Annual General Meeting
Review of Management Board Remuneration
May 8, 2014

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AMG's Executive Remuneration Strategy

- Help secure the human capital that will achieve AMG's short-term, medium-term and long-term objectives through attraction, retention and motivation
- Reward superior performance
- Engender an innovative fast-paced entrepreneurial environment
- Provide a clear linkage between executive and shareholder interests
- Support the business model and, in particular, a collaborative culture

Compensation Advisors

- Hay Group has been retained by the AMG's Supervisory Board to review and design the remuneration program and structure
- Reflecting on AMG's three major pillars, Hay Group has selected a group of peer organizations from the metals, technologies and mining industry segments
- The selection criteria reflect:
  - Comparability to AMG business segments
  - General comparability to AMG in revenue size
  - Established companies in mature markets, with comparable remuneration practices
  - Similar end users/customers

Compensation Peer Group

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

- Among the peer organizations, 13 are US based, 2 are Canadian based and 5 are European based
- Hay Group believes that this mix of peer organizations is a fair approach for setting target compensation, in light of AMG's geographic presence in terms of both executive talent and business focus

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Remuneration Portfolio

- Management Board member's current remuneration consists of the following:
    - Base Salary
    - Short term incentives "STI"
        - Annual bonus
    - Long-term incentives "LTI"
        - Stock options "SO"
        - Performance share units "PSU"

Target Compensation Competitive Standing

			Total Compensation		Target Incentives	
		Actual Base Salary	Total Cash	Total Direct	STI%	LTI%
President & CEO	Title Match Size Match	>P90 >P90	P75 P84	P48 P47	P17 P20	P40 P27
COO & President AMG Processing	Title Match Size Match	>P90 P83	>P90 P77	P63 P60	P38 P25	P28 P34
CFO	Title Match Size Match	P81 P87	P67 P67	P40 P41	P17 >P10	P26 P26

P = percentile

- AMG targets remuneration between 50th and 75th percentile of the peer group
- AMG is highly competitive in current base salary
- AMG is below P50 for target STI% by approximately 5% to 20% of salary
- AMG's target LTI% (PSU & SO) values fall between 25th and 40th percentile of the peer group
- AMG is currently positioned between 40th and 60th percentile in target total direct compensation (salary, target STI and target LTI)

Short Term Incentives (STI) - Annual Bonus

STI Metric	Weight	Definition
ROCE	40%	EBIT/Capital employed in established target ranges
Operating Cash Flow	40%	Against established target ranges
Personal Targets	20%	Leadership, human capital development, specific initiatives, including EHS performance

Objectives

- Management of expenses and net debt (capital)
- Discipline of capital investments
- Efficient use of capital
- Maximizing EBIT potential

STI Considerations

Maintain the current STI opportunities related to target and maximum payouts

	AMG Target STI % of Salary	Market P50 % of Salary
President & CEO	85%	100%
COO & President AMG Processing	65%	75%
CFO	60%	75%

Long Term Incentives (LTI) – Stock Options & PSU

LTI represent the <u>Opportunity</u> to <u>Realize</u> rewards for <u>Performance</u>

- They must be earned to be realized
- LTI awards based upon peer group
- LTI (s) are split
  - 80% on Performance Share Units (PSU) - cash settled
  - 20% on Stock Option Plan (SOP)
- Vesting starts only after achieving 3 year average ROCE target
  - Then SOP(s) vest 50% in year 3, 50 % in year 4
  - The PSU(s) are earned by 3 year total shareholder return (TSR) versus the Bloomberg Worldwide Metals Index

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Compensation Observations

- We need to rebalance our components of compensation
  - Keep salary increases flat or moderate
  - Put more emphasis on long term incentives
- STI reflect annual performance metrics agreed by the SB
  - No bonuses paid in 2012
  - Bonus target payouts reduced by 25% in 2013
- PSU's paid reflect TSR ranking and 25% of fair value
- The remuneration portfolio (i.e., base salary, STI, PSU and SO) continues to be appropriate for the Mgmt Board
- Hay Group believes that any significant modifications to the programs are not necessary

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