reporting) of current other provisions.

Furthermore, IFRS 15 requires more extensive disclosures in the notes to the financial statements relating to the Group's revenue from contracts with customers.

Amendments to IFRS 16 "Leases"

The new IFRS 16 standard replaces IAS 17 "Leases" and related interpretations. For the lessee, the introduction of IFRS 16 dispenses in future with the differentiation between finance and operating leases previously required by IAS 17. For leases, the lessee recognises on its balance sheet a lease liability for the obligation to make lease payments in the future. At the same time, the lessee capitalises a right to use the underlying asset. This corresponds, as a matter of principle, to the present value of the future lease payments plus directly attributable costs. During the duration of the lease contract, the lease liability is carried forward on the balance sheet similarly to IAS 17 regulations for finance leases. The right of use is amortised straight-line, resulting in higher expenses at the start of the duration of the lease contract, as a matter of principle. Accounting simplifications apply to short-term leases and low-value leased assets. For the lessor, the new standard's regulations are similar to existing IAS 17 regulations.

Effects within the AMAG Group:

As of December 31, 2017, the Group reports payment obligations based on uncancellable rental and lease contracts. For more information, see the disclosures concerning operating leases in section J 1 Notes to the consolidated statement of financial position. These contracts relate mainly to IT and telecoms hardware as well as the rental of silos. The analysis shows that such contracts mainly meet the definition of a lease pursuant to IFRS 16, and that a right-of-use asset is to be recognised as a consequence.

Existing finance leases (where the Group acts a lessor) have already been recognised as assets/liabilities. In such instances, no significant effects are assumed within the AMAG Group.

IFRS 16 is applicable for the first time in the first reporting period of a financial year beginning on or after January 1, 2019, although earlier application is permitted (only if IFRS 15 is also applied early). From today's perspective, the company is not considering early application.

As part of an initial assessment of potential effects, the fact that new assets and liabilities are to be recognised for operating leases already existing within the Group was identified as the most significant impact. Besides this, the type of expenses connected with these leases will now change, as IFRS 16 replaces straight-line expenses for operating leases with an amortisation cost for right-of-use assets and borrowing costs for liabilities arising from the lease. From today's perspective, it is still not yet possible to provide a reliable estimate of the amount. Based on the amended accounting treatment, however, a positive effect on EBITDA is expected, as instead of the rental expense, the depreciation of the right-of-use asset as well as the interest expense for the corresponding liability are recognised.

The modified retrospective approach is selected as a transition method, where all conversion effects as of January 1, 2019 are recognised in equity as an adjustment to retained earnings. The adjustments were applied to all open contracts.

The AMAG Group has not yet decided whether to utilise the exemption regulations (especially in relation to the valuation recognised on the transition date).

Miscellaneous relevant amendments to standards

The amendment to IAS 28 clarifies that IFRS 9 is to be applied to non-current interests in associates or joint ventures that are not equity accounted.

Significant accounting policies

The principal accounting policies applied in the presentation of the consolidated financial statements of AMAG Austria Metall AG are set out below.

Non-current and current assets and liabilities

Pursuant to IAS 1, the consolidated statement of financial position is structured on a term basis. Assets and liabilities with terms of up to one year are classified as current, and those with terms of over one year as non-current. The terms are always determined with reference to the date at the end of the reporting period.

Intangible assets and property, plant and equipment

Purchased intangible assets are measured at cost. Intangible assets of finite useful life are amortised over their economic useful life. Amortisation is applied straight-line over periods from 3-29 years. No intangible assets with indefinite useful lives exist at present.

Changes in the amortisation method or period necessitated by changes in the expected useful life or the expected consumption of the future economic benefits of an asset are treated as changes in estimates. The intangible assets comprise purchased industrial property rights, franchises, trademarks and other rights, licences, patents and software.

Property, plant and equipment is capitalised at cost, less any accumulated depreciation and impairment losses, if subject to wear and tear. The expected useful life and depreciation method applied are reviewed periodically to assess whether they reflect the economic benefits embodied by the assets.

The cost of an item of property, plant and equipment comprises its purchase price, including import duties and non-refundable purchase taxes, as well as any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Depreciation is applied on a straight-line basis over the expected economic life of the asset:

Office, factory and other buildings	10-50 years
Plant and machinery	2-50 years
Other fixtures and fittings, tools and equipment	2-20 years

The costs of production for property, plant and equipment include direct costs and production-related production overheads. Administrative expenses are not capitalised.

Cost comprises the cost to replace a part of an asset if the related recognition criteria are met. Otherwise, replacement and maintenance equipment is recognised under inventories.

If large parts of items of property, plant and equipment must be replaced at regular intervals, such parts are recognised as separate assets with their own useful lives and depreciation methods. When performing major inspections, the cost is recognised in the carrying amount of the item of property, plant and equipment as a replacement, provided that the recognition criteria are met. The present value of the expected cost of post-use disposal of an asset is included in the cost of the asset if the criteria for recognition of a provision are met.

Borrowing costs that are directly attributable to the cost of an asset that necessarily takes a substantial period to make ready for its intended use or sale are capitalised as part of the cost of the asset in accordance with IAS 23.

Items of property, plant and equipment that are not yet operational are recognised as assets under construction and measured at cost. Depreciation does not commence until the assets concerned are ready for operation.

Expenditure arising after the commissioning of non-current assets, such as repair, maintenance and reconditioning costs, is expensed, as a matter of principle.

If it is likely that the subsequent costs will lead to additional economic benefits from the use of the asset, such costs are capitalised.

On each reporting date, the carrying amounts of property, plant and equipment and intangible assets are examined to determine whether indications of impairment exist. If such indications are identifiable, the recoverable amount of the asset is estimated to determine the scope of any impairment loss to be applied. If the recoverable amount for the specific asset cannot be estimated, the recoverable amount of the cash-generating unit to which the asset belongs is estimated.

If the estimated recoverable amount of an asset (or cash-generating unit) exceeds its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. The impairment loss is expensed immediately.

If the impairment loss is to be reversed subsequently, the carrying amount of the asset (or cash-generating unit) is increased to the level of the more recent estimate of the recoverable amount. In this context, the increase in the carrying amount is to be limited to the amount that would have been derived if no impairment loss had been reported for the asset (or cash-generating unit) in previous years.

Leases

Under IAS 17, the criterion for the attribution of a leased asset to the lessor or lessee is determined by assessing to which party all the significant risks and rewards inherent in ownership transfer. Leased items of property, plant and equipment that represent asset purchases financed by long-term borrowings (finance leases) are recognised at the lower of the fair value or the present value of the minimum lease payments at the commencement of the lease term, in accordance with IAS 17. Depreciation is applied over the economic life of the assets. The commitments arising from the future lease payments are recognised as liabilities. The other lease or hire contracts are treated as operating leases, and the assets are attributed to the lessor or owner, while the current lease payments are expensed. Current payments are offset as expenses.

Inventories

Raw materials and consumables that are fully interchangeable and destined for use are measured applying consumption tracking methods (weighted average cost, and first-in, first-out methods). Inventories that are not normally exchangeable are recognised at cost, including incidental purchase costs. Impairment losses are applied whenever the net realisable value is below the carrying amount.

Work in progress and finished goods are capitalised at the lower of cost of conversion or net realisable value. Costs of conversion include direct material and production costs, as well as appropriate material and production overheads, based on normal capacity utilisation. General administrative and selling costs are not taken into consideration. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

The aluminium price component of the inventories that have been designated as a fair value hedge are carried at fair value. The unhedged component is measured at cost. If the net realisable value (average value of customer orders) is lower on the reporting date, this market value is recognised.

Primary financial assets and liabilities

Financial assets and liabilities comprise other non-current assets and financial assets, trade receivables and payables, other receivables and payables, cash and cash equivalents, and interest-bearing borrowings.

Financial assets in the meaning of IFRS 9 are classified either as financial assets at amortised cost, or as measured at fair value in other comprehensive income (with or without recycling), or as measured at fair value through profit or loss. This classification is made based on the company's business model for the management of financial assets and the characteristics of the contractual cash flows from the financial asset.

Assets are recognised at amortised cost that are held as part of a business model whose objective is to hold financial assets for the receipt of contractual cash flows exclusively comprising interest and principal payments. The "holding" business model is mainly applied at AMAG.

Financial assets are measured at fair value on initial recognition. Settlement date accounting is normally applied to standard market purchases and sales of financial instruments. Price offers by banks or similar pricing models are used to measure the fair value of financial instruments at the end of a reporting period. The fair values of financial assets generally correspond to their market prices on the balance sheet date. In the absence of quoted prices on active markets, they are calculated applying generally accepted valuation models and current market parameters (especially interest rates, exchange rates and counterparties' credit ratings). To this end, the cash flows generated by the financial instruments are discounted to the balance sheet date.

Derecognition of financial assets

Financial assets are derecognised if the contractual rights conferred by the assets expire, or the Group has transferred its contractual rights to receive cash flows from the assets, or assumed a contractual obligation to pay the cash flows to a third party immediately under an agreement that meets the conditions set out in IFRS 9 3.2 (a so-called "pass-through arrangement"), and has either (a) transferred substantially all the risks and rewards entailed in ownership of the financial asset or (b) neither transferred nor retained substantially all the risks and rewards entailed in ownership of the financial asset, but has transferred control of the asset.

If the Group transfers its contractual rights to receive cash flows from an asset, or enters into a pass-through arrangement, and neither transfers nor retains substantially all the risks and rewards entailed in ownership of the financial asset, but retains control of the transferred asset, then the Group continues to recognise the asset to the extent of its continuing involvement in the latter. Financial liabilities are derecognised when the obligation specified in the contract is discharged or cancelled, or expires.

Other non-current financial assets and financial investments

Other non-current financial assets and investments comprise securities measured at fair value and non-consolidated interests as well as the interest in unit-IT Dienstleistungs GmbH & Co KG. As part of first-time recognition due to the first-time application of IFRS 9, it was determined for which financial instruments the fair value changes would be recognised in other comprehensive income as part of subsequent measurement. For the measurement, the option on initial recognition was exercised of recognising the measurement in other comprehensive income. The option was exercised, as the financial instruments comprise a strategic investment and are not held for trading. The option to recognise in other comprehensive income exists only on initial recognition and can be exercised individually for each financial instrument. For more information about non-current derivatives with positive fair values that are included, please refer to the section on derivative financial instruments in section M Financial instruments.

The "hold" business model is applied to other non-current financial assets that are debt instruments and are recognised at amortised cost as a consequence.

Income from investments and miscellaneous other financial assets is shown under the other net financial result.

Receivables

Trade receivables without significant financing components are initially recognised at their transaction price in the meaning of IFRS 9, and subsequently at amortised cost, less any valuation adjustments for expected credit losses. Foreign currency receivables are measured at the average rate prevailing on the balance sheet date.

Trade receivables are measured applying the simplified model (expected loan losses due to all potential default events during the expected term). For this purpose, the requirement for impairment losses is calculated in an impairment matrix applying a past analysis and an estimate of future trends. This analysis showed no expected credit loss for Level 2 as of the reporting date.

Receivables are only derecognised in the event of insolvency or unsuccessful attempts to enforce claims by taking legal action. Impairment losses are reversed through profit or loss if the reason for the impairment no longer applies or an improvement has occurred. Interest-free or low-interest receivables with an expected residual maturity of over one year are discounted.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and short-term investments. Measurement is at amortised cost. The exemption to waive an analysis of a deterioration of credit risk if the banks enjoy low credit risks on the reporting date is utilised for all bank deposits, as the corresponding banks carry an investment-grade category rating, and consequently exhibit low credit risk.

Liabilities

Liabilities are recognised at amortised cost in accordance with IFRS 9, applying the effective interest method. The effective interest method amortises the difference between the cost and the nominal value, applying the effective interest rate. The effective interest rate is the rate that discounts the estimated future cash flows until maturity, or the next market price-oriented interest rate adjustment date, to the current carrying amount of the financial asset or financial liability.

Derivative financial instruments

Derivative instruments that do not meet the criteria for hedge accounting as per IFRS 9 are classified as held for trading and recognised at fair value through profit and loss in accordance with IFRS 9. Where material, measurement takes counterparty credit risk as well as the company's own credit risk into consideration. For more information on the risk management strategy, please see the section M Financial instruments.

Cash flow hedges

In the case of a cash flow hedge, the effective portion of the change in fair value is recognised in other comprehensive income, under the hedging reserve item, whereas the ineffective portion is recognised immediately in profit or loss, under the other net financial result. However, if a hedge of a forecast transaction results in the recognition of a non-financial asset or liability, the amounts are recorded as part of the cost of that asset or liability at the time of recognition. In all other cases, amounts deferred in equity are recognised in profit or loss on the date, or dates, on which the hedged cash flows affect the result.

Interest rate swaps are used to hedge against interest rate risk. Fixed interest is paid on the notional value of the swap contract and, in return, the Group receives variable interest payments on the same principal amount. These interest rate swaps offset the impact of future changes in interest rates on the cash flows derived from the underlying variable-rate financial liabilities.

The Group partially uses forward contracts and options to hedge part of future sales of its share of production from Aluminerie Alouette Inc. The derivatives used for this purpose are classified as cash flow hedges.

Fair value hedges

In a fair value hedge, both the hedged item in relation to the hedged risk and the derivative hedging instrument are measured at fair value, and changes in the latter are recognised in profit or loss. Subsequent measurement is at market value, as a matter of principle.

Physical stocks are hedged against exchange rate and price movements (portfolio hedging of the aluminium price portion of inventories).

Firm commitment

When an off-balance-sheet firm commitment (customer order) is designated as a hedged item, the subsequent cumulative change in the fair value of the commitment attributable to the hedged risk is recognised as an asset or liability through profit or loss.

Embedded derivatives

Derivatives embedded in other financial instruments or host contracts are treated as separate derivatives if their risks and characteristics are not closely related to those of the host contracts, and they are in any case not measured at fair value.

Power supply contract concluded by Aluminerie Alouette Inc.

Alouette has a power contract with a state-owned utility that directly ties the rate to be paid by Alouette to the market price of aluminium under a contractual pricing formula.

As of October 11, 2016, a new electricity purchasing contract was concluded that regulates electricity supplies from January 1, 2017. The new contract contains an embedded derivative due to the dependency of the electricity price on the LME price. This derivative is a designated as a hedging instrument as part of cash flow hedges. The fair value of the derivative is measured based on a model. Given the monopolistic electricity market in Canada, no liquid electricity market exists in the conventional sense (in other words, a mark-to-market price is not directly observable). A forward pricing model is consequently employed to value the derivative, applying an electricity reference price, related yield curves, and forward aluminium prices and foreign currency exchange rates.

In order to obtain a market-based valuation of the contract, the present value of future electricity payments is subsequently calculated applying forward aluminium prices plus a premium (Midwest Premium) based on the expected term of the electricity contract and compared with the present value of future electricity payments based on Alouette's reference electricity price taking into account USD to CAD forward structures. The difference calculated in this manner provides a model-based valuation of the embedded derivative.

The derivative's positive fair value on initial measurement was classified as a public subsidy (from the Government of Québec), and reported under other non-current and current liabilities accordingly. The subsidy is released through profit or loss in line with the expenses as expected according to the terms in the contract.

Share capital

The subscribed share capital exclusively comprises ordinary shares securitising the same rights and all which are issued.

Capital reserves

The capital reserves include shareholder contributions, payments made by shareholders in connection with the issuance of shares, and effects arising from reorganisations.

Provisions for severance payments, pensions, medical care benefits and service anniversary bonuses

Provisions for defined benefit pension plans and post-employment medical care plans, as well as severance payments and service anniversary bonuses obligations, are remeasured annually by independent actuaries.

The obligations and costs are measured applying the projected unit credit method, in accordance with IAS 19. The projected benefits are attributed to the entire period of employment. In the provisions for severance arrangements, the anticipated obligations are distributed over the period until the attainment of the individually maximum possible entitlement.

Provisions are measured based on the following financial and demographic assumptions:

Discounting rates are determined on a country-specific basis reflecting returns achieved on the market by top grade industrial bonds. The pension schemes of the Austrian companies are measured based on yield trends as determined by MERCER Deutschland, and in accordance with the obligations' residual durations. In Canada, Fiera Capital's "CIA Method Accounting Discount Rate Curve" is applied as a reference in an analogous manner.

Salary growth is derived from the beneficiaries' wage and salary trends over recent years, taking expectations about the future into account. The consumer price index serves as the basis for pension adjustments in Austria. In Canada, cost trends for medical care services reflect the circumstances prevailing there.

Staff turnover rates are calculated on a country-specific basis. Details see chapter J 10 Personnel provisions.

Actuarial gains and losses other than those related to service anniversary bonuses are stated under other comprehensive income.

For the Austrian companies, current data from the Austrian Actuaries Association (AVÖ), the 2008-P mortality tables with generational effect for salaried employees, are utilised (although not for invalidity and marriage probability). These are derived from Ettl-Pagler basic probability data that have been used to date, being further developed with new assumptions concerning further mortality trends in the form of generation tables deriving from existing period tables. At the Canadian company Aluminerie Alouette Inc., the "CPM2014Priv projected with scale CPMB (2 dimensions)" are applied as the basis for mortality, with a reduction in the mortality rate of 2.5 % and 5 % respectively.

Where a pension plan qualifies for offsetting of the plan assets against the provision required by IAS 19, such offsetting is performed.

Current service cost and any past service cost are reported among personnel expenses, with the net interest expense on the measurement of the aforementioned obligations being reported in the net financial result.

Other provisions

Other provisions are formed if an obligation to third parties arises from a past event, utilisation is probable, and the prospective level of the provisioning amount can be estimated reliably on the balance sheet date.

Research and development expenses

Research costs are expensed in the period in which they are incurred. Development costs are expensed if the criteria for capitalisation as per IAS 38 are not met. A total of EUR 12,315 thousand were recognised as research and development expenses in the year under review (previous year: EUR 10,842 thousand).

Revenue recognition

Revenue from deliveries is not recognised until the significant risks and rewards of ownership of the goods delivered have transferred to the buyer. In the AMAG Group, satisfaction of this criterion is primarily based on contractually agreed Incoterms. Revenue from services is recognised if the service has been rendered, the level of revenue can be calculated reliably, and the economic benefit is likely to accrue to the Group.

As a matter of principle, expense-related government grants are recognised as revenue on a scheduled basis over the period that is required to offset the expenses that they subsidise. In the 2017 financial year, expense-related government grants of EUR 22,294 thousand were recognised in profit or loss (previous year: EUR 1,888 thousand).

The interest is accrued pro rata at the respective interest rate. Dividends are recognised when shareholders' rights to receive payment are substantiated.

Borrowing costs

Borrowing costs comprise interest and other costs incurred in connection with borrowings. Borrowing costs that are directly attributable to the purchase, construction or manufacturing of an asset that necessarily takes a substantial period to make ready for its intended use or for sale are capitalised as part of the cost of the asset. All the other borrowing costs are expensed in the period in which they are incurred.

Income taxes

Tax assets and tax liabilities are offset when they relate to income taxes levied by the same taxation authority, and a right exists to set off such tax assets against tax liabilities. The income tax liability is based on the annual profit, taking deferred tax into account. Deferred tax is calculated applying the balance sheet liability method. Deferred tax reflects the tax effects of the temporary differences between the reported carrying amounts of assets and liabilities on the one hand, and the corresponding amounts based on respective tax regulations on the other. Deferred tax assets and liabilities are measured applying the tax rates (and tax regulations) that are expected to apply to the period when the deferred tax assets are expected to be realised or the liabilities settled.

Deferred taxes are recognised for all taxable temporary differences that give rise to deferred tax liabilities. Deferred tax assets are recognised only if it is probable that sufficient future taxable profit will be available for the deferred tax asset to be utilised. For this purpose, the carrying amounts of the deferred tax assets are reviewed at the end of each reporting period. The carrying amount of a deferred tax asset is reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of the asset to be utilised.

Deferred tax is recognised directly in equity if the tax relates to items that are recognised directly in equity, and this tax is offset against or credited to equity in the same or a different period.

In Austria, dividend payouts from the Group companies to the Group parent company are free of tax. Pursuant to double taxation treaties between Canada and Austria, dividend payments rendered by Aluminium Austria Metall (Québec) Inc. incur 5 % withholding tax. If the entire net profit of the Canadian subsidiary of USD 75.6 million (previous year: USD 77.5 million) were to be distributed as a dividend, USD 3.8 million (previous year: USD 3.9 million) of withholding tax would be incurred. No dividend payment from Canada is currently planned.

F Accounting judgements and estimates

Accounting judgements

In the case of the interest held in the Canadian smelter Aluminerie Alouette Inc., Sept-Îles, a discretionary assessment was made as to whether this is to be classified as a jointly controlled operation (IFRS 11.15). Within the AMAG Group, the classification was made mainly for the following reasons:

+ The agreement between the various partners regulates the joint control of Alouette's operations.
+ The partners own pro rata shares of all the company's assets.
+ Alouette does not generate any revenue from third parties, and the company's owners are obligated to purchase a pro rata share of total output. The partners are also obligated to meet cash calls on a pro rata basis to fulfil Alouette's financing and liquidity requirements.
+ For this reason, the partners are the primary source of cash flows, and consequently obligated to cover any debts that Alouette might incur.

Assumptions and estimation uncertainties

When preparing the consolidated financial statements, it is to some extent necessary to make estimates and assumptions that influence the reported assets, provisions and liabilities, the disclosures of other commitments as at the end of the reporting period, and the presentation of income and expenses for the reporting period. Actual future results may differ from the estimates, and this may have a significant impact on the consolidated financial statements.

The Management Board of AMAG Austria Metall AG believes that it has made reasonable assumptions, such that the consolidated financial statements in all material respects give a true and fair view of the Group's financial position and performance.

The estimates and underlying assumptions are subject to considerable uncertainty, and their accuracy is consequently scrutinised constantly. Changes in the estimates are recognised in the periods in which they are made.

The following notes to the financial statements include information about assumptions and uncertainties relating to estimates which can generate a considerable risk that necessitates a significant adjustment during the following financial year:

Asset impairment tests

Concerning the extent to which assets retain their value at the level of a cash-generating unit, an annual review is conducted as to whether indications of impairment exist that would necessitate an impairment test. In the year under review, no indications existed of impairment to assets.

Financial asset impairment tests

When valuing financial assets, assumptions are to be made especially concerning the likelihood of default and the assessment of the impairment of receivables. This occurred based on analyses of the past, taking expected future developments into consideration. For more information see section M Financial instruments, in the section concerning credit risks.

Cash flow hedges

For the accounting treatment of cash flow hedge relationships, assumptions are to be made especially concerning the likelihood of the occurrence of future revenues. Here, uncertainties exist particularly in relation to the expected scope of future revenues and the assumption that expected cash flows will be received (default probability).

For the accounting treatment of the embedded derivative deriving from the electricity contracts, estimates were also to be made (e.g. expected term). For more information, please see section E Accounting policies and section M Financial instruments.

Personnel provisions

When measuring provisions for severance payments, pensions, medical care benefits and service anniversary bonuses, assumptions are to be made relating to financial parameters (discount rate, salary increases) and demographic parameters (staff turnover rate, calculation basis). The discount rate is determined based on market yields achieved by top grade fixed-interest corporate bonds on the balance sheet date. In Austria, the data tables produced by MERCER Germany serve as the basis, and in Canada, Fiera Capital's "CIA (Canadian Institute of Actuaries) Method Accounting Discount Rate Curve". Derived from past years' trends, salary growth comprises expected future increases that are estimated annually depending on inflation and career trends (except pensions), among other factors. As of December 31, 2017, provisions of EUR 82,140 thousand (previous year: EUR 68,504 thousand) were recognised for severance payments, pensions, medical care benefits and service anniversary bonuses. Further details can be found in section J Notes to the consolidated statement of financial position, subsection 10.

Deferred tax

To measure deferred tax assets on tax loss carryforwards, assumptions relating to future taxable income and the timing of realisation are to be made. Such assets are recognised in relation to non-forfeitable tax loss carryforwards under the assumption that sufficient taxable income will be generated in the future to realise the tax loss carryforwards. For this, budgeted operating business results and earnings effects arising from the reversal of taxable temporary differences are taken into consideration. As the future trend of business is uncertain, and lies partially outside the Group's control, assumptions that are to be made in connection with the recognition of deferred tax assets are connected with uncertainties.

Within the AMAG Group, non-forfeitable loss carryforwards exist mainly at the Austria Metall AG tax group. Deferred tax assets relating to non-forfeitable loss carryforwards are measured based on medium-term planning for the coming five years, which is reconciled with the tax planning account. Based on the current tax planning account for the AMAG Austria Metall AG tax group as well as for AMAG Erste Beteiligungsverwaltungs GmbH, positive tax results are also expected for the corresponding period. Therefore deferred taxes were also formed for these loss carryforwards as a consequence. In the previous year deferred tax assets for the Austria Metall GmbH tax group were formed which were completely used in the financial period. For further details see J Notes to the consolidated statement of financial position.

Non-current provisions

Non-current provisions for other risks are formed if an obligation to third parties exists, an outflow of resources is probable, and the prospective obligation can be estimated reliably. The amount recognised as a provision comprises the best possible estimate of the obligation on the balance sheet date. Provisions with an original term of more than one year are recognised with the satisfaction amount discounted to the reporting date. Provisions are reviewed regularly and adjusted to reflect new information or a change in circumstances.

Contingent liabilities

Contingent liabilities according to IFRS 3 deriving from previous years for environmental cleanup costs for potential hazardous sites exist in an amount of EUR 5,700 thousand (previous year: EUR 5,700 thousand). The recognised values were retained pursuant to IFRS 3.56, as neither the conditions for derecognition nor the criteria for a provision pursuant to IAS 37 were met as of the balance sheet date.

The AMAG Group is obligated to clean leachate deriving from a closed and sealed waste site to comply with prescribed consensus levels. This obligation was measured with the present value of the estimated operating costs until 2029. The congruent maturity interest rate deriving from the European government yield curve was applied as the interest rate. The carrying amount of the non-current portion of the provision stands at EUR 4,040 thousand (previous year: EUR 4,574 thousand).

Further details can be found in section J "Notes to the consolidated statement of financial position", subsection 11.

G Contingent liabilities and assets

Contingent liabilities are not shown on the statement of financial position, apart from those accounted for in accordance with IFRS 3. They are disclosed when the possibility of an outflow of resources embodying economic benefits cannot be excluded, although the criteria for the recognition of a provision are not met.

Contingent assets are disclosed in the consolidated financial statements only if an inflow of resources embodying economic benefits is probable.

H Adjustments from the first-time application of IFRS 9

Based on the presented modifications to accounting policies due to the first-time application of IFRS 9, the following retroactive adjustments arise for the consolidated financial statements of AMAG, which were taken into consideration as of January 1, 2017 according to the transition regulations.

Overview of the effects of the IFRS 9 adjustment on the statement of financial position:

in EUR thousand	31/12/2016	Adjustments IFRS 9	01/01/2017
Non-current assets	876,935	902	877,837
Current assets	512,793	942	513,734
TOTAL ASSETS	1,389,727	1,844	1,391,571
Equity	630,460	1,641	632,101
Non-current liabilities	555,797	203	556,000
TOTAL EQUITY AND LIABILITIES	1,389,727	1,844	1,391,571

The increase in trade receivables derives from a release of impairment losses applied to trade receivables, which were no longer permissible based on the concept of lifetime expected credit losses introduced by IFRS 9, and consequently attributable to an amended measurement method. The increase in non-current participating interests and securities, which were measured at cost less impairment pursuant to IAS 39, derives from fair value measurement, and consequently from an amended measurement category. An adjustment also occurred due to the recognition of the fair value component of options in other comprehensive income and in the fair value reserve.

The following table shows the changes deriving from the first-time application of IFRS 9:

Position	Classification under IAS 39	Classification under IFRS 9	Carrying amount under IAS 39 as of December 31, 2017	Carrying amount under IFRS 9 as of December 31, 2017
Other non-current assets and financial assets				
thereof non-current derivatives with positive market value	Held for trading	Fair value through profit or loss	456	456
thereof equity investments	Available for sale	Fair value through other comprehensive income	27	60
thereof securities available for sale	Available for sale	Fair value through other comprehensive income	354	1,223
thereof other non-current assets	Loans, receivables and liabilities	At amortised cost	2,406	2,406
Trade receivables	Loans, receivables and liabilities	At amortised cost	102,641	103,583
Other current assets and financial assets				
thereof current derivatives with positive market value	Held for trading	Fair value through profit or loss	11,216	11,216
thereof other current assets	Loans, receivables and liabilities	At amortised cost	9,209	9,209
thereof funds in transit	Cash and cash equivalents	At amortised cost	470	470
Cash and cash equivalents	Cash and cash equivalents	At amortised cost	149,833	149,833
Interest-bearing non-current financial liabilities	Loans, receivables and liabilities	At amortised cost	376,124	376,124
Other non-current liabilities and grants	Loans, receivables and liabilities	At amortised cost	98,869	98,869
Trade payables	Loans, receivables and liabilities	At amortised cost	73,322	73,322
Other current liabilities and grants	Loans, receivables and liabilities	At amortised cost	18,461	18,461

I Segment reporting

Business divisions

Reporting by business divisions (the Metal, Casting, Rolling and Service divisions) conforms to the Group's organisational and management structure, and this serves as the basis for segment information.

Production of primary aluminium, management of metal production streams, hedging the aluminium price risk exposure of the operating subsidiaries of AMAG, and marketing primary aluminium fall under the Metal Division's remit.

The Casting Division is responsible for the production of high-quality cast aluminium alloys from aluminium scrap for use by various sectors, including the automotive sector and supply industry, as well as the engineering and electrical engineering sectors.

The Rolling Division manufactures high-quality rolled aluminium products such as sheets, strips and plates for applications in the automotive sector and supply industry, and in sports, engineering, transportation and other industrial sectors. The Division also specialises in bright products, customised cathode elements for zinc electrolysis plants, brazing materials, tread plate and high strength alloys, as well as foil stock for the packaging industry. The portfolio is rounded off by foil stock materials for the packaging industry.

The Service Division provides all centralised services to the operating divisions of AMAG at the Ranshofen facility, and overall management functions for the AMAG Group. Its tasks especially also cover management of all buildings and areas at the Ranshofen site, whose land and building assets are allocated entirely to this area. Energy supply, waste disposal, general site services and materials management are also included in the Service Division. The revenue reported in the Service Division relates entirely to the provision of services.

No business divisions were combined to create the four reportable divisions described above. The accounting principles applied to prepare the segment information for AMAG Austria Metall AG are based on the IFRSs applied in the preparation of the consolidated financial statements.

AMAG Austria Metall AG evaluates divisional performance based on shipments and earnings before interest, tax, depreciation and amortisation (EBITDA), among other indicators.

Inter-divisional sales and purchases of materials and services are calculated based on market prices. Segment assets and liabilities comprise all assets and liabilities recognised based on the financial statements that are prepared by the operating divisions and included in the consolidated financial statements. Divisional investment comprises additions to intangible assets, and to property, plant and equipment.

Inter-divisional transactions

The revenue, expenses and income of each division include elimination of intragroup balances between business divisions and geographical divisions. Interdivisional transfer pricing is based on comparable, standard market terms.

Business divisions

2017 in EUR thousand	Metal	Casting	Rolling	Service	Consoli-dation	Group
Shipments in tons	120,383	87,359	213,937		(25,778)	395,901
thereof internal[1)]	0	25,778	0		(25,778)	0
Revenue						
External	207,998	110,163	712,160	5,918	0	1,036,238
Internal	522,876	9,312	97,392	75,359	(704,939)	0
	730,873	119,475	809,552	81,277	(704,939)	1,036,238
Gross profit	21,048	8,344	111,788	16,870	(1,834)	156,216
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	41,330	5,657	105,933	11,533	0	164,453
Depreciation and amortisation	28,185	2,056	35,443	11,967	0	77,651
Earnings before interest and taxes (EBIT)	13,145	3,601	70,490	(434)	0	86,802
Interest income	1,961	0	157	4,823	(6,122)	820
Interest expenses	(2,262)	(102)	(6,467)	(4,556)	6,122	(7,266)
Net interest income (expenses)	(301)	(102)	(6,310)	267	0	(6,446)
Other financial income (expenses)	1,384	0	(78)	43,994	(44,000)	1,300
Net financial income (expenses)	1,083	(102)	(6,388)	44,261	(44,000)	(5,146)
Earnings before taxes (EBT)	14,228	3,500	64,102	43,827	(44,000)	81,657
Income taxes	(3,746)	(786)	(14,046)	81	0	(18,497)
Net income after taxes	10,482	2,714	50,056	43,908	(44,000)	63,160
Balance sheet						
Division assets	414,946	29,750	612,179	884,509	(536,515)	1,404,869
Division liabilities	258,054	15,318	415,410	476,093	(367,880)	796,995
Other disclosures						
Investments (excluding financial investments)	12,255	3,470	73,509	17,973	0	107,208
Employees (FTE)	190	126	1,424	141	0	1,881

1) Internal volumes include material supplies from Alouette in the Metal Division, and reprocessing volumes in the Casting Division.

2016 in EUR thousand	Metal	Casting	Rolling	Service	Consoli-dation	Group
Shipments in tons	121,196	86,709	198,031		(30,710)	375,226
thereof internal[1)]	6,031	24,678	0		(30,710)	0
Revenue						
External	185,903	102,689	611,941	5,713	0	906,246
Internal	425,246	9,391	90,282	65,956	(590,876)	0
	611,149	112,080	702,223	71,669	(590,876)	906,246
Gross profit	15,647	8,419	113,260	14,371	(1,322)	150,375
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	37,866	6,127	95,596	3,409	0	142,997
Depreciation and amortisation	28,637	2,192	28,946	10,250	0	70,026
Earnings before interest and taxes (EBIT)	9,228	3,934	66,649	(6,841)	0	72,971
Interest income	3,341	0	95	3,758	(6,241)	952
Interest expenses	(4,474)	(77)	(7,095)	(3,810)	6,241	(9,215)
Net interest income (expenses)	(1,133)	(77)	(7,000)	(53)	0	(8,262)
Other financial income (expenses)	(1,905)	0	0	41,149	(41,000)	(1,756)
Net financial income (expenses)	(3,037)	(77)	(7,000)	41,096	(41,000)	(10,018)
Earnings before taxes (EBT)	6,191	3,858	59,649	34,255	(41,000)	62,953
Income taxes	(2,019)	(1,003)	(14,715)	1,090	0	(16,648)
Net income after taxes	4,172	2,854	44,934	35,345	(41,000)	46,305
Balance sheet						
Division assets	559,908	28,169	537,904	803,190	(539,444)	1,389,727
Division liabilities	278,869	14,266	389,438	414,172	(337,477)	759,267
Other disclosures						
Investments (excluding financial investments)	6,977	1,100	138,209	55,048	0	201,334
Employees (FTE)	195	125	1,309	133	0	1,762

1) Internal volumes include material supplies from Alouette in the Metal Division, and reprocessing volumes in the Casting Division.

Geographical divisions

2017 in EUR thousand	Production site Austria	Production site Canada	Total	Consolidation	Group
Revenue					
Austria revenue[1)]	156,727	194,054	350,782	(202,133)	148,648
Western Europe	594,674	0	594,674	0	594,674
Other markets	292,916	0	292,916	0	292,916
	1,044,317	**194,054**	**1,238,372**	**(202,133)**	**1,036,238**
Earnings					
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	125,946	38,265	164,211	242	164,453
Earnings before interest and taxes (EBIT)	76,465	10,096	86,560	242	86,802
Balance sheet					
Non-current division assets	634,777	125,738	760,516	0	760,516

2016 in EUR thousand	Production site Austria	Production site Canada	Total	Consolidation	Group
Revenue					
Austria revenue[1)]	124,744	189,618	314,362	(178,576)	135,786
Western Europe	484,594	0	484,594	0	484,594
Other markets	285,866	0	285,866	0	285,866
	895,204	**189,618**	**1,084,822**	**(178,576)**	**906,246**
Earnings					
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	110,078	33,162	143,239	(242)	142,997
Earnings before interest and taxes (EBIT)	68,675	4,538	73,213	(242)	72,971
Balance sheet					
Non-current division assets	590,154	160,647	750,801	0	750,801

1) Aluminium production at the Alouette smelter in Canada is sold on a pro rata basis to the Austrian metal management subsidiary, which in turn sells the aluminium on.

The revenues were allocated to the respective sales markets based on the customers' headquarter operations.

J Notes to the consolidated statement of financial position

01 Consolidated statement of changes in non-current assets

Cost or valuation

in EUR thousand	As of Jan. 1, 2017	Exchange differences	Additions	Disposals	Reclassifi-cations	As of Dec. 31, 2017
Intangible assets	**9,797**	**(507)**	**2,947**	**(1)**	**(134)**	**12,102**
Undeveloped land	17,450	0	0	(1)	0	17,449
Land - developed land	17,835	(99)	1	0	0	17,737
Buildings - developed land	181,242	(5,517)	12,339	(474)	42,354	229,944
Plant and machinery	767,471	(38,402)	65,652	(13,070)	129,876	911,527
Other fixtures and fittings, tools and equipment	42,602	(334)	6,282	(1,609)	792	47,733
Advance payments made and assets under construction	175,632	(316)	19,986	(47)	(172,888)	22,368
Property, plant and equipment	**1,202,232**	**(44,668)**	**104,260**	**(15,201)**	**134**	**1,246,757**

in EUR thousand	As of Jan. 1, 2016	Exchange differences	Additions	Disposals	Reclassifi-cations	As of Dec. 31, 2016
Intangible assets	**8,189**	**111**	**1,464**	**(30)**	**62**	**9,797**
Undeveloped land	17,450	0	0	0	0	17,450
Land - developed land	17,808	26	1	0	0	17,835
Buildings - developed land	177,507	1,460	2,390	(2,531)	2,417	181,242
Plant and machinery	703,806	10,161	38,383	(11,893)	27,014	767,471
Other fixtures and fittings, tools and equipment	36,969	73	6,431	(1,528)	657	42,602
Advance payments made and assets under construction	53,200	(74)	152,665	(8)	(30,150)	175,632
Property, plant and equipment	**1,006,739**	**11,645**	**199,870**	**(15,960)**	**(62)**	**1,202,232**

Amortisation, depreciation and impairment losses

in EUR thousand	As of Jan. 1, 2017	Exchange differences	Additions	Disposals	Reclassifications	As of Dec. 31, 2017
Intangible assets	**2,377**	**(63)**	**1,000**	**(1)**	**0**	**3,312**
Undeveloped land	0	0	0	0	0	0
Land - developed land	177	(31)	164	0	0	310
Buildings - developed land	76,702	(3,298)	10,487	(280)	0	83,612
Plant and machinery	356,936	(23,042)	59,714	(12,048)	0	381,559
Other fixtures and fittings, tools and equipment	25,036	(237)	6,286	(1,535)	0	29,549
Property, plant and equipment	**458,850**	**(26,608)**	**76,651**	**(13,862)**	**0**	**495,031**

in EUR thousand	As of Jan. 1, 2016	Exchange differences	Additions	Disposals	Reclassifications	As of Dec. 31, 2016
Intangible assets	**1,562**	**17**	**827**	**(30)**	**0**	**2,377**
Undeveloped land	0	0	0	0	0	0
Land - developed land	0	8	169	0	0	177
Buildings - developed land	67,939	869	9,457	(1,562)	0	76,702
Plant and machinery	308,396	6,067	54,080	(11,607)	0	356,936
Other fixtures and fittings, tools and equipment	20,858	49	5,494	(1,366)	0	25,036
Property, plant and equipment	**397,193**	**6,994**	**69,200**	**(14,535)**	**0**	**458,850**

Carrying amounts

in EUR thousand	Historical cost Dec. 31, 2017	Accumulated amort./depr. Dec. 31, 2017	Book values Dec. 31, 2017	Book values Dec. 31, 2016
Intangible assets	**12,102**	**3,312**	**8,790**	**7,420**
Undeveloped land	17,449	0	17,449	17,450
Land - developed land	17,737	310	17,427	17,658
Buildings - developed land	229,944	83,612	146,332	104,540
Plant and machinery	911,527	381,559	529,968	410,535
Other fixtures and fittings, tools and equipment	47,733	29,549	18,183	17,566
Advance payments made and assets under construction	22,368	0	22,368	175,632
Property, plant and equipment	**1,246,757**	**495,031**	**751,726**	**743,381**

Advance payments made and assets under construction

During the course of the financial year, investments in the "AMAG 2020" expansion project were recognised as additions to assets under construction and will not be reclassified to the corresponding non-current asset categories until they are completed and commissioned.

Impairment losses and reversals of impairment losses

As in the previous year, in 2017 no impairment losses, or reversals of impairment losses, were applied to intangible assets or property, plant and equipment.

Specialist spare parts

In the year under review, specialist spare parts in an amount of EUR 1,236 thousand were recognised as assets (previous year: EUR 133 thousand).

Borrowing costs

In the 2017 financial year, borrowing costs in an amount of EUR 225 thousand were capitalised in relation to qualifying assets (previous year: EUR 226 thousand). The calculated effective interest rate for the ERP financing of 0.33 % was applied as the basis (previous year: 0.11 %).

Finance leases

Other fixtures and fittings, tools and equipment include IT hardware qualifying as a finance lease, with a carrying amount of EUR 804 thousand (previous year: EUR 1,200 thousand).

Other additions to fixtures and fittings, tools and equipment include non-cash additions of EUR 144 thousand (previous year: EUR 169 thousand).

Payment obligations under finance leases in EUR thousand	2017	2016
Minimum lease payments		
Up to one year	574	506
More than one year up to five years	239	716
Over five years	0	0
less:		
Future finance costs	9	22
Present value of lease obligation		
Up to one year	566	492
More than one year up to five years	238	709
Over five years	0	0
	804	1,200

Finance lease payment obligations are reported under interest-bearing financial liabilities in the consolidated statement of financial position.

Operating leases

The Group is the lessee under several operating leases relating to buildings, machinery, office space, silos and other items.

They do not contain either extension clauses or purchase options, nor do they place any restrictions on the Group's activities regarding dividends, additional borrowing or other leasing agreements.

Lease payments of EUR 543 thousand were expensed in the year under review (previous year: EUR 691 thousand).

The Group's future obligations under operating leases are as follows:

Payment obligations under operating leases in EUR thousand	2017	2016
Up to one year	645	631
More than one year up to five years	1,129	1,983
Over five years	0	0
	1,774	2,615

Obligations arising from investments in plant

Obligations arising from investments in plant amounted to EUR 21,640 thousand as of December 31, 2017 (previous year: EUR 56,984 thousand).

02 Investments in associates

in EUR thousand	2017	2016
Book value as of January 1	0	0
Reclassification of book value	18	0
Additions	1,301	0
Share of profit of the year	216	0
Share of other comprehensive income	(15)	0
Share of dividends received	(126)	0
Book value as of December 31	1,395	0

The 25.1 % interest in Speditionsservice Ranshofen GmbH (SSR) was classified as material as of June 30. As a consequence, this company, which was previously recognised at amortised cost, was accounted for using the equity method as of June 30, 2017. SSR performs customs and dispatch processing for the AMAG Group. The company is based in Ranshofen and its financial reporting date is December 31. The following section presents the company's financial information in the summarised form:

in EUR thousand	2017	2016
Current assets	5,584	0
Non-current assets	6,391	0
Equity	4,827	0
Current liabilities	6,323	0
Non-current liabilities	825	0
Revenue	6,809	0
Profit of the year	861	0
Other comprehensive income	(60)	0
Total comprehensive income	801	0
Dividends received	126	0

The deferred taxes incurred on the share of the profit were not recognised, as AMAG itself can manage the corresponding reversal, and from today's perspective this is not expected to occur.

03 Other non-current assets and financial assets

in EUR thousand	2017	2016
Derivatives recognised as non-current assets	45,948	99,942
Securities measured at fair value resulting in neither profit nor loss	1,202	354
Other non-current assets	2,169	2,432
	49,319	102,728

This item includes binding commitments for government grants, and undertakings from customers subject to insolvency or bankruptcy proceedings to pay receivables.

Information on derivatives is presented in section M Financial instruments, within the section on derivative financial instruments.

Securities measured at fair value through profit or loss include non-controlling interests of less than 20 % in three companies. The change compared with the previous year derives from adjustments based on the first-time application of IFRS 9 (see section H Adjustments deriving from the first-time application of IFRS 9)

04 Deferred tax assets

in EUR thousand	2017	2016
Deferred tax assets affecting net income	(8,963)	11,700
Deferred tax assets not affecting net income	22,574	11,705
	13,611	23,406

This item includes deferred tax assets relating to loss carryforwards in an amount of EUR 7,639 thousand (previous year: EUR 16,418 thousand). These derive from loss carryforwards of AMAG Austria Metall AG tax group amounting to EUR 30,503 thousand (previous year: EUR 26,284 thousand) and from pre-tax group losses of AMAG Erste Beteiligungsverwaltungs GmbH amounting to EUR 55 thousand (previous year: EUR 243 thousand), where prospects exist of realising them based on tax planning. Tax assets relating to loss carryforwards of the Austria Metall GmbH tax group from last year (EUR 39,389 thousand) were utilised in 2017.

No deferred tax assets have been recognised for loss carryforwards in an amount of EUR 182 thousand, as it is unlikely that they can be realised (previous year: EUR 402 thousand). Furthermore, no deferred tax assets were recognised for the loss carryforwards of the Canadian company in an amount of EUR 11,090 thousand (previous year: EUR 23,185 thousand), as they cannot be utilised under the present circumstances.

An offsetting of EUR 4,370 thousand of deferred taxes was also applied at the level of the Austria Metall GmbH tax group in the year under review (previous year: EUR 2,239 thousand).

05 Inventories

in EUR thousand	2017	2016
Raw materials and consumables	110,713	98,948
Work in progress	55,367	40,381
Finished goods	60,543	58,804
Merchandise	594	856
	227,218	198,989

This item includes impairment losses of EUR 26,038 thousand (previous year: EUR 22,119 thousand). Of the change in the impairment loss, EUR 4,949 thousand is attributable to additions (previous year: EUR 1,520 thousand), EUR 657 thousand to consumption (previous year: EUR 692 thousand), and the remainder relates to currency translation differences.

Inventories of EUR 589,723 thousand were carried in profit or loss in the period under review (previous year: EUR 476,575 thousand), EUR 589,295 thousand of which were attributable to cost of sales (previous year: EUR 475,906 thousand).

06 Trade receivables

in EUR thousand	2017	2016
Trade receivables	120,382	104,306
Other receivables	23	35
Impairment trade receivables	0	(1,699)
	120,404	102,641

The change in impairment losses was as follows:

Impairment losses in EUR thousand	2017	2016
As of January 1	1,699	1,693
IFRS 9 adjustment January 1	(942)	0
As of January 1 after adjustment	758	1,693
Addition	106	9
Reclassification	(863)	0
Reversal	(1)	(3)
As of Dec. 31	(0)	1,699

The reclassification concerns cash to be paid for customer receivables.

07 Other current assets

in EUR thousand	2017	2016
Other receivables and advanced payments	30,906	27,683
Derivatives recognised as current assets	29,982	30,012
Financial receivables - funds in transit	484	470
	61,372	58,166

Other receivables and prepayments include social security receivables and taxes of EUR 14,986 thousand (previous year: EUR 17,158 thousand), receivables of EUR 10,239 thousand due from Alouette partners (previous year: EUR 6,365 thousand) and EUR 1,167 thousand of short-term receivables from state grants (previous year: EUR 134 thousand).

Information on derivatives is presented in section M Financial instruments, within the section on derivative financial instruments.

The following tables show the figures both before and after offsetting. For further details, please refer to the notes to the consolidated statement of financial position, section 13.

Offsetting financial assets and liabilities 2017 in EUR thousand	Before offsetting	Offsetting	After offsetting
Derivatives recognised as current assets	48,735	(18,753)	29,982
Derivatives recognised as current liabilities	52,373	(18,753)	33,620

Offsetting financial assets and liabilities 2016 in EUR thousand	Before offsetting	Offsetting	After offsetting
Derivatives recognised as current assets	33,033	(3,020)	30,012
Derivatives recognised as current liabilities	36,936	(3,020)	33,916

08 Cash and cash equivalents

in EUR thousand	2017	2016
Cash in hand	162	132
Current account surplus	109,462	65,252
Assessments	60,128	84,449
	169,752	149,833

These items in the statement of financial position relate to the cash positions at the start and end of the reporting period that are contained in the consolidated statement of cash flows.

09 Equity

Changes in equity are presented in a separate table (consolidated statement of changes in equity).

Share capital
The share capital comprises 35,264,000 no par shares, each corresponding to EUR 1.00 of the share capital. All shares are fully paid in, and in circulation.

Capital reserves
The capital reserves consist of a year-on-year unchanged amount of EUR 379,337 thousand, of which EUR 94,752 thousand is attributable to tied capital reserves, and EUR 284,585 thousand is attributable to untied capital reserves.

Hedging reserve
The hedging reserve comprises gains and losses from the effective portion of cash flow hedges. Cumulative gains or losses from hedging transactions that are recognised under the hedging reserve are transferred to the statement of profit or loss only when the hedged transaction affects results. The change in the reserve in the year under review is primarily due to the change in the US dollar exchange rate and the changes in fair value of the embedded derivative.

Fair value reserve
Until December 31, 2016, fair value changes on options were recognised through profit or loss. Due to the early application of IFRS 9, such changes are since January 1, 2017 recognised directly in equity within the fair value reserve item, with a retroactive adjustment being made.

Revaluation reserve
The fair value adjustments to participating interests are recognised in the revaluation reserve. Recognition has occurred under this item since January 1, 2017 due to the early application of IFRS 9. The disposal of the corresponding financial instrument also entails no recognition through profit or loss.

Revaluation of defined benefit pension plans
Actuarial gains and losses from the provisions for severance payments, pensions and medical care benefits are fully recognised in the reserves in the period in which they are accrued.

Exchange differences
The reserves for exchange differences recognise differences arising from the translation of the financial statements of subsidiaries that report in a foreign currency. The change in the reserve in the year under review is primarily due to the change in the US dollar exchange rate.

Retained earnings

Retained earnings consist of cumulative retained earnings from the period under review and from prior periods.

A dividend of EUR 42,317 thousand was paid in the financial year (EUR 1.20 per share).

The Management Board proposes that EUR 1.20 per share (a maximum of EUR 42,317 thousand in total) be distributed as a dividend to shareholders from the parent company's profits for the year.

Authorised capital

With a resolution by the AGM of AMAG Austria Metall AG on April 16, 2015, the company's Management Board was authorised, subject to Supervisory Board approval, to increase the company's share capital by up to EUR 17,500,000.00 by issuing 17,500,000 individual bearer share certificates in one or more tranches within five years of the entry of the resolution in the company register, in other words, by April 16, 2020, against cash or non-cash capital contributions, including under whole or partial exclusion of subscription rights, and to determine the issue price – which may not be lower than the proportion of the current share capital represented by each individual share certificate – and the other terms and conditions of the issue after consultation with the Supervisory Board (Authorised Capital established by section 4 (5) of the articles of incorporation).

A conditional increase in the company's share capital was implemented pursuant to Section 159 (2) (1) of the Austrian Stock Corporation Act (AktG) to satisfy conversion and/or subscription rights in respect of convertible bonds issued in accordance with the authorisation conferred by the AGM resolution of April 16, 2015. A conditional capital increase may be implemented only if convertible bond holders exercise their right to exchange the bonds for and/or subscribe to the company's shares (conditional capital as defined by Section 4 (6) of the articles of incorporation). The number of shares actually issued or potentially capable of being issued in accordance with the conditions of the convertible bonds and the number of shares specified by the authorised capital may not exceed 17,500,000.

Restrictions

Following an internal review, the Management Board is not aware of any restrictions in the meaning of Section 243a Z2 of the Austrian Commercial Code (UGB).

Additional disclosures regarding capital management

AMAG is not subject to any capital requirements under its articles of association. Due to the volatile nature of the aluminium business and the high fixed assets ratio, the sound capital structure provides an important basis for financial flexibility.

The main aim of capital management at AMAG is to secure the Group's growth and further development, and to optimise returns for shareholders. The management exclusively regards the consolidated equity as measured pursuant to IFRS as its equity capital. The capital structure is monitored constantly, and is as follows at the end of the reporting period:

Capital structure in EUR thousand	2017	2016
Total equity	607,874	630,460
Equity ratio	43.3 %	45.4 %
Balance sheet total	1,404,869	1,389,727

10 Personnel provisions

in EUR thousand	2017	2016
Provisions for severance payments	33,806	29,999
Provisions for pensions	32,978	24,331
Provisions for medical care benefits	8,705	8,174
Provisions for service anniversary bonuses	6,651	6,000
Total personnel provisions	82,140	68,504
Thereof non-current	79,143	65,450

Payments anticipated in the subsequent financial year are shown under current provisions.

Provisions for severance benefits

Employees of Austrian Group companies who joined the Group before January 1, 2003 are entitled to severance payments upon reaching retirement age or if their employment contract is terminated. The entitlement is determined by years of service and final salary ("old severance"). These obligations are accounted for as defined benefit plans.

For employees who joined after January 1, 2003, contributions to employee benefit funds (MVKs) in an amount of EUR 847 thousand have been made for severance entitlements in defined contribution plans (previous year: EUR 741 thousand).

The provisions for severance benefits changed as follows:

Provisions for severance benefits in EUR thousand	2017	2016
Present value of the obligation as of January 1	29,999	21,766
Current service cost	767	492
Interest cost	456	452
Payments	(1,124)	(1,366)
Expected value of the obligation as of Dec. 31	30,099	21,344
Present value of the obligation as of Dec. 31	33,806	29,999
Revaluation of the period (Other comprehensive income)	**3,707**	**8,655**
thereof from changes in demographic assumptions	(443)	6,095
thereof from changes in financial assumptions	3,652	3,253
thereof from changes in experience-based assumptions	497	(693)

The calculations were based on the following parameters:

Parameters	2017	2016
Increase in salary in %	4.00	2.75
Discount factor in %	1.90	1.60
Female retirement age/pension age (years)	60	60
Male retirement age/pension age (years)	65	65

Employee turnover is graduated by years of service and ranges, depending on period of service, between 0.00 and 4.40 % (previous year: between 0.30 and 4.00 %). Especially the higher assumptions relating to the salary increases have led to actuarial losses.

The average remaining duration of the obligations amounts to 13.6 years (previous year: 13.6 years).

Effects on earnings in EUR thousand	2017	2016
Included in personnel expenses		
Current service cost	(767)	(492)
Expenses for severance payments	(16)	(278)
Contributions to employee benefit funds	(847)	(741)
Expenses for severance payments and contributions to employee benefit funds	**(1,630)**	**(1,511)**
Included in net interest expenses		
Interest cost	(456)	(452)

For the following financial year, severance benefits of EUR 628 thousand (previous year: EUR 455 thousand) are to be expected, which are reported under other current provisions.

Sensitivity provisions for severance benefits (in %)	2017		2016	
	+ 0.25 %	- 0.25 %	+ 0.25 %	- 0.25 %
Effect of changes in salaries				
on the current service cost and interest cost	4.9 %	(4.6 %)	5.4 %	(5.1 %)
on the defined benefit obligation	3.2 %	(3.1 %)	3.2 %	(3.1 %)
Effect of changes to the discount factor				
on the current service cost and interest cost	1.9 %	(2.1 %)	2.5 %	(2.7 %)
on the defined benefit obligation	(3.2 %)	3.4 %	(3.2 %)	3.4 %

Provisions for pensions

Provisions for pensions relate mainly to provisions in Austria and Canada that are recognised as defined benefit plans in accordance with IAS 19, and are largely covered by plan assets. Calculations are made based on an actuarial report applying country-specific parameters and calculation methods.

The measurement of the Austrian subsidiaries' obligations to former managerial staff arising from individual contractual commitments is based on biometric information drawn from the 2008-P (Ettl-Pagler) tables for salaried employees prepared by the Austrian Actuaries Association (AVÖ). Entitlements are based on final salary and are index-linked. The group of beneficiaries largely comprises individuals who are already entitled to benefits, as well as former employees who are not yet entitled to benefits. A pensionable retirement age of 61.5 years is applicable to the latter within the scope of individual contractual arrangements, as a matter of principle. No staff turnover rate is taken into consideration, as the beneficiaries now hardly include any active employees, and because of the obligation's short remaining term.

In Canada, a defined benefit scheme is in place for all employees who joined the Group before June 2012. The benefits are determined by years of service and average salary. Since June 2012, only production staff have received contracts that include defined benefit plans. The pensionable age for both men and women lies between 55 and 65 years. The measurement comprises a distribution over this period, with an ascending weighting. Staff turnover is taken into consideration differentiated according to age and gender.

The provisions for pensions changed as follows:

Provisions for pensions in EUR thousand	2017	2016
Present value of the obligation as of January 1	80,726	71,205
Exchange differences	(3,630)	3,197
Current service cost	2,171	2,044
Contributions to plan assets (employees)	694	645
Interest cost	2,534	2,550
Payments from plan assets	(2,828)	(2,440)
Past service cost	701	0
Expected value of the obligation as of Dec. 31	80,369	77,201
Present value of the obligation as of Dec. 31	92,421	80,726
Revaluation of the period (Other comprehensive income)	**12,052**	**3,525**
Fair value of plan assets as of January 1	56,395	48,586
Exchange differences	(2,611)	2,380
Expected return on plan assets	1,822	1,774
Contributions to plan assets (employer)	2,951	2,896
Contributions to plan assets (employees)	694	645
Payments from plan assets	(2,828)	(2,440)
Expected value of plan assets as of Dec. 31	56,423	53,842
Fair value of plan assets as of Dec. 31	59,443	56,395
Revaluation of the period (Other comprehensive income)	**3,019**	**2,554**
Provisions for pensions Dec. 31	32,978	24,331
Revaluation of the period (Other comprehensive income)	**9,033**	**971**
thereof from changes in demographic assumptions	0	(230)
thereof from changes in financial assumptions	10,574	4,309
thereof from changes in experience-based assumptions	(1,541)	(3,108)

The calculations were based on the following parameters:

Parameters	2017	2016
Austria		
Increase in salaries in %	2.00	1.50
Discount factor (%) in %	1.30	1.30
Canada		
Increase in salary in %	3.00	3.00
Discount factor (%) in %	3.25	4.00

The average residual duration of the obligations amounts to 8.5 years in Austria (previous year: 8.6 years), and to 20.1 years in Canada (previous year: 19.9 years).

Both the higher assumptions for salary increases in Austria as well as the reduction in the discount rate in Canada have led to actuarial losses.

effects on earnings in EUR thousand	2017	2016
Included in personnel expenses		
Current service cost (employer)	(2,865)	(2,689)
Contributions to plan assets (employees)	694	645
Included in net interest expenses		
Interest cost	(711)	(776)

Pension expenses are included in the following statement of profit or loss items:

in EUR thousand	2017	2016
Cost of sales	(3,251)	(2,372)
Selling and distribution expenses	(303)	(277)
Administrative expenses	(428)	(379)
Other expenses	(81)	(68)
	(4,065)	(3,096)

Plan assets are invested in Austria with APK Pensionskasse AG, in different investment and risk classes (VRG) depending on the respective structure of the obligations. Assets relating to pensions drawn by retired employees are invested in VRG2, which has an investment and risk strategy based on significantly shorter maturities than those applied under VRG19, which manages assets related to projected benefit obligations. The Group is obligated to meet any funding shortfalls only if returns do not cover the funding requirements for ongoing pension payments from APK.

In the following financial year, supplementary payments of EUR 417 thousand (previous year: EUR 413 thousand) are anticipated and are reported under other current provisions.

In Canada, the individual pension schemes are invested in each case in their own pension funds that are all held under joint asset management (Fiducie Desjardins), for whose management Letko Brosseau & Associates and Aberdeen Asset Management Inc. are responsible.

Employer contributions to the plan assets of the Canadian company will amount prospectively to EUR 1,588 thousand in the following year (previous year: EUR 1,811 thousand); these expected payments are also reported under current provisions.

Changes in plan assets in the respective VRGs are as follows:

Fair value of plan assets in EUR thousand	2017			2016		
	VRG2	VRG19	Canada	VRG2	VRG19	Canada
Fair value of plan assets as of January 1	11,935	2,962	41,498	11,856	2,712	34,018
Exchange differences	0	0	(2,611)	0	0	2,380
Expected return on plan assets	148	39	1,635	243	56	1,475
Contributions to plan assets	527	0	3,118	1,185	0	2,356
Payments from plan assets	(1,697)	0	(1,131)	(1,723)	0	(716)
Actuarial (gains)/losses	388	254	2,378	375	194	1,985
Fair value of plan assets as of Dec. 31	11,301	3,256	44,886	11,935	2,962	41,498

The investment structure is outlined below:

Investment to plan assets as of Dec. 31 (in %)	2017			2016		
Classes of assets	VRG2	VRG19	Canada	VRG2	VRG19	Canada
Shares	28.6	44.2	66.0	29.9	43.1	67.1
Bonds	54.2	42.0	27.4	55.1	39.5	25.4
Real estate	4.0	4.7	0.0	3.7	3.6	0.0
Cash	9.1	6.6	0.0	6.2	9.5	0.0
Other	4.1	2.5	6.6	5.1	4.3	7.5
Total	100.0	100.0	100.0	100.0	100.0	100.0

The plan assets predominantly comprise assets whose prices are quoted on active markets. Of the equity instruments, the VRG2 includes in each case approximately one third European equities, US equities and Asian equities. In VRG19, the European proportion is almost 30 %, the US proportion approximately 26 % and the proportion from the Asian region around 27 %. Approximately 55 % of the debt instruments in VRG2 are government bonds, including slightly more than half from the OECD area. Almost 60 % of the debt instruments of VRG19 are government bonds, of which around 45 % are from the OECD area. The rest are corporate bonds. The debt instruments in the Canadian plan assets comprise exclusively foreign currency securities (non-euro). Of the equity instruments, 22 % are denominated in euros and 76 % in foreign currencies, with 2 % deriving from emerging markets.

Sensitivity for pensions (in %)	2017		2016	
	+ 0.25 %	- 0.25 %	+ 0.25 %	- 0.25 %
Effect of changes in salaries				
on the current service cost and interest cost	3.1 %	(3.0 %)	3.2 %	(2.8 %)
on the defined benefit obligation	2.2 %	(2.2 %)	2.1 %	(1.9 %)
Effect of changes to the discount factor				
on the current service cost and interest cost	(5.0 %)	5.1 %	(4.2 %)	5.0 %
on the defined benefit obligation	(4.4 %)	4.7 %	(3.6 %)	4.6 %

Defined contribution plans

In Austria, managers and employees are also entitled to defined contribution plans after they have been employed by the company for a certain period. The Group companies make payments into a pension scheme depending on salary.

In Canada, payments are made into defined contribution plans for administrative staff, managers and senior employees of Aluminerie Alouette Inc.

The total amount of such payments in the year under review stood at EUR 1,066 thousand (previous year: EUR 947 thousand), which were expensed. No further obligations arising from this exist.

Provisions for medical care benefits

Defined benefit supplementary health insurance has been taken out for employees of Aluminerie Alouette Inc. who joined the company before April 1, 2009. The benefits are determined by years of service and average salary. The pensionable age for both men and women lies between 55 and 65 years. The measurement comprises a distribution over this period, with an ascending weighting. Staff turnover is taken into consideration differentiated according to age and gender.

The provisions for pensions changed as follows:

Provisions for medical care in EUR thousand	2017	2016
Present value of the obligation as of January 1	8,174	6,931
Exchange differences	(511)	475
Current service cost	141	139
Interest cost	306	309
Payments	(126)	(104)
Expected value of the obligation as of Dec. 31	**7,984**	**7,751**
Present value of the obligation as of Dec. 31	**8,705**	**8,174**
Revaluation of the period (Other comprehensive income)	**721**	**422**
thereof from changes in demographic assumptions	0	(19)
thereof from changes in financial assumptions	986	310
thereof from changes in experience-based assumptions	(265)	131

The calculations were based on the following parameters:

Parameters	2017	2016
Salary increase in %	3.00	3.00
Increase in costs in %	4.60	4.60
Discount rate in %	3.25	4.00

The average remaining duration of the obligations amounts to 16.4 years (previous year: 17.2 years).

Effects on earnings in EUR thousand	2017	2016
Included in personnel expenses		
Current service cost	(141)	(139)
Included in net interest expenses		
Interest cost	(306)	(309)

In the following year, employer contributions are expected to amount to EUR 117 thousand (previous year: EUR 123 thousand) and are reported under current provisions.

The effects of a change of 0.25 % percentage points in the projected movement of medical care benefits costs were as follows:

Sensitivity provisions for medical care (in %)	2017		2016	
	+ 0.25 %	- 0.25 %	+ 0.25 %	- 0.25 %
Effect on the current service cost and interest cost	4.5 %	(3.4 %)	4.7 %	(3.8 %)
Effect on the defined benefit obligation	3.9 %	(3.7 %)	3.8 %	(3.4 %)

Provisions for service anniversary bonuses

The provision for service anniversary bonuses relates to the provisions that Group companies in Austria form for payments under collective agreements and/or works agreements, depending on length of service.

The change in provisions for service anniversary bonuses was as follows:

Provisions for service anniversary bonuses in EUR thousand	2017	2016
Present value of the obligation as of January 1	6,000	4,695
Current service cost	414	300
Interest cost	91	98
Payments	(256)	(300)
Expected value of the obligation as of Dec. 31	**6,250**	**4,793**
Present value of the obligation as of Dec. 31	**6,651**	**6,000**
Revaluation of the period (recognised in profit and loss)	**401**	**1,207**

Of the obligation, the service anniversary bonuses anticipated in the subsequent year amount to EUR 246 thousand (previous year: EUR 253 thousand), which are reported as current provisions.

The calculations were based on the following parameters:

Parameters	2017	2016
Increase in salaries in %	4.00	2.75
Discount factor (%) in %	1.90	1.60
Female retirement age/pension age (years)	60	60
Male retirement age/pension age (years)	65	65

Employee turnover is graduated by years of service and ranges, depending on period of service, between 0.00 and 4.40 % (previous year: between 0.30 and 4.00 %). This also resulted in actuarial losses that are included in personnel expenses.

The average remaining duration amounts to 14.4 years (previous year: 14.1 years).

Effects on earnings in EUR thousand	2017	2016
Included in personnel expenses		
Current service cost	(414)	(300)
Actuarial gains/(losses)	(401)	(1,207)
Included in net interest expenses		
Interest cost	(91)	(98)

11 Other provisions

in EUR thousand	2017	2016
Other non-current provisions	12,619	13,717
Other current provisions	13,980	14,380
	26,599	28,097

Other provisions 2017 in EUR thousand	Maintenance	Contract risks	Customer bonus	Customer complaints	Others	Total
Book value as of January 1	14,355	2,185	4,833	4,244	2,481	28,097
Exchange differences	(440)	(24)	0	0	(29)	(493)
Utilisation	(740)	(1,016)	(2,914)	(204)	(1,428)	(6,302)
Reversal	(263)	(303)	(252)	(3,770)	(317)	(4,905)
Addition	1,004	419	3,983	2,341	2,234	9,982
Addition/deduction of accrued interest	177	0	0	0	0	177
Reclassification from non-current provisions	0	0	0	0	43	43
Book value as of Dec. 31, 2017	14,093	1,261	5,650	2,611	2,984	26,599
Thereof current	1,615	1,261	5,650	2,611	2,843	13,980

Other provisions 2016 in EUR thousand	Maintenance	Contract risks	Customer bonus	Customer complaints	Others	Total
Book value as of January 1	14,973	4,097	4,713	3,452	9,009	36,244
Exchange differences	97	(30)	0	0	8	75
Utilisation	(426)	(1,832)	(3,911)	(253)	(8,660)	(15,082)
Reversal	0	(1,851)	0	(2,995)	(7)	(4,853)
Addition	(142)	1,800	4,031	4,040	2,130	11,859
Addition/deduction of accrued interest	(146)	0	0	0	0	(146)
Book value as of Dec. 31, 2016	14,355	2,185	4,833	4,244	2,481	28,097
Thereof current	710	2,185	4,833	4,244	2,409	14,380

Provisions for post-closure care costs comprise the following items:

Aluminerie Alouette Inc. is required to dispose professionally of spent potlinings at the end of their expected operational lives. Provisions are formed for the estimated disposal costs at their present value as of the commissioning date. The discounting factor is calculated based on five-year maturity Canadian government bonds. The carrying amount of the non-current portion of the provision stands at EUR 2,345 thousand (previous year: EUR 2,960 thousand).

This item also includes a provision for leachate cleaning at a waste site, which is described in more detail in section F Accounting judgements and estimates.

Provisions for contract risk include the provision for pending losses on onerous contracts. All customer orders are investigated for losses. This entails comparing estimated costs, taking inflation into account, with agreed prices. If the costs exceed the expected revenues, the difference is discounted applying a congruent maturity interest rate (congruent maturity European government yield curve on euro-denominated government bonds), and a provision is formed.

Under reclaims, all open reclaim cases are measured in relation to their estimated expenses and recognised as provisions. As of the balance sheet date, bonus agreements with customers also exist that set out the terms and conditions of a rebate that is not to be paid until after the product is purchased. A provision has been formed for this obligation under customer bonuses.

12 Interest-bearing financial liabilities

in EUR thousand	2017	2016
Interest-bearing non-current financial liabilities	338,751	343,451
Interest-bearing current financial liabilities	113,841	32,673
	452,591	376,124

Information on changes to financial liabilities is presented in section L Notes to the consolidated statement of cash flows.

13 Trade payables

in EUR thousand	2017	2016
Trade payables	77,564	73,322
	77,564	73,322

Of the trade payables, EUR 27,355 thousand are attributable to investment liabilities (previous year: EUR 28,156 thousand).

14 Other liabilities and grants

in EUR thousand	2017	2016
Other non-current liabilities and grants	83,349	120,113
Other current liabilities and grants	73,715	73,309
	157,064	193,422

Other non-current liabilities and grants include the non-current portion of the grant connected with arranging the new electricity contract of AAI in an amount of EUR 70,768 thousand (previous year: EUR 96,478 thousand).

Information on derivatives is presented in section M Financial instruments, within the section on derivative financial instruments.

Other current liabilities and grants in EUR thousand	2017	2016
Derivatives recognised as current liabilities	33,620	33,916
Liabilities due to employees	15,356	14,745
Other tax liabilities	3,574	3,591
Liabilities due to social security carriers	2,741	2,512
Deferred income	21	84
Grant power contract	14,029	15,856
Sundry other liabilities	4,373	2,605
	73,715	73,309

Information on derivatives is summarised in the section M Financial instruments, within the section on derivative financial instruments. Information on offsetting derivatives is presented in in section J 7 Notes to the consolidated statement of financial position.

K Notes to the consolidated statement of profit or loss

The AMAG Group prepares its statement of profit or loss applying the cost of sales method.

01 Revenue

As the AMAG Group operates in several business segments, this reduces the risk of dependency on a small number of customers. Its ten largest customers account for 31.5 % of sales revenue (previous year: 32.3 %), and the largest single customer, which is attributable to the Rolling Division, accounts for 8.6 % (previous year: 7.8 %).

Further information on divisional revenue can be found under segment information. Only the Service Division generates revenue from services.

Revenue includes EUR 15,627 thousand of expenses from derivatives that are designated as cash flow hedges pursuant to IFRS 9 (previous year: EUR 2,836 thousand of income).

02 Cost of materials and services

All cost of materials and purchased services are included in the following profit and loss statement items:

in EUR thousand	2017	2016
Cost of sales	686,510	577,787
Selling and distribution expenses	65	63
Administrative expenses	383	337
Research and development expenses	586	403
Other expenses	588	1,327
	688,131	579,917

Information on the derivatives' effects on the cost of materials is presented in the section M Financial instruments, within the section on derivative financial instruments.

03 Other income

in EUR thousand	2017	2016
Grants and government subsidies	7,494	1,881
Income from currency translation	1,663	0
Other income	5,868	5,145
	15,025	7,026

Sundry other income mainly comprises income from maintenance services and services provided by the accredited testing station to third parties.

04 Personnel expenses

in EUR thousand	2017	2016
Wages	65,012	58,395
Salaries	44,097	44,831
Expenses for severance payments and contributions to employee benefit funds	1,630	1,511
Retirement benefit obligation	4,065	3,096
Expenses for social security contributions	25,050	24,007
Other expenses for social benefits	378	370
	140,232	132,210

Personnel expenses are included in the following profit and loss statement items:

Classification of personnel expenses in EUR thousand	2017	2016
Cost of sales	106,398	99,423
Selling and distribution expenses	10,904	10,540
Administrative expenses	12,155	14,138
Research and development expenses	8,694	6,071
Other expenses	2,081	2,038
	140,232	132,210

Management Board members and senior employees

The variable remuneration of the AMAG Management Board is based on several indicators including return on capital employed (ROCE) and consolidated net income after tax. The ratio of fixed to variable components in the total remuneration of Management Board members is approximately 68 % to 32 % (previous year: approximately 56 % to 44 %). Management Board compensation stood at EUR 2,234 thousand in the 2017 financial year (previous year: EUR 2,774 thousand). An amount of EUR 1,549 thousand was recognised through profit and loss for a long-term performance-based component (previous year: EUR 1,650 thousand). A defined benefit pension commitment also exists for one Management Board member due to previous activity for AMAG. An amount of EUR 268 thousand was recognised for this directly in equity in the financial year under review (previous year: EUR 103 thousand).

Executive staff within the Group received EUR 7,870 thousand of compensation (previous year: EUR 6,921 thousand).

Expenses for severance payments and contributions to employee benefit funds are comprised as follows:

Expenses for severance payments and contributions to employee benefit funds acc. to function in EUR thousand	2017	2016
Board members	36	51
Executive employees	59	48
Other employees	1,535	1,412
	1,630	1,511

Thereof an amount of EUR 847 thousand represents contributions to employee benefit funds (previous year: EUR 741 thousand).

Pension expenses are comprised as follows:

Pension expenses according to function in EUR thousand	2017	2016
Board members	123	123
Executive employees	232	211
Other employees	3,710	2,762
	4,065	3,096

Therein contained EUR 1,066 thousand contributions to pension funds (previous year: EUR 947 thousand).

A premium of EUR 38 thousand (previous year: EUR 38 thousand) was paid for D&O liability insurance.

The pension scheme for Management Board members and managing directors of consolidated companies is comprised entirely of defined contribution plans. The Group has no obligation to meet any funding shortfalls.

Supervisory Board

Compensation of EUR 602 thousand was paid to the Supervisory Board of AMAG Austria Metall AG in 2017 (previous year: EUR 474 thousand).

Remuneration for members of the Supervisory Board is determined by the Annual General Meeting, in consideration of responsibility borne, and activities undertaken, by the Supervisory Board. The company's size and organisational structure, and the scope of decisions made by the Supervisory Board, are taken into particular consideration. In contrast with Management Board compensation, the company's financial position is not relevant to the remuneration of the Supervisory Board. The activity of the Supervisory Board of the AMAG Group is not subject to performance-based measurement.

The distribution of remuneration between Supervisory Board members is decided by the Supervisory Board.

Headcount

Average number of employees (full-time equivalents)	2017	2016
Industrial workers	1,268	1,196
Salaried employees	613	566
	1,881	1,762

In 2017, the headcount includes a 20 % share of the workforce at the Aluminerie Alouette joint operation, or 182 employees (132 industrial workers, 50 salaried employees) (previous year: 188 employees: 138 industrial workers, 50 salaried employees).

05 Amortisation, depreciation and impairment losses

Amortisation, depreciation and impairment losses are allocated among the profit and loss statement items as follows:

in EUR thousand	2017	2016
Cost of sales	74,693	67,375
Selling and distribution expenses	301	280
Administrative expenses	1,449	1,216
Research and development expenses	686	694
Other expenses	521	461
	77,651	70,026

06 Administrative expenses

Other expenses include costs for the audit of the separate financial statements in accordance with local law, as well as of the individual Group companies' IFRS packages, and of the AMAG Austria Metall AG consolidated financial statements by the Group auditor Ernst & Young Wirtschaftsprüfungsgesellschaft m.b.H. (previous year: Deloitte Audit Wirtschaftsprüfungs GmbH).

in EUR thousand	2017	2016
Audits	260	199
Other certification services	56	88
Other services	21	73

07 Share of profit of associates

in EUR thousand	2017	2016
Result from first-time consolidation	1,301	0
Attributable earnings	216	0
	1,517	0

08 Net financial result

in EUR thousand	2017	2016
Interest income	820	952
Interest expenses	(7,266)	(9,215)
Other financial income (expenses)	1,300	(1,756)
	(5,146)	(10,018)

Interest expenses in EUR thousand	2017	2016
Interest expenses from financial liabilities at amortised cost	(4,337)	(4,629)
Interest expenses from provisions	(1,742)	(1,489)
Interest expenses from non-financial liabilities	(1,187)	(3,097)
	(7,266)	(9,215)

Interest expenses from provisions include the net interest expense from provisions for employee benefits, as well as the unwinding of discounts applied to non-current provisions.

The other net financial result includes, among other items, income from non-consolidated participating interests and shares in an amount of EUR 184 thousand (previous year: EUR 272 thousand) and translation effects from financing in an amount of EUR -1,604 thousand (previous year: EUR -540 thousand). Information on the derivatives' effects on the net financial result is presented in the section M Financial instruments, within the section on derivative financial instruments.

09 Income taxes

Income taxes comprise income taxes paid and payable, as well as deferred tax. Parts of AMAG Group companies are assessed as tax groups.

Tax reconciliation

in EUR thousand	2017	2016
Earnings before taxes (EBT)	81,657	62,953
Tax expenses at 25 %	20,414	15,738
Not deductible expenses	711	1,120
Tax-free income	(2,112)	(272)
Other tax rates	1,057	248
Minimum corporate tax	7	5
Tax expenses previous years	(1,591)	(96)
Allocation and release of deferred taxes on losses carried forward	47	(309)
Other	(37)	213
Current tax expenses	18,497	16,648
Tax payments	14,531	5,735

Deferred tax

	Deferred taxes 2017		Deferred taxes 2016	
in EUR thousand	Assets	Liabilities	Assets	Liabilities
Property, plant and equipment	3	25,215	0	29,259
Other non-current assets and financial assets	7	6,748	1,739	4,575
Inventories	744	1,713	965	1,302
Receivables	12,714	7,922	24	8,724
Losses carried forward	7,696	0	16,418	0
Provisions	19,864	31	16,644	1,075
Liabilities	16,130	1,919	21,609	2,127
	57,158	43,547	57,400	47,061
Offsetting towards the same taxation authority	43,547	43,547	33,995	33,995
Net deferred tax assets and liabilities	13,611	0	23,406	13,066

Deferred tax at the level of the Austria Metall GmbH tax group was offset (see also section J 4 Deferred tax assets).

The following table shows the changes and distribution of changes in deferred tax among those components that are recognised in profit or loss, and those recognised directly in equity:

Change of deferred taxes in EUR thousand	Deferred tax assets	Deferred tax liabilities
As of Jan. 1, 2016	28,579	15,746
Profit and loss changes	(13,590)	(4,752)
Cash flow hedges	3,018	(709)
Revaluation of defined benefit pension plans	2,347	(174)
Currency translation differences	0	(96)
Not recognised in profit or loss	5,365	(979)
Offsetting on tax group level	3,051	3,051
As of Dec. 31, 2016	23,406	13,066
IFRS 9 adjustment	0	(203)
As of Jan. 1, 2017	23,406	12,863
Profit and loss changes	(25,510)	(20,528)
Cash flow hedges	10,114	4,383
Revaluation of defined benefit pension plans	2,227	(1,262)
Currency translation differences	(996)	173
Not recognised in profit or loss	11,346	3,295
Offsetting on tax group level	4,370	4,370
As of Dec. 31, 2017	13,611	0

L Notes to the consolidated statement of cash flows

The consolidated statement of cash flows is presented according to the indirect method. A distinction is made in the statement between cash flows deriving from operating, investing and financing activities.

The other non-cash expenses and income included in cash flow from operating activities primarily comprise valuation effects from currency translation.

The item "Payments for investments in property, plant and equipment and intangible assets" includes the change in investment liabilities of EUR -765 thousand (previous year: EUR 14,529 thousand).

Cash and cash equivalents comprise cash on hand of EUR 162 thousand (previous year: EUR 132 thousand) and short-term investments amounting to EUR 169,590 thousand (previous year: EUR 149,701 thousand).

Cash flow from financing activities includes the following changes in financial liabilities:

		Cash flows		Non-cash changes			
in EUR thousand	As of Jan. 1, 2017	Acquisition	Amortisation	Exchange differences	New leases	Valuation effects	As of Dec. 31, 2017
Borrowings	374,923	107,770	(30,604)	(1,272)		970	451,787
Finance lease	1,200		(541)	0	144	0	804
Financial liabilities	376,124	107,770	(31,144)	(1,272)	144	970	452,591

		Cash flows		Non-cash changes			
in EUR thousand	As of Jan. 1, 2016	Acquisition	Amortisation	Exchange differences	New leases	Valuation effects	As of Dec. 31, 2016
Borrowings	244,592	140,357	(12,917)	1,232		1,658	374,923
Finance lease	1,486		(455)	0	169	0	1,200
Financial liabilities	246,078	140,357	(13,371)	1,232	169	1,658	376,124

M Financial instruments

Risk management strategies

AMAG Austria Metall AG is exposed to risks arising from changes in exchange rates, interest rates and quoted share prices, which can have an impact on assets, liabilities and planned transactions. The handling of such risks is regulated in Group-wide valid guidelines that are updated constantly and adjusted to reflect changes in circumstances. The aim of financial risk management is to limit market risk by means of the Group's ongoing operating and financial activities. Derivative instruments are deployed solely for hedging purposes.

Liquidity risks

Liquidity risk refers to the risk that the company will not enjoy uninterrupted access to funding to settle its financial obligations. Accordingly, the Group takes steps to ensure that sufficient cash and cash equivalents are available, and that financing requirements can be met through credit facilities. Liquidity risks are determined by liquidity planning, which is conducted across the Group based on different currencies. Capital measures for the Group companies are planned based on these results.

To avert liquidity risk, the AMAG Group has at its disposal committed credit lines of EUR 130,000 thousand (previous year: EUR 120,000 thousand). The Group also has at its disposal credit guarantee lines of EUR 22,500 thousand (previous year: EUR 22,500 thousand).

AMAG Austria Metall AG has issued assurances to financing partners in connection with various facilities.

Committed lines undrawn as of December 31, 2017 with a total volume of EUR 80 million and a term ending between 2018 and 2021, arranged by means of bilateral contracts with several house banks, include assurances relating to the consolidated equity ratio not exceeding 30% and a net financial debt to EBITDA ratio of not more than 3.5 to 4.0.

A committed line, undrawn as of December 31, 2017, which can be used alternatively for cash advances and/or guarantees, with a total volume of EUR 50 million and with final maturity in 2019, arranged with a house bank, includes assurances relating to the consolidated equity ratio not exceeding 30% and a net financial debt to EBITDA ratio of not more than 4.0.

A refinancing framework from OeKB (KRR), undrawn as of December 31, 2017 with a total volume of EUR 30 million, arranged by means of bilateral contracts with two house banks, includes assurances relating to the consolidated equity ratio not exceeding 30% and a net financial debt to EBITDA ratio of not more than 4.0.

An OeKB facility refinanced in two financing rounds with a total volume of EUR 300 million (EUR 250 million drawn as of December 31, 2017) and terms ending in 2024 and 2026 respectively, arranged by means of bilateral contracts with several house banks, includes assurances relating to the consolidated equity ratio not exceeding 30 % and a net financial debt to EBITDA ratio of not more than 4.0.

A TLTRO facility refinancing two financing rounds with a total volume of EUR 150 million and terms ending in 2018 and 2020 respectively, arranged by means of bilateral contracts with several house banks, includes assurances relating to the consolidated equity ratio not exceeding 30% and a net financial debt to EBITDA ratio of not more than 4.0.

In the aforementioned financing lines, valuation effects from a long-term electricity contract of Alouette are excluded from the calculation of these financial covenants.

The last sub-tranche of a borrower's note loan issued in 2012 with a remaining volume of EUR 14 million and a term ending in 2013 includes assurances relating to the consolidated equity ratio not exceeding 30% and the net debt to EBITDA ratio not exceeding 3.5.

Failure to comply with a covenant entitles the lender to terminate the respective financing agreement. All commitments were complied with as of the reporting date and in the previous year.

The residual terms of the liabilities are as follows:

Residual terms of liabilities 2017 in EUR thousand	Book value	Undiscounted cash flow	With a residual term of less than 1 year	With a residual term of more than 1 but less than 5 years	With a residual term of more than 5 years
Financial liabilities	452,591	487,787	67,054	228,048	192,685
Other non-current liabilities and grants without derivatives	73,109	73,109	0	58,969	14,140
Derivatives recognised as non-current liabilities	7,472	7,472	0	7,472	0
Trade payables	77,564	77,564	77,564	0	0
Sundry other liabilities without derivatives	18,403	18,403	18,403	0	0
Derivatives recognised as current liabilities	33,620	33,620	33,620	0	0
	662,759	697,955	196,640	294,489	206,825

Residual terms of liabilities 2016 in EUR thousand	Book value	Undiscounted cash flow	With a residual term of less than 1 year	With a residual term of more than 1 but less than 5 years	With a residual term of more than 5 years
Financial liabilities	376,124	404,257	33,857	257,736	112,664
Other non-current liabilities and grants without derivatives	98,869	98,869	0	66,685	32,184
Derivatives recognised as non-current liabilities	18,388	18,388	0	14,887	3,500
Trade payables	73,322	73,322	73,322	0	0
Sundry other liabilities without derivatives	18,461	18,461	18,461	0	0
Derivatives recognised as current liabilities	33,916	33,916	33,916	0	0
	619,080	647,214	159,557	339,308	148,348

Credit risks

Credit risk and the risk of default by contractual partners is managed by way of credit assessments, credit limits and routine checks. Where appropriate, the Group obtains government export guarantees or guarantees from private credit insurers to minimise default risk.

The Group operates exclusively with financial partners with good credit ratings, which also serves to reduce credit risk.

The following risk categories exist at present:

Risk category	Description	Expected loan default
1. Without risk	Low default risk and past counterparty payments on time.	12m ECL
2. Doubtful	Amount is more than 30 days overdue or a significant increase in default risk has occurred since first recognition.	Lifetime ECL
3. In default	Diminished credit standing due to bankruptcy or start of insolvency proceedings.	Lifetime ECL
4. Adjustment	No realistic prospect of recovery. Payment not expected to be collected.	Will be written off

Regarding assets, the reported values of the relevant primary financial instruments represent the maximum credit or default risk. Provisions are formed for all identified risks. The management believes that no other credit risks above and beyond these will arise.

Trade receivables that are not yet due are owed mainly by long-term business partners. Creditworthiness is assessed based on internal guidelines. Defaults over the last five years were evaluated at AMAG to calculate the impairment requirement as part of the transition to IFRS 9. The analysis showed that no significant risk exists for receivables with a certain overdue status. Receivables due from companies in insolvency were written off (EUR 8 thousand, previous year: EUR 0 thousand). Credit insurance has been arranged with an insurance company for a significant proportion of the trade receivables (83.4 %, previous year: 82.5 %). An excess is payable in the event of a claim. A maximum of the excess is recognised as an impairment for an expected credit loss on such receivables. An elevated default risk on receivables more than 90 days overdue was not determined based on an analysis of the past. For this reason, overdue status beyond 90 days is not regarded as an indicator of a default event having occurred, which would require allocating the receivables to Level 3.

The following table shows the risk profile of trade receivables based on the impairment matrix:

Maturities of receivables in EUR thousand	2017	2016
Not yet due	102,895	85,982
Overdue receivables	17,510	18,359
Less than 30 days overdue	15,406	16,203
More than 30 days, but less than 60 days overdue	1,263	1,429
More than 60 days, but less than 90 days overdue	403	161
More than 90 days overdue	438	567
	120,404	104,341

The 2016 comparable figures are without valuation adjustments. None of the other financial receivables are overdue.

Market risks

Currency risks

Currency risk refers to the risk that the value of a financial instrument may change due to exchange rate fluctuations. The Group concludes exchange futures and options transactions (cash flow hedges) to limit the currency risk arising from cash flows from operating activities. The fair value of assets and liabilities reported in the statement of financial position is hedged using exchange forward transactions and options.

The Group is exposed to currency risk because it operates, and generates revenue, in various countries around the world. Foreign currency receivables and liabilities related to transactions that require disclosure are recognised at the time when the respective contract is entered into, as are undisclosed items, especially recurring transactions required for operating activities (e.g. anticipated purchases of raw materials and consumables, and revenue).

Production costs at the Ranshofen site are incurred mainly in euros, although also in US dollars. Any imbalance between expenses and revenue is hedged. Costs at the Canadian plant are incurred in US dollars and Canadian dollars, although sales revenue is realised primarily in US dollars. Items not covered by natural hedges are hedged in accordance with the risk position and risk horizon.

Differences in the value-determining risk factors between the hedged item and the hedging instrument give rise to sources of ineffectiveness. Ineffectivenesses can arise in connection with expected premiums for the embedded derivative, which are to be taken into consideration accordingly. No sources of ineffectiveness exist above and beyond this. As the basis values of the hedged item and the hedging instrument always converge, the accounting hedge ratio always amounts to 1:1. In other words, the designated quantity or designated volume of the hedging instrument corresponds to the designated quantity or designated volume of the hedged item. The hedge ratio is adjusted if the hedge ratio exhibits a disequilibrium which would result in ineffectiveness, creating an accounting consequence irreconcilable with the purpose of hedge accounting. No ineffectivenesses exist as a consequence.

Both the propriety credit risk as well as the counterparty credit risk have no effect on the fair value of forward currency transactions and options. These are not reflected in the fair value of the hedged item and are consequently also not a source of ineffectiveness.

The table below shows the breakdown of non-derivative financial instruments – comprising trade receivables and payables, loans receivable, borrowings and financial assets – by currency at the end of the reporting period:

		2017		2016	
Non-derivative financial instruments/assets	Currency	in EUR thousand	Share	in EUR thousand	Share
	EUR	216,047	70.1 %	131,363	49.7 %
	USD	85,887	27.8 %	128,048	48.3 %
	CAD	3,229	1.0 %	1,968	0.7 %
	GBP	3,056	1.0 %	2,963	1.1 %
	DKK	78	0.0 %	160	0.1 %
	NOK	18	0.0 %	4	0.0 %
	Other	166	0.1 %	335	0.1 %
		308,480	100.0 %	264,842	100.0 %
Non-derivative financial instruments/liabilities	Currency	in EUR thousand	Share	in EUR thousand	Share
	EUR	504,834	81.3 %	411,191	72.6 %
	USD	96,606	15.5 %	132,597	23.4 %
	CAD	20,167	3.2 %	22,948	4.0 %
	GBP	62	0.0 %	31	0.0 %
	Other	0	0.0 %	9	0.0 %
		621,668	100.0 %	566,776	100.0 %

Interest rate risks

This refers to risks associated with changes in the net interest result or present value. Due to the interaction between these types of risks, interest rate risk cannot be eliminated entirely. The Group's exposure to risks related to present value affects interest-bearing financial instruments and assets, while net interest income-related risks have an impact on interest expense and income.

At the end of the reporting period the Group had entered into euro-denominated interest rate swaps that qualified as cash flow hedges. 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 principal amount.

These interest rate swaps offset the impact of future changes in interest rates on the cash flows derived from the underlying variable-rate financial liabilities. The interest rate swaps are reported at fair value in the statement of financial position.

Changes in the fair value of interest rate swaps designated as cash flow hedges are recognised in equity under the hedging reserve item. Once interest payments are received in relation to the hedged item, the hedging reserve is reclassified and recognised in profit or loss under net interest income/expense.

The economic connection between hedged item and hedging instrument is established by comparing the value-determining risk factors. Given complete or approximate convergence of the main value-determining risk factors of the hedged item and the hedging instrument, evidence of the economic connection is rendered based on the critical terms match method. In all other cases, depending on the extent of the divergence of the value-determining risk factors in each case, either sensitivity analyses or the characteristics of the dollar offset methods are utilised to evidence the economic connection.

Differences in the value-determining risk factors between the hedged item and the hedging instrument give rise to sources of ineffectiveness. No sources of ineffectiveness exist above and beyond this. As the basis values of the hedged item and the hedging instrument always converge,

and the intrinsic value is always designated when deploying options as hedging instruments, the accounting hedge ratio always amounts to 1:1. In other words, the designated quantity or designated volume of the hedging instrument corresponds to the designated quantity or designated volume of the hedged item. The hedge ratio is adjusted if the hedge ratio exhibits a disequilibrium which would result in ineffectiveness, creating an accounting consequence irreconcilable with the purpose of hedge accounting. No ineffectivenesses exist for this reason.

Both propriety credit risk and counterparty credit risk have no effect on the fair value of interest-rate swaps, which is not reflected in the fair value of the hedged item and is consequently also not a source of ineffectiveness.

A detailed overview of the weighted interest rates applicable at the end of the reporting period is provided below:

Interest rate summary as of Dec. 31, 2017

Position	Rate type	Average	Bank accounts	Current	Non-current
Deposits	Fixed	-	-	-	-
	Variable	0.30 %	0.06 %	0.30 %	-
	Average	0.30 %	0.06 %	0.30 %	-
Financial liabilities	Fixed	1.03 %	-	0.96 %	1.08 %
	Variable	0.15 %	-	0.92 %	0.15 %
	Average	0.72 %	-	0.96 %	0.63 %

Interest rate summary as of Dec. 31, 2016

Position	Rate type	Average	Bank accounts	Current	Non-current
Deposits	Fixed	-	-	-	-
	Variable	0.63 %	0.04 %	0.95 %	-
	Average	0.63 %	0.04 %	0.95 %	-
Financial liabilities	Fixed	1.11 %	-	2.02 %	0.98 %
	Variable	0.44 %	-	0.94 %	0.44 %
	Average	0.82 %	-	2.02 %	0.73 %

Commodity price risks

In the commodities area, AMAG Austria Metall AG is particularly exposed to price risks arising from aluminium. These derive from the fact that the AMAG Group produces and processes aluminium.

Resultant purchasing and sales risks relating to price-change risks for future purchases and stocks of raw materials as well as sales of aluminium products (primary aluminium, foundry alloys, rolled products) of raw materials listed on the London Metal Exchange (LME) are hedged deploying marketable forward commodity transactions and commodity options as hedging instruments.

The aluminium price traded on the London Metal Exchange (LME) comprises a separately identifiable price component in the case of both products manufactured at AMAG (primary aluminium, foundry products, rolled products) as well as raw materials employed such as primary aluminium and aluminium scrap. This is contractually agreed as a separate component, plus any premiums (for transport, etc.), and markups for processing as well as grades and grade discounts (in the case of scrap). Such identifiability also remains for products in the production process (inventories). This component can be valued reliably thanks to the listing of the aluminium price on the LME. This is the most important component exposed to price risks. The share of value changes in the aluminium price as a proportion of changes to the fair value of inventories cannot be estimated, as the aluminium price can be subject to very sharp fluctuations (including on the relevant reporting date).

Hedges of future cash flows from the sale of aluminium products of AAI are classified as cash flow hedges.

All stocks of aluminium components are hedged against aluminium price risk by means of either derivative financial instruments or customer contracts. The price change risk resulting from such stocks is managed in a dynamic process, as aluminium stocks change constantly due to

new additions and disposals. AMAG reports the dynamic hedging of its stocks hedged by derivative financial instruments as fair value hedges in its financial statements, to reduce the P&L volatility resulting from the constant measurement of the derivative financial instruments deployed. Fair value hedges are designated with a one-month period and the designated hedges are re-designated after each month to reflect the month-on-month change in the aluminium stock as an hedged item together with the volume change in hedging instruments as part of hedge accounting.

Differences in the value-determining risk factors between the hedged item and the hedging instrument creates sources of ineffectiveness. Ineffectivenesses can arise in connection with expected premiums for the embedded derivative, which are to be taken into consideration accordingly. No sources of ineffectiveness exist above and beyond this. As the basis values of the hedged item and the hedging instrument always converge, and the intrinsic value is always designated when deploying options as hedging instruments, the accounting hedge ratio always amounts to 1:1. In other words, the designated quantity or designated volume of the hedging instrument corresponds to the designated quantity or designated volume of the hedged item. The hedge ratio is adjusted if the hedge ratio exhibits a disequilibrium which would result in ineffectiveness, creating an accounting consequence irreconcilable with the purpose of hedge accounting.

Both propriety credit risk as well as counterparty credit risk have no effect on the fair value of forward aluminium transactions and options, which is not reflected in the fair value of the hedged item and is consequently also not a source of ineffectiveness.

Derivatives recognised at fair value through profit or loss cannot be classified as cash flow or fair value hedges under current accounting standards, although they serve as hedges against the Group's operating risk exposures.

Due to the long risk horizon in some cases, such risks are hedged for periods of up to three years (up to six years in the case of derivatives not forming part of hedges). In the commodities price hedging area, too, derivatives are deployed only to hedge raw material price risk if they can be clearly accounted for and measured.

For commodity price risk connected with copper purchases, copper derivatives are arranged to hedge the future copper purchase where required. Such derivatives are recognised as cash flow hedges.

Sensitivity analysis

Sensitivity analyses as of Dec. 31, 2017 (in EUR thousand)					
Foreign exchange rate risks	Change	EUR	USD	Other	Total
Change in net financial liabilities due to an exchange rate reduction by	10 %	0	3,362	(1,017)	2,345
Effect to profit or loss from foreign currency transactions due to an exchange rate reduction by	10 %	(402)	0	0	(402)
Effect to other comprehensive income from foreign currency transactions due to an exchange rate reduction by	10 %	(32,889)	2,514	5,031	(25,344)
Interest rate risks	Change	EUR	USD	Other	Total
Change in net interest income (expenses) due to an interest rate increased by	1 %	(215)	336	24	145
Effect to other comprehensive income from interest rate swap due to an interest rate increased by	1 %	600	0	0	600
Commodity price risks	Change			AL	Total
Change in inventory write-down due to an LME aluminium price reduction by	10 %	0	0	(7,065)	(7,065)
Effect to profit or loss from commodity price hedging due to an LME reduction by	10 %	0	0	21	21
Effect to other comprehensive income from commodity price hedging due to an LME reduction by	10 %	0	0	22,694	22,694

Sensitivity analyses as of Dec. 31, 2016 (in EUR thousand)					
Foreign exchange rate risks	Change	EUR	USD	Other	Total
Change in net financial liabilities due to an exchange rate reduction by	10 %	0	9,006	(1,884)	7,122
Effect to profit or loss from foreign currency transactions due to an exchange rate reduction by	10 %	(1,894)	1,486	0	(408)
Effect to other comprehensive income from foreign currency transactions due to an exchange rate reduction by	10 %	(39,659)	2,118	6,808	(30,732)
Interest rate risks	Change	EUR	USD	Other	Total
Change in net interest income (expenses) due to an interest rate increased by	1 %	(926)	901	20	(5)
Effect to other comprehensive income from interest rate swap due to an interest rate increased by	1 %	600	0	0	600
Commodity price risks	Change			AL	Total
Change in inventory write-down due to an LME aluminium price reduction by	10 %	0	0	(5,429)	(5,429)
Effect to profit or loss from commodity price hedging due to an LME reduction by	10 %	0	0	(33)	(33)
Effect to other comprehensive income from commodity price hedging due to an LME reduction by	10 %	0	0	9,251	9,251

The table shows the effect of a generally possible exchange rate reduction of 10 % on periodic earnings, as well as the sensitivities of the hedges.

The table also shows sensitivity given a one percentage point increase in the interest rate, as well as the effect of the hedges.

Finally, the table also shows the effects of a 10% change in the aluminium price on inventory values, and the sensitivity of the commodities hedges.

Primary financial instruments

Details of primary financial instruments can be found in the statement of financial position and in the related notes.

Cash and cash equivalents

The carrying amounts correspond to market values.

Securities held as non-current and current assets

The securities are equity instruments (interests in other companies below 20%), which are measured at fair value through profit or loss.

Derivative financial instruments

Exclusively standard market instruments with sufficient market liquidity and from business partners with low default risk are utilised for hedging.

Cash flow hedges

Foreign exchange derivatives are employed to hedge cash flows from outstanding and anticipated foreign currency transactions. Additionally, raw material price risks (in relation to aluminium and, to a minor extent, copper) arising from expected and highly probable forecast transactions are hedged using commodity derivatives. Euro-denominated interest rate swaps serve as a hedge against interest rate risk. The fair value of interest rate derivatives reflects changes in the yield curve since the start of the instruments' terms.

In the case of options, only the intrinsic value of the derivative is designated as a hedging instrument. Changes in the fair value of this intrinsic value are recognised in the hedging reserve, and changes in the fair value of the derivative are carried directly to equity in the fair value reserve. When hedging transaction-related underlying transactions, on the date when the hedge transaction occurs the fair value reserve is either released against the purchase costs of the non-financial asset or in other cases reclassified in profit or loss through other comprehensive income. If periodic transactions are hedged, the fair value reserve is released systematically in profit or loss over the designation period, as a matter of principle. In accordance with IFRS 9B6.5.31, systematic release in profit or loss is waived if the amount of the fair value reserve is attributable to combinations of call and put options whose fair value amounted to zero on the designation date.

Derivative financial instruments qualifying as cash flow hedges and recognised in the hedging reserve are as follows:

Currency or commodity		2017 Longest term	2017 Nominal values[1)]	2017 Market values in EUR thousand	2016 Longest term	2016 Nominal values[1)]	2016 Market values in EUR thousand
Currency derivatives							
Foreign exchange forwards							
USD	Sale	02/2024	411,806	14,911	02/2024	438,705	(25,988)
GBP	Sale	02/2019	850	(1)	03/2017	324	41
CAD	Buy	01/2021	68,000	1,578	03/2020	91,133	(1,718)
USD	Buy	12/2018	30,207	(349)	07/2017	22,351	48
Commodity derivatives							
Forward contracts							
AL	Sale	12/2020	25,500	(4,849)	12/2018	39,875	869
CU	Buy	12/2018	450	164			
Options							
AL	Sale	12/2023	192,000	(8,923)	12/2018	18,000	0
Interest rate derivatives							
Interest rate swaps							
EUR		12/2024	60,000	(561)	12/2024	60,000	(1,118)
Embedded derivative							
AL	Sale	12/2023	136,206	38,129	12/2023	158,897	115,236

	2017 Receivable	2017 Liability	2017 Total	2016 Receivable	2016 Liability	2016 Total
Currency derivatives	18,426	(2,288)	16,139	537	(28,154)	(27,618)
Commodity derivatives	1,539	(15,147)	(13,608)	1,215	(346)	869
Interest rate derivatives		(561)	(561)		(1,118)	(1,118)
Embedded derivative	38,129		38,129	115,236		115,236
Total	**58,094**	**(17,995)**	**40,099**	**116,988**	**(29,618)**	**87,370**

Currency or commodity		Term of 1 year Nominal[1]	Term of 1 year Average forward rate	Term of 1 to 3 years Nominal[1]	Term of 1 to 3 years Average forward rate	Term of more than 3 years Nominal[1]	Term of more than 3 years Average forward rate
Currency derivatives							
Foreign exchange forwards							
USD	Sale	168,011	1.1851	97,232	1.1766	146,563	1.2367
GBP	Sale	630	0.8895	220	0.9048		
CAD	Buy	38,000	1.2982	29,000	1.3008	1,000	1.2688
USD	Buy	30,207	1.1853	0		0	
Commodity derivatives							
Forward contracts							
AL	Sale	19,500	1,733	6,000	1,722		
CU	Buy	450	1,732				
Options							
AL	Sale	84,000	1,732	108,000	1,725		
Interest rate derivatives							
Interest rate swaps							
EUR						60,000	-0.29%
Embedded derivative							
AL	Sale					136,206	2.366 USD/tonne

1) The nominal values of currencies are stated in '000s, and those of commodities in tonnes of aluminium (AL) or copper (CU).

The following items were hedged:

Risk	2017 Valuation adjustment	2017 Amount of reserve	2016 Valuation adjustment	2016 Amount of reserve
Currency risks				
Future sale	14,910	(14,910)	(25,990)	25,990
Future purchase	1,229	(1,229)	(1,628)	1,628
Commodity price risks				
Future sale	24,357	54,268	116,106	(4,157)
Future purchase	164	(164)	0	0
Interest rate risks				
Future interest paid	(561)	561	(1,118)	1,118
less deferred tax from hedging reserve		(10,412)		(6,122)
Total	**40,098**	**28,115**	**87,370**	**18,457**

The cumulative valuation adjustment of the hedged item from the cash flow hedge accounting concurs with the value change of the derivate plus the ineffectiveness. The value change of the embedded derivative corresponds to the reserve less the ineffectiveness and the amount of first-time valuation.

The table below shows the changes in the hedging reserve (gross) in accordance with IFRS 9.

Hedging reserve 2017 in EUR thousand	Commodity derivatives	Currency derivatives	Interest rate derivatives	Embedded derivative	Total
Change in fair value recognised directly in other comprehensive income (OCI)	(18,167)	43,756	557	(55,468)	(29,321)
Reclassification from OCI recognised through profit or loss	6,344	1,414	0	5,007	12,765
Revenue	6,344	(595)	0	2,504	8,253
Materials		2,109	0	2,504	4,613
Other operating expenses		(100)	0	0	(100)

Hedging reserve 2016 in EUR thousand	Commodity derivatives	Currency derivatives	Interest rate derivatives	Embedded derivative	Total
Change in fair value recognised directly in other comprehensive income (OCI)	(686)	(14,381)	(1,338)	2,919	(13,486)
Reclassification from OCI recognised through profit or loss	1,072	9,813	0	(9,661)	1,224
Revenue	1,072	8,023	0	(5,275)	3,820
Materials	0	(612)	0	(4,386)	(4,998)
Other operating expenses	0	2,402	0	0	2,402

The ineffectivenesses are accounted for in net financial result and not in reserves.

Fair value hedges

Forward transactions designated as fair value hedges are used to hedge aluminium stocks. Changes in the market value of these instruments are recorded as raw materials and consumables used.

The following derivative financial instruments qualify as fair value hedges, and are recognised in profit or loss:

Currency or commodity		2017 Longest term	2017 Nominal values[1)]	2017 Market values in EUR thousand	2016 Longest term	2016 Nominal values[1)]	2016 Market values in EUR thousand
Commodity derivatives							
Forward contracts							
AL	Sale	01/2018	55,000	(9,024)	01/2017	60,970	1,055
AL	Buy	03/2018	975	188	03/2018	2,420	214
Hedged firm commitments							
AL	Sale	03/2018	975	(188)	03/2018	2,420	(214)
AL	Buy	01/2018	55,000	9,024	01/2017	970	(7)

1) Commodities' nominal value stated in tons of aluminium (AL)

	2017			2016		
	Receivable	Liability	Total	Receivable	Liability	Total
Commodity derivatives	9,212	(9,212)	0	1,318	(270)	1,048

The following assets were hedged:

	2017		2016	
Risk	Change in value of hedged item	Book value of hedged item	Change in value of hedged item	Book value of hedged item
Commodity price risks				
Inventories	7,414	99,698	4,618	58,273

The cumulative valuation adjustment of the hedged items from the fair value hedge accounting concurs with the value change of the hedged item.

Fair value reserve

	2017	2016
As of Dec. 31	0	0
First-time application of IFRS 9	37	0
Changes in fair value	(3,475)	0
As of Dec. 31	(3,438)	0

Derivative financial instruments

Foreign exchange and commodity (aluminium) derivatives that meet the requirements for hedge accounting under IFRS 9 in terms of documentation and effectiveness are classified as measured at fair value. Fair value changes in these derivative financial instruments are recognised through profit or loss.

Derivative financial instruments qualifying as measured at fair value through profit or loss:

Currency or commodity		2017 Longest term	2017 Nominal values[1)]	2017 Market values in EUR thousand	2016 Longest term	2016 Nominal values[1)]	2016 Market values in EUR thousand
Currency derivatives							
Foreign exchange forwards							
USD	Buy				08/2017	15,756	847
GBP	Sale	04/2018	3,100	(5)	03/2017	3,008	(20)
JPY	Sale	03/2018	59,000	7	04/2017	29,300	14
USD	Sale				08/2017	16,020	(821)
CHF	Sale				03/2017	85	(1)
NOK	Sale	01/2018	884	2			
Commodity derivatives							
Forward contracts							
AL	Buy	12/2023	277,975	34,327	11/2023	231,030	7,944
AL	Sale	07/2018	277,975	(30,755)	05/2017	231,030	(19,002)
Options							
AL	Sale				12/2018	18,000	49

1) The nominal values of currencies are stated in '000s, and those of commodities in tonnes of aluminium (AL).

The nominal values comprise the gross sum of the purchase and sale prices of the derivative financial transactions. The value of commodity derivatives is stated in tonnes in the transaction currency.

The market values are based on the values at which the respective transactions are traded as at the end of the reporting period. The market values of commodity derivatives reflect the official aluminium prices listed on the LME at the end of the reporting period. The fair value of forward derivatives is calculated based on the forward rate as at the end of the reporting period.

Recognised models are applied to determine option prices. The market valuation of interest rate swaps, interest rate caps and forward rate agreements is performed based on generally accepted mathematical measurement models.

A hedge's term is determined by the term of the hedged asset/liability.

Additional disclosures about financial instruments pursuant to IFRS 7:

2017

Financial instruments pursuant to IFRS 7 in EUR thousand	Fair value hedge	Cash flow hedge	Held for trading	
Assets				
Other non-current assets and financial assets	0	45,414	0	
Trade receivables	0	0	0	
Current tax assets	0	0	0	
Other current assets	188	12,681	0	
Cash and cash equivalents	0	0	0	
Liabilities				
Interest-bearing non-current financial liabilities	0	0	0	
Other non-current liabilities and grants	0	7,472	0	
Interest-bearing current financial liabilities	0	0	0	
Trade payables	0	0	0	
Current tax liabilities	0	0	0	
Other current liabilities and grants	9,024	10,524	14,072	

2016

Financial instruments pursuant to IFRS 7 in EUR thousand	Fair value hedge	Cash flow hedge	Held for trading	
Assets				
Other non-current assets and financial assets	42	99,443	456	
Trade receivables	0	0	0	
Current tax assets	0	0	0	
Other current assets	1,251	17,545	11,216	
Cash and cash equivalents	0	0	0	
Liabilities				
Interest-bearing non-current financial liabilities	0	0	0	
Other non-current liabilities and grants	0	18,138	250	
Interest-bearing current financial liabilities	0	0	0	
Trade payables	0	0	0	
Current tax liabilities	0	0	0	
Other current liabilities and grants	24	11,480	22,412	

*) Loans and receivables at amortised cost

Mandatorily at fair value through profit or loss	Equity investments at fair value through OCI	At amortised cost	Not a financial instrument	Book value as of Dec. 31, 2017	Fair value as of Dec. 31, 2017
534	1,226	2,145	0	49,319	49,319
0	0	120,404	0	120,404	120,404
0	0	0	1,283	1,283	1,283
17,114	0	14,935	16,455	61,372	61,372
0	0	169,752	0	169,752	169,752
0	0	338,751	0	338,751	333,500
0	0	73,109	2,768	83,349	83,349
0	0	113,841	0	113,841	114,249
0	0	77,564	0	77,564	77,564
0	0	0	1,036	1,036	1,036
0	0	18,402	21,693	73,715	73,715

Available for sale	Loans, receivables and liabilities	Cash and cash equivalents	Not a financial instrument	Book value as of Dec. 31, 2016	Fair value as of Dec. 31, 2016
380	2,406	0	0	102,728	102,728
0	102,641	0	0	102,641	102,641
0	0	0	3,164	3,164	3,164
0	9,209	470	18,475	58,166	58,166
0	0	149,833	0	149,833	149,833
0	343,451	0	0	343,451	339,902
0	98,869	0	2,856	120,113	120,113
0	32,673	0	0	32,673	33,969
0	73,322	0	0	73,322	73,322
0	0	0	6,732	6,732	6,732
0	18,461	0	20,932	73,309	73,309

Cash and cash equivalents, financial instruments, and trade receivables and other assets generally have short terms. As a result, the carrying amounts for these items are approximately the same as the respective fair value. Financial instruments not categorised in accordance with IFRS 7 include financial assets and liabilities measured at fair value as well as those recognised at amortised cost.

In general, trade payables and other current liabilities have terms of less than one year, and the recognised values are approximations of their respective fair value.

The fair values of bank borrowings and other financial liabilities are calculated as the present values of the related payments based on the respective yield curve, taking account of the Group's credit risk exposure.

The measurement categories are as follows:

	2017				2016			
Measurement categories in EUR thousand	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
ASSETS								
Other non-current assets and financial assets	0	14,367	32,807	47,174	0	1,156	98,785	99,942
Other current assets	0	23,434	6,548	29,982	0	13,561	16,451	30,012
LIABILITIES								
Interest-bearing non-current financial liabilities	0	333,500	0	333,500	0	339,902	0	339,902
Other non-current liabilities and grants	0	7,472	0	7,472	0	18,388	0	18,388
Interest-bearing current financial liabilities	0	114,249	0	114,249	0	33,969	0	33,969
Other current liabilities and grants	0	33,620	0	33,620	0	33,916	0	33,916

The Group applies the following hierarchy to determine and report the fair value of financial instruments for each valuation:

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

Level 2: methods in which all inputs that have a material effect on the reported fair value are directly or indirectly observable. The transactions outlined below are recognised at this level:

Forward currency transactions:
In forward currency transactions, a specified amount of a certain currency is exchanged for an amount in another currency at an agreed exchange rate on a future date. Both cash flows arising at the maturity date are recognised at present value based on the yield curve for each transaction currency. The present value of the forward currency transaction comprises the difference between the two cash flows discounted to their present value and translated into the reporting currency applying the exchange rates. The exchange rates and the yield curve are applied as inputs.

Interest rate swap:
Interest rate swaps involve the exchange of a floating interest rate for a fixed rate. Measurement entails calculating the present value of the variable interest payments and the present value of the fixed interest payments. The present value of the interest rate swap is the difference of the two cash flows discounted to present value over the term of the transaction. The inputs comprise 3-month Euribor and the yield curve.

Commodity futures:
The value of these futures is the difference between the contract price and the aluminium price quoted on the London Metal Exchange (LME) at the maturity date of the transaction. The LME quoted aluminium price including the term structure, and the euro/US dollar futures curve comprise the inputs.

Commodity options:
The Black-Scholes model is applied in the valuation of commodity options. The key inputs are the LME quoted aluminium price including the term structure, the euro/US dollar futures curve, and aluminium price volatility data.

Level 3: methods based on input parameters that have a material effect on fair value and are not based on observable market data.

The measurement of the participating interests was not based on observable data, but instead on company estimates, and is consequently allocated to Level 3.

The fair value of the embedded derivative in the electricity purchasing contract of Aluminerie Alouette Inc. is based on Level 3 fair value measurement. For more details please refer to section E. The change in the value of the embedded derivative is shown below:

Development of embedded derivative in EUR thousand	Other non-current assets and financial assets	Other current assets
As of Jan. 1, 2016	0	9,331
Currency translation differences	0	328
Additions	99,353	12,988
Changes in fair value	2,230	689
Recycling	(24)	(9,637)
Ineffectiveness	0	(22)
Reclassification	(2,774)	2,774
As of Dec. 31, 2016	98,785	16,451
As of Jan. 1, 2017	98,785	16,451
Currency translation differences	(4,736)	(293)
Changes in fair value	(47,281)	(8,187)
Recycling	0	(5,007)
Acquisition of derivative in P&L (share of first-time valuation)		(11,151)
Ineffectiveness	(453)	0
Reclassification	(14,734)	14,734
As of Dec. 31, 2017	31,581	6,548

The impact of a change in the LME price on measurement is outlined below:

Sensitivity in EUR thousand	2017		2016	
	+10 %	-10 %	+10 %	-10 %
Other non-current assets and financial assets	(20,905)	20,905	(21,894)	21,894
Other current assets	(3,904)	3,904	(3,314)	3,314

The impact of a change in the derivative's term on measurement is outlined below:

Sensitivity in EUR thousand	2017		2016	
	1 year longer	1 year shorter	1 year longer	1 year shorter
Other non-current assets and financial assets	6,364	(6,316)	15,572	(15,920)
Other current assets	0	0	0	0

The derivatives are divided into the following categories in accordance with IFRS 9:

Derivatives with positive fair value in EUR thousand	2017 Long-term	2017 Short-term	2016 Long-term	2016 Short-term
Derivatives, mandatorily at fair value through profit or loss	534	17,114	456	11,216
Fair value hedge derivatives	0	188	42	1,251
Cash flow hedge derivatives	45,414	12,681	99,443	17,545
Total	45,948	29,982	99,942	30,012

Derivatives with negative fair value in EUR thousand	2017 Long-term	2017 Short-term	2016 Long-term	2016 Short-term
Derivatives, mandatorily at fair value through profit or loss	0	14,072	250	22,412
Fair value hedge derivatives	0	9,024	0	24
Cash flow hedge derivatives	7,472	10,524	18,138	11,480
Total	7,472	33,620	18,388	33,916

Derivatives with positive fair values are reported on the statement of financial position under the other assets item, and derivatives with negative fair values are reported under other liabilities and grants.

Net gains and losses by measurement categories

Net gains (losses) on financial instruments in EUR thousand	2017	2016
Hedging instruments mandatorily at fair value through profit or loss	2,980	(1,461)
Fair value through other comprehensive income	184	196
Financial assets at amortised costs	0	874
Liabilities at amortised costs	(2,257)	(1,782)
	908	(2,173)

The net profit/loss from financial instruments includes dividends received, but not profit attributable to non-controlling interests, or interest expense and interest received. Impairment losses and reversals of impairment losses, foreign exchange gains and losses, gains and losses on disposals, and other changes in the fair values of financial instruments recognised in profit or loss are included in the calculation of net profit/loss from financial instruments.

Gains and losses from derivative financial instruments used to hedge operating risk, which are offset by expenses under raw material and consumables and by revenue, are not included in net profit/loss from financial instruments.

N Contingent liabilities and guarantees

Legal proceedings

As at the end of the reporting period, no legal proceedings were pending that represented risks beyond those arising from normal business operations. In addition, the Group was unaware as of the reporting date of any legally relevant circumstances which could lead to the instigation of such proceedings.

Supplementary information

in EUR thousand	2017	2016
Sureties and guarantees	6,864	18,564
	6,864	18,564

The sureties and guarantees item relates mainly to bank guarantees for public amenities of EUR 4,635 thousand, compared with EUR 5,796 thousand in the previous reporting period. A provision of EUR 356 thousand (previous year: EUR 293 thousand) was recognised in relation to this arrangement.

O Related party disclosures

All transactions under this item occur on an arm's length basis.

The composition of the Management Board has remained unchanged compared with the previous year.
A long-term compensation scheme was implemented in the Management Board contracts that enables the Management Board members to participate in the company's value appreciation, taking a predetermined minimum return on capital into account.

The following remuneration, including the change in provisions, was granted to Supervisory and Management board members, and to managing directors.

Remuneration 2017 in EUR thousand	Supervisory Board members	Management Board members	Directors	Total
Short-term benefits	602	2,343	2,193	5,138
Long-term benefits	0	-101	0	-101
Benefits upon termination of employment	0	0	0	0
Post-employment benefits	0	159	155	314
	602	2,401	2,347	5,350

Remuneration 2016 in EUR thousand	Supervisory Board members	Management Board members	Directors	Total
Short-term benefits	474	2,601	2,232	5,306
Long-term benefits	0	1,650	0	1,650
Benefits upon termination of employment	0	0	0	0
Post-employment benefits	0	277	155	432
	474	4,527	2,387	7,388

No loans have been extended to Management and Supervisory board members, and no guarantees have been given on their behalf. No other transactions – and especially no purchase contracts involving assets of significant value – have been entered into with related parties.

Supplier relationships

in EUR thousand Company	RLB Oberösterreich AG	Speditionsservice Ranshofen Ges.m.b.H.	unit-IT Dienstleistungs GmbH & Co KG	Others	2017 Total
Received	477	16,718	2,019	1,246	20,460
Provided	0	331	274	1	606
Status of receivables	16,042	23	36	0	16,100
Status of payables	27,931	2,126	262	167	30,486

in EUR thousand Company	RLB Oberösterreich AG	Speditionsservice Ranshofen Ges.m.b.H.	unit-IT Dienstleistungs GmbH & Co KG	Others	2016 Total
Received	341	16,937	1,676	643	19,597
Provided	0	274	280	6	561
Status of receivables	161	16	54	0	231
Status of payables	24,253	1,091	234	88	25,666

The services purchased from Speditionsservice Ranshofen Ges.m.b.H., relate to freight and dispatch services, and from unit-IT Dienstleistungs GmbH & Co KG to IT services. At both companies, the rendered services concern rentals of operating buildings. The services rendered by RLB Oberösterreich AG derive from interest payments and commissions for loans granted.

Furthermore, guarantees of RLB Oberösterreich AG exist in an amount of EUR 5,625 thousand (previous year: EUR 14,063 thousand) and committed credit lines of EUR 30,000 thousand (previous year: EUR 30,000 thousand).

P Supplementary information

Events after the balance sheet date

No significant events occurred after the balance sheet date.

Ranshofen, February 9, 2018

The Management Board

Dipl.-Ing.
Helmut Wieser
Management Board Chairman
(Chief Executive Officer)

Priv. Doz. Dipl.-Ing.
Dr. Helmut Kaufmann
Management Board member
(Chief Operating Officer)

Mag.
Gerald Mayer
Management Board member
(Chief Financial Officer)

Declaration of the Management Board under Section 124 (1) of the Austrian Stock Exchange Act (BörseG)

The Management Board hereby declares that to the best of its knowledge the consolidated annual financial statements of AMAG Austria Metall AG, prepared in accordance with the applicable accounting standards, give a true and fair view of the Group's financial position and performance. The Group operating and financial review likewise as far as possible gives a true and fair view of the financial position and performance of the AMAG Group, and provides information on the course of business, results and position of the Group, and describes the risks and uncertainties to which the Group is exposed.

Ranshofen, February 9, 2018

The Management Board

Dipl.-Ing.
Helmut Wieser
Management Board Chairman
(Chief Executive Officer)

Priv. Doz. Dipl.-Ing.
Dr. Helmut Kaufmann
Management Board member
(Chief Operating Officer)

Mag.
Gerald Mayer
Management Board member
(Chief Financial Officer)

Audit opinion

Report on the consolidated financial statements

Opinion

We have audited the consolidated financial statements of AMAG Austria Metall AG, Ranshofen, and its subsidiaries (the Group), consisting of the consolidated statement of financial position as of December 31, 2017, the consolidated statement of profit and loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, and the consolidated statement of cash flows for the financial year ending on this reporting date, as well as the notes to the consolidated financial statements.

Based on the results of our audit, in our opinion the attached consolidated financial statements conform to the greatest possible extent with legal regulations, and present a true and fair view of the Group's financial position as of December 31, 2017, as well as its financial performance and cash flows for the financial year ending as of this date, in accordance with the International Financial Reporting Standards as applicable in the EU (IFRS), and the additional requirements of Section 245a of the Austrian Commercial Code (UGB).

Basis for the audit opinion

We conducted our audit in accordance with EU Regulation No. 537/2014 (hereinafter referred to as the "EU Regulation") and with Austrian generally accepted auditing principles. These principles require the application of the International Standards on Auditing (ISAs). Our responsibilities in accordance with such regulations and standards are described in greater detail in the section entitled "Auditor's responsibilities for the auditing of the consolidated financial statements". We are independent of the Group in accordance with Austrian corporation law and professional law regulations, and we have fulfilled our other professional duties in accordance with such requirements. We believe that the audit evidence obtained is sufficient and appropriate to provide a sound basis for our audit opinion.

Note on other matters

The consolidated financial statements of AMAG Austria Metall AG, Ranshofen, for the financial year ending on December 31, 2016, were audited by another auditor of the consolidated financial statements, which issued an unqualified audit opinion in relation to these consolidated financial statements on February 13, 2017.

Particularly important audit matters

Particularly important audit matters comprise such matters that in our judgement were the most important for our audit of the consolidated financial statements for the financial year under review. Such matters were taken into consideration in connection with our audit of the consolidated financial statements as a whole and when forming our audit opinion on these financial statements, and we do not issue a separate audit opinion on such matters.

Below, we present audit matters that we consider particularly important:

+ 1. Power supply contract concluded by Aluminerie Alouette Inc.
+ 2. First-time application of IFRS 9

1. Power supply contract concluded by Aluminerie Alouette Inc.

Description:

In October 2016, Aluminerie Alouette Inc., Canada, ("AAI") – according to IFRS 11 a joint arrangement to be included proportionally in the consolidated financial statements of AMAG Austria Metall AG – arranged a power supply contract with the Canadian government, whereby the agreed electricity price is tied to the LME market price of aluminium. Based on this link, the power supply contract includes an embedded derivative, which is to be recognised separately. The embedded derivative was designated as a hedging instrument for future primary aluminium sales, representing the underlying transaction in a cash flow hedge. As of the date when the agreement was concluded, the derivative's fair value also constitutes a government grant.

The derivative, amounting to EUR 38.1 million, is included under other non-current and current assets in the consolidated statement of financial position of AMAG Austria Metall AG as of December 31, 2017. The amount recognised for the government grant stands at EUR 84.8 million and is reported under the other non-current and current liabilities and grants. Of the overall change in the derivative of EUR -77.1 million, EUR -60.5 million was recognised directly in equity and EUR -16.6 million was recognised in profit or loss.

The assessment of this matter requires significant assumptions and estimates by the management concerning the related valuation, as the embedded derivative reflects various value-determining risk factors and valuation parameters. The company values the derivative's fair value applying a forward price model utilising a reference electricity price, corresponding yield curves and the forward prices and rates for aluminium and foreign currencies. The estimate of the expected duration of the power supply contract is significant in this context.

The corresponding information from the company is explained in in the notes to the consolidated financial statements of AMAG Austria Metall AG in sections "E Accounting policies", "J03 Other non-current assets and financial assets", "J07 Other current assets", "J14 Other liabilities and grants" and "M Financial instruments".

How we addressed this matter as part of the audit:
We critically scrutinised the management's assumptions and estimates, which included conducting the following audit actions:

+ Assessment of the extent to which the risk management objective of the hedge is consistent with the risk management strategy of AMAG;
+ Auditing the numerical correctness of the forward price model and appraisal of the valuation parameters applied;
+ Assessing the management's estimate of the expected duration of the power supply contract;
+ Auditing the correct presentation in the IFRS consolidated financial statements;
+ we made recourse to IFRS accounting and valuation specialists to perform the audit actions.

2. First-time application of IFRS 9

Description:
The company decided with effect as of January 1, 2017 to make early voluntary first-time application of IFRS Standard 9 (Financial Instruments), which the EU adopted in November 2016. The first-time application of the new accounting standard requires organisational measures to implement the new regulations as well as discretionary decisions and estimates by the management in the following areas: the classification and measurement of financial assets and liabilities, the impairment of financial assets and the accounting treatment of hedges.

Based on the amendments to the accounting policies following the first-time application of IFRS 9, retroactive restatements totalling EUR 1.8 million arise for the consolidated financial statements of AMAG. These adjustments arise from the reversal of valuation allowances applied to trade receivables, from the fair value measurement of non-current participating interests and securities, and from the fair value component of options.

The corresponding disclosures by the company are explained in the notes to the consolidated financial statements of AMAG Austria Metall AG in the sections "E Accounting policies" and "H Adjustments from the first-time application of IFRS 9".

How we addressed this matter as part of the audit:

We critically scrutinised the assumptions and estimates made by the management, which included conducting the following audit actions:

+ Assessing the processes implemented to classify and measure financial instruments and to determine and recognise impairments to financial assets, in each case in accordance with IFRS 9;
+ Assessing the adapted process to report hedges on the balance sheet and reviewing whether the requisite adjustments had been made to the documentation of hedges and the recognition of undesignated fair value components;
+ Reviewing the adjustment bookings as to their contents and amounts;
+ Reviewing the correct first-time application and complete and correct disclosure of the adjustments implemented as well as the appropriateness of the disclosures in the notes to the financial statements;
+ we made recourse to IFRS accounting specialists to perform the audit actions.

Responsibilities of the legal representatives and Audit Committee for the consolidated financial statements

The legal representatives are responsible for the preparation of the consolidated financial statements, and for the fact that, in accordance with IFRS as applicable in the EU and the additional requirements of Section 245a of the Austrian Commercial Code (UGB), they convey to the greatest possible extent a true and fair view of the Group's financial position and performance. Moreover, the legal representatives are responsible for the internal controls they deem necessary to enable consolidated financial statements to be prepared free of misrepresentations, whether intended or unintended.

In preparing the consolidated financial statements, the legal representatives are responsible for assessing the Group's capacity as a going concern, for stating matters connected with the Group as a going concern – where relevant – as well as for applying the going concern accounting principle, unless the legal representatives intend to either liquidate the Group or discontinue the company's operations or have no realistic alternative to such options.

The Audit Committee is responsible for monitoring the Group financial accounting process.

Auditor's responsibilities for auditing the consolidated financial statements

Our objectives are to gain sufficient certainty as to whether the consolidated financial statements as a whole are free of significant misrepresentations, whether intended or unintended, and to issue an audit certificate containing our audit opinion. Sufficient certainty refers to a high degree of certainty, but provides no guarantee that an audit of financial statements conducted in accordance with the EU Regulation and Austrian proper auditing principles and requiring the application of ISA always exposes an important misrepresentation if such a misrepresentation exists. Misrepresentations can arise from fraudulent actions or errors, and are deemed significant if they could reasonably be expected, either individually or in their entirety, to affect business decisions made by users on the basis of these consolidated financial statements.

As part of the auditing of financial statements in accordance with the EU Regulation and Austrian proper auditing principles requiring the application of ISAs, we exercise due professional discretion during the entire audit and maintain a fundamentally critical stance.

The following also applies:

+ We identify and assess the risks of significant – intended or unintended – misrepresentations in the consolidated financial statements, plan audit activities as a response to such risks, implement them and obtain audit evidence that is sufficient and appropriate to serve as the basis for our audit opinion. The risk that significant misrepresentations arising from fraudulent actions remain undisclosed is greater than a risk arising from errors, as fraudulent actions can comprise fraudulent collaboration, falsifications, intentionally incomplete documentation, misleading presentations or the overriding of internal controls.
+ We gain an understanding of the internal control system of relevance for the audit in order to plan audit actions that are appropriate in the given circumstances, although not with the aim of issuing an audit opinion on the efficacy of the Group's internal control system.
+ We evaluate the appropriateness of the accounting policies the legal representatives apply, as well as the justifiability of the estimated figures the legal representatives present in the financial accounting and related disclosures.
+ We draw conclusions about the suitability of the legal representatives' application of the going concern principle, as well as – based on the audit evidence obtained – whether significant uncertainty exists in connection with events or circumstances that can raise considerable doubts about the Group's capability as a going concern. If we draw the conclusion that significant uncertainty exists, we are obligated to draw attention in our audit opinion to the related disclosures in the consolidated financial statements, or, if such disclosures are unsuitable, to amend our audit opinion. We draw our conclusions on the basis of audit evidence obtained up until the date of our audit opinion. Future events or circumstances, however, can result in the Group no longer comprising a going concern.
+ We appraise the overall presentation, the structure and content of the consolidated financial statements, including the disclosures, as well as whether the consolidated financial statements reproduce the underlying business transactions and events in a manner that as far as possible presents a true and fair view.
+ We obtain sufficient suitable audit evidence concerning the financial information of the units or operating activities within the Group to issue an audit opinion on the consolidated financial statements. We are responsible for directing, supervising and conducting the audit of the consolidated financial statements. We bear sole responsibility for our audit opinion.

We communicate with the Audit Committee, including concerning the planned scope and planned time-allocation for the audit of the financial statements, as well as about important audit findings, including any significant defects in the internal control system that we identify during our audit.

We also issue a statement to the Audit Committee that we have complied with the relevant professional conduct requirements relating to independence, and communicate with it about all relationships and other matters of which it could be reasonably assumed that they affect our independence and – where relevant – related protective measures.

Of those matters about which we communicated with the Audit Committee, we determine those that were most significant for the audit of the consolidated financial statements in the financial year under review, and consequently comprise particularly important audit matters. We describe such matters in our audit opinion, unless legislation and other legal regulations prevent the public disclosure of the matter, or we determine in extremely rare cases that a matter should not be communicated in our audit opinion because it is reasonably assumed that the negative consequences of such a communication would exceed its benefits for the public interest.

Other statutory and other legal requirements

Report on the Group management report

Based on Austrian corporation law regulations, the Group management report is to be audited as to whether it is compatible with the consolidated financial statements and whether it was prepared in accordance with applicable legal requirements.

In relation to the consolidated non-financial declaration included in the Group management report, it is our responsibility to audit whether it was prepared, to read it and consider whether it significantly contradicts the consolidated financial statements in light of information gained from the audit, or otherwise appears to entail a significant misrepresentation.

The legal representatives are responsible for the preparation of the Group management report in accordance with Austrian corporation law regulations.

We conduct our audit in compliance with professional principles relating to the auditing of group management reports.

Opinion:
In our opinion, the Group management report has been prepared in accordance with the applicable legal requirements, includes appropriate disclosures pursuant to Section 243a of the Austrian Commercial Code (UGB), and is compatible with the consolidated financial statements.

Statement:
Given the findings from the audit of the consolidated financial statements and the understanding gained about the Group and its environment, no significant erroneous disclosures were found in the Group management report.

Other information
The legal representatives are responsible for the other information. Other information includes all information in the annual report apart from the consolidated financial statements, the Group management report and the audit opinion. The annual report will be made available to us prospectively after the date of the audit opinion. Our audit opinion on the consolidated financial statements does not cover such other information, and we will not issue any type of assurance in relation to it.

In combination with our audit of the consolidated financial statements, it is our responsibility to read such other information as soon as it is made available, and consider whether it significantly contradicts the consolidated financial statements in light of information gained from the audit, or otherwise appears to entail a significant misrepresentation.

Additional disclosures pursuant to Article 10 of the EU Regulation
The Annual General Meeting on April 19, 2017 elected us as the auditors of the financial statements. The Supervisory Board issued its mandate to us on May 2, 2017. We have been the auditor of the financial statements since 2017.

We declare that the audit opinion in the section "Report on the consolidated financial statements" is consistent with the additional report to the Audit Committee pursuant to Article 11 of the EU Regulation.

We declare that we have not rendered any prohibited non-auditing services (Article 5 (1) of the EU Regulation) and that we have maintained our independence from the audited company in performing our audit of the financial statements.

Auditor responsible for the mandate
Mr. Mag. Thomas Haerdtl is the certified public auditor responsible for the mandate to audit the financial statements.

Vienna, February 9, 2018

Ernst & Young
Wirtschaftsprüfungsgesellschaft m.b.H.

Mag. Gerhard Schwartz h.c.
Certified Public Auditor

Mag. Thomas Haerdtl h.c.
Certified Public Auditor

Glossary

Technikglossar

"Alloy-to-alloy" recycling:
Specific separation and sophisticated metal analysis that allows scrap (input materials) to be recycled, usually for manufacturing finished product alloys of identical analysis

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 that are placed in an electrolysis tank containing zinc solvent in a sulphuric solution

Clad brazing sheet:
Composite material consisting of a core aluminium alloy and a cladding layer of a brazing alloy with a lower melting point (for use in coolers and heat exchangers)

Closed loop recycling
Fabrication scrap from customers is sorted and returned, and re-melted, thereby serving as starting material for AMAG's high-quality products

Collection point:
Production site where scrap from cans, foils, wheel rims, window frames, chips and engine blocks etc, is collected, classified, sorted by type to the highest possible accuracy, and stored for recycling purposes

Continuous solution annealing furnace for aluminium strip:
Continuous solution annealing furnace to adjust certain metallurgical properties of aluminium strip

Heat-treatable plates:
Aluminium plates with increased hardness achieved through special thermal processing

Homogenisation furnace:
Type of furnace used in the casthouse to produce a homogenised microstructure prior to subsequent hot rolling

Horizontal heat-treatment furnace:
Non-continuous, multizone furnace in the rolling mill, utilised for solution annealing of heat-treatable plates

Hot rolling simulation:
Computer simulation of hot rolling to make predictions about the final product prior to the actual rolling process

Manufacturing of rolling ingots:
Manufacturing of ingots intended for rolling that are vertically cast in the ingot casthouse

Passivation:
The oxide layer of the aluminium is replaced by an artificial barrier layer, providing a good surface for adhesively bonded joints

Precision cast plates:
Aluminium precision plates cut from rolling slabs and precision-milled on both sides

Primary aluminium:
Aluminium produced from alumina using electric power, petroleum coke, pitch and other raw materials

Rolling:
A forming process. If materials are formed at temperatures above their recrystallisation temperature, the process is referred to as hot rolling, otherwise as cold rolling

Rolling slab:
Vertically cast ingots for deployment in rolling mills

Secondary aluminium:
Aluminium alloy obtained from recycled aluminium scrap

Semi-finished aluminium:
Generic term used to describe aluminium products in the form of sheet, sections and strips, pipes etc

Sows:
Ordinary cast form for aluminium, suited for re-melting

Special rolled products:
Rolled products that are distinguished from standard products through a combination of specific properties (e.g. bright sheet)

Stretcher:
Stretchers are used to remove unevenness from sheets, strips and plates, and to reduce the material's residual stress

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 that includes all stocks in the prime market segment

Backwardation:
A situation on a futures market where the spot price is higher than the futures price

Compliance:
Adherence to laws, guidelines and voluntary codes

Contango:
A situation with a commodity futures transaction where the spot price is lower than the forward price

Capital employed:
The total of average equity and average net debt (long-term and short-term interest-bearing financial liabilities less liquid assets and short-term securities)

Corporate governance:
Rules of behaviour for responsible management and controlling of companies, as set out in the Austrian Corporate Governance Code; compliance with this code is voluntary

Corporate Social Responsibility (CSR):
Term referring to voluntary initiatives implemented with a view to promoting sustainable corporate governance that extends above and beyond statutory requirements, and reflects all stakeholders' interests

Cash flow:
Financial parameter indicating the net cash received over a period of time; an indicator of a company's solvency

Coverage:
Regular reporting by analysts about a company's development

D&O: Directors and officers:
legally liable members of company boards such as the management or supervisory board of a public limited company, or corporate officers and directors in a limited liability corporation

Derivative financial instruments:
Financial instruments whose prices are based on other investments' actual or expected prices

Dividend yield:
Ratio between a company's dividend and its share price, expressed in percent; shows the return on invested capital per share

Earnings per share:
Derived by dividing consolidated net profit or loss by the weighted average number of shares in issue

EBIT (Earnings before Interest and Tax):
A measure of operating income after taking depreciation and amortisation into account

EBITDA (Earnings before Interest, Tax, Depreciation and Amortisation):
A measure of cash operating income

EBT (Earnings before Tax):
A measure of profit before the application of tax

Equity ratio:
Ratio between equity and total assets

Gearing:
Ratio of net debt (long-term and short-term interest-bearing borrowings less cash and cash equivalents, and long-term and short-term securities) to equity

Hedging:
Financial risk management measures to limit or avoid the negative impact of market price changes in the areas of interest rates, currencies, asset values or commodities

ISIN (International Security Identification Number):
A reference number for securities

London Metal Exchange (LME):
One of the world's largest metals trading exchanges for spot and forward transactions

Management letter:
A document addressed to a management board with recommendations for potential improvements at the company, published by an independent auditor as part of a legally prescribed auditors' report and opinion

Market capitalisation:
Calculated by multiplying the number of a company's shares in issue by their current share price on the stock market

NOPAT (Net Operating Profit after Tax):
Earnings after tax adjusted to reflect the net interest result and related tax (tax effect deriving from the net financial result)

Price/earnings ratio (PER):
Ratio to value a share on the stock market; ratio between the current share price and earnings per share

Profit attributable to non-controlling interests:
Portion of net income attributable to non-controlling interests. If the amount is positive, a pro rata share of the consolidated subsidiary's net loss is added to consolidated profit.

ROCE (Return on Capital Employed):
NOPAT in relationship to average capital employed = profitability of capital employed

ROE (Return on Equity):
Ratio between earnings after taxes and average equity, expressed as a percentage. It shows the profitability in relation to average equity employed in the course of the financial year

Small and mid caps:
Listed companies with small or medium market capitalisations

Stakeholder:
Person with a vested interest in the conduct of a company (e.g. a shareholder, employee, customer or supplier); the stakeholder value approach assesses the company in its overall socio-economic context with a view to reconciling the needs of the various stakeholder groups

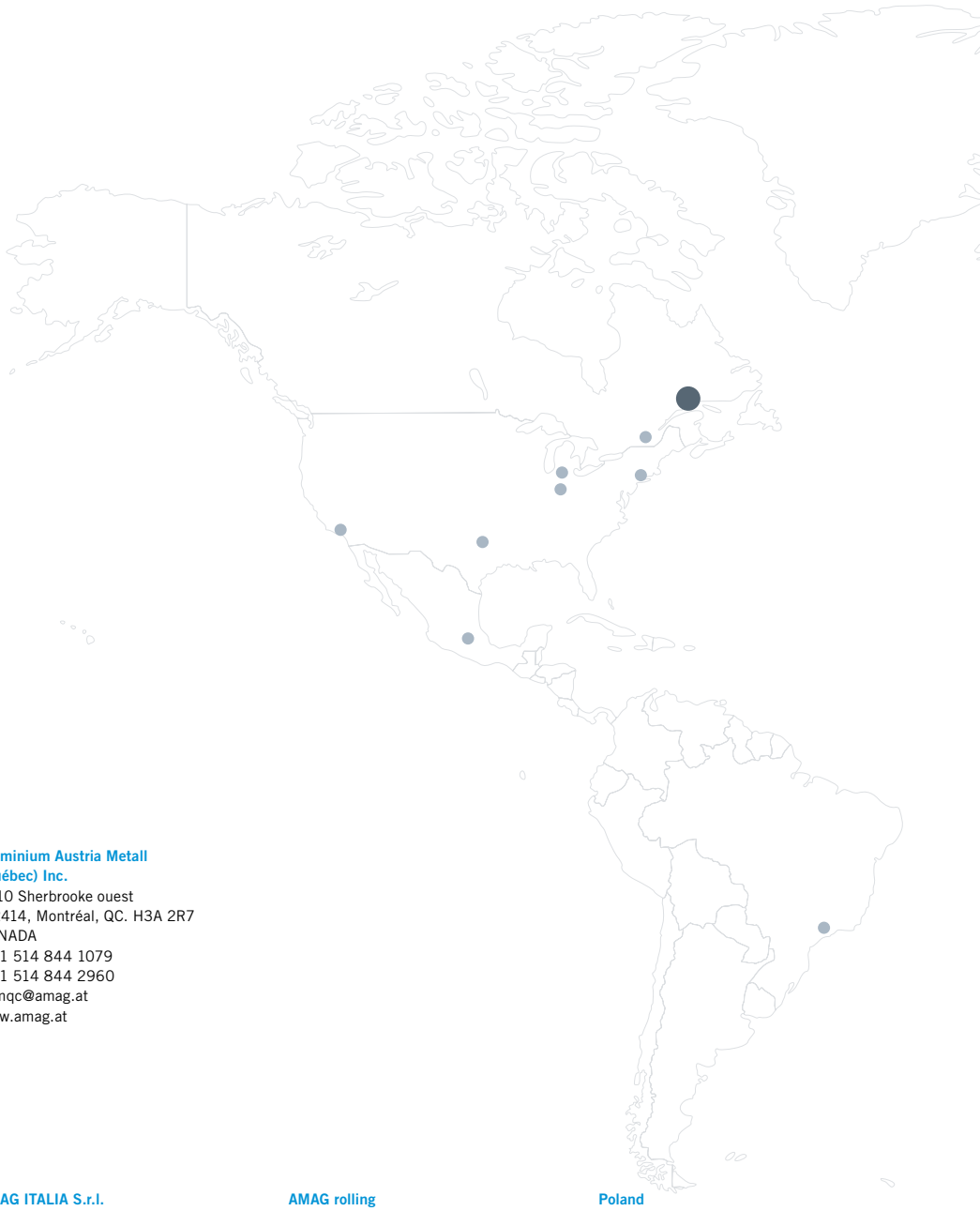
Total shareholder return:
Derived by adding together the dividend paid for a financial year and the share price appreciation realised during the year

Treasury:
Company department responsible for finance, market risk management and cash management

Working capital:
Inventories and trade receivables less trade payables

Treasury:
Bereich/Abteilung im Unternehmen mit Finanzierungs-, Marktrisikomanagement- und Cashmanagement-Aufgaben

Working Capital:
Setzt sich aus den Bilanzposten „Vorräte“ sowie „Forderungen aus Lieferungen und Leistungen“ abzüglich „Verbindlichkeiten aus Lieferungen und Leistungen“ zusammen



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