Annual Report 2016

vimetco

Vimetco N.V. is an international industrial group that focuses on the aluminium industry. The Group is present in several countries, including The Netherlands, Romania, China, and Sierra Leone. The majority of the Group's industrial output is sold on international markets, including the London Metal Exchange (LME) as well as the Shanghai Metal Market (SMM). Additional details may be found on the company website at **www.vimetco.com.**

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Management Report

Note 1:
In this report, the terms ‘Vimetco Group’ and ‘the Group’ are sometimes used for convenience where references are made to Vimetco N.V. and its subsidiaries in general, and the terms “Vimetco” or "Company" are sometimes used for convenience where references are made to Vimetco N.V.

The financial statements included in this annual report are audited and they present the consolidated results of Vimetco Group and the Company-only financial statements of Vimetco N.V. The consolidated financial statements are prepared in accordance with IFRS and with the financial reporting requirements in part 9 of Book 2 of the Dutch Civil Code. The indicators/ figures might be rounded to the nearest whole number, and therefore, minor differences may result from summing and comparison with the figures mentioned in the financial statements.

This annual report and the data contained in it was prepared and verified with the greatest possible care. However, rounding and transmission errors, and misprints cannot be entirely ruled out.

Note 2:
A list of all abbreviations and definitions used in this report can be found on page 44.

Financial and Operational Highlights

		2016	2015
Sales	USD million	2,735	1,818
EBITDA[1]	USD million	314	181
EBITDA margin		11%	10%
Net (loss)/ profit	USD million	8	(437)
Total assets	USD million	4,818	4,875
Shareholders' equity	USD million	239	243
Net debt [2]	USD million	2,693	2,683
Earnings per share	USD	(0.04)	(1.22)
Equity per share	USD	(0.59)	(0.52)
P/E[3]	USD	(5.24)	(0.21)
Share price at year-end	**USD**	**0.20**	**0.25**
Production			
Electrolytic aluminium production	metric tonnes	918,499	889,018
Primary aluminium production	metric tonnes	1,029,732	857,111
Processed aluminium production	metric tonnes	321,451	137,311
Alumina production	metric tonnes	467,031	404,825
Bauxite production	metric tonnes	1,368,531	1,334,046
Coal production	metric tonnes	923,755	664,394
Energy production	MWh	6,667,080	6,653,476
Average number of employees (FTE)		12,778	13,579

[1] *EBITDA:* profit before tax, net finance items (operating profit), depreciation, amortisation and impairment;

[2] *Net debt:* total of short-term and long-term bank loans, loans from related parties and lease obligations less cash and cash equivalents;

[3] *P/E:* price per share divided by earnings per share.

Letter from the Chairman

Dear Shareholders,

After many years of continuous efforts while facing several challenging situations, in 2016 we continued to invest in research and development to sustain our focus on high value-added products while placing innovation as a top priority in our plans to make aluminium products that are usable in the most sophisticated industries worldwide. And even though 2016 was a year marked by an unstable macroeconomic climate and quite low aluminium prices at international level, we finally had the confirmation that the measures taken in the past years were in the right direction, as our both segments reported improved results after several consecutive years of losses.

In 2016 Vimetco remained committed to its long-term strategy of becoming a fully vertically integrated aluminium producer that delivers high value-added products to its clients. This commitment, together with the measures taken during the latest years, are translated into innovative production facilities and into the recognition of our improvement ambitions by various partners: from the commissioning of the deep processing plant stage 1 in China, which is streaming our way to new markets with its installed capacity of 600,000 tpa of hot rolled products per annum, to the successful qualification for aerospace industry followed by a partnership with one of the leading players in the industry, and further to various awards and prizes received by many of our subsidiaries.

Even though the latest years were tough for the aluminium industry players, we kept our focus on the investment and innovation side of our operations, but nevertheless we did not lose sight of the fact that a key element of our business model is being sustainable and socially responsible. In line with this, in Romania we continued to expand the scrap recycling capacity, while in China the state-of-the-art equipment in our largest investment worth more than USD 850 million, namely the deep processing plant, has a major positive impact over the environment, resulting in fewer emissions and lower energy consumption rates.

Last but not least, we commend the commitment of our people: we are proud of being the employer of more than 13,700 employees located geographically on more continents. The management of the Group has proven that it was capable of running a complex business in very difficult times by investing diligence and energy in negotiations for obtaining the most favourable terms with the partners, while dedicating attention to customers' satisfaction and timely grasping market opportunities.

For the near future, we aim at keeping an eye on any new opportunities arising in the market and on possible developments that would ensure us a top place in our partners' choice. Simultaneously, we will monitor the potential risks resulting from an economic environment that is not yet fully recovered. The future looks better from our perspective and we wish to align our business to the best practices in the field. Our top priority is growing our business by conducting responsible processes with the ultimate purpose to benefit its shareholders, but by preserving our values at the same time: customer service excellence, integrity, trust and care for our people, values that we believe are the core part of a sustainable business.

Vimetco has recently announced its proposal to seek the cancellation of listing of its Global Depositary Receipts on the official list 2016, after nine years of being a listed company on the London Stock Exchange. The cancellation is still subject to your approval at the Extraordinary General Meeting, after which it is estimated to take effect on 6 June 2017. The background of the proposition was a complex process of analyses of the current environment and of the future challenges and opportunities for the Company, with the final objective to reach the best solution for the Company and its stakeholders (including, but not limited to, its shareholders) in the current context. I, together with the entire Board team, encourage all shareholders to accompany us in the longer term vision for Vimetco by continuing to hold shares in Vimetco following cancellation of the listing. We believe that the cancellation of listing is in the best interests of all stakeholders to maximise potential strategic opportunities and near term objectives.

I would like to thank you all: shareholders, colleagues at all levels, in all business areas and in all the countries, investors and analysts, suppliers and banks, for being a part of Vimetco history and for helping us achieve these promising results for 2016. We are confident that this is just the beginning of a newly-shaped robust Company, which will remain an important player in the aluminium industry.

Vitali Machitski
Chairman of the Board

Letter from the CEO

Dear Shareholders,

We believe in this business and our everyday operations are a proof of our commitment to the aluminium industry; we strive to become better and better each day and our latest results show that we are going in the right direction. Despite the fact that 2016 was marked by a highly volatile market, which continued to be impacted by pricing pressures due to an LME below 1,600 USD/tonne during H1 2016 and around 1,700 USD/tonne at the end of the year, combined with lower conversion premiums, we managed to achieve improved consolidated results. These figures are another proof that we have succeeded in adapting our business to evolving market conditions and that our measures regarding the overall reduction of the costs and efficiency improvement were the right ones.

In terms of operational achievements, the main milestone for the Chinese segment was the commissioning at the end of 2015 of the first stage of the new deep processing plant project, after an intense period of trial-run. In November 2016 we had the pleasure to officially inaugurate the investment, celebrating it together with important local authorities, the second stage of the project being very close to the commissioning point, but currently in the trial-run phase. We are proud to say that this project benefits of the latest technology in the field and represents a key asset for the entire Group. The Chinese segment invested in this project more than USD 850 million for more than seven years and we think time came for the project to show results.

Also, in order to overcome the difficult situations faced during 2016, the Chinese segment diversified slightly its business, in the sense that in 2016 an important amount of trading of commodities was also performed, in addition to the normal course of the business.

Regarding the Romanian segment, 2016 was a historical year as all the intensive efforts made by the entire team during the last several years have paid-off, in the sense that profits were obtained after four years of making losses; the enhanced levels of output in terms of quantities, as well as costs reductions and increased efficiency of its processes were the main factors that led to these improved results. These significantly improved results were also directly impacted by the exemption of up to 85% from the obligation to acquire green certificates of which the Romanian segment fully benefited during 2016, while in 2015 it benefited only for the last seven months.

Another major achievement during 2016 was the fact that Airbus, a leading aircraft manufacturer has selected Alro, the Romanian subsidiary as a provider for aluminium. The agreement is for a multi-year period, starting 2017. Under the terms of this contract, Alro will supply aluminium flat rolled products for aircraft manufacturing. This partnership is yet another confirmation that the significant investments we made in upgrading our production facilities and extending our portfolio were successful. We are committed to offering our customers the best products available on the market and to meeting all their requirements and specifications in terms of quality, portfolio and supply.

Moreover, in 2016, we succeeded to benefit from the raw materials and utilities cost reduction which was reflected in a higher EBITDA amounting to USD 314 million as compared to only USD 181 million in 2015 and in the end in improved net result of profit amounting to USD 8 million, as compared to a loss of USD 437 million in the previous year.

However, the environment in which we operate remains a challenging one, but it also offers opportunities for growth and innovation. Therefore, our main objectives on medium and long-term are to keep and consolidate our vertical integration and focus on high value-added products strategy, while we will be alert to seize any new growth opportunities which may appear. As such we continue to closely monitor the evolution of the international markets while intensifying our efforts to innovate by expanding our clients' portfolio and entering new markets. The investments we made during the previous years, enable us to have the flexibility to adapt fairly easily to market movements, without affecting our medium and long-term strategy to increase processed products output and sales.

In 2016, we put even more emphasis on the research and development areas and we encouraged our employees to come with the best solutions for continuous improvement of our operations and for business efficiency. Specifically, our research and development teams are working with remarkable results for the consumption rates reduction, for the enhancement of quality and in the end for the operations efficiency. The innovation process will continue in 2017, due to obtaining and implementing of research and development projects co-funded by the European Union in Romania, while in

Letter from the CEO (continued)

China several certificates and production milestones were achieved during 2016.

Furthermore, nowadays the key word that each and every employee has it in his/her mind is 'responsibility' - being responsible towards the environment and ourselves, means in fact being responsible during our daily operations and towards our business. Being responsible is not an effort; it is just a state of acting these days and the effects are coming back to us and are reflected by our business sustainable growth for the wealth of all Vimetco stakeholders. Therefore, in respect of increasing our operations efficiency, while reducing our footprint we implemented the circular economy principles, with objectives such as: zero waste and zero pollution with the aim to reduce our footprint to a minimum level. In this way, we will lower even more the electricity consumption needed for aluminium production and the positive results will also impact the environment, thus being further translated into positive results for our Company.

Looking to the future, we are confident that in 2017 we will have the capacity to maintain ourselves competitive on a complex and highly challenging international market and we will continue our efforts in the service of innovation, having the objective to expand our clients' portfolio and to enter new markets. We believe it is essential to remain focused on maintaining a strong and flexible balance sheet while achieving sustainable growth through consolidation of 2016 results. We will continue our investment strategy to reduce the costs of our inputs and the consumption rates, while monitoring the LME in international markets, so that we are able to adapt our business to the new market conditions.

Gheorghe Dobra
Chief Executive Officer

Overview

2016 continued to remain a challenging year as it was marked by difficult market conditions for aluminium industry players, the aluminium price registering low levels, compared with 2015; thus in 2016 the LME average was 1,605 USD/tonne, compared to 1,661 USD/tonne, in 2015. However, the trend for 2016 was an ascending one, considering that the quotations from January were around 1,500 USD/tonne while at the end of the year the quotations reached the level of 1,700 USD/tonne, the maximum level registered in 2016 being of 1,777 USD/tonne, at the beginning of November. Moreover, in 2016, both the Group and the Company were focused on the production costs reduction. The results obtained in 2016 demonstrate that the measures taken during the last years to invest in technology and in reducing the specific consumption rates, renegotiations of the suppliers' contracts and also expanding the product mix and increasing quality were the right ones.

The Group continued its competitiveness increase programs and remained focused on the:

- Continuous improvement of its activities, processes and products;
- Decrease of production costs and production time;
- Development of the actual technological processes, to obtain the best available technologies for quality and costs;
- Waste management measures;
- Optimization of processes and technologies, reducing the energy consumption and using the available opportunities to improve the energy efficiency.

In 2016, Vimetco remained committed to its long-term development strategy to achieve vertical integration, and supplying highly sophisticated aluminium products to high-end customers; therefore the management put an even stronger emphasis on developing its sales network, especially those for the high processed products and also entering new markets. An additional recognition of its products quality is the fact that in 2016, Airbus, a leading aircraft manufacturer selected Alro as a supplier of aluminium. The agreement is for a multi-year period, starting 2017. Under the terms of the contract, Alro will supply aluminium flat rolled products for aircraft manufacturing.

Moreover, during 2016 the Group's management kept its focus on obtaining a production cost structure that would allow it to maintain its position in the local and international aluminium markets, based on increased competitiveness. The Group continues to focus its strategy on further reducing consumption rate and energy dependency. The Group's aim is to achieve the "green company" status as management recognises the positive impact of energy efficiency and state-of-the-art technology. The measures taken during the last years will result in both innovative equipment and lower emissions, which are the key elements from a business and from a corporate social responsibility perspective. In Romania, an important part of the investments undertaken was for the aluminium scrap recycling facility which will look to expand its capacity to 90,000 tpa. Aside from the positive ecological impact of using aluminium scrap, the processes involved in the Eco Cast House consume less electricity, which represents more than one third of Alro's costs. Moreover, Alro has now reached 99% of the maximum possible efficiency in the electrolysis sector, through successive investments in efficiency. On the other hand, the largest investment done in China has been in the deep processing plant, stage 1 of the project (the hot rolling mill) being commissioned by the end of 2015, after the testing period was completed.

In terms of financial figures, 2016 results reflect that the management aim to remain focused on securing its business practices in this challenging environment, while reducing its losses and thus creating shareholders value was the right one. Moreover, this year's results reflect the continuous efforts of Group's staff to focus on the high value added products and on cost reduction by optimizing the production processes and also by renegotiating more favourable conditions for the contracts signed with suppliers. Thus Vimetco reported a significantly improved level of EBITDA of USD 314 million and a net profit of USD 8 million (compared to a level of EBITDA of USD 181 million in 2015, respectively a loss of USD 437 million). The Chinese segment performed much better in 2016 in terms of operational results; it obtained a gross profit margin of 9% and an EBIT of USD 218 million, compared to a gross profit margin of 4% and a negative EBIT of USD 239 million. The Romanian segment reported a similar level of the gross profit margin in 2016 compared to 2015, which was around 16%, while EBIT decreased by 11% in 2016 compared to 2015.

The significant increase in the Group's overall sales by 50% to USD 2.7 billion, from USD 1.8 billion in 2015, is mainly due to increase in trading sales for the Chinese segment, which amounted to USD 1,475 million (2015: USD 483 million).

In terms of quantities, in 2016, Vimetco sold 1,329,628 tonnes of primary aluminium for

Overview (continued)

USD 1,958 million, compared to 696,468 tonnes, in 2015 for USD 1,230 million; the sales for processed aluminium products also increased by 70%, to 221,423 tonnes for USD 481 million, compared to the previous year, when they were of 130,149 tonnes for USD 369 million.

In terms of production, the electrolytic aluminium output has slightly increased to 918,499 tonnes, from 889,018 tonnes, in 2015, while the processed aluminium production increased by 134% to approximately 321,451 tonnes, from 137,311 tonnes, in 2015. This boost of the processed aluminium production is mainly due to a higher level of coils produced as their level has increased by 4.5 times in 2016 compared to 2015.

The purchasing prices for the main raw materials in 2016 were at decreased levels for both segments compared to 2015, which offset the unfavourable impact of the lower LME prices. During 2016, Vimetco entered into a number of non-material related party transactions. These transactions were entered at arm's length and under customary market terms. For more details about related party transactions please refer to Note 25 *"Related party transactions"* of the Consolidated Financial Statements attached to this report.

During 2016, there were no other significant changes in the economic context, neither in the Group's activity to affect the fair value of the Group's assets and liabilities, except for the normal volatility of the aluminium price on international markets and of exchange rates.

Sustainable Development

For Vimetco Group the sustainability of its operations and business practices represent core directions and, hence Vimetco is constantly pursuing its long-term development strategy of strengthening its operations and driving performance implemented in all its business units in China, Romania and Sierra Leone. The Company focuses on consolidating its position as a vertically integrated aluminium producer, by securing the necessary raw materials for current and future activity, and delivering high value added products. Vimetco is acting responsibly towards preserving the environment and supporting the communities where it operates and the local economies. The Group permanently monitors the environment footprint and takes the necessary measures to comply with the specific environment standards. In addition, the specific investments in environment protection programs, the Group uses modern technologies, in line with the requirements and best practices in this field. Vimetco is operating in a highly competitive international market and this is why its focus is to identify the best solutions for cost savings and for increasing the efficiency of the production processes, while trying to minimize its footprint.

Business sustainability

Vimetco is a vertically integrated international Group with its own production of bauxite, alumina, coal, power and aluminium. The Company developed its own raw material production chain, operating its own coal mines and energy plants in China, a bauxite mine in Sierra Leone and an alumina refinery in Romania. Vimetco focuses its production activity on delivering high value added products, both in primary and processed sectors. The Company is constantly improving the quality of products and services, having a wide range of aluminium products in the primary sector, including billets, wire rod, slabs and in the processed sector, such as plates, sheets, coils and extruded products. With a favourable geographic positioning, with long standing expertise in high value added products and with a vertically integrated business model, Vimetco is able to offer increased value to its stakeholders (customers, employees, shareholders and local communities).

International presence

Vimetco has production assets in China, Romania and Sierra Leone, and a holding company in The Netherlands, being well positioned to cover the demand of its international customers. Having more than 13,700 employees, Vimetco N.V. controls annual production capacities of more than one million tonnes of electrolytic aluminium, 655,000 tonnes of hot rolled products, 530,000 tonnes of cold rolled products, 1.4 million tonnes of casting, 60,000 tonnes of secondary aluminium, 25,000 tonnes of extruded products, 600,000 tonnes of alumina, 1.7 million tonnes of bauxite, 2.1 million tonnes of coal, 900 Mega Watts of electricity, and 298,000 tonnes of baked anodes per annum.

The Group pursues its corporate governance principles and it does business in a fair manner, with mutual respect, transparency and accountability. **Vimetco's assets in China** are state-of-the art and include smelting plants and casting facilities in Gongyi and Linzhou and processing facilities in Gongyi and Zhengzhou. Moreover, the Group controls an anode plant, three power plants with a total capacity of 900 MW and several coal mines, securing partly its electricity needs for this segment. **In Romania,** Vimetco's operations include a smelter, an anode plant, casting facilities, and a processing plant, with a maximum production capacity of electrolytic aluminium of 265,000 tpa, of extruded products of 25,000 tonnes and a processing capacity of 95,000 tonnes of processed aluminium, depending on the production mix (including plates, sheets, coils, and extruded products). An increasing capacity program is running to reach a capacity of up to 120,000 tonnes by 2021 for the latter.

Moreover, through its Romanian unit, Vimetco is an active member of the European Aluminium Association (EAA), organization that includes primary aluminium producers, downstream manufacturers, producers of recycled aluminium and national aluminium associations representing the manufacturers of rolled and extruded products in 18 European countries. The overall objective of the EAA is to actively engage with EU decision-makers and the wider policy community to promote the outstanding properties of aluminium and optimise the contribution our metal can make to meeting Europe's sustainability challenges. Through its Romanian unit, Vimetco also became a member of the Association of the Big Industrial Energy Consumers (ABIEC), association that includes the biggest energy consumers in Romania, having a combined energy consumption of over 10% of the total energy production in Romania.

Long-term strategy

Vimetco remains committed to its long-term strategy of becoming a **fully vertically integrated aluminium producer and delivering high value-added products t**o its clients.

Vertical integration

The Romanian segment is entirely integrated and benefits from a lean chain of supply with the main raw material at each level of its operations: the continuous efforts of the specialists' team towards research and development resulted in an improved quality of the bauxite extracted in Sierra Leone, which is delivered to the alumina plant at Tulcea, Romania. Alum in its turn improved its processes after undertaking research and development activities in collaboration with experienced partners, and obtained more cost efficient alumina out of the bauxite received from Sierra Leone. Important consumption rates reductions were achieved in 2016 at the alumina refinery in Tulcea. As concerns Alro, the pillar of our business in Romania, it has permanently adapted its production capacity in order to respond to market demand in a timely manner, and moreover it enhanced its capabilities by diversifying into aluminium scrap recycling. Alro uses the alumina from Alum to obtain electrolytic aluminium that it further casts into primary products, together with the liquid aluminium obtained from scrap. Apart from selling primary products to various industries, Alro processes aluminium slabs into flat rolled products, while the aluminium billets cast in the smelter are used by Vimetco Extrusion to obtain extruded products.

Chinese segment is vertically integrated by ensuring its main utilities and related sources (electricity, coal) for the production of aluminium. It is pursuing its strategy by additional investments in its power production associates and it is consolidating the coal mining business, so as to achieve the cost efficiency and the so much needed predictability of its operations.

Focus on high value-added products

The permanent focus to meet worldwide client demand and to align our operations to market expectations has yielded results: the Romanian segment has continuously increased the share and the quality of high value added products within its portfolio during the past years and the conclusion of a contract with the leading aircraft manufacturer Airbus in 2016 stands as a proof. Simultaneously, Alro produced an increasing quantity of cladded flat rolled products and targets to specialize more in this area after having patented a long-life alloy of its own. The near- and long-term strategy of the group encompasses further investments in enhancing the quality of the products and the further development of the processing segment: as at 31 December 2016 Alro and Alum had agreements for EU funds for development projects worth approximately USD 30 million together, all meant to boost our competitiveness and the quality of our end products for various industrial applications. The investments are estimated to increase the heat treating annual capacity by 14,000 tonnes in two years' time.

In the end of 2015, the Chinese segment commissioned the stage one of the deep processing plant in Gongyi, Henan Province. This stage of the project brings in a capacity of 600,000 tonnes of casting slabs and 600,000 tonnes of high quality hot rolled coils that are marketed in China and worldwide. The second stage of the project, i.e.: the construction of the cold rolling mill and the additional facilities, is still in trial run at the date of issuing this report and it is expected to bring in an annual capacity of 450,000 tonnes cold rolled coils that could contribute to mass production for the can stock market.

In China in 2016 our subsidiary Zhongfu Industrial was awarded 2 patents by the State Intellectual Property Office for the self-developed production devices and a method applied in purifying high-pure aluminium and making of alloy ingots in a cost-effective way. The same subsidiary was ranked the 26th on the list of Top 100 Chinese Aluminium Enterprises in 2016, as a confirmation of its status of a viable, promising aluminium producer.

Research and development

Vimetco continued its research and development programme that has two major components: continuous improvement of the product ranges, quality and services, on one hand, and reducing specific consumption and increasing energy efficiency of its operations on the other hand. Vimetco's units in China and in Romania are qualified to supply a wide range of aluminium products that meet the requirements of the most demanding customers, in terms of quality and services.

Vimetco is investing in the diversification of the product ranges, placing a strong emphasis on research and development. Vimetco's products hold quality certifications from the most prestigious institutes in the respective fields, such as NADCAP certificate for aerospace industry or ISO 9001. The Romanian unit, Alro is a member of Aluminium REACH Consortium (European Community Regulation on chemicals and their safe use), a consortium set up for ensuring compliance with the European legislation requirements no. 1907/2006 ('REACH legislation') which handles the registration, evaluation, authorization and usage restrictions of chemical substances. As per REACH legislation, every company that activates inside European Union and produces or imports chemical substances inside this territory has to register those substances.

The research and development activities within the Group have the following strategic objectives:

- Reducing specific consumption rates:
    - Modification of the cathode block design for the electrolysis cell, to reduce the electricity consumption;
    - A new system to input the alumina in the electrolysis cell;
    - Reduction of the heat treatment cycles to reduce the natural gas consumption and increase the production capacity;
    - Conception, testing and implementation of a software application for optimizing the number of plates allocated to each slab.
- Increasing equipments and products quality:
    - Increase the equipment efficiency, a method for identifying the mechanical malfunctions;
    - Improve the mechanical properties for aluminium alloy plates;
    - Conception, testing and implementation of mathematical models, in order to correlate the chemical composition of slabs with the final properties of the rolled products.
- Investments to expand the products portfolio:
    - To manufacture products for the shipbuilding industry and pressure vessel;
    - Establish the processing conditions required to obtain the plasticity and deep drawing characteristics for a series of alloy plates and strips.

In September 2016 Alro signed the financing contract for implementing the project 'Investments in Alro's Research and Development Department for the improvement of research infrastructure for the heat treated aluminium alloy plates with highly qualified industrial applications'. The total value of this project is of approximately USD 30 million, out of which approximately USD 9 million represent the amount to be granted as non-refundable funds. This project will be implemented over a period of 24 months having as a main objective the research development, technological upgrade and innovation, with the purpose of increasing Alro's economic competitiveness through innovation, respectively enhancing the research and innovation infrastructure and capabilities.

Vimetco had and will continue to have as major objective the efficiency of its operations and of making products that promote the use of aluminium and sustainable development.

Health and safety

Vimetco has in place a comprehensive set of health and safety policies in all its units, resulting in a successful track record in this field. Each employee is responsible for observing safety and health rules and regulations, working safely and efficiently. Health and safety principles also apply to the Company's contractors, visitors, and customers. Vimetco is constantly addressing health and safety issues across the entire production chain and for all its products, delivering goods that comply with their intended functionalities. The Group offers working protection materials, specially designed for its employees, a regular monitoring program with in-house medical teams, and also free medical supervision and emergency aid is provided at any time.

Moreover, the Company continued in 2016 as well to pay a special attention to improve the labour conditions, working environment and the safety of its employees.

Quality

Vimetco places a strong emphasis on the quality of all its products, implementing a complex control policy programme for its units. The Group's teams achieved significant results in improving quality throughout the production chain from raw material to finished products and services.

In Romania, Alro is ISO 9001 certified for quality management and has NADCAP, as well as EN 9100 certifications for aerospace production, and also the ISO TS/IATF 16949 certification for automotive industry, its products being certified by the international standards for quality assurance for primary aluminium as set by the London Stock Exchange and those for flat rolled products, as well.

In China, Zhongfu Industrial holds the Certificate of Quality Management System from the Quality Assurance Centre of China Association for Quality, recognizing that the production, marketing and services for re-melting ingots are in conformity with ISO 9001 and is also ISO 14001 certified. In addition to these, Zhongfu Industrial is a certified supplier for automotive plates as it obtained in 2015 the Quality Management System Certificate for production of parts and provision of respective services in the automotive industry, issued by the National Quality Assurance (NQA), Great Britain. The certification of Zhongfu products was made by National Quality Assurance Co., Ltd. (NQA), UK in accordance with the Quality Management System in respect of automotive plates TS16949 established by the International Automotive Task Force (IATF) based on ISO 9001 standard. This standard sets the highest international requirements to the quality of products manufactured by automotive plants. This Certificate is valid until 23 June 2018.

Environment

The constant involvement in environmental protection activities is part of the Company's constant concern. The Group permanently monitors the environment footprint and takes the necessary measures to comply with the specific environmental rules. Moreover, Vimetco is constantly working towards maintaining a low impact on the environment, as it is aware of its responsibility towards the communities where it operates. All its units work in compliance with the corresponding rules and regulations and implemented self-monitoring techniques in order to maintain compliance.

The Group's Romanian unit, Alro, developed programs for the self-monitoring of the environmental impact factors and of the work related to noxious emissions in cooperation with the Local Environmental Protection Agency and Local Public Health Authority. Alro has the Integrated Environmental Permits, representing the acknowledgment of the company's complex long-term investment plan. Alro also holds the ISO 14001 certification for the environmental protection management.

Moreover, Alro recycles aluminium scrap that has the 'end of waste' status. Alro invested in building an eco recycling facility that uses modern technologies such as double chamber furnaces with ox gas burners. All the gases resulting from the burning process are collected and treated in dry scrubbing centers using as a base the active carbon. Furthermore, Alro takes measures for the selective removal of all waste (metal, paper and cardboard, polyethylene, glass) by endowment with disposal bins accordingly to EU standards; it has built two green waste dumps in each of Alro's locations; it has completely removed the asbestos used as a construction material for the Company's buildings and fully recycles inert waste, such as crushed concrete generated from building demolishing works recovered/ supplied to third parties for road construction or consolidation purposes. Alro recycles the non-hazardous wastes such as scrap metal, paper and cardboard, polyethylene, but also waste from oils which, in its turn, is the subject to recycling by the relevant authorized recycling operators.

Another Romanian subsidiary, Alum is also permanently investing in environment protection projects and is continuously seeking for viable and optimized solutions that might have a positive impact on environment. During 2009-2012, Alum invested more than USD 10 million for modernization and refurbishment of red slurry dump and subsequently it had allocated half million of dollars every year for its maintenance in accordance with the environmental standards. Moreover, Alum announced the beginning of implementing its project "Endowment of Alum's Research and Development Department with independent installations, performances in research to support economic competitive growth and business development", purpose of the project is represented by the enhancement of the research, development and innovation capacity, in order to increase the level of innovation and market competitiveness of the company by purchasing and using research and development equipment with a positive indirect impact on the environment. Moreover, as recognition of its efforts, in September 2016 Alum was awarded the honorary diploma at the XXII[nd] Conference 'Aluminium of Siberia' held at Krasnoyarsk for its project 'Bauxite residue safety disposal and possibilities to further utilization'. This greening project of bauxite residue safety disposal was realised in collaboration with specialists from Romania and abroad with the main objective to finalize the safety storage and disposal installation, which had as a direct result the partial closing of the old system used, while 35,000 trees were planted in the area. Besides this project that aimed at safe storage and usage possibilities of bauxite residues, Alum has in progress other projects whose final aim is to minimize its ecological footprint. These include the project of reducing emissions through modernization of used equipment and the commissioning of the cooling tower which will result in a saving of about 100 - 150 m3/h of industrial water. Moreover, in 2016 the improvement works carried out at the heat recovery facilities and by selecting optimal operating parameters for the plant, a reduction in CO_2 emissions by approximately 29,000 tonnes in 2016 compared to 2015.

Vimetco's Chinese operations implemented state-of-the-art technology, that is in full compliance with the current environmental requirements and place these units among the most advanced in the country in respect to the environment protection. Zhongfu Industrial is ISO 14001 certified for environmental management system.

In Sierra Leone, the Company operates in full compliance with international standards applicable in this field. Using best available mining methods, Vimetco ensures its operations are conducted under strict environmental controls. The Company does re-greening of mined land and participates in the social development of local communities. The SMHL Foundation is financing the development of the communities around the mining facilities, including infrastructure, social facilities etc.

Greenhouse gas emissions

Vimetco has invested in state of the art technology that indirectly has a positive impact on environment protection, by reducing the impact of CO_2 emissions and footprint. The Group is continuously assessing and evaluating the environmental footprint associated with greenhouse gas emissions. Its investments support efficient operation in aluminium production, helping to deal with climate change.

Within its Romanian unit, Alro, the energy consumption was constantly decreased and reached a level below of 13,300 KWh/ tonne and together with Faraday efficiency which was maintained at over 95.5% during the prior years show the high level of efficiency of the Electrolysis operations. Consumptions of aluminium fluoride, and some of the alloying elements which were changed due to more usage of aluminium scrap recycling, the establishment of strict limits for usage of natural gas show the constant concern to improve and optimize the costs. The energy consumption rates represent the biggest achievement in Alro's history as well as other savings for utilities consumptions (such as water, compressed air etc.).

Regarding the greenhouse gas emissions, Alro was the first company in Europe from its industry which paid special attention to these emissions. Thus, the level of anode effect is below 0.05 EA/pots/day reducing CF4 and C2F6 emissions with about 39 times compared with the ones reported in 1990. Also, all the emissions related to burning natural gas and anodes were significantly reduced.

The investments done in the previous years, both in equipment and research, which aimed primarily the constant decrease of energy consumption allowed the Company to achieve one of the highest levels of energy efficiency in the aluminium industry. In the study 'Energy efficiency and greenhouse gas emissions: possible scenarios for the aluminium industry' published last year by Joint Research Centre at the request of the European Commission, it is mentioned that Alro has implemented three out of four possible phases for optimizing the electrolysis process and was ranked fourth among 18 plants in Europe.

The recycling of aluminium scrap replaces some of the electrolytic aluminium and generates advantages such as: reducing energy consumption, reducing greenhouse gas emissions and implementing a circular concept of recovery-reuse. Last year, the aluminium recycling activity within Alro Group reached a level of 70,000 tonnes, the aluminium scrap representing rolling mill scrap and extruded products from companies within the Alro Group and from third parties.

Alro is also involved in global environmental-related activities by cooperating actively with international organizations, which are in charge of reducing the greenhouse gas emissions and of the entire range of pollutants generated by its facilities.

On the other hand, within the Chinese segment several achievements in this direction were noticed during 2016 as the ultra-low emission and energy saving transformation of Zhongfu Power's coal fired unit no. 5 had successfully passed the overall acceptance inspection by the Department of Environmental Protection of Henan Province. After this modification, the coal fired unit meets the SO2, NOx and soot emission requirements of the State's Emission Standard. Subsequently, before the end of 2016, the ultra-low emission and energy saving transformation of Zhongfu Power's units no. 4 and no.6 coal-fired power plants also passed the acceptance control done by the same institution that they comply with all requirements of the State's Emission Standard.

Energy efficiency

As part of its development strategy, Vimetco is investing in reducing energy consumption and in increasing the energy efficiency of its operations. Both its Chinese and its Romanian units invested in decreasing the energy consumption per tonne of aluminium, in order to reduce production costs and to maintain their competitiveness on the international market.

In addition, the Company continued its strategy of increasing energy efficiency by testing new technologies in the electrolytic sector, which could decrease the energy consumption by at least 100 kWh/tonne of electrolytic aluminium. Alro aims at both reducing the specific consumption of electricity and increasing the lifetime of its electrolytic pots, by using a new type of cathode, respectively 'shaped cathode', that might support the reduction in total production costs.

Alro is permanently investing in increasing the energy efficiency, by decreasing the energy consumption and also by the optimization of its production processes, an important role being held by its research and development team. Alro is counting on increasing the consumption efficiency of industrial water, hot air and heating and also on decreasing the specific energy consumption and ensuring the availability of the necessary raw materials of natural gas. In 2016, Alro continued its investment programme in this field, replacing the traditional lighting system with a high efficiency one, LED type – a project running during 2016 – 2018. At the end of this project it is estimated a decreased level of electricity consumption for lighting by 60%. In addition, the company upgraded the burning installations G5 - G6, which further led to gas and electricity savings of 18%, respectively of 9%. Furthermore, Alro started the construction project of a water recycling station for the anodes section, with scheduled commissioning in 2017. The estimated reduction of the energy consumption is of 220 MWh/year. Also, in 2017 a new anode cutting equipment is planned to be used, which would result in a decreased level of energy consumption in the aluminium fabrication process by approximately 3,000 MWh/year. Additionally, Alro continued its investments in the aluminium recycling section, increasing the aluminium scrap used for the production of aluminium alloys slabs and billets. In this way, the energy consumption is significantly decreased as for the scrap aluminium production less than 10% of the amount of electricity used for electrolytic aluminium production is used. Besides a lower electricity consumption level, also the CO_2 emissions and the raw materials consumption levels are reduced.

Vimetco Chinese operations continued the investment projects in production capacities and product quality and made a significant step towards reducing electricity consumption. As a result the Chinese segment benefits of one of the most updated technologies and of most energy - saving equipments through its deep processing plant. The six roll, wholly hydraulic mill, located in Henan Province, can produce coils with a standard width in the range of 900 – 2,400 mm, the highest performance in terms of standard width reached at present in China. The Group has invested more than USD 850 million in this project, which has state-of-the-art technology and facilities.

Moreover, in the same direction of innovation and energy efficiency projects, in August 2016, Zhongfu Industrial was awarded two patents by the State Intellectual Property Office for the self-developed production devices and a method applying in purifying high-pure aluminium and making of alloy ingots in a cost-effective way. Moreover, in the same month the first batch of deep processing products of Zhongfu Industrial was elected to include in the 'Catalogue of high quality of industrial products particularly encouraged by the Henan Province'.

Employees

At the end of 2016, Vimetco employed more than 13,700 people in Asia, Europe and Africa. Vimetco places all its employees on the top of its priorities and is constantly investing in work safety and security, in protection equipment, safety materials and health and safety training programmes. Beside the protection programmes, the Company is conducting regular internal safety audits to determine the compliance with the safety and security standards. The Company is committed to ensuring the best working conditions for all employees in compliance with the international standards. Moreover, the Company has complex training programmes that ensure all employees are trained to work with best available equipment and latest techniques available.

Vimetco is also committed to ensuring inter-generation equity and prohibits forced labour, does not employ persons under the age of 15, does not discriminate on the grounds of age, colour, gender, origin, marital status, sexual orientation etc., protects against physical, mental and emotional abuse amongst employees and respects the right of employees to associate freely and to collective bargaining (where the national laws provide for this).

Social Responsibility

Vimetco considers the local communities where it operates as the Company's partners and is committed to work towards improving the life of the people living in the areas where the Group operates. The well-being of the people reflects the success of our business, and Vimetco is actively involved in the lives of the local communities, supporting their development, implementing the specific projects, including education, health and infrastructure. In Romania, the Company is constantly involved in the lives of the communities where it operates, focusing its corporate social responsibility programme on major programmes, from rebuilding homes destroyed by natural disasters, to education and health initiatives. In Sierra Leone, the Company contributes to the Agricultural Development Fund, and to a Foundation focusing on community development projects in the mining area. Vimetco also supports the local community, via SMHL Foundation, and takes part in building the infrastructure, community halls, water wells and other facilities in the regions where the Company operates. In China, the Group invested in a local fund set up with the purpose of financing the construction of the Art Centre and the Central Library in Gongyi.

Business Review

Financial review - reported results

In 2016, Vimetco's ***sales*** went up by 50% to USD 2.7 billion, while the net group ***profit*** was USD 8 million compared to a loss of USD 437 million in 2015. This significant increase in sales was mainly due to the Chinese segment that secured additional revenues from the trading of aluminium and coal. Lower LME prices and premiums were offset by higher quantities sold and increased trading in China, which amounted to USD 1,475 million during 2016 at a gross profit of USD 40 million (2015: trading sales of USD 483 million at a gross loss of USD 53 million).

The ***cost of goods sold*** also increased to USD 2.44 billion, in 2016, from USD 1.67 billion in 2015, as a direct consequence of higher quantities sold and trading. The Group's gross profit increased in 2016 by almost USD 145 million compared to 2015: the Chinese segment reported a gross profit almost 4.5 times higher than that achieved in 2015 due to higher sales, while in Romania it decreased by 9%.

The Group's ***gross profit margin*** was 11% in 2016 compared to 8% in 2015, mainly due to the Group's success in reducing its production costs and specific consumptions per aluminium tonne. In 2016, the Group reported an improved ***EBITDA*** of USD 314 million (up from USD 181 million in 2015), primarily due to the performance of the Chinese segment; the same trend was visible for the EBITDA margin that reached 11% in 2016, up from 10% in 2016, mainly due to the Chinese segment that improved its EBITDA margin for the reporting period.

Overall, the Group's ***operational results*** showed improvement compared to 2015 which is reflected in the Group's overall net result which amounts to a profit of USD 8 million compared to a loss of USD 437 million in 2015. This is a result of the efforts made during past years to achieve sustainable growth, the significant investments done in both segments to improve operational efficiency and to expand the product portfolio through innovation, thus being able to offer better services and more sophisticated products to clients and, finally, the negotiations conducted to achieve the best prices for raw materials.

Net finance costs (finance costs less finance income) slightly increased to USD 222 million in 2016 from USD 221 million, in 2015, due primarily to the interest expense in the Chinese segment where the first stage of the deep processing plant was put into operation at the end of 2015 and thus the segment stopped capitalising the corresponding borrowing costs which were no longer eligible for capitalisation in 2016. For more details, please see *Note 6 "Finance costs"* of the Consolidated Financial Statements attached to this report.

The Group's ***total assets*** reported as at 31 December 2016 slightly decreased by USD 56 million, from USD 4,875 million in 2015 to USD 4,818 million, out of which the non-current assets amounted to USD 3,236 million (31 December 2015: USD 3,351 million). The most significant decrease resulted from the value of the property, plant and equipment which was affected by the depreciation of the CNY against the USD (from an exchange rate of 6.4936 CNY/USD as of 31 December 2015 to a rate of 6.9370 CNY/USD as of 31 December 2016).

Cash and cash equivalents at the end of 2016 were USD 719 million, down from USD 783 million at the end of 2015, mainly due to a decrease in the restricted cash that amounted to USD 620 million at the end of 2016 (31 December 2015: USD 740 million). The net cash used in operating activities was USD 124 million in 2016, compared to USD 121 million in 2015. The most important element within operating cash-flow is interest paid, which decreased by approximately 11% in 2016 as compared to 2015.

In 2016, the Group's ***total liabilities*** decreased by USD 53 million to USD 4,579 million (31 December 2015: USD 4,632 million), with total non-current liabilities at Vimetco level being USD 1,065 million as at 31 December 2015, down from USD 1,102 million as at 31 December 2015 with long-term loans from third parties being USD 674 million compared to USD 739 million as at 31 December 2015. Short-term loans increased to USD 1,866 million (31 December 2015: USD 1,717 million), mainly due to the increase in the current portion of the Group's loans and borrowings position at 31 December 2016, especially in China. However important efforts were made in order to obtain better terms for the short term facilities in China – both prolongation of the tenor and/or reduction in the interest rates.

The Romanian subsidiaries are paying special attention to environmental projects as responsibility with regards to environment are an integral part of the Vimetco business and operations. This mantra has become embedded in daily operations over the last years. A proof of this fact is represented by the honorary diploma awarded to Alum in September 2016 at the XXIInd Conference, "Aluminium of Siberia", held at Krasnoyarsk, for its project "Bauxite residue safety disposal and possibilities to further utilization". In this paper the results obtained by Alum in the bauxite residue safety disposal resulted from alumina production are presented, along with the possibilities of its further utilization in various industrial sectors. This green project of bauxite residue safety disposal was realised in collaboration with specialists from Hatch Ltd. Australia, the Bucharest Technical University of Construction and IPROLAM SA with the main objective to finalize the safety storage and disposal installation, which had as a direct result the partial closing of the old system used, while 35,000 trees were also planted in the area.

At the end of 2016, Vimetco ***employed*** more than 13,700 people in Asia, Europe and Africa, a significantly increased number compared to 31 December 2015: 12,900 employees, mainly due to growth in the Chinese segment. Within Vimetco employees are considered a key asset and therefore management is permanently investing in safety and protection equipment, safety materials and health & safety training programmes. Vimetco's aim is to ensure the continuing professional development of its employees and offers training to future employees in order to secure the necessary qualified personnel to achieve its goals.

Liquidity, financial position, investments

Considering the challenging aluminium environment, Vimetco's management continued its focus on liquidity and cash flow, paying special attention to incremental improvements in procurement efficiencies, overhead rationalization, working capital, and disciplined capital spending. All of these measures are essential components of current business practices to enable a strengthened balance sheet and to ensure sustainable growth.

Within the Vimetco Group, each segment is managing its liquidity needs, while ensuring sufficient funds are available to cover the Group's operational requirements.

In 2016, cash used in operating activities was USD 124 million, compared to USD 121 million in 2015. The cash generated from financing activities was USD 211 million in 2016 (2015: cash generated from financing activities was USD 278 million).

Net debt at the end of 2016 was similar with that reported at the end of 2015, amounting to USD 2.7 billion, which led to a similar gearing ratio of 92% at the end of 2016 and 2015. However, at the end of 2016 important efforts have been made in order to improve the terms of the current financing structure, which may lead to positive effects in the future.

The liquidity level improved significantly in Romania as the exemption scheme for the big electricity consumers from paying a percentage of 85% of the green certificates mandatory quota was implemented and impacted the 2016 results. As expected, this measure allowed the Romanian subsidiary to compete in an equitable manner with all other aluminium producers in the European Union, where similar measures were already implemented and started several years ago.

The 2016 results are proof that the tight control of costs implemented during recent years and the disciplined approach to cash management have paid off and contributed to the Company's sustainable growth. However, this tight cost control and austerity measures implemented in prior years are to be continued and although the Group is operating efficiently, the main objectives remain the significant improvement of the cost structure and liquidity.

The level of capital expenditure has to be maintained or increased given the cyclical industry Vimetco operates in. Investment in state-of-the-art technology therefore remains a key strategic priority.

Investment in modern equipment and technology increases operational efficiency and, at the same time, decreases production costs, while expanding the range of products, improving quality and reducing delivery time, as well as fulfilling customer demands, remain top priorities for the Group.

In December 2015, the Company signed a loan facility of USD 60 million with Black Sea Trade and Development Bank (BSTDB) for sustaining its investment program and successfully finalized the refinancing of its working capital facility of USD 137 million which was signed with a syndicate of banks and reaches its maturity in November 2017. The loan facility for investments was not fully used during 2016 as some of these investments were postponed until 2017. In respect of the working capital facility, Alro's management has already started the negotiations with the banks to agree the terms and conditions for extending the facility and having a revolving facility of approximate USD 40 million.

In China, the Group made its most significant investment in recent years with the construction of a deep processing plant. The six roll, wholly hydraulic mill, located in Henan Province, can produce coils with a standard width in the range of 900 – 2,400 mm, the highest performance in terms of standard width reached at present in China. The Group has invested more than USD 850 million in this project, which has state-of-the-art technology and facilities. At the end of 2015, this plant was partially put into operation (i.e.: the first stage of the project) and during 2016 it started to have a positive impact in coils output and sales volumes. Moreover, the hot rolling mill capacity has now reached 600,000 tpa, while the cold rolling mill has a 490,000 tpa capacity (the latter one still being in trial mode), which led to higher sales to third parties during 2016.

In China, Zhongfu Industrial is in the process of obtaining the necessary approvals for the issuance of a private placement of 553,602,806 shares for approximately USD 454 million. The issue considers six target investors at a price of CNY 5.69 per share, with the amount planned to be spent on the investment in an Internet Data Center project (i.e. USD 274 million) and the repayment of the Group's borrowings (i.e. USD 180 million).

During 2016, there were no significant changes in the economic context, neither in the Company's activity that might affect the fair value of the Company's assets and liabilities, except for the normal volatility of the aluminium price on international markets and of exchange rates.

Operational update

Romania & Sierra Leone (Romanian segment)

In Romania, Vimetco's operations are vertically integrated, covering the entire aluminium production chain. The Group has in Slatina an anode plant, one aluminium smelter, one casting house, an eco - scrap smelting facility and processed aluminium facilities with the following installed capacities:

- Baked anode capacity – 117,000 tpa;
- Electrolytic aluminium capacity - 265,000 tpa;
- Casting capacity – 340,000 tpa;
- Eco recycling capacity – 32,000 tpa;
- Hot rolling capacity – 55,000 tpa
- Cold rolling capacity – 40,000 tpa
- Extruded products capacity - 25,000 tpa.

In addition, it owns an alumina refinery in Tulcea with a total capacity of 600,000 tpa and controls a bauxite mine in Sierra Leone (Africa) with a total capacity of 1.7 million tpa.

In 2016, the Romanian segment ('Alro Group') reported a total production of primary aluminium of 272,507 tonnes, a slightly higher level than that reported in 2015 of 271,356 tonnes. The processed aluminium production reported the same positive trend and increased slightly from 103,367 tonnes (including extruded products) in 2016 as compared to the one recorded in the previous year (2015: 102,386 tonnes). Alumina production registered a significant increase of more than 15%, the level achieved in 2016 being of 467,031 tonnes compared to 404,825 tonnes in 2015. Bauxite production reported the same positive evolution and had slightly increased to 1,368,531 tonnes in 2016 from 1,334,046 tonnes in 2015.

The consolidated sales of the Romanian segment amounted at USD 568 million in 2016, approximately 6 % lower than the level reported in 2015 (USD 605 million), mainly due to the lower LME aluminium prices in 2016.

The primary aluminium segment contribution to sales was USD 250 million and represented about 44% of the Romanian segment's sales (2015: USD 266 million, 44%), while the processed products sales represented 51% of the total revenues with an amount of USD 293 million of sales (2015: USD 320 million, 53%).

The main market for Romanian segment's products is represented by the EU countries (including Romania, Germany, Italy, Poland, Czech Republic), about 86% of the Group's sales being absorbed by this market. For primary products, Alro mainly focuses on Romanian market, due to lower transportation costs that make its products more competitive and thus being able to improve its profitability.

Alro Group's net result was of USD 18 million, significantly improved from a break even result reported in 2015 and a loss of USD 16 million in 2014. Therefore, 2016 was a great year for the Romanian segment that managed to report positive results after four consecutive years of losses. The successful finalization of the European Commission's investigation in respect of Alro's contracts signed with the electricity producer Hidroelectrica and the implementation of the exemption scheme for the big electricity consumers from paying a percentage of 85% of the green certificates mandatory quota, contributed as well to the Company's sustainable growth. The payment of the green certificates quota was a negative exogenous factor with no direct connection to the Company's operational activity and thus it severely affected the Company's activity having a significant impact on its profitability. At the same time, 2016 results reflect the continuous efforts of Alro's staff to focus on the high value added products and on cost reduction by optimizing the production processes and also by renegotiating more favourable conditions for the contracts signed with our suppliers.

In 2010 Alro, entered into a long-term electricity supply contract valid until January 2018. Following this date, the contract had several amendments, which significantly changed the contractual price. As the acquisition energy contract is reaching its maturity, the impact of the embedded derivative instruments is significantly decreasing and starting with 2017 these embedded derivative instruments do not have an impact anymore. In June 2016, the Group and the Company exercised their option not to purchase energy for 2017 on the basis of this contract, and thus the value of the option included in the embedded derivative instrument decreased significantly. As at 31 December 2016 the Alro Group and Alro do not have an embedded derivatives outstanding balance in their balance sheet (31 December 2015: USD 4 million). For more information, please see *Note 27 – Financial Risk* of the Consolidated Financial Statements attached to this report.

During 2016, in order to reduce its costs and to remain competitive in an industry marked by low LME levels and high raw material costs, Alro diversified its risk of electricity supply, and concluded several agreements with other electricity suppliers, in order to secure the needs for the following years, at competitive prices.

In the first two months of 2017, due to the unfavourable weather conditions (i.e. long periods of very low temperature, frozen waters etc.), the energy prices in Romania have increased and reached record levels, which led to anomalies in the energy suppliers activity. Two of the Alro's suppliers were not able to meet their contractual obligations and thus, the company had to find some alternatives for energy supply less advantageous than its previous signed contracts; however, in this way at the date of this report, Alro has had its necessary energy quantities for the whole year 2017.
Risk diversification policy regarding electricity acquisition by using all options available on the market, had been proved to be a good decision in mitigating the risk of deliveries from suppliers. Although the electricity market is still far beyond the energy intensive industrial consumers' expectations, the progress made to ensure diversification of the trading platforms, leaded to an increase of market in depth, with positive effects on the delivery risk and on the electricity price.

In December 2015, Alro signed a loan facility of USD 60 million with BSTDB for sustaining its investment program and successfully finalized the refinancing of its working capital facility of USD 137 million signed with a syndicate of banks that has its maturity in November 2017. The loan facility for investments was not fully used until 31 December 2016 as some of these investments were postponed for 2017. In respect of the working capital facility, the company's management has already started the negotiations with the banks for coming to an agreement regarding the terms and conditions for extending it, altogether with another revolving facility of approximately USD 45 million. At the end of January 2016, another Romanian subsidiary, Alum, signed a credit facility of approximately USD 10 million with a commercial bank in Romania. The loan was contracted partially for financing Alum's working capital and partially for refinancing an older loan of USD 2.5 million that Alum had from the same bank whose maturity was in 2016. The loan is repayable in equal instalments, in two years.

Moreover, the implementation of continuous improvement programs, for all its areas of activity (i.e. production, quality, environment, human resources, sales etc.) as part of the strategy to increase the performance of each company within Alro Group was continued. According to the study 'Energy Efficiency and GHG Emissions: Prospective Scenarios for the Aluminium Industry', published in 2015, by Joint Research Center, at the request of the European Commission, Alro reached 99% of maximum possible efficiency. The study estimates that Alro implemented three of the four possible phases to optimize the electrolysis process and ranked fourth out of 18 plants evaluated, which produce primary aluminium in Europe. Alro plans investments for necessary projects to continue to improve its efficiency. In this direction, on June 13, 2016, Alro reconfirmed its long-term objective
for reducing energy dependency; its investment program planned for 2016 of over USD 53 million is focused mainly on increasing energy and equipment efficiency, on expanding its clients and products portfolio, and on increasing competitiveness and products quality. This type of investments, both in equipment and research, which aimed primarily the constant decrease of energy consumption allowed the Company to achieve one of the highest levels of energy efficiency in the aluminium industry.

Another important project within Alro which objective is to improve the energy efficiency is represented by the investment in a facility for recycling the aluminium scrap – the Eco Cast House, which aims to further reduce consumption, whose processing capacity is intended to be expanded, so that it would reach a capacity of 90,000 tonnes per year. In 2016, Alro produced 30,117 tonnes of liquid aluminium by using the aluminium scrap, i.e. by 12% more than in 2015.

2016 was also the year when Airbus, a leading aircraft manufacturers selected Alro as an aluminium provider. The agreement is for a multi-year period starting 2017. Under the terms of the Contract, Alro will supply aluminium flat rolled products for aircraft manufacturing. Alro holds the NADCAP (National Aerospace and Defence Contractor Accreditation Programme) and ISO 9100 for the conformity with aerospace industry requirements. These certifications were awarded by the NADCAP Management Council, in accordance with SAE Aerospace Standard AS 70003 and DQS GmbH (i.e. a German company that provides assessments and certifications of management systems and processes), following the testing of aluminium alloys produced at Slatina for heat treatment, conductivity measurement, tensile testing, hardness and metallography.

Sierra Mineral Holdings I, Ltd. ("SMHL") represents one component of the Group's key components in its technological chain, being at the base of this integrated production chain by supplying the bauxite. The bauxite produced by SMHL is sold to Alum to be refined and thus, calcinated alumina to be obtained, which is further used by Alro and processed into aluminium. In 2016, SMHL produced 1,368,531 tonnes of bauxite, an increase by almost 35,000 tonnes, compared to previous year (2015: 1,334,046 tonnes). This is a result of the measures that have been implemented since 2013, which included a reorganizational programme in SMHL, that was meant to decrease the employees' number, perform changes within the management structure and the outsource the mining and transport activity, measures that showed positive results. Through all these measures, SMHL aimed to reduce the costs and thus, to increase its profitability.

In respect of sales, in 2016 SHML recorded a slight increase of deliveries to Alum with the excess production being delivered to third parties, the total sales in 2016 being of almost USD 55 million (including intercompany sales). The efforts made during previous years through to make investments for increasing the operations efficiency were reflected in the profit achieved in 2016 of almost USD 5 million (compared to a loss of USD 4 million in 2015), while EBITDA was more than USD 10 million, compared to a negative EBITDA in 2015. Some of the main factors that contributed to the increase in company's performance during 2016 were:

- A better organization of the production process through outsourcing of the excavation and transportation activities;
- Increasing the operational effectiveness through implementation of a regular program of repairs and maintenance for the used equipment with directly results in reduction of production losses;
- Making investments for modernisation of equipment used in excavation, washing and drying of bauxite;
- Improving the bauxite quality parameters by performing an optimal mix of production;
- Implementing a new reorganization program of the company's activity and maintaining qualified personnel necessary to achieve quantitative and qualitative production parameters.

The positive results achieved in 2016 are encouraging and management makes efforts to maintain them in the coming years, as well. SMHL continues to implement costs reduction measures in all its activities areas – excavation and transportation;

optimization of the number of active mines; activity effectiveness through a correct sizing of employees number and properly training of them; improving the indicators for the river transportation like the loading rates and a more effective management of the existing fleet. Moreover, the Group's management is closely monitoring the activity in Sierra Leone, in order to take necessary measures to improve performance in real time.

Locally, SMHL is an active member within the communities in Sierra Leone, a special attention being paid to environment protection, considering the footprint of the mining activity, while sustaining programs for social and educational activities.

Other information

Within the Romanian segment, intensive efforts are made to operate as a green organisation by minimising the emissions and waste as much as possible, and considering the industry in which Vimetco operates.

At 31 December 2016 Vimetco employed 3,975 persons within its Romanian segment (31 December 2015: 3,895 employees).

China (Chinese segment)

During recent years, in order to strengthen its competitive capacity in the market, the Chinese segment (Zhongfu Industrial) has gradually formed a full integration process that involves the sourcing of coal, power generation, electrolytic aluminium and aluminium deep processing. The company's aim is to position the aluminium deep processing as the core business and improve its international competitiveness.

In China, the Group has smelting plants in Gongyi and Linzhou with a total capacity of 750,000 tonnes, casting facilities with capacities of more than 1 million tonnes and 600,000 tonnes p.a. of hot rolling mill and 490,000 million tonnes p.a. of cold rolled. Vimetco also controls mining facilities with a capacity of 2.1 million tonnes p.a. of coal, 900 MW coal-fired power stations in Gongyi and anodes plant producing 200,000 tpa of green anodes and 181,000 tpa of baked anodes.

In 2016, the Chinese segment reported a total production of primary aluminium of 757,225 tonnes compared to 585,755 tonnes in 2015 and the production of processed aluminium increased as well in 2016 to 218,084 tonnes from 34,925 tonnes in 2015, thanks to the significant increase in coils production at the deep processing plant; since its commissioning at the end of 2015, the coils production increased in 2016 by 4.5 times compared to 2015. Coal production followed the same ascending trend and reached a production level of 923,755 tonnes, from 664,394 tonnes produced in 2015.

In 2016, the Chinese segment achieved primary aluminium sales of 1,202,883 tonnes, up from 578,901 tonnes in 2015, an important part of this increase being generated by the trading activity which was intensified during the last year (i.e.: 773,028 tonnes as compared to only 214,520 tonnes). Processed aluminium sales were boosted in 2016 to 120,833 tonnes up from 29,932 tonnes in 2015 mainly due to the coils produced in the newly commissioned deep processing plant. The same increase was also reported for alumina and coal sales: alumina sales level (generated also by trading activity) for 2016 was 302,386 tonnes (2015: 91,730), while the coal sales significantly increased to 2,884,088 tonnes (2015: 1,883,336 tonnes); out of which coal trading amounted to 2,130,295 tonnes as compared to 1,320,062 tonnes in 2015.

As a consequence the sale revenue significantly increased to USD 1,707 million for primary aluminium in 2016, compared to USD 964 million in 2015, while the sales for processed aluminium increased to USD 188 million in 2016 compared to USD 49 million in 2015, the major impact coming from the primary aluminium trading transactions made in 2016 (i.e.: USD 1,246 million as compared to USD 344 million in 2015).

In 2016, the operating results of the Chinese segment were significantly improved, the 2016 EBITDA amounting to USD 245 million, as compared to only USD 106 million in 2015.

In addition to significantly improved financial results, 2016 was a good year for the Chinese segment, as well in terms of other non-financial achievements. Thus, on 21 February 2016 Zhongfu Industrial successfully produced the first magnesium aluminium alloy slab with a width of 1,940 mm and height of 5,083 mm, while the next month, on 3 March 2016, both Zhongfu Industrial and Zhongfu Power won the '2015 advanced industrial enterprise' prize from Gongyi City Government and its Committee.

As it did during the previous years, Zhongfu Industrial was again awarded on 25 April 2016 with a certificate from DNVGL Group (a new company formed by Det Norske Veritas (DNV) and Germanischer Lloyd (GL) after a restructuring); this certificate states that Zhongfu Industrial is an approved manufacturer of wrought aluminium and aluminium alloys and recognizes the company's processing capacity and conditions in making alloy aluminium plates for boats. This certificate is valid until 24 April 2019.

On 25 May 2016, the installation of 1,850 mm tension levelling and straightening unit was completed and Zhongfu Industrial succeeded to obtain the first trial product on 18 June 2016. Moreover, on 3 August 2016, the 2,500 mm horizontal cutting line and the 2,500 mm tension levelling line were officially launched in Zhongfu Industrial.

Moreover, on 15 July 2016, the ultra-low emission and energy saving transformation of Zhongfu Power's coal fired unit no. 5 had successfully passed the overall acceptance inspection by the Department of Environmental Protection of Henan Province. As a consequence the coal fired unit meets the SO_2, NO_x and soot emission requirements of the State's Emission

Standard. Subsequently, before the end of 2016, the ultra-low emission and energy saving transformation of Zhongfu Power's units no. 4 and no.6 passed the acceptance control done by the same institution that it complies with all requirements of the State's Emission Standard.

In August 2016, Zhongfu Industrial was awarded two patents by the State Intellectual Property Office for the self-developed production devices and a method applying in purifying high-pure aluminium and making of alloy ingots in a cost-effective way. Moreover, in the same month the first batch of deep processing products of Zhongfu Industrial was elected to include in the 'Catalogue of high quality of industrial products particularly encouraged by the Henan Province'.

However, the main event within the Chinese segment during 2016 was the opening ceremony of Zhongfu Industrial's deep processing plant that took place on 3 November 2016. This plant meets the highest performance in terms of standard width reached at present in China. The Group has invested more than USD 850 million in this project, which has state-of-the-art technology and facilities.

Other information

At 31 December 2016 Vimetco employed 9,673 persons within its Chinese segment (31 December 2015: 8,924 employees).

Corporate Governance

Corporate Governance

Vimetco is committed to safeguarding the interests of its stakeholders and recognizes the importance of good corporate governance in achieving this objective. The Company adopted its Corporate Governance rules and will continue to make adjustments on a timely basis to remain in compliance with both the Dutch Corporate Governance Code and UK listing requirements.

Share Capital

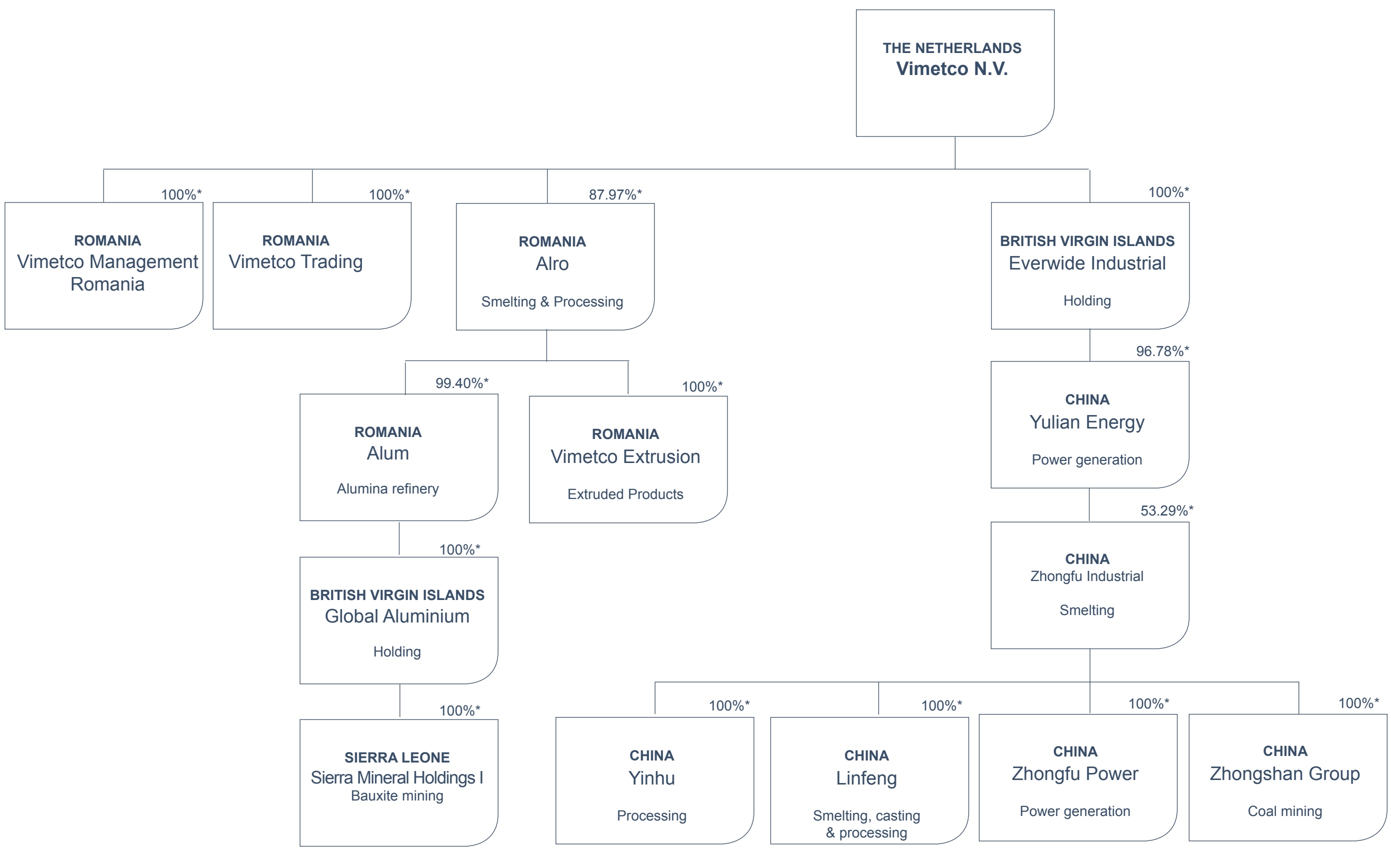
Vimetco's issued share capital on 31 December 2016 amounted to EUR 21,948,472, split into 219,484,720 common shares of EUR 0.10 each. Each share gives the right to cast one vote. Pre-emptive rights accrue to shareholders upon the issue of shares against payments in cash. As a result of the Initial Public Offering in 2007 ("the Offering"), the GDR Depository, J.P. Morgan Chase Bank, N.A., issued global depository receipts ("GDRs") 58,192,034 out of which (26.51% of total number of the Company's shares) are currently listed on the London Stock Exchange (LSE). A GDR holder may instruct the Depositary how to exercise the voting rights for the shares, which underlie the GDRs. The Depositary will not itself exercise any voting discretion. The General Meeting of Shareholders is competent to adopt a resolution for the issue of shares and to fix the issue price and any additional conditions of issue. Vimetco's Articles of Association provide that the General Meeting of Shareholders may designate the Board of Directors as the body competent to adopt such resolutions for the issue of shares, to fix the issue price and additional conditions and to restrict or exclude statutory pre-emption rights for a fixed period not exceeding five (5) years. Subject to the authorisation of the General Meeting of Shareholders, Vimetco may acquire paid-up shares and GDRs in its own capital gratuitously or in case (a) the common equity, reduced by the price of the acquisition, will not be smaller than the paid and claimed part of the capital, increased by the reserves that shall be kept by virtue of the law, (b) the nominal amount of the shares or GDRs to be acquired in its capital held or held in pledge by Vimetco itself or held by a subsidiary, will not exceed one tenth part of the issued capital. The Board of Directors may adopt a resolution for the alienation of shares or GDRs acquired by Vimetco in its own capital. The General Meeting may also adopt a resolution for the reduction of issued capital by withdrawing shares or by reducing the nominal amount of the shares in an amendment of the Articles of Association. So far the General Meeting of Shareholders has not adopted such resolutions.

On 27 March 2017, Vimetco announced its proposal to seek a cancellation of the listing of its GDRs on the standard segment of the Official List and to trading on the London Stock Exchange's Main Market (the "Cancellation"). Subject to approval by the General Meeting of Shareholders at an extraordinary general meeting to be held on 8 May 2017 (the "EGM"), notice of which was set out in a circular that was sent to shareholders on the same day ("Circular"), it is anticipated that the effective date of the Cancellation will be on or around 6 June 2017. The purpose of this announcement and the Circular was to: (i) explain the background to, and reasons, for the proposals as set out in the Circular ("Proposals"); (ii) explain why the Directors consider the Proposals to be in the best interests of the Company and its stakeholders (including, but not limited to, the Shareholders) as a whole and recommend that the Shareholders vote in favour of the resolution as to be voted upon at the EGM ("Resolution"); and (iii) provide you with notice of the EGM and details of the Proposals. However, the implementation of the Proposals is conditional upon approval of the Resolution by the Shareholders at the EGM, which is being convened at 10:00 a.m. CET on 8 May 2017, at Strawinskylaan 403, WTC, A Tower, 4th floor, 1077 XX Amsterdam, the Netherlands (the Circular and additional EGM information are available on the Company's website: http://www.vimetco.com/delisting_and_egm.

Shareholders

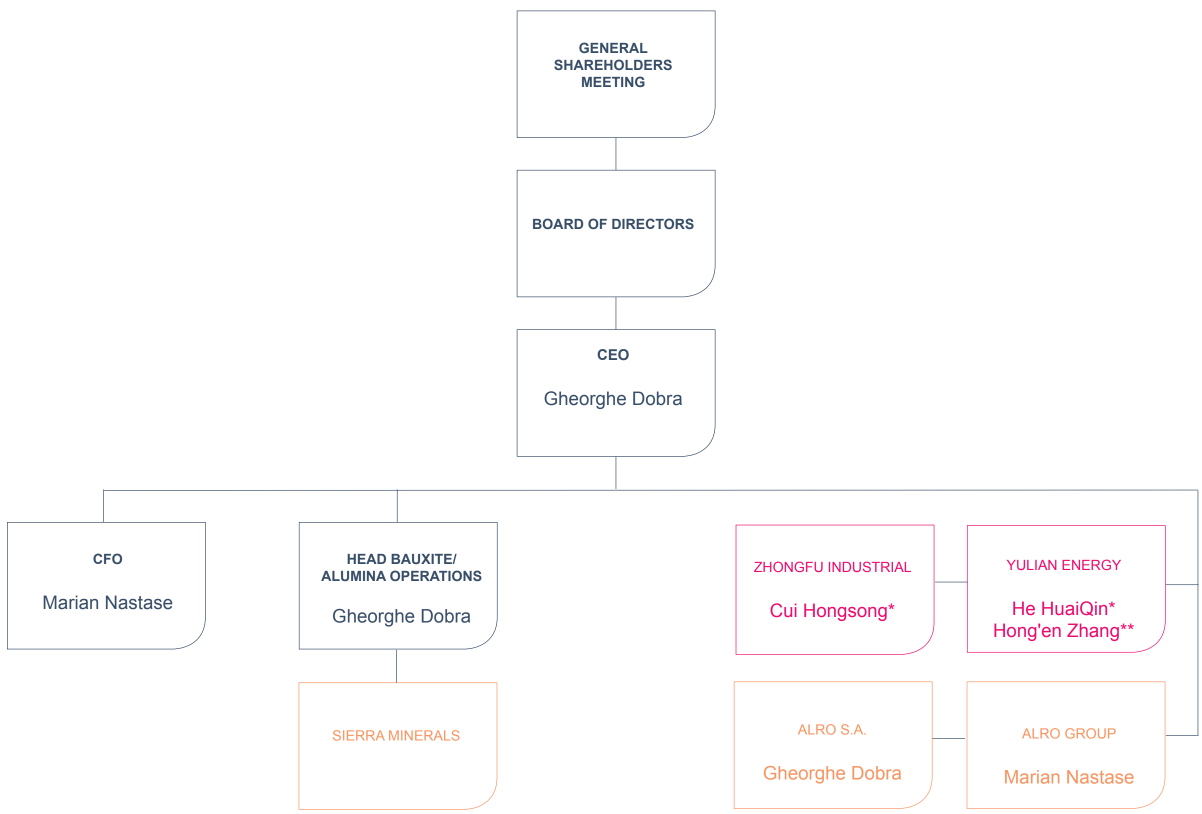
Pursuant to the Dutch Financial Markets Supervision Act, any person or legal entity who, directly or indirectly, acquires or disposes of an interest in Vimetco's capital or voting rights must immediately give written notice to the Netherlands Authority for the Financial Markets ("Autoriteit Financiële Markten") (the "AFM") if, as a result of that acquisition or disposal, the percentage of outstanding capital interest or voting rights held by that person or legal entity reaches, exceeds or falls below any of the following thresholds: 3%, 5%, 10%, 15%, 20%, 25%, 30%, 40%, 50%, 60%, 75% and 95%. The obligation to notify the AFM also applies when a percentage of outstanding capital interest or voting rights held by any person or legal entity reaches, exceeds or falls below a threshold as a result of a change in the total outstanding capital or voting rights of Vimetco. Shareholders on record with the AFM register on 31 December 2016 that hold an interest of 3 per cent or more were Maxon Limited through Vi Holding N.V. (59.4%), Zhi Ping Zhang through Willast Investments Limited (10%) and Irina Machitski (3%). Vimetco's shareholders exercise their rights through the Annual and Extraordinary General Meetings of Shareholders. These meetings must be held in the Netherlands, and specifically in the municipalities of Amsterdam or Haarlemmermeer (Airport Schiphol). The General Meeting is convened at least once a year, within six months following the end of the financial year.

Simplified Group structure (as of 31 December 2016)



* held directly and indirectly

Organisational chart (as of 31 December 2016)



- The Netherlands, Switzerland
- China
- Romania
- Sierra Leone

* From November 2015. For more details, please see the Corporate Governance section on page 31.
** Since November 2015, he serves as Honorary Board Chairman. For more details, please see the Corporate Governance section on page 31.

The Shareholders' Meetings are chaired by the Chairman of the Board. In case of absence of the Chairman of the Board, the General Meeting will be presided over by the Vice Chairman. In case of absence of the Vice Chairman, the General Meeting itself will appoint its chairman. Minutes of the meetings are kept unless a notary's record is drawn up of the meeting's proceedings. Such proceedings can include a review of the Management Report, adoption of the Annual Accounts, determination of the appropriation of profits, discharging the responsibilities of the members of the Board and, on a relative proposal of the Board of Directors, amendments of the Articles of Association. They also include the appointment of the Auditor. Should the General Meeting not appoint the Auditor, then this power accrues to the Board. Resolutions are adopted by a simple majority of the votes cast in a meeting at which at least 50% of the issued capital is represented, unless the law or the Articles of Association prescribe a larger majority or quorum. If less than 50% of the issued capital is represented, a new meeting may be convened at which the resolution may be passed irrespective of the part of the capital represented at such meeting.

There are no shareholders that hold shares with special control rights. Profits shall be distributed at the discretion of the General Meeting, subject to the following: Vimetco may only make distributions to its shareholders and other parties susceptible to distributions, in so far as the common equity exceeds the paid and claimed part of the capital increased with the reserves that must be kept in accordance with the law. With due observance of the foregoing the General Meeting may, upon a proposal of the Board adopt a resolution for the distribution of interim distributions or distributions for the charge of the reserves. Any future determination regarding distributions to shareholders will be at the discretion of the Board of Directors and will depend on a range of factors, including the availability of distributable profits, Vimetco's financial position, restrictions imposed by the terms of loan agreements, tax considerations, ongoing capital and cash requirements, planned acquisitions, and any other factors the Board of Directors considers relevant. Due to the nature of Vimetco's strategy, focus on growth and the structure of earnings, dividend distributions may vary from year to year. The Annual General Meeting held on 20 June 2016 reviewed the Management Report 2015 and adopted the 2015 Annual Accounts of Vimetco N.V. Although the general intention of the Vimetco Group is to distribute approximately 20% of the consolidated income of the Group on average over the aluminium price cycle to shareholders, in deviation from the dividend policy, due to absence of profits in 2015 Vimetco N.V. did not make any appropriation of profits to the shareholders and holders of depository receipts for shares of Vimetco N.V. At the mentioned Annual General Meeting, the Company fixed the number of the members of the Board of Directors at 11 and reappointed with preservation of their current title Mr. V.L. Machitski, Mr. J.M. Currie, Mr. G.G.B. Zhang, Mr. V.N. Krasnov, Mr. V.M. Agapkin, Mr. D. Sedyshev and Mr. I. Sventski as Non-Executive members of the Board, Mr. G. Dobra as Executive member of the Board and CEO, Mr. M. Nastase as Executive member of the Board and CFO, Mr. P. Machitski as Executive member of the Board for the period ending on the date of the Company's General Meeting of Shareholders in 2016. As Mr. B. Ciobotaru was not reappointed as Non-Executive member of the Board for the coming year, a vacant place on the Board remained.

Takeover Directive

Following implementation of the EU Takeover Directive, certain information is required to be disclosed in relation to control and share structures and interests of Vimetco. Such disclosures which are not covered elsewhere in this Management Report include the following:

- there are no requirements to obtain the approval of Vimetco for a transfer of securities;
- there are no restrictions on voting rights, deadlines for exercising voting rights, or on the issuance, with Vimetco's cooperation, of depository receipts;
- other than the Equity Incentive Compensation Scheme described below, there are no employee share schemes where the control rights are not exercised directly by the employees;
- Vimetco is not aware of any agreements between aforementioned shareholders which may result in restrictions on the transfer of shares or on voting rights other than the Share Swap Agreement that was concluded on 5 June 2007, inter alia, by Vimetco B.V. (now Vimetco N.V.), Romal Holdings N.V. (subsequently renamed into Vi Holding N.V.) and Willast Investments Limited and its owners. According to this agreement any of Vimetco's shares transferred by either Willast Investments Limited or Vi Holding N.V. are subject to mutual pre-emptive rights;
- Vimetco and its subsidiaries are a part of several agreements, which include provisions that take effect, alter or terminate such an agreement upon a change of control (including, amongst others, pursuant to a successful takeover bid). The specific details of these agreements are confidential;
- Vimetco does not have any agreements with any Board members or employees that would provide compensation for loss of office or employment resulting from a takeover bid;
- Vimetco does not have any anti-takeover measures (i.e. intended solely, or primarily, to block future hostile public offers for its shares) in place.

Board of Directors


Vitali Machitski


Gheorghe Dobra


Marian Năstase


Pavel Machitski


Garry G.B. Zhang


Valery Krasnov


James Currie


Vyacheslav Agapkin


Denis Sedyshev


Igor Sventski

Vitali Machitski

Chairman, Non-Executive Director (not independent within the meaning of Dutch Corporate Governance Code). Elected until: 2017 Annual General Meeting.
Date of initial appointment as a member of Vimetco's Board of Directors: June 20, 2007.
Board committee membership: Audit Committee (member), Remuneration Committee (member).
Israeli national; age: 62.

Mr. Machitski has served as Chairman of Vimetco's Board of Directors since 16 June 2009. Previously he was Vice Chairman of Vimetco's Board of Directors since June 20, 2007. From 1999 to 2005, he served as Chairman of Rinco Holding Management Company, LLC (formerly named CJSC Rosinvestcenter), and from 1998 to 2000, he served as Chairman of the Board of CJSC Petrol Complex Holding Company, a joint venture between ST Group and BP Amoco. Mr. Machitski holds a degree in engineering and economics from the Faculty of Economics of the Institute of National Economy in Irkutsk, Russia.

Current directorship positions in other companies: none.

Directorship positions in other companies within the past five years: Chairman of the Board of the JSC "Kaliningrad Amber Combine"; Chairman of the Board of the JSC National Immuno Biological Company.

Gheorghe Dobra

Executive Director (not independent within the meaning of Dutch Corporate Governance Code). Elected until: 2017 Annual General Meeting.
Date of initial appointment as a member of Vimetco's Board of Directors: January 16, 2012.
Romanian national; age: 58.

Mr. Dobra is the Chief Executive Officer of Vimetco N.V. and the General Manager of Alro S.A. He was appointed as Acting CEO of the Company on 29 June 2011, and as CEO of the Company on 16 January 2012. Mr. Gheorghe Dobra has served as Alro General Manager since 1993. He has been a member of the Board of Directors of Alro S.A. since 1993. Mr. Dobra has 32 years of experience in the aluminium industry, working for Alro since 1984. He has held various management positions within Alro, including in the anode plant, cast house, smelting plant and planning production.

Mr. Dobra holds a degree in chemical engineering and a doctorate in material science and engineering from Polytechnic University of Bucharest, as well as an executive master's degree in business administration from the Business and Public Administration Institute, Bucharest, which collaborates closely with the University of Washington, Seattle/USA. He is CEFRI certified (leadership and planning strategy training programme). Mr. Dobra is the (co-) author of several publications and patents in the field of smelting technology.

Current directorship positions in other companies: Alro SA, Alum SA (chairman), Vimetco Power Romania.

Directorship positions in other companies within the past five years: Sierra Mineral Holdings I Ltd.

Marian Nastase

Executive Director (not independent within the meaning of Dutch Corporate Governance Code). Elected until: 2017 Annual General Meeting. Date of initial appointment as a member of Vimetco's Board of Directors: June 22, 2011
Romanian national; age: 45.

Mr. Marian Nastase has served as Alro Vice President and Country Manager Romania since 2002 before he was appointed as acting CFO of Vimetco on 20 March 2009 and as CFO of the Company since June 2009. Mr. Nastase is responsible for Vimetco Group's operations in Romania and focuses on capital raising and restructuring issues. Also, Mr. Nastase is the Chairman of the Large Industrial Consumers Association, which includes the biggest energy consumers in Romania. Prior to joining Alro, he served as Director and Managing Partner at Deloitte & Touche, Romania. He holds a degree in economics from the Academy of Economic Studies in Bucharest. Mr. Nastase is a member of several professional societies in Romania, including the National Association of Experts in Corporate Recovery, the National Association of Authorised Valuators and the Romanian Association for Energy Policies.

Current directorship positions in other companies: Alro SA (Chairman), Vimetco Management Romania SRL, Vimetco Trading SRL, Everwide Industrial Ltd.

Directorship positions in other companies within the past five years: none.

Pavel Machitski

Executive Director (not independent within the meaning of Dutch Corporate Governance Code). Elected until: 2017 Annual General Meeting. Date of initial appointment as a member of Vimetco's Board of Directors: June 22, 2011.
British national; age: 34.

Mr. Pavel Machitski has joined Vimetco N.V. as Deputy CFO in 2009, in 2010 was appointed as Deputy General Manager of Vimetco Management Romania, a subsidiary offering consulting services to Alro and its subsidiaries in Romania and in 2011 he was appointed as Vice President of the Board of Directors for Alum and board member with conjunct power within Vimetco Management Romania, Vimetco Trading, Vimetco Power Romania and Conef. In 2013, he was appointed as member of Alro's Board of Directors.

Pavel Machitski's role includes, among other responsibilities; business development, strategy, financial planning, mergers & acquisitions, financing, budgeting, controlling and reporting, investor relations and risk management. Before joining Vimetco Group, Machitski worked at Morgan Stanley where he acted as an advisor in numerous transactions in EMEA region (Europe, Middle East and Africa) focusing on capital markets and mergers & acquisitions advisory.

Mr. Pavel Machitski holds a diploma in Finance and International Business from New York University, Stern School of Business.

Current directorship positions in other companies: Alro SA, Vimetco Management Romania SRL, Vimetco Trading SRL, Vimetco Power Romania SRL, Global Aluminium Ltd., Bauxite Marketing Ltd and Vi Holding LLC.

Directorship positions in other companies within the past five years: Alum SA.

Garry G.B. Zhang

Non-Executive Director (not independent within the meaning of Dutch Corporate Governance Code). Elected until: 2017 Annual General Meeting. Date of initial appointment as a member of Vimetco's Board of Directors: June 20, 2007.
Chinese national; age: 52.

From November 2003 to June 2007. Mr. Zhang served as the Chairman of Henan Yulian Energy Group Co., Ltd. He previously served as Deputy Chief of the Policy Division of Hainan Province, Deputy Chief of the Financial Markets Administration Committee of the Hainan Branch of the People's Bank of China and Chairman of the Hainan Stock Exchange Centre. Mr. Zhang holds a degree in science from Henan University and a master's degree in economics from Peking University.

Current directorship positions in other companies as at 31 December 2016: Kirin Delight Limited, TI Systems Limited, Oriental Patron Securities Limited, Prosper Gain Holdings Limited, River King Investments Limited, CCA Chile Inversión Y Desarrollo Minero S.A., Oriental Patron Development HK Limited, Oriental Patron Development Limited, Everwide Industrial Limited, OP Capital Investments Limited, Oriental Patron Management Services Limited, OP Investment Service Limited, South South Education Foundation Limited (formerly known as OP Education Foundation Limited), Wisland Investments Limited, Golden Investor Investments Limited, Suremind Investments Limited, Keynew Investments Limited, Profit Raider Investments Limited, Beijing Enterprises Water Group Limited, Oriental Patron Financial Group Limited, CSOP Asset Management Limited, Guotai Junan Fund Management Limited, Oriental Patron Holdings Limited, Oriental Patron Finance Limited, Oriental Patron Financial Services Group Limited, Pacific Top Holding Limited, Oriental Patron Derivatives Limited, Vitari Consultants Limited, Capital House Limited, OP Financial Investments Limited (formerly known as Concepta Investments Limited), Oriental Patron Resources Investment Ltd., Willast Investments Limited, Ottness Investments Limited, OP Financial Group Limited, OPFI (GP1) Limited, Ontrack Investments Limited, Bone Messis Holdings Limited, Kazakhstan Development Limited, Perfect Field Holdings Limited, Sino Stature Investments Limited, Magic Oasis Limited, South South Financial Investment Group Limited, South South Financial Investment Group (HK) Limited, OP Vision Investments Limited, OP Fine Billion Limited, Apex Ridge Limited, South South Green Energy Limited, OPFI GP(2) Limited, Beijing Zhongdi Properties Development Company Limited, New Pi (Hong Kong) Investment Co., Limited, Finance Center for South-South Cooperation Limited, Peak Achiever Holdings Limited, OP New Health Limited, Shen Jiang Holdings Limited, OP New Life Limited, World Master Global Limited, South South Green Energy Investments Limited.

Additional Directorship positions in other companies after 31 December 2016: Dawn Bliss Investments Limited,

Directorship positions in other companies within the past five years (2011 to present): Oriental Patron Investment Management (Tianjin) Limited, Choice Even Investments Limited, Oriental Patron Investment Consulting (Shenzhen) Limited, Partnerfield Investments Limited, Plansmart Investments Limited, Excel Perfect Investments Limited, Valueworth Ventures Limited, Entrepreneur Investments Limited, Glory Yield Holdings Limited, Crown Honor HK Limited (formerly known as Meichen Finance Group Limited), Shenzhen Mei Ying Zhi Technology Company Limited, Sunshine Prosper Limited, Crown Honor Holdings Limited, King Aspect Investments Limited, City Charm Ventures Limited, Solution Key Investments Limited, Yellow River Ventures Limited, Quester Investments Limited, Fortune Arena Investments Limited, Pure Alliance Limited, Oriental Patron Overseas Investment Group Co., Limited, Prodirect Investments Limited, South South Technology Company Limited, Panlink Investments Limited, Bliss Century Investments Limited, Wonder Vision Holdings Limited, Widen Success Investments Limited, Best Future International Limited, Million West Limited, Manner International Trading Limited.

Valery Krasnov

Non-Executive Director (not independent within the meaning of Dutch Corporate Governance Code). Elected until: 2017 Annual General Meeting. Date of initial appointment as a member of Vimetco’s Board of Directors: June 20, 2007.
Russian national; age: 73.

Mr. Krasnov serves as CEO of Rinco Holding Management Company, LLC and is Chairman of the Board of Vi Holding, LLC, Russia. Previously he held senior positions at a number of Russian companies, including OJSC Rosinvestneft, where he served as First Vice President and General Director. From 1991 to 1993, Mr. Krasnov was Chief of Secretariat of the Vice-President under the Russian Federation Presidential Administration.

He also held several senior diplomatic positions in the Ministry of Foreign Affairs and Russian Embassies around the world. He finished his diplomatic career as Minister-Counsellor, Extraordinary and Plenipotentiary. Mr. Krasnov holds a degree in international economics from Moscow State University and a diploma from the Diplomatic Academy under the Ministry of Foreign Affairs. He is the author of a number of books and publications on political studies.

Current directorship positions in other companies: Vi Holding, LLC; Rinco Holding Management Company, LLC.

Directorship positions in other companies within the past five years: none.

James Currie

Non-Executive Director (independent within the meaning of Dutch Corporate Governance Code). Elected until: 2017 Annual General Meeting.

Date of initial appointment as a member of Vimetco's Board of Directors: June 20, 2007. Board committee membership: Audit Committee (chairman), Remuneration Committee (member).
British national; age: 75.

From 1997 to 2001, Mr. Currie served as the General Director for Environment and Nuclear Safety at the European Commission. He currently serves as a Chairman and Senior Adviser at Burson-Marsteller, Brussels. Mr. Currie holds a master's degree from Glasgow University.

Current directorship positions in other companies: JMC Associates.

Directorship positions in other companies within the past five years: Total Holdings UK, Davaar Associates.

Vyacheslav Agapkin

Non-Executive Director (not independent within the meaning of Dutch Corporate Governance Code). Elected until: 2017 Annual General Meeting.
Date of initial appointment as a member of Vimetco's Board of Directors: June 20, 2007.
Russian national; age: 67.

Mr. Agapkin serves as General Director for the International Institute of Construction in Moscow and as a member of the Board of Vi Holding, LLC. Mr. Agapkin holds a degree in mechanical engineering, a master's degree in science and a doctorate degree from the Moscow Gubkin Oil and Gas Institute.

Current directorship positions in other companies: Vi Holding, LLC, BNP-Pilot Plant LLC.

Directorship positions in other companies within the past five years: International Institute of Construction.

Denis Sedyshev

Non-Executive Director (not independent within the meaning of Dutch Corporate Governance Code). Elected until: 2017 Annual General Meeting.
Date of initial appointment as a member of Vimetco's Board of Directors: June 16, 2009.
Russian national; age: 42.

Mr. Sedyshev has extensive legal experience. Prior to joining Vi Holding LLC Mr. Sedyshev provided legal support for more than 14 years on various international projects, including large-scale restructuring and M&A projects in the metallurgical and energy industries. Mr. Sedyshev also holds a master's degree in civil law from the Moscow State Law Academy (1996) in Russia.

Current directorship positions in other companies: Vi Holding, LLC.

Directorship positions in other companies within the past five years: none.

Igor Sventski

Non-Executive Director (not independent within the meaning of Dutch Corporate Governance Code). Elected until: 2016 Annual General Meeting.
Date of initial appointment as a member of Vimetco's Board of Directors: June 16, 2009.
Russian national; age: 45.

Mr. Sventski has extensive experience in corporate finance, business planning, cash flow and liquidity management. Prior to joining Vi Holding LLC, Mr. Sventski managed and was involved in global financial transactions for over 15 years. Transactions included M&As, restructurings and joint ventures. Mr. Sventski also acted as an advisor in a number of transactions in the debt and equity markets which are related to the metallurgical and energy sector. Mr. Sventski also holds a diploma from the Moscow Aviation Institute (1994) and a master's degree in economics from the Financial and Economic Institute in Moscow, Russia (1997).

Current directorship positions in other companies: Vi Holding, LLC, OJSC "Torgovy Komplex", Format, LLC.

Directorship positions in other companies within the past five years: none.

Appointment

Vimetco has a one-tier board, consisting of both Executive and, as a majority, Non-Executive Directors. The General Meeting of Shareholders appoints, suspends or dismisses a member of the Board of Directors by a simple majority of the votes cast in a Shareholders' Meeting at which at least 50% of the issued capital is represented. If less than 50% of the issued capital is represented, a new meeting may be convened at which the resolution may be passed irrespective of the part of the capital represented at such meeting. A member of the Board of Directors is appointed for a one-year term and is eligible for reappointment.

An Executive member of the Board may hold a maximum of two supervisory board memberships in listed companies. An Executive member of the Board may not act as chairman of a supervisory board or the board of directors of another listed company.

Group Management and its Responsibilities

The Group Management is responsible for the management of Vimetco, which includes responsibility for achieving the Company's objectives and for the Company's results, as well as for determining the Company's strategy and policy. It also includes the day-to-day management of Vimetco and its local operations in Romania, China and Sierra Leone.

Gheorghe Dobra

Chief Executive Officer of Vimetco N.V., an Executive Member of the Board of Vimetco N.V. and General Manager of Alro S.A. appointed as acting CEO of the Company on 29 June 2011, and as CEO of the Company on 16 January 2012.

Mr. Gheorghe Dobra has served as Alro General Manager since 1993. He has been a member of the Board of Directors of Alro S.A. since 1993. Mr. Dobra has 32 years of experience in the aluminium industry, working for Alro since 1984. He has held various management positions within Alro, including in the anode plant, cast house, smelting plant and planning production. Mr. Dobra holds a degree in chemical engineering and a doctorate in material science and engineering from Polytechnic University of Bucharest, as well as an executive master's degree in business administration from the Business and Public Administration Institute, Bucharest, which collaborates closely with the University of Washington, Seattle/USA. He is CEFRI certified (leadership and planning strategy training programme). Mr. Dobra is the (co-) author of several publications and patents in the field of smelting technology.

Marian Nastase

Chief Financial Officer of Vimetco N.V., an Executive Member of the Board of Vimetco N.V., Alro's President of the Board and Country Manager Romania.

Mr. Marian Nastase was appointed Alro's President of the Board on 7 December 2012, after serving as Alro Vice President and Country Manager Romania since 2002. He is the CFO of Vimetco since March 2009. Mr. Nastase is responsible for the Group's operations in Romania and focuses on capital raising and restructuring issues. Prior to joining Alro, he served as Director and Managing Partner at Deloitte & Touche, Romania. He holds a degree in economics from the Academy of Economic Studies in Bucharest. Mr. Nastase is a member of several professional societies in Romania, including the National Association of Experts in Corporate Recovery, the National Association of Authorised Valuators and the Romanian Association for Energy Policies.

Pavel Machitski

Deputy Chief Financial Officer, an Executive Member of the Board. Pavel Machitski has joined Vimetco N.V. as Deputy Chief Financial Officer in 2009 and in 2010 was appointed as Deputy General Manager of Vimetco Management Romania, a subsidiary offering consulting services to Alro and its subsidiaries in Romania. He holds directorship positions in Alro, Alum, Vimetco Management Romania SRL, Vimetco Trading SRL, Vimetco Power Romania SRL, Global Aluminium Ltd., Bauxite Marketing Ltd. and Vi Holding LLC. Pavel Machitski's role includes, among other responsibilities; business development, strategy, financial planning, mergers & acquisitions, financing, budgeting, controlling and reporting, investor relations and risk management. Before joining Vimetco Group, Machitski worked at Morgan Stanley where he acted as an advisor in numerous transactions in EMEA region (Europe, Middle East and Africa) focusing on capital markets and mergers & acquisitions advisory. Mr. Pavel Machitski holds a diploma in Finance and International Business from New York University, Stern School of Business.

Zhang Hong'en

Zhang Hong'en, Honorary Board Chairman of Henan Yulian Energy Group Co., Ltd. Male, born in 1956. Member of the Chinese Communist Party, holds a master degree.
From 1981 to 1993 Zhang Hong'en served as factory director at the Gongyi City Power Plant. Between 1993 and 2007 served as Chairman of Board of Zhongfu Industrial. Since 2007 until November 2015 served as Chairman of the Board, Director and Legal representative of Henan Yulian Energy Group.

From November 2015 until now serves as Honorary Board Chairman of Henan Yulian Energy Group. Zhang Hong'en is the deputy Head of Nonferrous Metals Society of China, member of Gongyi City People's Congress Standing Committee. In 2008 Zhang Hong'en was elected as a deputy to the National People's Congress (NPC), in 2013 he was elected to represent Henan province as a deputy to the 12-nd National People's Congress (NPC).

He Huaiqin

Mr. He Huaiqin, Chairman of Board of Henan Yulian Energy Group Co., Ltd., Director of Zhongfu Industrial. Male, born in 1963, member of the Chinese Communist Party, holds a master degree. From 1993 to 1998 He Huaiqin served as Deputy Director of office and Disciplinary Secretary of Zhongfu Industrial. He served as Deputy General Manager of Henan Yulian Group from November 1998 to August 2000. From September 2000 to September 2003 he served as Secretary of the Board of Zhongfu Industrial and from September 2000 to August 2007 as Director and Deputy General Manager. From August 2007 to October 2009 He Huaiqin served as director and General Manager of Zhongfu Industrial. From October 2009 to November 2015 served as Chairman of Board Zhongfu Industrial. From November 2015 to date – Board Chairman of Yulian Group, Director of Zhongfu Industrial.

Cui Hongsong

Mr. Cui Hongsong, Board Chairman of Henan Zhongfu Industrial. Male, born in 1969, member of CPC, holds a master degree. From 2000 to October 2006 served as Chief Accountant of Zhongfu Industrial. From November 2006 to October 2009 served as Deputy General Manager and Chief Accountant of Zhongfu Industrial. From November 2009 to February 2011 served as Board member, Deputy General Manager and Chief Accountant of Zhongfu Industrial. From February 2011 to November 2015 served as Board member and General Manager of Zhongfu Industrial. From November 2015 until now Cui Hongsong serves as Board Chairman of Zhongfu Industrial.

Responsibilities and functioning of the Board of Directors

The function of the Board of Directors is to supervise the policy of the Group Management and the general course of events in the Company and its business, as well as to provide advice to Group Management.

The Non-Executive directors of the Board actively took part in the work of the Board both by way of personal attendance of the meetings and with the use of teleconferences (in cases when personal attendance was not possible). Along with the Executive members of the Board they discussed issues of the agenda of the Board meetings and received regular reports from the managers. Having made an evaluation of each of the members of the Board, they have given positive references in respect of their work and the work of the Board committees in 2016; at the moment, Vimetco is not using an external consultant to assist in the members' evaluation. This evaluation of the functioning of the members of the Board and the Board committees has taken place in the course of the appointment and re-appointment of the members of the Board at the Annual General Meeting of Shareholders in 2016 and nomination of candidates to the Board for new terms at the Annual General Meeting of Shareholders in 2017.

The Board of Directors has two standing committees: the Audit Committee and the Remuneration Committee. The organisation, powers and modus operandi of the Board of Directors are detailed in the Board Rules. The division of tasks among the members of the Board, more specifically the tasks, rights and obligations entrusted by the Board to the Executive members of the Board, are detailed in the Framework Document.

Board Committees

Audit Committee

Vimetco's Audit Committee is comprised of Mr. James Currie (chairman) and Mr. Vitali Machitski. They meet at least twice annually. The role of the Audit Committee is to monitor Vimetco's financial, accounting and legal practices in terms of the applicable ethical standards, review, prior to its publication, any financial information made public through press releases on Vimetco's results, and to supervise Vimetco's compliance with accounting and financial internal control processes. The Audit Committee will also recommend the choice of independent auditors to the shareholders and approve the fees paid to them. They also conduct discussions with the auditors regarding their findings.

The members of the Audit Committee met twice during the course of 2016 to review and discuss half year and annual financial reports of Vimetco with participation of Vimetco's external auditors – Ernst & Young Accountants LLP (EY). Having periodically reviewed the need for an internal auditor, the Audit Committee confirms its position, which is supported by the Board of Directors, that there is no need for an internal auditor to date.

Remuneration Committee

Vimetco's Remuneration Committee consists of Mr. James Currie (chairman) and Mr. Vitali Machitski. They meet at least twice annually. The role of the Remuneration Committee is to establish and control the internal practices and rules developed with regard to financial compensation for the members of Vimetco's Board of Directors, Senior Management and other key employees. They advise the Board of Directors on the remuneration of the Management, including the fixed remuneration, incentive schemes to be granted and other variable remuneration components as well as the performance criteria and their application. During the course of 2016, the members of the Remuneration Committee also met when the meetings of the Board took place to discuss issues on how the remuneration policy was implemented in the past financial year. The Remuneration Committee also discussed the relationship of base pay versus variable pay for the staff of Vimetco Group.

Remuneration and Share Ownership of the members of the Board of Directors

Vimetco's remuneration policy intends to facilitate that the Group attracts, motivates and retains qualified and expert individuals who possess both the necessary background and the experience in the areas of the Company's activity and who will hold senior positions within Vimetco Group to the benefit of the Company.

The Remuneration Policy also intends to improve the performance of the Company, to enhance its value and to promote its long-term growth. The remuneration policy is published on the Company's website in the Corporate Governance section. During 2016, no deviations from the remuneration policy were agreed upon.

The aggregate amount of remuneration paid by Vimetco to the members of its Board of Directors as a group for services in all capacities provided to the Group during the year 2016 was of USD 1,098 thousand in salary, bonus and pension contributions. In

USD '000

Directors	Gross periodical remuneration (salary and directors' fee)	Bonus	Pension contributions	Distributions made on termination of the employment	Total
B. Ciobotaru*	78	-	-	-	**78**
J. Currie	110	-	-	-	**110**
V. Machitski	-	-	-	-	**-**
G. Zhang	-	-	-	-	**-**
V. Agapkin	13	-	-	-	**13**
V. Krasnov	13	-	-	-	**13**
D. Sedyshev	-	-	-	-	**-**
I. Sventski	-	-	-	-	**-**
P. Machitski	71	-	5	-	**76**
M. Nastase	417	-	47	-	**464**
Gh. Dobra	297	-	47	-	**344**
Total	**999**	**-**	**99**	**-**	**1,098**

* remuneration up to June 2016

2015, the total compensation amounted at USD 3,806 thousand in salary, bonus and pension contributions.

No member of the Board of Directors is entitled to any benefits upon termination of his employment. Vimetco does not provide loans either to members of the Board of Directors or to members of the Group Management. There are no loans outstanding.

Equity incentive compensation scheme

In connection with its Initial Public Offering in 2007, Vimetco established an equity incentive compensation scheme ("ICS".), which enables certain directors and key employees to be granted a package of awards which may comprise restricted stock units ("RSUs"), representing the unsecured right to receive global depository receipts ("GDRs") free of charge at a pre-determined future point in time, as well as cash and purchase options on GDRs. During 2016 no RSUs or options to purchase GDRs were granted by the Company under the ICS. The package of awards is linked to the performance of Vimetco Group as measured by its EBITDA. The purpose of the ICS is to retain senior management and to lend incentive to deliver strong profits in the future. All GDRs allocated through the ICS are subject to a pre-emption right in favour of Vimetco. Shares or GDRs acquired through the ICS are not subject to any blocking or vesting conditions. However, employees holding shares/ GDRs acquired through the ICS are required to vote on the occasion of a Vimetco Shareholders' Meeting in line with any recommendations made by the Board of Directors. This restriction forfeits if the shares/ GDRs are sold or otherwise transferred by the employee.

Shareholdings of the members of the Board on 31 December 2016

Name Number of shares/GDRs in Vimetco

Valery Krasnov: 1,111,111 (shares)[1]
Vyacheslav Agapkin: 555,556 (shares)[1]
Denis Sedyshev: 55,555 (shares)[1]
Igor Sventski: 55,555 (shares)[1]
James Currie: 10,000 (shares)[1]

[1] None of these shares have been granted as a part of the incentive compensation scheme (For further details please see page 99, Note 19 and page 140, Note 16).

Dutch Corporate Governance Code

Companies with their corporate seat *(statutaire zetel)* in the Netherlands and whose shares or depositary receipts for shares have been admitted to listing on a stock exchange, or more specifically to trading on a regulated market or a comparable system, are required to disclose in their management reports whether or not they apply the provisions of the Dutch Corporate Governance Code (the "Code") pertaining to the management board, and should they not apply them, to explain why. The Code stipulates that if a company's general meeting of shareholders explicitly approves the corporate governance structure and policy of a company and endorses such company's explanation for any deviation from the best practice provisions, the company will be deemed to have applied the Code. Vimetco acknowledges the importance of good corporate governance and its Board of Directors has taken and will take any further steps it considers appropriate to implement the Code. Thus, to comply with the best practice provisions of the Code the following internal documents recommended by the Code have been adopted by the Board of Directors in 2009-2010: Whistleblower Rules - to ensure that employees have the possibility of reporting alleged irregularities of a general, operational and financial nature within the company to the chairman of the Board of Directors or to an official designated by him, without jeopardising their legal position; Code of professional conduct– to have an additional instrument of the internal risk management and control system; Profile for the Non-Executive members of the Board – to determine composition of the Non-Executive members of the Board, taking into account the nature of Vimetco's business and activities, the desired expertise and background of the Non-Executive Board members; and Policy in relation to bilateral contacts with shareholders – to have an active approach to maintain an open and constructive dialogue with the existing and potential security holders and to accommodate meeting and conference call requests.

However, Vimetco is not applying the Code's best practice provisions in the following areas:

- *Board remuneration:* Vimetco is of the opinion that the Board remuneration is best determined by the Board of Directors itself. The Company's Articles of Association stipulate that the remuneration of the Board of Directors be based on a proposal from the Remuneration Committee and that it be in line with the remuneration policy adopted by the General Meeting of Shareholders.
- *Selection and Appointment Committee:* while the Code recommends the establishment of a separate Selection and Appointment Committee, Vimetco is of the opinion that such activities can efficiently be dealt with by the Remuneration Committee, as well as by the Board of Directors as a whole.
- *Independent Board members:* while the Code recommends that a majority of the members of the Board of Directors should be independent, the majority of Vimetco's Board members do not currently fulfil this criterion. Nevertheless Vimetco is convinced that its Board of Directors meets the highest standards in terms of strong and effective leadership of the Company.
- *Company Secretary*: considering the size of the Company, there is no formally appointed Secretary of the Company. However, the Company's Board in accordance with the Company's Board Rules by its Resolution of December 26, 2013 have delegated certain authorities of administrative nature to Mr. Bogdan Ciobotaru. As during 2016 Annual General Meeting Mr. Ciobotaru was not reappointed as Non-Executive member of the Board for the coming year, certain of his authorities of administrative nature

(including preparation of documentation for holding of the Company's Board of Directors meetings; obtaining of proposals to and/or approvals in respect of their agenda from the members of the Board; etc.) were delegated to Mrs. Liliya Romanenko.

- *Internal Audit:* in view of its size, Vimetco has decided to not yet create its own internal audit department. Having periodically reviewed the need for an internal auditor, the Audit Committee confirms its position, which is supported by the Board of Directors, that there is no need for an internal auditor to date.
- *Positions in other companies*: the Dutch Corporate Governance Code limits the number of supervisory board positions that management board members and supervisory board members may hold at other listed companies. Unfortunately, the Code does not provide any guidance in respect of Non-Executive board members of one-tier boards. Nonetheless, in line with the spirit of best practice provision II.1.8, Vimetco hereby declares that Mr. Gary G.B. Zhang in addition to being a Non-Executive director of Vimetco holds directorship positions in the following listed companies:
  – Beijing Enterprises Water Group Limited (Listed on the Main Board of the Stock Exchange of Hong Kong); and
  – OP Financial Investments Limited (Listed on the Main Board of the Stock Exchange of Hong Kong). Vimetco is of the opinion that Mr. Zhang's long-standing experience, expertise and reputation make him an important addition to the Board, being in the best interests of Vimetco, notwithstanding that Mr. Zhang holds directorship positions at other listed companies as indicated above.

For further details or for downloading the Dutch corporate governance code, please use the following link: http://www.commissiecorporategovernance.nl/dutch-corporate-governance-code.

Dutch Civil Code

Vimetco is not complying with the Dutch Civil Code's provision concerning the even distribution of seats between men and women in the Board of Directors and the Supervisory Board: the Dutch Civil Code appoints distribution by gender of at least 30% of the seats to women and at least 30% to men, insofar such seats are allocated to natural persons. However, Vimetco took notice of such deviation as much as possible and will strive to comply with the legislation in view of its further appointments and nominations of directors. During 2016, one single change in board positions have taken place, i.e. Mr. B. Ciobotaru was not reappointed as Non-Executive member of the Board for the coming year and a vacant place on the Board remained. Therefore, the Company has no changes to report on the distribution of the seats by gender.

LSE Model Code

Vimetco has adopted a Share Dealing Code pertaining to the GDRs (and the shares represented thereby) which is based on, and is at least as rigorous as, the Model Code published in the Listing Rules of the London Stock Exchange and complies with the Policy Guidelines recommended by the AFM. The code adopted applies to the members of the Board of Directors and other relevant employees of Vimetco Group.

Risks & Risk Management

The main objective of Vimetco's risk management system is to sustain the financial position and performance of the entire Group and management believes that an effective management of the risk factors represents an integral part of how the Company is creating value, and hence it represents a fundamental aspect to Vimetco's business success.

Vimetco's business – both from a financial condition and results of operations points of view - could materially be impacted by a number of risk factors and uncertainties (both externally and internally driven), as the risks to which the Company is exposed are part of all its business activities and daily operations. Therefore, through the risk management system - i.e. policies and procedures, internal controls implemented within the Company driven by the Board of Directors and embedded at every level of the organization, Vimetco may mitigate the adverse effects of the risk factors and is maintaining the levels of these risks and uncertainties within Vimetco risk appetite as set by the Board of Directors. Moreover, the Board of Directors regularly evaluates and reviews the efficiency of the overall risk management system and environment within the Company.

The risk management and environment within Vimetco is composed of standards to regulate operational processes with a view to identify, analyse, communicate risks and actively manage the risks and opportunities and covering certain risks under insurance policies.

The Board members have the necessary professional training or a significant and relevant managerial experience, allowing them to analyze the overall financial position of the Company, the risk management processes and its governance, ensuring that these mechanisms are functional and effective. The members of the Board support, coordinate and actively get involved to improve the risk management system through continuous and direct monitoring. The risk management is conducted under policies approved by Board of Directors. The subsidiaries' Treasury departments identify, evaluate and hedge financial risks in close collaboration with the operational units of Vimetco Group. The Board provides written principles for overall risk management as well as written policies covering specific areas such as currency risk, interest rate risk, credit risk, price risk. The Board of Directors is also supported by the Audit Committee whose role is to monitor Vimetco's financial, accounting and legal practices and to supervise the internal control processes; in this way an effective risk identification, evaluation and management across the entire Group is ensured. Additionally, in Vimetco, risks are managed at all levels based on the corresponding policies and procedures and the responsibility for identifying and managing risks lie with all of Vimetco managers and business leaders. These risks are reviewed on an annual basis or as often as necessary. Moreover, audits are carried out by an external auditor once a year to determine also the effectiveness of the internal control system. On the other hand, both the management and the internal audit departments present at the level of each segment are structures within the Group that are responsible for the efficient evaluation and implementation of the internal control system. Some of the main components of the internal audit system are represented by the integrated reporting software used within the Group and by the strict standards for preparing the annual and half-year financial statements.

Vimetco's operations are power - and raw material - intensive and depend upon ensured supplies of energy – especially electricity – and alumina. International commodities markets set the prices paid for aluminium, which means that producers cannot necessarily pass on to customers any increases in the prices they pay for inputs. Consequently, the availability of electricity and raw materials at commercially viable prices has a direct impact on profitability. Vimetco Group developed its strategy of vertical integration to secure future profitability and to reduce the impact of the major risks to the Company's result. In accordance with this corporate strategy, Vimetco is integrating key aluminium assets throughout the entire value - creation chain into its business, including production facilities for power generation and raw materials (like alumina, anodes etc.).

At least once per year, the Board discusses the strategy and principal risks associated with its business; the results of this evaluation are subsequently implemented in the design and functioning of the internal risk management and control systems, as well as any significant changes thereto.

Below, certain risks that might affect the Company's business and strategy, financial condition and the results of operations from time to time and, hence, the share price are described; these risks should be read carefully when evaluating Vimetco's business, its prospects and the forward looking statements set out in this management report; however, additional risks and uncertainties not presently known to Vimetco or that Vimetco currently deems immaterial or of which the Board of Directors is currently unaware may materially adversely affect the business in future periods. Reference is also made to *Note 27 to the Consolidated Financial Statements*.

Risks Tolerance/ Appetite

The level of risk that Vimetco Group is prepared to accept in pursuit of its objectives and before any action is deemed necessary to reduce these risks represents the Company's risk appetite. Moreover, the risk appetite is a balance between the potential benefits of innovation and the threats that any change will bring. In Vimetco the risk appetite adopted as a response to the risks occurrence was set to a minimal level considering the fragile environment in which the Company operates, the substantial investments that have to be made to innovate; hence the options that are safer in terms of risks, even if the rewards are limited are usually chosen. However, the appropriate approach may be different across the entire organization, depending on the type of the project, circumstances, level of risks versus rewards etc. In each and every case the Board of Directors has an ultimate opinion and it supervises that the Company's view over the risk appetite is consistently applied. Moreover, a precise measurement is not always possible and risk appetite may be defined by a broad statement of approach, as the Company has an appetite for some types of risk, as detailed below and might be averse to others, depending on the context and the potential losses or gains. By defining the acceptable levels of risk also means for the Company that resources are not spent on further reducing risks that are already at an acceptable level.

Please see below the risk appetite table for the main risks faced by the Group:

Risk Category	Category description	Risk appetite
Operational risk	The risks and hazards associated with daily operations – i.e. safety of production processes and event risks like explosions, strategic equipment failure, personal injury or death, environmental damages, monetary losses and possible legal liability	***Low - Moderate*** depending on a case by case basis and following the normal business operations
Financial risk	The risks associated with potential financial losses and the uncertainty of return, structure of debt and cash flow	***Low***
Strategic risk	The risks associated with uncertainties and unused opportunities related to the whole business embedded in the strategic vision of the Board and how well they are executed.	***Low***
Environmental/ Compliance	The risks that may arise from potential claims relating to product liability, health and safety, environmental matters, intellectual property rights, compliance with local/ international laws, anti-bribery laws etc.	***Zero – no risks***

Risk factors

Aluminium industry is highly cyclical and influenced by the global economic environment - Operational risk

Vimetco's results depend on the market for primary aluminium, a highly cyclical commodity affected by global demand and supply conditions. The price of aluminium has historically been volatile and subject to wide fluctuations in response to relatively minor changes in supply and demand, market uncertainty, the overall performance of global and regional economies, currency fluctuations and speculative actions. Moreover, the market for primary and processed aluminium is global and highly competitive. The demand for aluminium is highly correlated to economic growth. There is an ongoing trend towards consolidation among Vimetco's major competitors. These industry developments combined with excess production capacity, continued to exert pressure on prices in 2016, the entire year being marked by an unstable macroeconomic climate and lower aluminium prices at international level. This trend may be maintained in the future which would further translate into downward pressure on the prices of aluminium and certain aluminium products. However, further reductions in prices of aluminium and certain aluminium products could adversely impact Vimetco's cash flow, turnover and results. Therefore, one of the core strategies is to reduce the risks related to weak economic environment and unfavourable market developments through a permanent improvement of the business in terms of operational efficiency, cost reductions and enhanced commercial strategies, while investing in research and development that has as a main objective to obtain high quality products, which are compliant with the most sophisticated technological requirements. Additionally, the Group also uses hedging to mitigate the aluminium price risk when management estimates market conditions require it.

Energy prices - Operational risk

The international energy market is dominated by unpredictability that leads to a higher volatility of the energy prices. Since January 2005 when the EU Emissions Trading Scheme (EU ETS) was launched to reduce the European greenhouse gas emissions the compliance costs in this area have increased; moreover to these existing regulations other new environmental, health and safety laws and regulations were implemented at national or international level leading to an even higher increase in these compliance costs. Conversely, the demand is showing lately declining signs due to efficiency policies implemented by large corporations and by local governments.

In 2016 China continued to face power oversupply, mainly due to a weaker demand as a direct consequence of slower global growth, while experiencing also structural changes on the demand side, such as growing energy efficiency and a more extensive usage of alternative fuels. In Romania, the end consumer energy prices were significantly impacted in the past years by the taxation system related to green certificates mandatory quota. However, starting in June 2015 the Romanian segment received an up to 85% exemption from the mandatory green certificates quota and 2016 was the first year when it fully benefited from this exemption, and this allowed the Romanian segment to remain competitive on the international market, alongside other producers from Asia, Middle East and Europe.

Moreover, the Romanian segment faced unfavourable weather conditions in the first two months of 2017, (i.e. long periods of very low temperature, frozen waters etc.), which was reflected in higher energy prices that reached record levels and this led to anomalies in the energy suppliers' activity. Two of Alro's suppliers were not able to meet their contractual obligations and thus, Alro had to find alternatives for energy supply, which were less advantageous than its previous signed contracts; however, at the date of this report, Alro has contracted its necessary energy quantities for the whole year 2017.

All these events as mentioned above could adversely impact Vimetco's cash flow, turnover and results as Vimetco's operations consume substantial amounts of energy. Vimetco has taken steps to ensure energy independence in China, through the construction of its own power generating plants. In Romania, the local management closely monitors any subsequent events in connection with the up to 85% exemption from the mandatory green certificates quota and implemented a risk diversification policy regarding electricity acquisition by using all options available on the market that proved to be a good decision in mitigating the risk of delivery from suppliers. Although the electricity market is still far beyond the energy-intensive industrial consumers' expectations, the progress made to ensure diversification of the trading platforms leaded to an increase of market depth, with positive effects on the delivery risk and on the electricity price.

In respect of the above mentioned risk factors, Vimetco believes that the long-term prospects for aluminium and aluminium products will be positive; however the Company is unable to predict the future trend of this industry or the direction of the global economy and the effects of government intervention. Further negative economic conditions, such as another major economic downturn followed by a prolonged recovery period, disruptions in the electricity markets or disruptions in the financial markets, could have a material adverse effect on Vimetco's business, financial condition or results of operations.

Bauxite and alumina procurement synergies - Operational risk

Alumina is the principal raw material used to produce electrolytic aluminium, while bauxite is the raw material from which alumina is refined. The increasing costs of and disruptions to the availability of raw materials have a major impact on Vimetco's profitability. Disruptions may require Vimetco to purchase alumina on the spot market on less favourable terms than under its current supply agreements. Such purchases of alumina could adversely impact Vimetco's cash flow, turnover and results. To mitigate this risk, the Group is considering capitalizing on the strategic synergies of its Romanian and Chinese operations through the integration of its raw material procurement functions. Vimetco's potential internal production of alumina from bauxite mined in Sierra Leone could remove some concerns about cost and availability of alumina in Romania. In 2012, Sierra Mineral Holdings I Ltd. (SMHL) has signed an updated Mining Lease Agreement (MLA) with the Government of Sierra Leone. Under this agreement the Company's Mining Lease of 321 square km in the Mokanji area of Sierra Leone was granted for a period of 20 years from the effective date, while the perimeters remain the same.

Emerging markets – potential and risks - Operational risk

While Vimetco's main production operations are located in emerging markets with above average growth potential, the markets also come with higher risks and uncertainties than in more developed countries. Vimetco's operation of its bauxite mine in Sierra Leone carries with it its own set of risks and challenges associated with its presence in an African country, where politically induced risks tend to be higher than in other areas of the world. The Group's operations could potentially be affected by a strengthening of existing regulations or the introduction of new regulations, laws and taxes. The Group also depends on the continuing validity of its licenses, the issuance of new licenses and compliance with the terms of its licenses in Romania, China and Sierra Leone. Moreover, within its Chinese segment, Vimetco might also be adversely impacted by the stricter regulations regarding the caps on coal production that were implemented during the past years; additionally the approval of the private placement shares are depending on the Chinese Regulators rules that have also evolved in the same direction lately.

To mitigate these potential risks, the Group management is closely monitoring its operations in Sierra Leone to ensure that any political or legislation changes are noted in real time. For licences, the renewal process is permanently monitored in all countries; in Sierra Leone the main licence needed for the continuity of operations – the Mining Lease Agreement was prolonged in 2012 for a period of 20 years.

Vimetco's global exposure may adversely affect the Company's results and cash flows (Market and Commercial Risks)

Vimetco has operations in several countries and regions, including Europe, China and Africa – totally different areas from various points of view (i.e. climate, culture, social, environment, regulatory, etc.). Therefore, the Company's global operations are subject to a number of risks, including Vimetco's business being dependent on demand for its product. A reduced demand level due to adverse economic conditions could adversely impact Vimetco's cash flow, turnover and results of operations. Moreover, a weak LME aluminium pricing environment, deterioration in LME aluminium prices, or a decrease in product premiums could have a material adverse effect on Vimetco's business in general and specifically, on its cash flow. Moreover, the Company's results and cash-flow may be negatively impacted by economic and commercial instability risks, corruption, and changes in local government laws, regulations and policies, geopolitical risks such as political instability, war or terrorist activities, major public health issues (as happened in the past with Ebola in Africa – Sierra Leone) or unexpected events, including fires or explosions at facilities, and natural disasters.

In order to remain competitive in this highly challenging environment, Vimetco needs substantial capital to invest in growth opportunities and to maintain and prolong the life and capacity of its existing facilities. For 2017, as well as in 2016, generating positive cash flow from operations that will exceed capital spending continues to be the Company's target.

Human resources – a key asset for Vimetco's sustainable growth - Operational risk

Vimetco's operations and development projects require highly skilled executives and staff with relevant industry and technical experience. In this way the Company is safeguarding its operations and achieves future growth. Demand for personnel with the range of capabilities and experience required in this type of business is high and the inability of the Company to attract and retain such people may adversely impact Vimetco's ability to adequately meet project demands and fill roles in existing operations. Vimetco may be less attractive to certain candidates as a result of its potential transformation into an unlisted entity, should the proposal to de-list be approved by shareholders. Skills shortages in engineering, technical service, construction and maintenance contractors and other labour market inadequacies may also impact daily activities. These shortages may adversely impact the cost and schedule of development projects and the cost and efficiency of existing operations. Therefore, the management is also focussed on strategic workforce planning to secure future requirements for managers and technical specialists and to meet diversity aspirations.

Market and Commercial Risks (Financial risks)

Liquidity and interest rate risks

Considering the current business environment, the Company focuses on monitoring the liquidity risk, with operating, investing and financing cash inflows and outflows being monitored and analyzed monthly, and in some cases even on a daily basis, so that any unexpected change in the liquidity level could be noticed immediately. Based on this analysis, the management can take the best decisions on the financing needs, for the Group to have the necessary capital to be able to meet all current and future financial obligations and to ensure its solvability. Cautious liquidity risk management implies maintaining sufficient cash and transactional values, financing availability with an adequate amount from committed credit facilities. The management regularly monitors rolling forecasts of liquidity reserves of the Company. The ultimate responsibility for liquidity risk management rests with the Board of Directors, which has set up an appropriate liquidity risk management framework for the management of the Group's short-, medium- and long-term funding and liquidity management requirements.

Vimetco's borrowing capacity may be influenced and its financing costs may fluctuate due to, among others, the rating of Vimetco's debt. In order to mitigate the liquidity risk, the Group has raised several credit facilities from different banks, syndicates of banks or other institutions. Some of the facilities are on a long term basis, used for financing the Group's investments; others are on short term for working capital needs. The Group's net debt has slightly increased in 2016 to USD 2,693 million (2015: USD 2,683 million). The external financing allowed Vimetco to pursue its vertical integration strategy, most importantly through the expansion of capacity in China. As a result of the increase in total debt, there has been a corresponding increase in Vimetco's interest rate risk. At 31 December 2016, approximately 63% of the Group's borrowings are at a fixed rate of interest (2015: 55%). If interest rates had been 100 basis points higher/ lower and all other variables held constant, the Group's profit for the year ended 31 December 2016 would have decreased/ increased by USD 10 million (2015: USD 12 million) (excluding the impact on income tax). The Group's sensitivity to interest rates has decreased during the current period because of new loans obtained to finance the expansion projects in China, which are bearing fixed interest rates in a higher proportion. USD 1,889 million of the debt capital is repayable in less than one year (2015: USD 1,773 million). There is a risk that Vimetco may have to refinance these loans at higher interest rates upon their expiration.

Hedging policy (FX and aluminium price risk)

The operating results are primarily affected by price developments of its main products, aluminium, alumina and power, and of raw materials, in addition to fluctuations in the value of U.S. dollar (USD), New Romanian Leu (RON) and Euro (EUR) which are the most significant currencies for Vimetco. Aluminium prices are denominated in USD while the Group's production is located outside the USA, subjecting Vimetco to foreign exchange rate fluctuations. Furthermore, the prices of many of the raw materials used depend on supply and demand relationships on a global scale and are thus subject to continuous volatility. The Company's main risk management strategy for upstream operations is to accept exposure to price movements, while at the same time focusing on reducing the average cost position of its production assets. The Group makes prudent use of derivative financial instruments to mitigate the risk of changes in the price of aluminium and foreign exchange rate fluctuations. While doing so, Vimetco follows a conservative hedging policy.

Credit risk

The credit risk represents the risk that a business partner does not comply with their contractual obligations, which could result in a financial loss for Vimetco. Credit risk of Group's counterparties that have outstanding payment obligations creates exposure to Vimetco and may in some circumstances have a material and adverse effect on Group's financial position. Moreover, in line with Group's risk appetite, in Romania, for example, most of its account receivables are sold to financial institutions through non-recourse factoring. Moreover, in Romania, Vimetco has adopted a policy by which it trades only with reliable partners and requests guarantees, when necessary, in order to mitigate the risk of financial loss resulting from non-fulfilment of the contractual obligations. For promissory notes received from customers in China, the Group policy is to accept the notes issued by banks controlled by the government, banks listed on the stock exchanges of China and other reputable banks.

The financial quality of the borrowers is continuously monitored and the Group's exposure to credit risk is distributed between agreed parties. The credit risk exposure is controlled through limits imposed on each borrower. The Group subsidiaries regularly monitor the financial position of its debtors and adjust credit limits as appropriate. The credit limits are analyzed and approved by the subsidiaries' management. The accounts receivable consist in a large number of clients, from different industries and geographic areas. In addition, credit exposure is controlled through certain limits granted by factoring companies (in case of factored clients), banks (in case of bank guarantees and LCs); credit limits are reviewed and approved by local management.

Regarding the assets from derivative instruments, the maximum exposure to credit risk is represented by the fair value at the reporting date.

The credit risk resulted from the transactions with banks and financial institutions are managed by each subsidiary Treasury function. Investing excess liquidity is possible only with approved banks and for credit lines and limits assigned to each counterparty. The counterparty credit limits are annually reviewed by management and may be updated during the year. The limits are set so as to minimize concentration risk and thus to diminish the possible financial losses from failure by the counterparty. It is estimated that there is not a significant exposure from failing to honour the contractual obligations by counterparties regarding financial instruments.

Operational risk

Regarding the operational risk, Vimetco Group is vertically integrated and has a diverse and complex portfolio of assets, production capacities, inventories. Therefore the companies within the Group are exposed to risks and hazards related to the safety of production processes and event risks like explosions, strategic equipment failure, personal injury or death, environmental damages, monetary losses and possible legal liability. Major accidents could result in substantial claims, fines or significant damage to Vimetco's reputation. Breakdown of equipment, power failures or other events leading to production interruptions could have a material adverse effect on the financial results and cash flows.

For these types of risks, analyses are performed and incidence scenarios are developed and, afterwards safety plans are set in case of occurrence. For the critical equipment there were set up spare parts stocks, so in case an unforeseen event takes place, operating activities could be resumed as quickly as possible and the inherent losses in such situations are minimized. Although the Group has in place some insurance policies to protect against certain risks as it considers reasonable and in accordance with market practice, its insurance may not cover all the potential risks associated with its operations. In Romania an active insurance policy is currently in place and it covers both the material damage for equipments and inventories, as well business interruptions. Please see also *Note 5 – Other income and expenses of the Consolidated Financial Statements*.

Capital risk management

Vimetco Group capital management goals refer to providing business continuity, to create value for shareholders and benefits for interested third parties, and maintain optimal capital structure to reduce its cost. The capital structure consists of liabilities, which includes net borrowings of cash and cash equivalents and equity, including share capital, share premiums, reserves and retained earnings.

The management reviews the capital structure periodically. As part of this process, the management analyses the cost of capital and the risks associated with each class of capital. To maintain or to adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, to refund capital to shareholders, to issue new shares or sell assets using receivables to refund loans. If Vimetco de-lists, as is proposed to shareholders, management will re-consider any focus (to the extent there was previously focus) on the ability to attract equity capital. Moreover, the focus is on maintaining a strong balance sheet, capital discipline and a continued focus on working capital. Specific financial ratios are targeted over the business cycle aimed at ensuring a high degree of liquidity and strong credit profile (i.e. consistently with other companies in the industry, the Group monitors capital on the basis of the gearing ratio: net debt divided by total capital). The management is also focussed on increasing the robustness of our portfolio, through the ongoing operational improvements.

Compliance Risks

Legal risks

Vimetco Group is acting in several jurisdictions and, hence, is monitoring the relevant legal requirements and proposed legislation in these countries so that it can respond to changes in the legal environment in real time. Risks of product liability damages are eliminated as far as possible by quality assurance measures.

Vimetco is involved in or threatened with various legal and tax matters arising in the ordinary course of its business. The management's opinion is that is not probable that the resulting liabilities, if any, will have a material adverse effect on its consolidated results of operations, liquidity or financial position in addition to those recorded in the Group's financial statements or disclosed in its Annual Report.

Environmental risks

Vimetco Group is more and more concerned about its environmental footprint. Environmental risks are minimised by certified environmental management systems within the relevant Group companies.

Rising environmental protection expenses are partly offset by savings in energy consumption and by an extensive use of the new scrap processing facility located in Slatina, Romania.

Compliance, controls and procedures

Vimetco's internal control system aims to comply with the laws and regulations in force, a good internal operating activity in accordance with the decisions made by the management, and also contributes to the effectiveness of Vimetco Group's operations, to the efficient use of resources, the prevention and control of the risk of failing to achieve its goals. The Group internal control system has been designed to safeguard the assets of the Group, maintain proper accounting records, and ensure execution with appropriate authority and compliance with relevant laws and regulations. The Board is responsible for maintaining and reviewing the effectiveness of the Group internal control system.

Internal control is applicable before, during and after the operations is performed. Internal controls aims to achieve at least the following goals:

- compliance with the laws and regulations in force
- implementation of the decisions taken by the management
- the effective operation of the internal activities within the group companies
- the reliability of financial information
- the effectiveness of the group's operations
- the efficient use of resources
- the prevention and control of risks to achieve the goals set.

If Vimetco de-lists, as is recommended to shareholders, Vimetco does not intend to desist from achieving any of the above goals. The Group via its management structure and organizational culture made efforts to implement an internal control system that includes various activities for the prevention and detection of unexpected events and risks and potential fraud attempts, of errors or omissions, damages, non-compliances, unauthorized transactions, incorrect or misleading financial reporting, activities that may negatively affect Vimetco's reputation. Through its procedures and internal regulations which represent the basis for an integrated internal control system, Vimetco has aimed to cover all relevant operations and activities occurring within the Group in order to ensure that:

- all its operations are conducted in accordance with the laws in force in each jurisdiction in which it operates (for example to meet local requirements and legal reporting in China, Romania and Sierra Leone), and in accordance with the internal organization and operation rules;
- controls are implemented to prevent, identify and solve in a more efficient way fraud, errors or omissions that may have serious consequences over Vimetco Group's activities;
- an organizational culture exists and is maintained, concerning awareness to the risk of fraud or error, and the employees are aware that providing misleading or wrong information can have serious consequences in the effective administration of daily operations.

Therefore, internal control procedures are designed:

- on one side, to assure the compliance of the Group activity and staff conduct with the framework of applicable laws, values, regulations and internal rules of the company; and
- on the other side, to verify the accuracy of reported financial, accounting and management information so that it can correctly reflect the Group activity and position.

Within Vimetco Group and at the level of each subsidiary separately, the same accounting and reporting rules are applied to ensure the same treatment for the same types of transactions/ business related activities. Depending on the evolution of the business and the current law, these rules/ accounting treatments are updated to ensure both compliance with legal requirements and their relevance to the conducted operations.

In case an employee notices alleged irregularities of a general, operational or financial nature and/ or breaches of the Vimetco Code of Professional Conduct in any of the Group companies there is a Whistleblower procedure available on Vimetco website within the Corporate Governance section which clearly specifies the steps to be followed in such cases. In this way, each employee may report such cases to the Reporting Official, without jeopardizing his/ her legal position.

Moreover, the management has constantly tried to use integrated reporting software and automated as many processes as possible, in order to reduce the risk of manual record-keeping where the risk of error is higher. Setting standards for preparing the annual and half-year financial statements of Vimetco Group represents a crucial component of the internal control system.

Improvements to the Company's risk management system

An effective risk management system requires an up to date reporting and review structure to ensure that risks are effectively identified and assessed and that appropriate controls and responses are in place. Regular audits of policy and standards compliance are carried out in the main subsidiaries and standards performance reviewed to identify opportunities for improvement.

The Board of Directors knows that the organisation is dynamic and operates in a dynamic environment and this is why it supports alignment, consistency and continuous improvement of the risk management system within the Group. The Board members are focused on the Group's need to remain competitive and to have a predictable framework conditions in the different regions where it operates.

Moreover, the Board considers that each and every individual represents a key component for a functional risk management system and this is why within the organisation the continuous improvement is implemented at each individual level and, hence the following steps are monitored:

- individuals understand their accountability for individual risks;
- individuals understand how they can enable continuous improvement of risk management response;
- individuals understand that risk management and risk awareness are a key part of the organisation's culture;
- individuals report systematically and promptly to senior management any perceived new risks or failures of existing control.

The regular review done by the Board aims to provide assurance that there are appropriate controls in place for the organisation's activities and that the procedures are understood and followed. Moreover, in this way the changes within the organisation and the environment in which it operates may be identified in real time and appropriate changes and improvements are made to systems internally used.

Any monitoring and review process determines whether:
- the measures adopted resulted in what was intended
- the procedures adopted and information gathered for undertaking the assessment were appropriate
- improved knowledge would have helped to reach better decisions and identify what lessons could be learned for future assessments and management of risks.

Annual declaration on risk management and control systems

The Board of Directors is responsible for establishing and maintaining adequate internal risk management and control systems. The internal risk management and control systems provide reasonable assurance that the financial reporting does not contain any errors of material importance.

Vimetco Group procedures cover financial (i.e. interest rate risk, foreign exchange risk, credit risk), operational (i.e. laws and regulations risks, culture risks), strategic (i.e. competition risk, customer changes/ demand risks, industry changes risk) and hazard risks (i.e. environmental risk, natural events risk, contracts and suppliers risks). The Board of Directors has also established a clear organizational structure, including delegation of appropriate authorities. The Board of Directors has overall responsibility for establishing key procedures designed to achieve systems of internal control, disclosure control and for reviewing and evaluating their effectiveness.

The day-to-day responsibility for implementation of these procedures and ongoing monitoring of risk and the effectiveness of controls rests with the Group Management. Vimetco's local controllers play a key role in providing an objective view and continuous reassurance of the effectiveness of the risk management and related control systems throughout Vimetco's subsidiaries. Vimetco has an independent Audit Committee, comprised entirely of Non-Executive directors. If Vimetco de-lists, as is recommended to shareholders, Vimetco intends to maintain the same composition of the Audit Committee. Vimetco has an appropriate budgeting system with an annual budget approved by the Board of Directors, which is regularly reviewed and updated. The Board of Directors has assessed and considered the Company's internal risk management and control systems, as also stated in the statement of management responsibilities, and deem such systems adequate, effective and sufficient in light of the Company and its operations.

Vimetco supports the Dutch Corporate Governance Code and makes the following declaration in accordance with best practice provision II.1.5:

In view of the foregoing, the Board of Directors believes that: – the internal risk management and control systems in respect of financial reporting provide a reasonable assurance that the financial reporting does not contain any material errors; – the risk management and control systems in relation to the financial reporting have worked properly in 2016; – there are no indications that the risk management and control systems in relation to the financial reporting will not work properly in 2017; – no material failings in the risk management and control systems in relation to the financial reporting were discovered in the year under review or the current year up to the date of signing of these accounts; and – as regards operational, strategic, legislative and regulatory risks: no material failings in the risk management and control systems were discovered in the year under review.

Further to the discussions with the Audit Committee in relation to the above, the Board of Directors confirms that no significant changes have been made to the internal risk management and control systems over the past year and that no significant alterations are currently planned. Vimetco notes that, should shareholders approve its de-listing, and should the de-listing occur, it will no longer be required to support the provisions of the Dutch Corporate Governance Code.

Related-Party/ Conflict-of-Interest Transactions

In view of the best practice requirements under the Dutch Corporate Governance Code and the relevant provisions of the Dutch Civil Code, Vimetco hereby declares that in 2016:

- there were no transactions involving conflicts of interest with any Board members that are of material significance to Vimetco and/or to the relevant Board members, which would need to be disclosed herein; and
- during 2016, Vimetco entered into a number of non-material related party transactions. These transactions were entered into at arm's length and under customary market terms. For more information about related party transactions please refer to *Note 25 Related party transactions of the Consolidated Financial Statements.*

Auditors

Having in view the corporate governance rules and for securing high standards of independence and objectivity, in 2013 the Company has changed its auditor and Ernst & Young Accountants LLP (EY) has been appointed as the Group's new auditor (replacing Deloitte Accountants B.V.), in 2016 and 2015, the following amounts were paid for audit services and non-audit services to the auditor (USD thousand):

2016	Dutch audit firm 2: 382a Dutch Civil Code	Other network firm	Total
Statutory audit annual	102	834	**936**
Other audit services	-	267	**267**
Non-audit services	-	8	**8**
Total	**102**	**1,109**	**1,211**

2015	Dutch audit firm 2: 382a Dutch Civil Code	Other network firm	Total
Statutory audit annual	102	847	**949**
Other audit services	-	266	**266**
Non-audit services	-	9	**9**
Total	**102**	**1,122**	**1,224**

Management Report 2016

This Management Report and the 2016 financial statements, audited by EY, have been presented to the Board of Directors. The financial statements and the independent auditor's report of the external auditor with respect to the audit of the financial statements were discussed by the Audit Committee and by the Board within the presence of the external auditor. The Board recommends that the Annual General Meeting of Shareholders adopt the 2016 financial statements included in this Management Report. This Management Report is signed by all members of the Board of Directors on 24 April 2017 in Amsterdam, The Netherlands.

Outlook for 2017

Our focus during 2017 will be to look back and continue the successful measures implemented during recent years that have supported the Group in overcoming a number of difficult external factors which have affected the aluminium industry for almost a decade.

In terms of the international aluminium price and overall market sentiment, 2017 began more positively with the LME aluminium price rising to over 1,900 USD/tonne after the second half of 2016 during which it oscillated between 1,600 USD/tonne and 1,725 USD/tonne. The Group will continue to build on the positive results achieved so far through even more discipline and innovation. The measures implemented in relation to the reduction of energy consumption, to ensure operational efficiency, and the investment made, both in equipment and in research, will be continued and will represent a key component of the Group's sustainable growth strategy in future.

2016 was marked by high volatility mainly during the first half, but also by low input prices. Nevertheless the longer-term economic outlook continues to look uncertain, which may lead to significant revisions in long-term metal price forecasts and, as a direct consequence, planning for the future and setting medium and long term objectives will become even harder. Vimetco will continue to closely monitor the evolution of the aluminium price on the international markets (LME and SME), the energy prices and FX rates, thus being able to review and adjust its business forecasts and take the necessary decisions to preserve the Group's stability and viability.

Moreover, in 2017 the Group will continue its investment policy in areas such as: waste reduction, CO_2 emissions reduction, recycling, health, safety and environment and will focus its efforts in increasing the sales level within the industries that are consuming large quantities of aluminium, such as the construction, automotive, cable, food and aero industries.

Considering the Group's exposure to China, Europe and Africa, careful attention is to be paid to developments in each region as the business mindset, culture and market evolution are very different. Moreover, the impact of China and emerging markets demand is also difficult to predict.

In 2017, Vimetco will remain committed to its vertical integration strategy and will keep a focus on strong leadership and culture. Having talented and inspirational management is critical for the Vimetco organization as they are the main drivers for transforming a business and ensuring its success. Moreover, we are aware that the results achieved in 2016 represent just the beginning in respect of the expectations of the market, of potential investors and of other third parties interested in the business of the Group. Therefore, our main objective for the next period is the consolidation of these results to ensure sustainable growth, while monitoring the evolution of international markets to take advantage of any opportunities that might appear and thus, increasing the Company's value.

Shareholder Information

2016 was the ninth year of Vimetco as a listed company, following the Initial Public Offering, on 2 August 2007.

On 27 March 2017, Vimetco announced its proposal to seek a cancellation of the listing of its GDRs on the standard segment of the Official List and to trading on the London Stock Exchange's Main Market. Subject to approval by Shareholders at an extraordinary general meeting to be held on 8 May 2017 (the "EGM"), notice of which was set out in a circular that was sent to shareholders on the same day, it is anticipated that the effective date of the Cancellation will be on or around 6 June 2017. The purpose of the Circular was to: (i) explain the background to, and reasons, for the de-listing; and (ii) explain why the Directors consider the de-listing to be in the best interests of the Company and its stakeholders (including, but not limited to, the Shareholders) as a whole and recommend that the Shareholders vote in favour of the resolution to de-list and terminate the GDR depositary programme. However, the implementation of the de-listing is conditional upon approval of the related resolution by Shareholders at the EGM, which is being convened at 10:00 a.m. CET on 8 May 2017, at Strawinskylaan 403, WTC, A Tower, 4th floor, 1077 XX Amsterdam, the Netherlands.

Objectives for investor relations

In its communications, Vimetco's Investor Relations Department is committed to serving the interests of its equity investors. To the extent reasonably practicable, Vimetco's investor relations follow the guidelines and principles set forth by the Autoriteit Financiële Markten (AFM) and Financial Conduct Authority (FCA). Contact information of Vimetco's Investor Relations Department can be found at the end of this chapter.

Despite the increase of the LME price in late 2016 and early 2017, the GDR's price has decreased in 2016 compared to 2015, the average for 2016 being of USD 0.23 (2015: USD 0.26); therefore the trading price of the GDRs on the LSE had not reacted in line with the LME ascending trend. The GDR's maximum price in 2016 was of USD 0.25 (2015: USD 0.3) and the minimum level reached was of USD 0.2 (2015: USD 0.25).

LSE ticker symbol: VICO
ISIN code: US92718P2039
Reuters symbol: VICOq.L
Bloomberg symbol: VICO LI
SEDOL: B231M74

Vimetco N.V. controls, directly and indirectly, more than 87% of Alro S.A. shares, which are listed on the Bucharest Stock Exchange under the ticker symbol ALR. Alro S.A. in turn owns 99.40% of Alum S.A. shares, which are listed since April 2015 on the Alternative Trading System (ATS) platform of the Bucharest Stock Exchange under the ticker symbol BBGA. Vimetco N.V. indirectly holds 96.78% of Yulian Energy, which is the majority shareholder of Zhongfu Industrial, a listed company on the Shanghai Stock Exchange with the ticker symbol SHA 600595.

Shareholder structure

Vimetco has issued 219,484,720 shares with a nominal value of EUR 0.10 per share of which 26.5% have been deposited with J.P. Morgan Chase Bank, N.A. (free float).

Vimetco's shareholders on record with the AFM register as on 31 December 2016 were: Maxon Limited through Vi Holding N.V. (59.4%), Zhi Ping Zhang through Willast Investments Limited (10%) and Irina Machitski (3%).

Dividend policy

The Group's general intention is to make distributions to its shareholders of approximately 20% of its consolidated income on average over the aluminium price cycle.

Financial calendar

Full year report 2016: 28 April 2017
Annual General Shareholders Meeting: 21 June 2017
Half-year report 2017*: 30 August 2017

Exchange rates

Average 2016
RON per USD 4.0569
CNY per USD 6.6423

Average 2015
RON per USD 4.0062
CNY per USD 6.2285

For further information please contact:

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*In case of approval of de-listing, the Half-year report date may be altered.

Abbreviations and definitions used in this report

Chinese segment abbreviations

Bao Shuo	Shanghai Bao Shuo Trading Co. Ltd.
Chenlou	Dengfeng City Chenlou Yisan Coal Mine Co., Ltd.
Datang Gongyi	Datang Gongyi Power Generation Co., Ltd.
Datang Linzhou	Datang Linzhou Thermal Power Co., Ltd.
Everwide	Everwide Industrial Ltd.
Gao Jing	Anyang Gao Jing Aluminium Product Co. Ltd
Guangxian	Zhengzhou Guangxian Industry and Trade Co., Ltd.
Huixiang	Zhengzhou City Huixiang Coal Industry Co., Ltd.
Jinhe Electrical Power	Linzhou Jinhe Electrical Power Equipment Co., Ltd.
Jinling	Zhengzhou Dengcao Enterprise Group Jinling Coal Mine Co., Ltd.
Jinxing	Dengfeng City Jinxing Coal Mine Co., Ltd.
Jinyao	Yichuan County Jinyao Coal Mine Co., Ltd.
Linfeng	Linzhou Linfeng Aluminium and Power Co., Ltd.
OUKAI	Shenzhen OK (OUKAI) Industry Development Co., Ltd.
Shang Zhuang	Gongyi City Shang Zhuang Coal Mine Co., Ltd.
Xinfu	Shanghai Xinfu Industry Development Co., Ltd.
Xing Cun	Gongyi City Xing Cun Coal Mine Co., Ltd.
Yellow River Heluo	Henan Yellow River Heluo Branch Water Supply Co., Ltd.
Yinhu	Henan Yinhu Aluminium Co., Ltd.
Yonglian	Henan Yonglian Coal Industry Co., Ltd.
Yujin	Zhengzhou City Yujin Energy Co., Ltd.
Yulian Coal	Henan Yulian Coal Industry Group Co., Ltd.
Yulian Energy	Henan Yulian Energy Group Co., Ltd.
Yunqi	Gongyi City Yunqi Networking Technology Co., Ltd.
Zhongfu Aluminium	Henan Zhongfu Aluminium Co. Ltd.
Zhongfu Aluminium Alloy	Henan Zhongfu Aluminium Alloy Co., Ltd.
Zhongfu Anodes Carbon	Henan Zhongfu Anodes Carbon Co., Ltd.
Zhongfu Industrial	Henan Zhongfu Industrial Co., Ltd.
Zhongfu Lanxun	Henan Zhongfu Lanxun Technology Company Ltd.
Zhongfu Power	Henan Zhongfu Power Co., Ltd.
Zhongfu Power Sales	Henan Zhongfu Power Sales Co., Ltd.
Zhongfu Specialized Aluminium	Henan Zhongfu Specialized Aluminium Product Co., Ltd.
Zhongfu Thermal Power	Henan Zhongfu Thermal Power Co., Ltd.
Zhongfu Technology	Henan Zhongfu Technology Center Co., Ltd.

Abbreviations and definitions used in this report - continued

Other abbreviations

ATS	Alternative Trading System
CAPEX	Capital expenditure
EBIT	Earnings before interest and taxes
EBITDA	Earnings Before Interest, Taxes, Depreciation and Amortization
EU	European Union
EURIBOR	Euro Interbank Offered Rate
GD	Government Decision
GSM	General Shareholders' Meeting
IAS	International Accounting Standards
IFRS	International Financial Reporting Standards
KPI	Key Performance Indicators
LIBOR	London Interbank Offered Rate
LME	London Metal Exchange

Annual Accounts

Consolidated Financial Statements 2016
Vimetco N.V.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

Consolidated Statement of Profit or Loss and Other Comprehensive Income for the year ended 31 December

in USD '000, except per share data

	Note	2016	2015
Sales	3	2,734,509	1,818,104
Cost of goods sold		-2,443,376	-1,672,008
Gross profit		**291,133**	**146,096**
General and administrative expenses	4	-100,763	-110,161
Impairment of property, plant and equipment	9	30,237	-125,543
Impairment of mineral rights	10	23,494	-138,151
Share of result of associates	14	-1,093	1,511
Other income	5	22,639	41,092
Other expenses	5	-8,587	-9,268
Operating result		**257,060**	**-194,424**
Finance costs	6	-251,764	-258,110
Finance income	6	30,014	36,796
Fair value gains/(losses) from derivative financial instruments	27	-2,990	-15,662
Foreign exchange gain/(loss)		-19,479	-28,545
Profit/ (loss) before income taxes		**12,841**	**-459,945**
Income tax	7	-4,536	22,512
Profit/ (loss) for the year		**8,305**	**-437,433**

The accompanying Notes are an integral part of these Consolidated Financial Statements.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

Consolidated Statement of Profit or Loss and Other Comprehensive Income for the year ended 31 December

in USD '000, except per share data

Other comprehensive income / (expense)	Note	2016	2015
Items that will not be reclassified subsequently to profit or loss			
Remeasurements of post-employment benefit obligations		-94	1,746
Income tax on items that will not be reclassified		24	-274
Items that may be reclassified subsequently to profit or loss:			
Translation adjustment		-11,959	-45,127
Other comprehensive income / (expense) for the year, net of tax		**-12,029**	**-43,655**
Total comprehensive income / (expense) for the year		**-3,724**	**-481,088**
Profit/ (loss) attributable to:			
Shareholders of Vimetco N.V.		**-8,364**	**-266,849**
Non-controlling interest		**16,669**	**-170,584**
		8,305	**-437,433**
Total comprehensive income / (expense) attributable to:			
Shareholders of Vimetco N.V.		**7,333**	**-287,369**
Non-controlling interest		**-11,057**	**-193,719**
		-3,724	**-481,088**
Earnings per share			
Basic and diluted (USD)	8	-0.038	-1.216

The accompanying Notes are an integral part of these Consolidated Financial Statements.

Consolidated Statement of Financial Position

Consolidated Statement of Financial Position as at in USD '000

Assets	Note	31 December 2016	31 December 2015
Non-current assets			
Property, plant and equipment	9	2,493,627	2,585,305
Mineral rights	10	241,461	240,069
Goodwill	11	169,982	179,510
Land use rights	12	57,939	63,532
Other intangible assets	13	2,500	3,045
Investments in associates	14	76,574	75,724
Derivative financial instruments asset, non-current	27	-	3,277
Deferred tax asset	23	126,990	120,417
Long-term loans to related parties	25	22,756	23,223
Other non-current assets		44,279	57,277
Total non-current assets		**3,236,108**	**3,351,379**
Current assets			
Inventories	15	357,121	343,630
Trade receivables, net	16	243,081	153,853
Accounts receivable from related parties	25	23,175	50,270
Current income tax receivable		7,050	496
Other current assets	17	233,043	190,733
Derivative financial instruments asset, current	27	159	916
Restricted cash	18	620,229	739,590
Cash and cash equivalents	18	98,388	43,779
Total current assets		**1,582,246**	**1,523,267**
Total assets		**4,818,354**	**4,874,646**

The accompanying Notes are an integral part of these Consolidated Financial Statements.

Consolidated Statement of Financial Position

Consolidated Statement of Financial Position as at in USD '000

Shareholders' Equity and Liabilities	Note	31 December 2016	31 December 2015
Shareholders' equity			
Share capital	19	27,917	27,917
Share premium		348,568	348,568
Other reserves		-43,436	-59,193
Retained earnings		-453,508	-164,474
Loss for the year		-8,364	-266,849
Equity attributable to shareholders of Vimetco N.V.		**-128,823**	**-114,031**
Non-controlling interest		368,018	356,724
Total equity		**239,195**	**242,693**
Non-current liabilities			
Loans and borrowings, non-current	20	674,309	739,009
Loans from related parties, non-current	25	227,405	213,915
Finance leases, non-current	20	1,119	478
Provisions, non-current	21	16,268	11,801
Post-employment benefit obligations	22	8,571	8,723
Other non-current liabilities		20,227	17,524
Deferred tax liabilities	23	116,820	110,434
Total non-current liabilities		**1,064,719**	**1,101,884**
Current liabilities			
Loans and borrowings, current	20	1,866,272	1,717,203
Loans from related parties, current	25	22,102	55,905
Finance leases, current	20	458	175
Trade and other payables	24	1,589,004	1,713,301
Accounts payable to related parties	25	20,672	20,952
Provisions, current	21	9,685	16,209
Current income taxes payable		6,247	6,299
Derivative financial instruments liability, current		-	25
Total current liabilities		**3,514,440**	**3,530,069**
Total liabilities		**4,579,159**	**4,631,953**
Total shareholders' equity and liabilities		**4,818,354**	**4,874,646**

The accompanying Notes are an integral part of these Consolidated Financial Statements.

Consolidated Statement of Changes in Equity

Consolidated Statement of Changes in Equity

	Share capital	Share premium
Balance at 1 January 2015	**27,917**	**348,568**
Profit / (loss) for the year	-	-
Other comprehensive income / (expense)		
Translation adjustment	-	-
Remeasurements of post-employment benefit obligations	-	-
Income tax on items that will not be reclassified	-	-
Total other comprehensive income / (expense)	**-**	**-**
Total comprehensive income / (expense)	**-**	**-**
Transactions between consolidated entities (Note 26)	-	-
Appropriation of prior year loss	-	-
Balance at 31 December 2015	**27,917**	**348,568**
Profit / (loss) for the year	-	-
Other comprehensive income / (expense)		
Translation adjustment	-	-
Remeasurements of post-employment benefit obligations	-	-
Income tax on items that will not be reclassified	-	-
Total other comprehensive income / (expense)	**-**	**-**
Total comprehensive income / (expense)	**-**	**-**
Transactions between consolidated entities (Note 26)	-	-
Non-controlling interests acquired in Henan Zhongfu Lanxun Technology Co., Ltd.	-	-
Dividends distribution	-	-
Appropriation of prior year loss	-	-
Balance at 31 December 2016	**27,917**	**348,568**

The "share premium" relates to the issuance of new shares (share swap) made on 21 June 2007 on the acquisition of Everwide Industrial Ltd. in amount of USD 277,994 and to the Initial public offering made on 1 August 2007 in amount of USD 88,132. The amount was reduced by dividend distributed by Vimetco NV in July 2011 from the share premium account in amount USD 17,558.

in USD '000

Translation reserve	Retained earnings	Profit/(loss) for the year	Attributable to shareholders of Vimetco N.V.	Non-controlling interests	Total equity
-37,302	**-36,798**	**-155,886**	**146,499**	**528,247**	**674,746**
-	-	-266,849	-266,849	-170,584	-437,433
-21,891	84	-	-21,807	-23,320	-45,127
-	1,527	-	1,527	219	1,746
-	-240	-	-240	-34	-274
-21,891	**1,371**	**-**	**-20,520**	**-23,135**	**-43,655**
-21,891	**1,371**	**-266,849**	**-287,369**	**-193,719**	**-481,088**
-	26,839	-	26,839	22,196	49,035
-	-155,886	155,886	-	-	-
				-	
-59,193	**-164,474**	**-266,849**	**-114,031**	**356,724**	**242,693**
-	-	-8,364	-8,364	16,669	8,305
15,757	1	-	15,758	-27,717	-11,959
-	-82	-	-82	-12	-94
-	21	-	21	3	24
15,757	**-60**	**-**	**15,697**	**-27,726**	**-12,029**
15,757	**-60**	**-8,364**	**7,333**	**-11,057**	**-3,724**
-	-22,125	-	-22,125	22,125	-
-	-	-	-	226	226
-	-	-	-	-	-
-	-266,849	266,849	-	-	-
-43,436	**-453,508**	**-8,364**	**-128,823**	**368,018**	**239,195**

The "translation reserve" comprises foreign currency differences arising from the translation of the financial statements of foreign operations of the Group (excluding amounts attributable to non-controlling interest).

The "retained earnings" comprise retained earnings of Vimetco N.V. and the cumulative retained earnings of its subsidiaries since acquisition date.

The accompanying Notes are an integral part of these Consolidated Financial Statements.

Consolidated Statement of Cash Flows

Consolidated Statement of Cash Flows for the year ended 31 December			in USD '000
	Note	**2016**	**2015**
Cash flow from operating activities			
Profit/ (loss) before income taxes		12,841	-459,945
Adjustments for:			
Depreciation and amortisation		110,903	111,254
Interest and guarantee income	6	-30,014	-36,796
Net foreign exchange losses / (gains)		15,309	26,577
Disposal of property, plant and equipment	5	408	1,486
Disposal of land use rights	5	-9,447	-
Impairment of property, plant and equipment	9	-30,237	125,543
Impairment of mineral rights	10	-23,494	138,151
Charge / (Release) of provisions	21	-6,029	4,761
Interest and guarantee expense	6	242,275	248,261
Share of result of associates	14	1,093	-1,511
Effect of derivative financial instruments		5,332	16,821
Changes in working capital:			
(Increase) / decrease in inventories		-18,452	12,631
(Increase) / decrease in trade receivables and other assets		-139,835	-71,888
Increase / (decrease) in trade and other payables		-12,519	36,157
Income taxes paid		-11,037	-12,928
Interest paid		-230,531	-259,025
Proceeds / (payments) from derivatives, net		-665	-573
Net cash from / (used in) operating activities		**-124,099**	**-121,024**

The accompanying Notes are an integral part of these Consolidated Financial Statements.

Consolidated Statement of Cash Flows

Consolidated Statement of Cash Flows for the year ended 31 December in USD '000

	Note	2016	2015
Cash flow from investing activities			
Purchase of property, plant and equipment and intangible assets		-133,644	-119,591
Proceeds from sale of property, plant and equipment		2,940	728
Proceeds from sale of land use rights		9,447	-
Acquisition of associates	14	-11,549	-3,693
Dividends from associates	14	4,520	-
Acquisition of shares in subsidiaries	26	-	-336
Sale of shares in subsidiaries	26	-	49,371
Sale / (acquisition) of available-for-sale financial assets	17	-	1,445
(Increase) / decrease in restricted cash		86,260	-106,347
Interest received		14,935	19,461
Net cash from / (used in) investing activities		**-27,091**	**-158,962**
Cash flow from financing activities			
Proceeds from loans		2,128,494	2,006,349
Repayment of loans		-1,917,702	-1,728,692
Net cash from / (used in) financing activities		**210,793**	**277,657**
Net increase / (decrease) in cash and cash equivalents		**59,603**	**-2,329**
Cash and cash equivalents at beginning of year		**43,779**	**50,456**
Effect of exchange rate differences on cash and cash equivalents		-4,994	-4,348
Cash and cash equivalents at end of year		**98,388**	**43,779**

The accompanying Notes are an integral part of these Consolidated Financial Statements.

Notes to the Consolidated Financial Statements

1. Organisation and nature of business

Vimetco N.V. ("the Company") was established on 4 April 2002 as a limited liability company and its registered office is located at Strawinskylaan 403, WTC, A Tower, 4th floor, 1077 XX Amsterdam, The Netherlands. Vimetco N.V. is listed on the London Stock Exchange since 2 August 2007. The Company and its subsidiaries (collectively referred to as "the Group") are a global, vertically integrated producer of primary and processed aluminium products. The aluminium operation in Romania has its customers primarily in Central and Eastern Europe.

Since October 2006, the Group expanded to China through the investment in Everwide Industrial Limited ("Everwide"), which is involved in the production of aluminium and energy, as well as in the coal mining activity. Everwide was acquired fully in June 2007.

In July 2008 the Group invested in bauxite mining operations in Sierra Leone, that were further integrated in the Romanian operation (i.e.: the bauxite from Sierra Leone is used to produce alumina in Tulcea alumina refinery, that is further used in Slatina smelter).

In 2010 the Group acquired several coal mines in China, in this way assuring partially the raw material for the energy production of the Chinese segment. During 2011 and 2012 the Group further expanded due to acquisitions of several coal mines in China. As a result of these acquisitions the Group continued the implementation of its strategy to organise and group the interest in several coal mines in order to secure the thermal coal that forms an important part of the Group's costs with raw materials in China.

The Group's administrative and managerial offices are located in The Netherlands and Romania.

A list of the principal companies in the Group is shown in Note 30. Companies in the Vimetco Group. Details of changes in the Group structure are reported in Note 26. Acquisitions and disposals of subsidiaries.

The Group's parent is Vi Holding N.V., which controls 59.4% of votes of the Company and its registered office is at Landhuis Joonchi, Kaya Richard J. Beaujon Z./N, Curacao. The ultimate controlling entity in respect of 59.4% of the votes in the Company is Maxon Limited (Bermuda).

These Consolidated Financial Statements were authorised for issue by the Board of Directors on 24 April 2017.

2. Significant accounting policies

The principal accounting policies applied in the preparation of these Consolidated Financial Statements are set out below.

2.1 Basis of preparation and statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU) and with the financial reporting requirements in part 9 of Book 2 of the Dutch Civil Code.

The consolidated financial statements have been prepared under the historical cost convention, except for the revaluation of certain financial instruments that are measured at fair values, as explained in the accounting policies below.

The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the Consolidated Financial Statements are disclosed in paragraph 2.30.

The consolidated financial statements are presented in US dollars and all values are rounded to the nearest thousand (USD '000), except otherwise indicated.

2.1.1 Going concern

In 2016 difficult market conditions for aluminium industry continued to negatively affect the Group's business, the aluminium price registering low levels compared with 2015; thus in 2016 the LME average was 1,605 USD/tonne, compared to 1,661 USD/tonne in 2015. These factors impact the Group's future development, performance and financial position and financial results, its cash flows, liquidity requirements and borrowing facilities.

The consolidated financial statements for the year ended 31 December 2016 show that the Group generated negative cash flows from operations of USD 124,099 (2015: 121,024) with current liabilities exceeding the current assets by USD 1,932,194 (2015: USD 2,006,802). In addition, as at 31 December 2016 the Group registered a negative equity attributable to shareholders of Vimetco N.V. of USD 128,823 (2015: USD 114,031) caused by the negative consolidated equity of the subsidiaries in China.

However, despite the difficult market conditions for aluminium industry in 2016, the trend for 2016 was an ascending one, considering that the quotations from January were around 1,500 USD/tonne while at the end of the year the quotations reached the level of 1,700 USD/tonne and this positive trend continued also at the beginning of 2017. The Chinese segment performed better in 2016 in terms of operational results with a gross profit margin of 9% and an EBITDA of USD 244,802 in 2016, compared to a gross profit margin of 4% and an EBITDA of USD 105,783 in 2015.

The Group has developed forecasts and projections of cash-flows and liquidity needs for the upcoming year taking into account the current market conditions and reasonably possible changes in trading performance based on such conditions and reduced investment needs as the major investment project of the Group in China is being concluded. It has also considered in the forecasts its cash balances, its available borrowings, its ability to access additional indebtedness and whether or not it will maintain compliance with financial covenants. In China, the Group is in the process of obtaining the necessary approvals for the issuance of a private placement by Henan Zhongfu Industrial Co., Ltd. of 553,602,806 shares for approximately USD 454,000. Also, at the end of 2016 important efforts have been made in order to improve the terms of the current financing structure, which may lead to positive effects in the future.

The Group is satisfied that based on these forecasts and ability to adapt its cash-flows when necessary, it will generate adequate cash flows and that it is appropriate to prepare these financial statements on going concern basis.

2.1.2 Standards and interpretations effective in 2016 that the Group has applied to these financial statements:

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

The Group has adopted the following new standards and amendments to standards, including any consequential amendments to other standards, with a date of initial application of 1 January 2016:

- Amendments to IFRS 10, IFRS 12 and IAS 28 *Investment Entities: Applying the Consolidation Exception* (effective for annual periods beginning on or after 1 January 2016), not yet adopted by the EU. The amendments address three issues arising in practice in the application of the investment entities consolidation exception. The amendments clarify that the exemption from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity, when the investment entity measures all of its subsidiaries at fair value. Also, the amendments clarify that only a subsidiary that is not an investment entity itself and provides support services to the investment entity is consolidated. All other subsidiaries of an investment entity are measured at fair value. Finally, the amendments to IAS 28 *Investments in Associates and Joint Ventures* allow the investor, when applying the equity method, to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries. The amendments did not have any material impact on the Group's financial statements.

- Amendments to IFRS 11 *Joint arrangements: Accounting for Acquisitions of Interests in Joint Operations* (effective for annual periods beginning on or after 1 January 2016), adopted by the EU on 24 November 2015. IFRS 11 addresses the accounting for interests in joint ventures and joint operations. The amendment adds new guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business in accordance with IFRS and specifies the appropriate accounting treatment for such acquisitions. These amendments did not have any impact on the Group as there has been no interest acquired in a joint operation during the period.

- Amendments to IAS 1 *Disclosure Initiative* (effective for annual periods beginning on or after 1 January 2016), adopted by the EU on 18 December 2015. The amendments further encourage companies to apply professional judgment in determining what information to disclose and how to structure it in their financial statements. The narrow-focus amendments to IAS clarify, rather than significantly change, existing IAS 1 requirements. The amendments relate to materiality, order of the notes, subtotals and disaggregation, accounting policies and presentation of items of other comprehensive income (OCI) arising from equity accounted Investments. The management has not used this amendment.

- Amendments to IAS 16 *Property, Plant and Equipment* and IAS 38 *Intangible assets: Clarification of Acceptable Methods of Depreciation and Amortization* (effective for annual periods beginning on or after 1 January 2016), adopted by the EU on 2 December 2015. The amendment provides additional guidance on how the depreciation or amortization of property, plant and equipment and intangible assets should be calculated. This amendment clarifies the principle in IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, the ratio of revenue generated to total revenue expected to be generated cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortize intangible assets. These amendments did not have any impact to the Group given that the Group has not used a revenue-based method to depreciate its non-current assets.

- Amendments to IAS 16 and IAS 41 *Agriculture: Bearer Plants* (effective for annual periods beginning on or after 1 January 2016), adopted by the EU on 23 November 2015. The amendments change the accounting requirements for biological assets that meet the definition of bearer plants. Under the amendments, biological assets that meet the definition of bearer plants will no longer be within the scope of IAS 41 Agriculture. Instead, IAS 16 will apply. After initial recognition, bearer plants will be measured under IAS 16 at accumulated cost (before maturity) and using either the cost model or revaluation model (after maturity). The amendments also require that produce that grows on bearer plants will remain in the scope of IAS 41 measured at fair value less costs to sell. For government grants related to bearer plants, IAS 20 *Accounting for Government Grants and Disclosure of Government Assistance* will apply. These amendments did not have any impact to the Group as the Group do not have any bearer plants.

- Amendments to IAS 19 *Defined Benefit Plans: Employee Contributions* (effective for annual periods beginning on or after 1 February 2015), adopted by the EU on 17 December 2014. The amendment applies to contributions from employees or third parties to defined benefit plans. The objective of the amendment is to simplify the accounting for contributions that are independent of the number of years of employee service, for example, employee contributions that are calculated according to a fixed percentage of salary. These amendments did not have any impact to the Group.

- Amendments to IAS 27: *Equity Method in Separate Financial Statements* (effective for annual periods beginning on or after 1 January 2016), adopted by the EU on 18 December 2015. This amendment will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements and will help some jurisdictions move to IFRS for separate financial statements, reducing compliance costs without reducing the information available to investors. The management has not used this amendment.

- *Annual Improvements 2010-2012 Cycle* (effective for annual periods beginning on or after 1 February 2015 for companies in the EU), adopted by the EU on 17 December 2014. The improvements did not have a material impact on the Group's financial statements. These annual improvements amend standards from the 2010 – 2012 reporting cycle and include changes to:
  - IFRS 2 *Share-based Payment:* This improvement amends the definitions of "vesting condition" and "market condition" and adds definitions for "performance condition" and "service condition" (which were previously part of the definition of "vesting condition").
  - IFRS 3 *Business combinations:* This improvement clarifies that contingent consideration in a business acquisition that is not classified as equity is subsequently measured at fair value through profit or loss whether or not it falls within the scope of IFRS 9 Financial Instruments.
  - IFRS 8 *Operating Segments:* This improvement requires an entity to disclose the judgments made by management in applying the aggregation criteria to operating segments and clarifies that an entity shall only provide reconciliations of the total of the reportable segments' assets to the entity's assets if the segment assets are reported regularly.
  - IFRS 13 *Fair Value Measurement:* This improvement in the Basis of Conclusion of IFRS 13 clarifies that issuing IFRS 13 and amending IFRS 9 and IAS 39 did not remove the ability to measure short-term receivables and payables with no stated interest rate at their invoice amounts without discounting if the effect of not discounting is immaterial.
  - IAS 16 *Property Plant & Equipment:* The amendment clarifies that when an item of property, plant and equipment is

revalued, the gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount.
- IAS 24 *Related Party Disclosures*: The amendment clarifies that an entity providing key management personnel services to the reporting entity or to the parent of the reporting entity is a related party of the reporting entity.
- IAS 38 *Intangible Assets:* The amendment clarifies that when an intangible asset is revalued the gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount.

- *Annual Improvements to IFRSs 2012–2014 Cycle* (effective for annual periods beginning on or after 1 January 2016), adopted by the EU on 15 December 2015. The improvements did not have a material impact on the Group's financial statements. These annual improvements amend standards from the 2012 – 2014 reporting cycle. It includes changes to:
- IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations:* The amendment clarifies that changing from one of the disposal methods to the other (through sale or through distribution to the owners) should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. There is therefore no interruption of the application of the requirements in IFRS 5. The amendment also clarifies that changing the disposal method does not change the date of classification.
- IFRS 7 *Financial Instruments: Disclosures:* The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. Also, the amendment clarifies that the IFRS 7 disclosures relating to the offsetting of financial assets and financial liabilities are not required in the condensed interim financial report.
- IAS 19 *Employee Benefits:* The amendment clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used.
- IAS 34 *Interim Financial Reporting:* The amendment clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the greater interim financial report (e.g., in the management commentary or risk report). The Board specified that the other information within the interim financial report must be available to users on the same terms as the interim financial statements and at the same time. If users do not have access to the other information in this manner, then the interim financial report is incomplete.

2.1.3 Standards and Interpretations in issue not yet adopted

- IFRS 9 *Financial instruments*, issued on 24 July 2014 (effective for annual periods beginning on or after 1 January 2018), adopted by the EU on 22 November 2016. The final version of IFRS 9 *Financial Instruments* reflects all phases of the financial instruments project and replaces IAS 39 *Financial Instruments: Recognition and Measurement* and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. The directors currently assess that the adoption of IFRS 9 will have an effect on the classification and measurement of the Group financial assets, but no impact on the classification and measurement of the Group financial liabilities.

- IFRS 15 *Revenue from Contracts with Customers,* issued on 28 May 2014 (effective for annual periods beginning on or after 1 January 2018), adopted by the EU on 22 September 2016. IFRS 15 establishes a five-step model that will apply to revenue earned from a contract with a customer (with limited exceptions), regardless of the type of revenue transaction or the industry. The standard's requirements will also apply to the recognition and measurement of gains and losses on the sale of some non-financial assets that are not an output of the entity's ordinary activities (e.g., sales of property, plant and equipment or intangibles). Extensive disclosures will be required, including disaggregation of total revenue; information about performance obligations; changes in contract asset and liability account balances between periods and key judgments and estimates. The directors anticipate that the application of the new Standard may affect certain amounts reported in the financial statements and result in more extensive disclosures in the financial statements and the management is currently evaluating the impact on financial statements resulting from the standard.

- IFRS 16 *Leases*, issued on 13 January 2016 (effective for annual periods beginning on or after 1 January 2019), not yet adopted by the EU. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer ('lessee') and the supplier ('lessor'). The new standard requires lessees to recognize most leases on their financial statements. Lessees will have a single accounting model for all leases, with certain exemptions. Lessor accounting is substantially unchanged. The amendments are not expected to significantly impact the financial statements as the current leasing transactions are not material to the Group.

- Amendments to IFRS 2: *Classification and Measurement of Share-based Payment Transactions* (effective for annual periods beginning on or after 1 January 2018), not yet adopted by the EU. The amendments clarify the accounting of cash-settled share-based payment transactions that include a performance condition, classification of share-based payment transactions with net settlement features and accounting for modifications of share-based payment transactions from cash-settled to equity-settled. The amendments are not expected to impact the financial statements as the Group have no share-based payments.

- Amendments to IFRS 4: Applying IFRS 9 *Financial Instruments* with IFRS 4 *Insurance Contracts* (effective for annual periods beginning on or after 1 January 2018), not yet adopted by the EU. The amendments provide two options for entities that issue insurance contracts within the scope of IFRS 4: an option that permits entities to reclassify, from profit or loss to other comprehensive income, some of the income or expenses arising from designated financial assets (the "overlay approach") and an optional temporary exemption from applying IFRS 9 for entities whose predominant activity is issuing contracts within the scope of IFRS 4 (the "deferral approach"). The amendments are not expected to impact the financial statements of the Group.

- Amendments to IFRS 10 and IAS 28 *Sale or Contribution of Assets* between an Investor and its Associate or Joint Venture. The amendments address an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28, in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. In December 2015 the IASB postponed the effective date of this amendment indefinitely pending the outcome of its research project on the equity method of accounting. The management has assessed that the amendments are not expected to materially impact the financial statements of the Group.

- Clarifications to IFRS 15 *Revenue from Contracts with Customers* (effective for annual periods beginning on or after 1 January 2018), not yet adopted by the EU. The objective of the Clarifications is to clarify the IASB's intentions when developing the requirements in IFRS 15 Revenue from Contracts with Customers, particularly the accounting of identifying performance obligations amending the wording of the "separately identifiable" principle, of principal versus agent considerations including the assessment of whether an entity is a principal or an agent as well as applications of control principle and of licensing providing additional guidance for accounting of intellectual property and royalties. The Clarifications also provide additional practical expedients for entities that either apply IFRS 15 fully retrospectively or that elect to apply the modified retrospective approach. The Management is currently evaluating the impact on the financial statements resulting from the application of IFRS 15 and clarifications.

- Amendments to IAS 7 *Disclosure Initiative* (effective for annual periods beginning on or after 1 January 2017), not yet adopted by the EU. The amendments will require entities to provide disclosures that enable investors to evaluate changes in liabilities arising from financing activities, including changes arising from cash flows and non-cash changes. The Management is currently evaluating the impact on the financial statements resulting from the amendment.

- Amendments to IAS 12 *Recognition of Deferred Tax Assets for Unrealised Losses* (effective for annual periods beginning on or after 1 January 2017), not yet adopted by the EU. The amendments clarify the accounting for deferred tax assets for unrealised losses on debt instruments measured at fair value. These amendments are not applicable to the Group.

- Amendments to IAS 40 *Transfers of Investment Property* (effective for annual periods beginning on or after 1 January 2018), not yet adopted by the EU. IAS 40 has been amended to state that an entity shall transfer a property to, or from, investment property when, and only when, there is evidence of a change in use. A change of use occurs if property meets, or ceases to meet, the definition of investment property. A change in management's intentions for the use of a property by itself does not constitute evidence of a change in use. The directors do not expect the amendment to have a material impact on the Group's financial statements.

- IFRIC 22 *Interpretation Foreign Currency Transactions and Advance Consideration* (effective for annual periods beginning on or after 1 January 2018), not yet adopted by the EU. IFRIC Interpretation 22 addresses the exchange rate to use in transactions that involve advance consideration paid or received in a foreign currency. Thus, the date of the transaction, for the purpose of determining the exchange rate, is the date of initial recognition of the non-monetary prepayment asset or deferred income liability. If there are multiple payments or receipts in advance, a date of transaction is established for each payment or receipt. The Management is currently evaluating the impact on financial statements of the Group resulting from the amendment.

- Annual Improvements to IFRS Standards 2014-2016 Cycle (effective for annual periods beginning on or after 1 January 2017 for IFRS 12 and on or after 1 January 2018 for IFRS 1 and IAS 28), not yet adopted by the EU. The improvements are not expected to have a material impact on the Group's financial statements. These annual improvements amend following standards from the 2012 – 2014 reporting cycle:

  - IFRS 1 *First-time Adoption of International Financial Reporting Standards*. The amendment deleted the short-term exemptions, because they have now served their intended purpose.
  - IFRS 12 *Disclosure of Interests in Other Entities*. The amendment clarifies the application of disclosure requirements in the standard to an entity's interests that are classified as held for sale, held for distribution or as discontinued operations in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.
  - IAS 28 *Investments in Associates and Joint Ventures.* The amendment clarifies that the election to measure at fair value

through profit or loss an investment in an associate or a joint venture that is held by an entity that is a venture capital organisation, or other qualifying entity, is available for each investment in an associate or joint venture on an investment-by-investment basis, upon initial recognition.

2.2 Basis of consolidation

The accompanying Consolidated Financial Statements incorporate the financial statements of the Company and its subsidiaries. Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Generally, there is a presumption that a majority of voting rights result in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

Where necessary, adjustments are made to the financial statements of the subsidiaries to bring the accounting policies used in line with those used by the Group. All inter-company transactions, balances, income and expenses, and cash flows are eliminated in full on consolidation.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate.

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for (i.e. reclassified to profit or loss or transferred directly to retained earnings) in the same manner as would be required if the relevant assets or liabilities were disposed of. The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39 *Financial Instruments: Recognition and Measurement* or, when applicable, the cost on initial recognition of an investment in an associate or jointly controlled entity.

The principal subsidiaries and joint ventures of the Group at 31 December are listed in Note 30. Changes in the Group structure are reported in Note 26.

2.3 Business combinations

Business combinations are accounted for using the acquisition method. The consideration transferred in a business combination is measured at the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

Where applicable, the consideration for the acquisition includes any asset or liability resulting from a contingent consideration arrangement, measured at its acquisition-date fair value. Subsequent changes in the fair value of the contingent consideration are adjusted retrospectively against the goodwill where they qualify as measurement period adjustments (see below). All other subsequent changes in the fair value of contingent consideration classified as an asset or liability are accounted for in accordance with IAS 39 *Financial Instruments: Recognition and Measurement*, or IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, as appropriate, with the corresponding gain or loss being recognized in profit or loss. Contingent consideration that is classified as equity is not re-measured and subsequent settlement is accounted for within equity.

Where a business combination is achieved in stages, the Group's previously held interests in the acquired entity are remeasured to fair value at the acquisition date (i.e. the date the Group attains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest were disposed of.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 are recognised at their fair value at the acquisition date, except for:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with IAS 12 *Income Taxes* and IAS 19 *Employee Benefits* respectively;

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 Share-based Payment at the acquisition date; and

- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see below), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

The measurement period is the period from the date of acquisition to the date the Group obtains complete information about facts and circumstances that existed as of the acquisition date – and is subject to a maximum of one year.

2.4 Non-controlling interests

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another IFRS. The Group mainly applied the non-controlling interests' proportionate share in measuring the non-controlling interests in the past. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

2.5 Investments in associates

An associate is an entity over which the Group is in a position to exercise significant influence, but not control or joint control, through participation in the financial and operating policy decisions of the investee. Generally, significant influence occurs when the Group has between 20% and 50% of the voting rights.

The results and assets and liabilities of associates are included in these Consolidated Financial Statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*. Investments in associates are carried in the consolidated statement of financial position at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associate, less any impairment in the value of individual investments. Losses of an associate in excess of the Group's investment are not recognised unless the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

Any excess of the cost of acquisition over the Group’s share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of that investment. Any excess of the Group’s share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

The requirements of IAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group’s investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 *Impairment of Assets* as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

Upon disposal of an associate that results in the Group losing significant influence over that associate, any retained investment is measured at fair value at that date and the fair value is regarded as its fair value on initial recognition as a financial asset in accordance with IAS 39. The difference between the previous carrying amount of the associate attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when it loses significant influence over that associate.

Where a Group company enters into a transaction with an associate of the Group, profits and losses are eliminated to the extent of the Group’s interest in the relevant associate.

2.6 Goodwill

Goodwill arising on acquisition of subsidiaries represents the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer’s previously held equity interest in the acquiree (if any) over the net fair value of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date.

If, after reassessment, the Group’s interest in the fair value of the acquiree’s identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer’s previously held equity interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Goodwill is recognised as an asset and reviewed for impairment at least annually or more frequently if events or changes in circumstances indicate potential impairment. Any impairment is recognised immediately in profit or loss and is not subsequently reversed if conditions improve.

For the purpose of impairment testing, goodwill is allocated to the Group’s cash-generating units or groups of cash generating units that are expected to benefit from synergies of the business combination. Such units or groups of units represent the lowest level at which the Group monitors goodwill and are not larger than a segment. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the amount of any goodwill to the unit and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit (or group of cash generating units) retained.

2.7 Current versus non-current classifications

The Group presents assets and liabilities in statement of financial position based on current/non-current classification.

An asset is current when it is:
- Expected to be realised or intended to sold or consumed in normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realised within twelve months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:
- It is expected to be settled in normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Group classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

2.8 Fair value measurement

The Group measures financial instruments such as derivatives, and non-financial assets such as investment properties, at fair value at each balance sheet date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:
- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:
- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable;
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

2.9 Foreign currencies

Each entity of the Group determines its own functional currency, and items included in its financial statements are measured using the functional currency. The functional currency of the foreign operations is generally their local currency, except for Sierra Leone entities that have USD as functional currency. The presentation currency used in the Consolidated Financial Statements is the US dollar (USD). The Group's management has elected to use the USD as a presentation currency as it is the common currency for global metals and energy companies and management believes it is the relevant presentation currency for international users of the Consolidated Financial Statements of the Group.

In preparing the financial statements of the individual companies, transactions in currencies other than the entities' functional currency are recorded at the exchange rates prevailing at the date of the transactions. At the end of each reporting period, monetary assets and liabilities denominated in foreign currencies are remeasured at the exchange rates prevailing at the balance sheet date. Non-monetary items carried at historical cost are translated at the exchange rate prevailing on the date of transaction. Non-monetary items carried at fair value are translated at the exchange rate prevailing at the date on which the most recent fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in profit or loss in the period in which they arise except for:

- exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;

- exchange differences on transactions entered into in order to hedge certain foreign currency risks (see 2.30 below for hedging accounting policies); and

- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on disposal or partial disposal of the net investment.

For the purpose of presenting the consolidated financial statements in USD, the assets and liabilities of the Group's foreign operations are translated at the exchange rates prevailing at the end of the reporting period. Income and expense items are translated at the average exchange rate for the periods presented. Exchange differences arising on the translation are recognised in other comprehensive income and accumulated in equity (attributed to non-controlling interests as appropriate).

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, loss of joint control over a jointly controlled entity that includes a foreign operation, or loss of significant influence over an associate that includes a foreign operation), all of the accumulated exchange differences in respect of that operation attributable to the Group are reclassified to profit or loss. Any exchange differences that have previously been attributed to non-controlling interests are derecognised, but they are not reclassified to profit or loss.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity (attributed to non-controlling interests as appropriate).

2.10 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced by estimated customer returns, rebates and other similar allowances.

Sale of goods

Revenue from the sale of goods is recognized when all the following conditions are satisfied:
- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Specifically, revenue from the sale of goods is recognized when goods are delivered and legal title is passed.

Rendering of services

Revenue from a contract to provide services is recognized by reference to the stage of completion of the contract. The stage of completion of the contract is determined as follows:
- servicing fees included in the price of products sold are recognized by reference to the proportion of the total cost of providing the servicing for the product sold; and
- revenue from time and material contracts is recognized at the contractual rates as labour hours and direct expenses are incurred.

Dividend and interest income

Dividend income from investments is recognized when the shareholder's right to receive payment has been established (provided that it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably).

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Rental income

The Group's policy for recognition of revenue from operating leases is described below.

2.11 Leasing

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date, whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Capitalized leases are depreciated over the shorter of the estimated useful life of the asset or the lease term.

The Group as lessor

Amounts due from lessees under finance leases are recognized as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized on a straight-line basis over the lease term.

The Group as lessee

Assets held under finance leases are initially recognized as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognized immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalized in accordance with the Group's general policy on borrowing costs.

Contingent rentals are recognized as expenses in the periods in which they are incurred.

Operating lease payments are recognized as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

In the event that lease incentives are received to enter into operating leases, such incentives are recognized as a liability. The aggregate benefit of incentives is recognized as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

2.12 Borrowing costs

Borrowing costs consist of interest and other costs that the Group incurs in connection with the borrowing of funds. Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

2.13 Government grants

Government grants are recognised once there is reasonable assurance that the Group will comply with the conditions attached to them and that the grants will be received. They are recognised in the profit or loss over the periods necessary to match them with the related costs which they are intended to compensate, and are disclosed under "other income". Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Government grants that relate to assets are recognized as deferred income that is recognised in profit or loss on a systematic basis over the useful life of the asset.

2.14 Emission rights

The Group recognises these emission credits in its financial statements based on the net liability method. Under this method only those liabilities that are expected to result from exceeding the emission credit quotas granted are recognized.

The Group estimates its annual emission volumes at the end of each reporting period and recognises the total estimated additional liability for the expected excess of emission volumes at the fair value of additional units to be purchased or penalties to be incurred under the national legislation. The additional net liability is recognised in profit or loss based on unit of production method.

In case the Group estimates utilisation of less than the allocated emission credits any potential income from the sale of unused emission credits is recognised only on actual sale of those credits.

2.15 Employee benefits

Payments to defined contribution plans are recognised as an expense as they become due. Payments made to state managed retirement programmes, as well as for healthcare and unemployment funds managed by the state, are treated as defined contribution plans. The cost of these payments is charged to profit or loss in the same period as the related salary cost, under personnel costs.

For defined benefit retirement plans, the cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at the end of each reporting period. Remeasurement, comprising actuarial gains and losses, is reflected immediately in the statement of financial position with a charge or credit recognized in other comprehensive income in the period in which they occur. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss. Past service cost is recognized in profit or loss in the period of a plan amendment. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability. Defined benefit costs are categorized as follows:

- Service costs (comprising current service cost, past service cost, as well as gain and losses on curtailments and settlements), included in profit or loss line item "Cost of goods sold" or "General and administrative expenses" within personnel costs;
- Net interest expense, included in profit or loss line item "Finance costs" within interest expense;
- Remeasurement.

Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the balance sheet date are discounted to their present value.

2.16 Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences.

Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Currently the fiscal losses generated by subsidiaries in China can be carried forward for 5 years, Romania for 7 years and Sierra Leone for 10 years.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Current and deferred tax for the year

Current and deferred tax are recognized in the consolidated profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity respectively.

Sales tax

Expenses and assets are recognised net of the amount of sales tax, except:
- When the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable;
- When receivables and payables are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

2.17 Earnings per share

Basic earnings per share are calculated by dividing profit or loss attributable to ordinary shareholders of the parent by the weighted average number of ordinary shares outstanding during the period. In calculating diluted earnings per share, profit or loss attributable to ordinary shareholders of the parent and the weighted average number of ordinary shares outstanding are adjusted for the effects of all dilutive potential shares.

2.18 Property, plant and equipment

Property, plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the property, plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred. The present value of the expected cost for the decommissioning of an asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met. Refer to provisions (Note 2.26) and critical accounting judgments and key sources of estimation uncertainty (Note 2.30) for further information about the recorded decommissioning provision.

Properties in the course of construction for production, supply or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognised impairment loss. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is calculated based on the straight-line method, to write off the cost of each asset, excluding land and assets under construction, to their residual values, over the following estimated useful lives of assets:

Buildings and other constructions	2 - 60 years
Plant and machinery	1 - 34 years
Equipment and vehicles	2 - 25 years

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Gains and losses on disposal of property, plant and equipment are determined by comparing sale proceeds with their carrying amount and are recorded in profit or loss.

2.19 Intangible assets

i) Development expenses
Expenditure on research activities is recognised as an expense in the period in which it is incurred. An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortization and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

ii) Computer software
Costs directly associated with identifiable and unique software products controlled by the Group and that have probable economic benefit exceeding the cost beyond one year, are recognised as intangible assets. Expenditure which enhances or extends the performance of computer software programs beyond their original specifications is recognised as a capital improvement and added to the original cost of the software. Costs associated with maintaining computer software programs are expensed as incurred. Computer software development costs recognised as assets are amortised using the straight-line method over their useful lives, not exceeding a period of three years. The amortisation is included in the income statement under the captions appropriate to the nature of the use of the software.

iii) Customer relationships
Customer relationships are recognised when acquired in the context of a business combination. Based on current experience of customer attrition, customer relationships are amortised using the straight-line method over 5 to 7 years and included in the statement of comprehensive income under the caption "general and administrative expenses".

iv) Exploration and evaluation assets
Exploration and evaluation activities involve the search for mineral resources, the determination of technical feasibility and the assessment of commercial viability of an identified resource. Types of expenditure that might be included in the measurement of exploration and evaluation assets are as follows:

- acquisition of rights to explore;
- topographical, geological, geochemical and geophysical studies;
- exploratory drilling;
- trenching and sampling; and
- activities involved in evaluating the technical feasibility and commercial viability of extracting mineral resources. This includes the costs incurred in determining the most appropriate mining/processing methods and developing feasibility studies.

Capitalisation is made within property, plant and equipment or intangible assets according to the nature of the expenditure.

Capitalised exploration and evaluation expenditure is recorded at cost less impairment losses. An exploration and evaluation asset shall no longer be classified as such when the technical feasibility and commercial viability of extracting a mineral resource are demonstrable. Depreciation starts on a straight line basis when the assets enter production.

v) Other intangible assets
Other intangible assets include mainly licenses and advances paid for intangible assets. Licenses recognized as assets are amortised using the straight-line method over their useful lives, not exceeding a period of 3 years.

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination and recognised separately from goodwill are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

Derecognition of intangible assets

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

2.20 Mineral rights

Mineral rights are recognized by the Group at the present value of the extraction, processing, and sale of the recoverable reserves acquired in a business combination. Mineral rights consist of the legal right to explore, extract, and retain at least a portion of the benefits from mineral deposits and are of sufficient duration (or convey a legal right to renew for sufficient duration) to enable all reserves to be mined in accordance with current production schedules. Mineral rights are stated at cost less accumulated amortisation and impairment losses and are amortised based on the units of production method utilising only recoverable coal reserves as the depletion base.

2.21 Land use rights

Land use rights represent prepaid lease payments on the use of land over respective lease periods and they are amortised on the straight-line basis over the period of the lease term.

2.22 Impairment of tangible and intangible assets excluding goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

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

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately to profit or loss.

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

2.23 Inventories

Inventories are stated at the lower of cost and net realizable value.

Costs incurred in bringing each product to its present location and condition are accounted for as follows:
- Raw materials: weighted average method;
- Finished goods and work in progress: cost of direct materials and labour and a proportion of manufacturing overheads based on the normal operating capacity, but excluding borrowing cost, determined on weighted average basis.

Net realizable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

2.24 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months.

2.25 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Dividends on ordinary shares are recognized in equity in the period in which they are declared.

2.26 Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

Contingent liabilities acquired in a business combination are initially measured at fair value at the date of acquisition. At the end of subsequent reporting periods, such contingent liabilities are measured at the higher of the amount that would be recognised in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* and the amount initially recognised less cumulative amortisation recognised in accordance with IAS 18 *Revenue*.

Provisions for close down, restoration and environmental costs of mines

Close down and restoration costs include the dismantling and demolition of infrastructure and the removal of residual materials and remediation of disturbed areas. Estimated close down and restoration costs are provided for in the accounting period when the obligation arising from the related disturbance occurs, whether this occurs during the mine development or during the production phase, based on the net present value of estimated future costs. Provisions for close down and restoration costs do not include any additional obligations which are expected to arise from future disturbance. The costs are estimated on the basis of a closure plan. The cost estimates are updated annually during the life of the operation to reflect known developments, e.g. revisions to cost estimates and to the estimated lives of operations, and are subject to formal review at regular intervals.

The initial closure provision together with other movements in the provisions for close down and restoration costs, including those resulting from new disturbance, updated cost estimates, changes to the estimated lives of operations and revisions to discount rates are capitalised within property, plant and equipment. These costs are then depreciated together with the related assets.

2.27 Financial instruments

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

Financial assets and financial liabilities are recognized when the Group becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in consolidated profit or loss.

The effective interest method is a method of calculating the amortized cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Financial assets

For purposes of subsequent measurement financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL), 'held-to-maturity' investments, 'available-for-sale' (AFS) financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Income is recognized on an effective interest basis for financial assets other than those classified as at FVTPL.

Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is either held for trading or it is designated as at FVTPL.

A financial asset is classified as held for trading if:
- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:
- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

- it forms part of a contract containing one or more embedded derivatives, and IAS 39 *Financial Instruments: Recognition and Measurement* permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any dividend or interest earned on the financial asset and is included in the "Fair value gains/(losses) from derivative financial instruments" or "Other financial income / (expense), net". Fair value is determined in the manner described in Note 27.

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Group has the positive intent and ability to hold to maturity. Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method less any impairment.

Available-for-sale financial assets (AFS financial assets)

AFS financial assets are non-derivatives that are either designated as AFS or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at fair value through profit or loss.

Listed notes held by the Group that are traded in an active market are classified as AFS and are stated at fair value at the end of each reporting period. Changes in the carrying amount of AFS monetary financial assets relating to changes in foreign currency rates (see below), interest income calculated using the effective interest method and dividends on AFS equity investments are recognized in profit or loss. Other changes in the carrying amount of available-for-sale financial assets are recognized in other comprehensive income. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss.

Dividends on AFS equity instruments are recognized in profit or loss when the Group's right to receive the dividends is established.

The fair value of AFS monetary financial assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate prevailing at the end of the reporting period. The foreign exchange gains and losses that are recognized in profit or loss are determined based on the amortized cost of the monetary asset. Other foreign exchange gains and losses are recognized in other comprehensive income.

AFS equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity investments are measured at cost less any identified impairment losses at the end of each reporting period.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including trade and other receivables, bank balances and cash, etc.) are measured at amortised cost using the effective interest method, less any impairment.

Interest income is recognized by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For AFS equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:
- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in interest or principal payments; or
- the creditor, for economic or legal reasons relating to the debtor's financial difficulty, granting to the debtor a concession that the creditor would not otherwise consider; or
- it becoming probable that the counterparty will enter bankruptcy or financial re-organisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognized is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets carried at cost because their fair value cannot be reliably measured, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognized in other comprehensive income are reclassified to profit or loss in the period.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the financial asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognized.

In respect of AFS equity securities, impairment losses previously recognized in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognized in other comprehensive income and accumulated under the heading of investments revaluation reserve. In respect of AFS debt securities, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income and accumulated in equity is recognized in profit or loss.

On derecognition of a financial asset other than in its entirety (e.g. when the Group retains an option to repurchase part of a transferred asset or retains a residual interest that does not result in the retention of substantially all the risks and rewards of ownership and the Group retains control), the Group allocates the previous carrying amount of the financial asset between the part it continues to recognise under continuing involvement, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognized and the sum of the consideration received for the part no longer recognized and any cumulative gain or loss allocated to it that had been recognized in other comprehensive income is recognized in profit or loss. A cumulative gain or loss that had been recognized in other comprehensive income is allocated between the part that continues to be recognized and the part that is no longer recognized on the basis of the relative fair values of those parts.

Financial liabilities and equity instruments

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

Classification as debt or equity

Debt and equity instruments issued by the Group are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognized at the proceeds received, net of direct issue costs.

Repurchase of the Group's own equity instruments is recognized and deducted directly in equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments.

Financial liabilities

Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is either held for trading or it is designated as at FVTPL.

A financial liability is classified as held for trading if:
- it has been acquired principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:
- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IAS 39 *Financial Instruments: Recognition and Measurement* permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Other financial liabilities

Other financial liabilities (including borrowings) are subsequently measured at amortised cost using the effective interest method.

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument.

Financial guarantee contracts issued by the Group are initially measured at their fair values and, if not designated as at FVTPL, are subsequently measured at the higher of:

- the amount of the obligation under the contract, as determined in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*; and
- the amount initially recognized less, where appropriate, cumulative amortisation recognized in accordance with the revenue recognition policies.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

2.28 Derivative financial instruments and hedging activities

The Group enters into a variety of derivative financial instruments to manage its exposure to market risk and foreign exchange rate risk, including foreign exchange forward contracts, swaps and options to manage the commodity prices risks associated with sales of aluminium based on the London Metal Exchange price for High Grade Aluminium ("LME"). Starting 2011 the Group have applied hedge accounting to LME options, designating an intrinsic value of the option as a hedge instruments in hedge relationship while revaluing the time value of the options through profit and loss.

Derivatives are initially recognized at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

Embedded derivatives

Derivatives embedded in non-derivative host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at FVTPL.

Hedge accounting

The Group designates certain hedging instruments as either fair value hedges or cash flow hedges.

At the inception of the hedge relationship, the Group documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument is highly effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk.

Note 27 presents details of the fair values pertaining to the derivative financial instruments for hedging purposes.

Fair value hedges

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recognized in profit or loss immediately, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The change in the fair value of the hedging instrument and the change in the hedged item attributable to the hedged risk are recognized in the line of the consolidated statement of profit or loss and other comprehensive income relating to the hedged item.

Hedge accounting is discontinued when the Group revokes the hedging relationship, when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting.

The fair value adjustment to the carrying amount of the hedged item arising from the hedged risk is amortised to profit or loss from that date.

Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognized in other comprehensive income and accumulated under the heading of cash flow hedging reserve. The gain or loss relating to the ineffective portion is recognized immediately in the consolidated profit or loss, and is included in the "Finance cost" or "Finance income" line item.

Amounts previously recognized in other comprehensive income and accumulated in consolidated equity are reclassified to profit or loss in the periods when the hedged item is recognized in profit or loss, in the same line of the consolidated statement of profit or loss and other comprehensive income as the recognized hedged item.

However, when the hedged forecast transaction results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously recognized in other comprehensive income and accumulated in equity are transferred from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability.

Hedge accounting is discontinued when the Group revokes the hedging relationship, when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting.

Any gain or loss recognized in other comprehensive income and accumulated in equity at that time remains in equity and is recognized when the forecast transaction is ultimately recognized in profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognized immediately in profit or loss.

Offsetting of financial instruments

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

2.29 Dividends

Dividends are recorded as a liability in the consolidated financial statements in the period in which they are approved by the shareholders and reflected in a corresponding diminution of shareholders’ equity.

2.30 Critical accounting judgments and key sources of estimation uncertainty

For the preparation of the Group’s financial statements, the directors are required to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates and could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the critical judgments and estimations, that the directors have made in the process of applying the Group’s accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

i) Impairment of non-financial assets

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on i) available data from binding sales transactions, conducted at arm's length, for similar assets, ii) observable market prices less incremental costs for disposing of the asset, or iii) estimated using discounted cash-flow techniques. The value in use calculation is based on a DCF model. The cash flows are derived from budgets prepared by the Company and do not include restructuring activities that the Company is not yet committed to or significant future investments that will enhance the asset's performance of the CGU being tested. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes.

The carrying amount of tangible and intangible assets at the end of the reporting period was USD 2,794,905 (2015: USD 2,891,951).

The carrying amount of goodwill at the end of the reporting period was USD 169,982 (2015: USD 179,510).

Details of the impairment test calculations are presented in Note 9, 10 and 11.

ii) Useful lives of property, plant and equipment

The Group reviews the estimated useful lives of property, plant and equipment at the end of each reporting period.

iii) Mineral reserves estimates

Reserves are estimates of the amount of product that can be economically and legally extracted from the Group's properties and rights. Estimating the quantity and/or grade of reserves requires the size, shape and depth of ore bodies or fields to be determined by analysing geological data such as drilling samples. There are numerous uncertainties inherent in estimating mineral reserves and assumptions that are valid at the time of estimation may change significantly when new information becomes available.

Changes in the forecast prices of commodities, exchange rates, production costs or recovery rates may change the economic status of reserves and may, ultimately, result in the reserves being restated. Such changes in reserves could impact on depreciation and amortisation rates, asset carrying values (mineral rights), deferred stripping calculations and provisions for close down, restoration and environmental clean up costs.

iv) Defined benefit plans

The cost of the defined benefit plan and the present value of the defined benefit obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, personnel turnover and longevity. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date. Additional information is disclosed in Note 22.

v) Environmental provisions

Provision is made for environmental remediation costs when the related environmental disturbance occurs, based on the net present value of estimated future costs. The ultimate cost of environmental disturbance is uncertain and cost estimates can vary in response to many factors including changes to the relevant legal requirements, the emergence of new restoration techniques or experience at other mine sites. The expected timing of expenditure can also change, for example in response to changes in mineral reserves or production rates or economic conditions. As a result there could be significant adjustments to the provision for close down and restoration and environmental clean up, which would affect future financial results.

The Group had recognized provisions for the rehabilitation of the premises where it deposits scrap from production. In determining the fair value of the provision, assumptions and estimates are made in relation to discount rates, inflation rates, effective costs of works to be performed and the expected timing of these costs. See note 21 for further details.

vi) Taxes

Uncertainties exist with respect to the interpretation of complex tax regulations, changes in tax laws, and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. The Group establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective counties in which it operates. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority.

Such differences in interpretation may arise for a wide variety of issues depending on the conditions prevailing in the respective domicile of the Group companies.

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

The Group has USD 115,224 (2015: USD 143,883) of unrecognised deferred tax assets from tax losses carried forward. These losses relate to subsidiaries that have a history of losses and may not be used to offset taxable income elsewhere in the Group. Given the uncertainties surrounding the timing and amounts of future taxable profits available to offset tax losses, the Group has determined that it cannot recognise deferred tax assets on some of the tax losses carried forward. If the Group was able to recognise all unrecognised deferred tax assets, profit and equity would have increased by USD 115,224 (2015: USD 143,883). Further details on taxes are disclosed in Note 7 and Note 23.

viii) Fair value measurement of financial instruments

When the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the DCF model and option pricing models (for financial guarantees). The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. Judgments include considerations of inputs such as credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments. See Note 27 for further disclosures.

3. Segment information

For management purposes, the Group is organised into geographical segments based on the location of its production sites and operational activities, regardless of where the official registered office is located. For the purpose of resource allocation and assessment of segment performance the geographical segments are the basis on which the Group reports its segment information to the Board of Directors, as well as to the CEO and CFO. The Group's geographical segments are: China and Romania. A list of the principal companies included in each segment is shown in Note 30.

The Chinese operations are located in Gongyi, Zhengzhou, Linzhou and Dengfeng City, Henan Province. The integrated operations in China principally consist of primary aluminium production, processed aluminium production, thermal power generation and coal extraction, all located in Henan Province.

The Group's operations in Romania are based in Slatina and Tulcea. Sales are generated by selling primary aluminium and processed aluminium. After the acquisition of Sierra Leone operations by Alum S.A., these operations were aggregated and presented within the Romanian segment.

Sales are only to external customers and there is no segment revenue from transactions with other segments. No goods and services are exchanged between segments.

Reconciliation to Group includes corporate activities, intercompany eliminations and non-allocatable items.

Segment income and expenses, assets and liabilities are measured and disclosed using the same accounting policies and valuation methods as for the Group.

in USD '000, except otherwise stated

Segment revenues and results for the years ended 31 December 2016 and 2015 were as follows:

	China	Romania	Reconciliation to Group	Total
2016				
Sales	2,166,880	567,629	-	2,734,509
Cost of goods sold	-1,966,382	-476,994	-	-2,443,376
Gross profit	**200,498**	**90,635**	**-**	**291,133**
General and administrative expenses	-45,431	-52,172	-3,160	-100,763
Impairment of mineral rights	23,494	-	-	23,494
Impairment of property, plant and equipment	30,056	181	-	30,237
Share of result of associates	-1,093	-	-	-1,093
Other income / (expenses)	10,936	2,579	537	14,052
Operating result	**218,460**	**41,223**	**-2,623**	**257,060**
Interest expense	-220,513	-16,388	-1,116	-238,017
Interest income	21,192	1,313	-747	21,758
Fair value gains/(losses) from derivative financial instruments	4	-2,994	-	-2,990
Other financial income / expense net	-21,827	-3,022	-121	-24,970
Result before income taxes	**-2,684**	**20,132**	**-4,607**	**12,841**
Income tax	-2,414	-2,455	333	-4,536
Net result for the year	**-5,098**	**17,677**	**-4,274**	**8,305**
Additional information				
Capital expenditure (incl. intangible assets)	129,200	29,213	9	158,422
Depreciation and amortisation	79,892	31,010	-	110,902
Average number of employees	8,836	3,937	5	12,778

	China	Romania	Reconciliation to Group	Total
2015				
Sales	1,213,349	604,755	-	1,818,104
Cost of goods sold	-1,168,490	-503,518	-	-1,672,008
Gross profit	**44,859**	**101,237**	**-**	**146,096**
General and administrative expenses	-55,492	-51,976	-2,693	-110,161
Impairment of mineral rights	-138,151	-	-	-138,151
Impairment of property, plant and equipment	-125,253	-290	-	-125,543
Share of result of associates	1,511	-	-	1,511
Other income / (expenses)	33,371	-1,918	371	31,824
Operating result	**-239,155**	**47,053**	**-2,322**	**-194,424**
Interest expense	-216,806	-14,304	-1,449	-232,559
Interest income	27,850	1,152	-429	28,573
Fair value gains/(losses) from derivative financial instruments	-27	-15,635	-	-15,662
Other financial income / expense net	-28,519	-14,895	-2,459	-45,873
Result before income taxes	**-456,657**	**3,371**	**-6,659**	**-459,945**
Income tax	23,842	-2,946	1,616	22,512
Net result for the year	**-432,815**	**425**	**-5,043**	**-437,433**
Additional information				
Capital expenditure (incl. intangible assets)	97,166	25,704	-	122,870
Depreciation and amortisation	81,534	29,720	-	111,254
Average number of employees	9,682	3,892	5	13,579

in USD '000, except otherwise stated

Out of the total sales of the Group, USD 1,475,307 represent revenues from the trading activities in China during the year 2016 at a gross profit of USD 39,848 (2015: traded sales of USD 482,616 at a gross profit of -USD 53,582).

The following table shows the distribution of the Group's consolidated sales by geographical location of the customer, regardless of where the goods were produced:

	2016	2015
China	2,166,424	1,213,344
Romania	95,405	117,809
Other European Union countries	393,476	391,214
Other European countries	49,024	55,832
USA	7,836	17,214
Other countries	22,344	22,691
Total	**2,734,509**	**1,818,104**

The following table shows the distribution of the Group's consolidated sales by major product line:

	2016	2015
Primary aluminium	1,957,553	1,229,795
Processed aluminium	480,541	369,231
Coal	129,677	93,221
Other products	166,738	125,857
Total	**2,734,509**	**1,818,104**

Segment assets and liabilities at 31 December 2016 and 2015 are as follows:

	China	Romania	Reconciliation to Group	Total
31 December 2016				
Investments in associates	76,574	-	-	**76,574**
Other non-current assets allocated	2,808,262	310,208	41,064	**3,159,534**
Total assets	**4,217,876**	**559,894**	**40,584**	**4,818,354**
Total liabilities	**4,174,688**	**327,843**	**76,628**	**4,579,159**
31 December 2015				
Investments in associates	75,724	-	-	**75,724**
Other non-current assets allocated	2,899,910	334,498	41,247	**3,275,655**
Total assets	**4,277,024**	**556,544**	**41,078**	**4,874,646**
Total liabilities	**4,225,906**	**332,153**	**73,894**	**4,631,953**

in USD '000, except otherwise stated

4. General and administrative expenses

	2016	2015
Personnel costs	-41,102	-41,599
Third-party services	-15,142	-14,460
Depreciation and amortisation	-7,536	-8,957
Taxes other than income taxes	-6,632	-6,215
Marketing and public relations	-6,572	-4,516
Impairment of doubtful receivables (trade and other)	-3,808	-1,287
Other general and administrative expenses	-19,971	-33,127
Total	**-100,763**	**-110,161**

"Other general and administrative expenses" includes travelling, insurance, consumables and sundry smaller expenses which cannot be allocated to the other categories.

5. Other income and expenses

Other income	**2016**	**2015**
Government grants	2,500	30,249
Aged payables written off	569	4,306
Net gain on disposal of land use rights	9,447	-
Reimbursements from insurance claims and other compensations	5,569	3,604
Rental income	2,481	2,114
Other income	2,073	819
Total other income	**22,639**	**41,092**

Government grants represent mainly subsidies received by the Chinese entities for supporting aluminium industry, technology research, development and environment protection.

Net gain on disposal of land use rights represents the price received in 2016 from the Government in China for a plot of land sold in 2013.

"Other income" includes sundry income from services performed.

Other expenses	**2016**	**2015**
Idle plants depreciation expenses	-4,880	-462
Net loss on disposal of property, plant and equipment	-408	-1,486
Expenses for claims, penalties and compensations	-1,454	-6,521
Other expenses	-1,845	-799
Total other expenses	**-8,587**	**-9,268**

Idle plants depreciation expenses in 2016 increased due to the temporary closure of several coal mines in China.

Expenses for claims, penalties and compensations in 2015 include the amount of USD 5,302 representing a provision recognized in December 2015, as a result of the acknowledgement by one of the Group subsidiaries in Romania of a sanction imposed to it by the Competition Council (for further details see Note 21).

in USD '000, except otherwise stated

6. Finance costs and income

Finance costs	2016	2015
Interest expense	-220,087	-214,792
Interest expense to related parties (Note 25)	-17,293	-17,096
Finance guarantee expense	-4,258	-15,702
Interest on post employment benefits (Note 22)	-334	-393
Interest from unwinding of provision (Note 21)	-303	-278
Bank charges	-5,882	-7,848
Other financial costs, net	-3,607	-2,001
Total finance costs	**-251,764**	**-258,110**

Finance income	2016	2015
Interest income	21,758	28,573
Finance guarantee income	8,256	8,223
Total finance income	**30,014**	**36,796**

Interest expense excludes interest capitalised in "property, plant and equipment" amounting to USD 17,210 (2015: USD 33,256) based on average interest rate of 7.00% (2015: 7.57%).

There was no ineffectiveness of cash flow hedges recognised in profit or loss during the years 2016 and 2015. Refer also to Note 27 for further details.

7. Income tax expense

	2016	2015
Current income tax	-4,520	-11,422
Deferred income tax (Note 23)	-16	33,934
Total	**-4,536**	**22,512**

The income tax expense for the year is reconciled to the profit before income taxes as follows:

	2016	2015
Profit / (loss) before income tax	12,841	-459,945
Expected weighted average income tax rate for the Group	33,7%	22,0%
Expected income tax (expense) / benefit	-4,322	100,989
Non-taxable income	760	8,319
Non-deductible expenses	-1,864	-3,228
Capitalisation of previously unrecognised tax losses	15,725	6,454
Capitalisation of previously unrecognised deferred tax assets	1,002	-
Reversal of previously capitalised tax losses	-4,736	-23,840
Current year tax losses not recognised as deferred tax assets	-19,414	-42,797
Deductible temporary difference not recognised as deferred tax assets	-	-22,838
Utilisation of previously unrecognised tax losses	7,929	910
Adjustments recognised in relation to the current tax of prior years	384	-1,457
Total income tax (expense) / benefit	**-4,536**	**22,512**

in USD '000, except otherwise stated

Vimetco's expected weighted average income tax rate for the Group is affected by the statutory income tax rates and regulations in effect in the various countries in which it operates (i.e. 25% in Netherlands and China, 16% in Romania and 30% in Sierra Leone) and on the pre-tax results of its subsidiaries in each of these countries, which can vary year to year. The variance in expected weighted average income tax rate for the Group between 2016 and 2015 is explained by a change in mix of pre-tax earnings over the various jurisdictions in which Vimetco operates.

The expected weighted average income tax rate for the Group was determined by dividing the theoretical tax expense of subsidiaries within the Group by the profit before income taxes.

The capitalisation of previously unrecognised tax losses in 2016 relates mainly to Vimetco's subsidiaries in China Henan Zhongfu Industrial Co., Ltd. in amount of USD 8,674 and Linzhou Linfeng Aluminium and Power Co., Ltd. in amount of USD 7,262. In 2015 the amount of the fiscal losses carried forward from previous years related mainly to Henan Zhongfu Aluminium Co., Ltd. in amount of USD 6,384, for which the Group recognized a deferred tax asset, as the management believed there would be sufficient taxable profits in the future against which these fiscal losses could be used. Details for the recognition of deferred tax assets from tax losses carried forward are presented in Note 23.

Current year tax losses not recognised as deferred tax assets of USD 19,414 (2015: USD 42,797) arose mainly in China and are available 5 years for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as they may not be used to offset taxable profits elsewhere in the Group, they have arisen in subsidiaries that have been loss-making for some time, and there are no other tax planning opportunities or other evidence of recoverability in the near future.

8. Earnings per share

The calculation of the basic and diluted earnings per share is based on the following data:

	2016	2015
Loss for the year attributable to shareholders of Vimetco N.V.	-8,364	-266,849
Weighted average number of ordinary shares outstanding during the year	219,484,720	219,484,720
Basic and diluted earnings per share in USD	-0.038	-1,216

Basic and diluted per share data are the same as there are no dilutive securities.

in USD '000, except otherwise stated

9. Property, plant and equipment

Cost	Land	Buildings and constructions	Plant and machinery	Equipment and vehicles	Assets under construction	Total
Balance at 1 January 2015	**22,712**	**821,745**	**2,135,020**	**121,232**	**1,014,335**	**4,115,044**
Additions	-	778	6,347	2,449	112,855	122,429
Disposals	-	-7,829	-3,565	-6,314	-	-17,708
Transfers between categories	-	52,578	397,976	4,843	-455,397	-
Translation adjustment	-2,523	-59,496	-164,433	-11,391	-44,830	-282,673
Balance at 31 December 2015	**20,189**	**807,776**	**2,371,345**	**110,819**	**626,963**	**3,937,092**
Additions	-	5,073	5,792	2,204	145,248	158,317
Disposals	-	-1,174	-41,000	-10,331	-	-52,505
Transfers between categories	-	95,714	20,354	4,979	-121,047	-
Translation adjustment	-730	-51,422	-138,432	-4,199	-40,797	-235,580
Balance at 31 December 2016	**19,459**	**855,969**	**2,218,057**	**103,472**	**610,367**	**3,807,324**
Accumulated depreciation and impairment						
Balance at 1 January 2015	**-**	**-272,452**	**-836,692**	**-86,949**	**-36,562**	**-1,232,655**
Charge for the period	-	-29,528	-76,486	-8,152	-	-114,166
Disposals	-	3,566	3,066	5,194	-	11,826
Impairment charge for the period	-	-5,499	-61,420	-1,346	-57,419	-125,684
Reversal of impairment	-	120	-	21	-	141
Transfers between categories	-	-	300	-300	-	-
Translation adjustment	-	23,835	71,476	8,989	4,451	108,751
Balance at 31 December 2015	**-**	**-279,958**	**-899,756**	**-82,543**	**-89,530**	**-1,351,787**
Charge for the period	-	-28,978	-79,237	-7,454	-	-115,669
Disposals	-	990	39,529	8,638	-	49,157
Impairment charge for the period	-	-	-3,813	-	-	-3,813
Reversal of impairment	-	2,343	30,955	752	-	34,050
Transfers between categories	-	-17,207	-	-	17,207	-
Translation adjustment	-	17,058	49,039	3,287	4,981	74,365
Balance at 31 December 2016	**-**	**-305,752**	**-863,283**	**-77,320**	**-67,342**	**-1,313,697**
Net book value						
Balance at 31 December 2015	**20,189**	**527,818**	**1,471,589**	**28,276**	**537,433**	**2,585,305**
Balance at 31 December 2016	**19,459**	**550,217**	**1,354,774**	**26,152**	**543,025**	**2,493,627**

Assets under construction mainly refer to the construction of a deep processing project in China. The new cold-rolling facility in the pilot phase of this project was initiated during 2014, and certain functional facilities in amount of USD 431,935 have been transferred in 2015 from Assets under construction to property, plant and equipment, the balance as at 31 December 2016 being of USD 466,615 (31 December 2015: USD 401,749).

in USD '000, except otherwise stated

Capital expenditure (additions) includes capitalised interest amounting to USD 17,519 (2015: USD 33,256) based on average interest rates of 7.00% (2015: 7.57%).

The amount of total expenditures (including interest, consultancy fees, test runs expenses, wages and salaries) recognised in the carrying amount of assets under construction at 31 December 2016 was of USD 161,491 (2015: USD 123,560).

As at 31 December 2016 property, plant and equipment with a net book value of USD 1,393,819 (2015: USD 1,422,081) are pledged to secure the borrowings contracted by the Group.

In 2016 the amount of USD 98,486 representing depreciation and amortisation was charged to Cost of goods sold (2015: USD 101,835) and USD 7,536 (2015: 8,957) to General and administrative expense.

On 30 December 2013, the Group subsidiary Henan Zhongfu Industrial Co., Ltd. announced the liquidation of its 74% subsidiary Henan Zhongfu Specialized Aluminium Product Co., Ltd. The subsidiary was set up in March 2010 and its main activity was the production of cold rolled products. The production was still under the test running and due to poor business results and external market changes, the management decided to stop its activity and initiate the liquidation procedures. The management has not yet approved and announced a formal disposal or liquidation plan, therefore it doesn't meet the criteria to be classified as held for sale. Total assets of the company as at 31 December 2016 amounted USD 57,198 (2015: 61,026) excluding intragroup balances. The main assets of the subsidiary are represented by assets under construction with the carrying value as at 31 December 2016 of USD 32,786 (2015: USD 35,024), investment in subsidiary Henan Zhongfu Aluminium Alloy Co., Ltd. of USD 14,416 (2015: USD 15,400) and other receivables of USD 8,971 (2015: USD 9,535). As at 31 December 2016, an accumulated impairment of USD 20,042 (2015: 21,411) is recognised representing the write-down of assets in course of construction to the recoverable amount. The recoverable amount of USD 32,076 as at 31 December 2016 (2015: USD 35,024) is based on the fair value less costs of disposal. Currently, the Group is involved in a legal case defending an action brought by the non-controlling business partner of the subsidiary who is claiming damages in respect of the business developed together. The use and/or sale of the assets of the subsidiary are restricted until the finalization of the legal case (for details see Note 28).

Additionally, the Group has idle assets in China and Romania not classified as held for sale with a carrying value at 31 December 2016 of USD 13,794 (at 31 December 2015: USD 12,874).

Leased assets included above have a net book value of USD 1,868 and USD 716 as at 31 December 2016 and 2015 respectively.

Impairment tests for property, plant and equipment

As at 31 December 2016, the management of the Group identified several factors, such as lower than expected economic performances of certain assets, increasing raw materials prices, indicating that a number of the Group's cash-generating units may be impaired. The management carried out an impairment test of the property, plant and equipment for the cash generating units (CGUs) with impairment indicators. For the purpose of impairment testing the recoverable amounts were determined by discounting expected future net cash flows of each cash generating unit. The details of the impairment tests are presented below:

China

As a result of the impairment review of assets carrying values in China, a charge of USD 3,813 (including specific provision of USD 747) and a reversal of impairment of USD 32,694 were recorded for the property, plant and equipment of aluminium cash-generating units (2015: a charge of USD 112,320, including specific provision of USD 29,856) and a reversal of impairment of USD 1,147 for the property, plant and equipment of coal cash-generating units (2015: a charge of USD 12,936). The reversal of the impairment resulted from the increased future profitability of the aluminium cash-generating units due to better forecasts for the aluminum products comparing to prior periods and previous forecasts made by the Group. Details of the impairment test carried out for the coal mines and assumptions used are presented in the Note 10.

The recoverable value of the aluminium CGUs in China was determined based on fair value less costs of disposal calculation by using future cashflows extracted from the business plan for the next 5 years estimated by the management. The terminal value was computed by using a growth rate of 2.0% per annum. The result of the impairment tests and the key assumptions for the aluminium CGUs are presented in the table below:

	ZF Industrial	ZF Aluminium	Linfeng	Yinhu	ZF Alloy
Excess over the carrying value / (impairment), USD	283,511	81,588	245,703	4,609	-2,935
Discount rate, after-tax	8.10%	8.10%	8.10%	8.10%	8.10%
Growth rate, average of next five years	2.82%	2.95%	2.94%	4.93%	2.85%
EBITDA margin, average of next five years	4.02%	6.62%	9.28%	0.36%	2.67%
EBITDA margin, terminal value	4.61%	9.26%	11.82%	0.30%	2.65%

in USD '000, except otherwise stated

The following table shows the amount up to which the key assumptions used would need to change individually for the estimated recoverable amount to be equal to the carrying amount at 31 December 2016:

	ZF Industrial	ZF Aluminium	Linfeng	Yinhu	ZF Alloy
Discount rate, after-tax	12.13%	9.15%	16.86%	18.71%	7.33%
Growth rate, average of next five years	2.28%	2.63%	0.99%	4.99%	2.83%
EBITDA margin, including terminal value	2.95%	7.74%	6.14%	0.19%	2.78%

Romania

Other than for Alum cash generating unit (CGU), there were no impairment indications identified for the companies in Romania. As at 31 December 2016, the management of Alum carried out an impairment test of the property, plant and equipment. The resulting recovery value of these property, plant and equipment was higher than their net book value, so no impairment expense was recognized.

The recovery value of the cash generating unit (CGU) Alum was determined based on a fair value of CGU less costs to sell calculation by using future cashflows extracted from the business plan for the next 5 years estimated by the management of the company. The casflows in perpetuity beyond this period were extrapolated by using a growth rate of 1% per annum, in line with forecast inflation. The fair value measurement was categorized as a Level 3 fair value based on the inputs in the valuation technique used (see Note 27).

The key assumptions for the cash-generating unit Alum are:

	2016
Discount rate, after-tax	11.00%
Growth rate	6.45%
EBITDA margin	8.79%

The estimated recoverable amount of the CGU Alum exceeded its carrying amount by approximately USD 28,343. The following table shows the amount up to which the key assumptions used would need to change individually for the estimated recoverable amount to be equal to the carrying amount at 31 December 2016:

	CGU Alum
Discount rate, after-tax	16.58%
Growth rate, average of next eight years	0.32%
EBITDA margin, average of next eight years	7.42%
EBITDA margin, terminal value	0.00%

in USD '000, except otherwise stated

10. Mineral rights

Cost	
Balance at 1 January 2015	**569,053**
Translation adjustment	-32,827
Balance at 31 December 2015	**536,226**
Translation adjustment	-34,273
Balance at 31 December 2016	**501,953**
Amortisation and impairment	
Balance at 1 January 2015	**-167,755**
Charge for the period	-5,803
Impairment charge for the period	-138,151
Translation adjustment	15,552
Balance at 31 December 2015	**-296,157**
Charge for the period	-6,015
Impairment charge for the period	-2,081
Reversal of impairment	25,575
Translation adjustment	18,186
Balance at 31 December 2016	**-260,492**
Net book value	
Balance at 31 December 2015	**240,069**
Balance at 31 December 2016	**241,461**

Mineral rights represent the present value of economic benefits expected from the extraction, processing and sale of the recoverable reserves of the mines acquired in a business combination in 2010 and consist of the legal right to explore, extract, and retain at least a portion of the benefits from mineral deposits.

The amortisation charge has been included in the Cost of goods sold and the net impairment charge was included in the consolidated statement of profit or loss and other comprehensive income as a separate line "Impairment of mineral rights".

Impairment tests for mineral rights

As part of the annual impairment review of asset carrying values, a charge of USD 2,081 was recorded in relation to the mineral rights of the coal mines owned by the Group, included in China operating sergment (2015: 138,151) and a reversal of impairment in amount of USD 25,575 (2015: nil). The Group carried out an impairment review of the coal mines cash-generating units ("CGU") and the review determined that the future profitability of the mines has increased comparing to prior periods and previous forecasts made by the Group, caused mainly by an increase of coal prices compared to previous forecasts and higher demand from coal consumers coupled with the reduction of overall coal production in China.

In assessing whether an impairment is required, the carrying value of the each coal mine CGU was compared with its recoverable amount. The recoverable amount was determined based on value in use ("VIU") of CGUs using the net present value of the future estimated cash flows expected to be generated from the continued use of the CGUs (based on the most recent estimations of the mines remaining exploitation life). These cash flows were forecasted explicitely for the remaining life of the mines (no terminal value required) and discounted using an after-tax discount rate of 10.6% (2015: 10.3%) that reflected current market assessments of the time value of money and the risks specific to the CGU.

in USD '000, except otherwise stated

The recoverable amount of the property, plant and equipment and mineral rights for the five mining companies representing five CGUs where impairment was recorded is USD 280,831 (2015: USD 278,184).

The values assigned to key assumptions and estimates used to measure the recoverable amount of the CGU's are consistent with external sources of information and are based on management's expectations of market development.

Production volumes used in the VIU and incorporated into the cash flow models were based on management's plans for the mines estimated as part of the long-term planning process. Production volumes are dependent on a number of variables, such as: the recoverable quantities; the production profile; the cost of the development of the infrastructure necessary to extract the reserves; the production costs; and the selling price of the commodities extracted. The production profiles used were consistent with the reserves and resource volumes estimated by an external valuator as at 31 December 2014.

Coal prices were based on management's estimates and are consistent with external sources. These prices were adjusted to arrive at appropriate price assumptions for the specific quality and type of coal for each mine.

The changes in key assumptions taken in isolation would produce the following results: decrease of production volumes by 10% would result in a reversal of impairment of USD 7,538 a decrease of coal prices by 10% would result in an impairment charge of USD 20,411 and a rise in the discount rate to 11.6% (i.e. +1.0%) would lead to a reversal of impairment of only USD 3,106.

11. Goodwill

Cost	
Balance at 1 January 2015	**452,749**
Translation adjustment	-26,931
Balance at 31 December 2015	**425,818**
Translation adjustment	-24,564
Balance at 31 December 2016	**401,254**
Impairment	
Balance at 1 January 2015	**-261,606**
Translation adjustment	15,298
Balance at 31 December 2015	**-246,308**
Translation adjustment	15,036
Balance at 31 December 2016	**-231,272**
Net book value	
Balance at 31 December 2015	**179,510**
Balance at 31 December 2016	**169,982**

Impairment tests for goodwill

The goodwill is allocated for impairment testing purposes to the groups of cash-generating units at 31 December 2016 and 2015 as follows (after additions and impairment):

	2016	**2015**
China	124,799	133,323
Romania	40,584	41,588
Sierra Leone	4,599	4,599
Total	**169,982**	**179,510**

in USD '000, except otherwise stated

China

In 2016 the recoverable amount of the group of cash generating units in China was determined based on fair value less costs of disposal ("FVLCS"), being the higher of value in use and FVLCS, as assessed by an independent valuer as of 31 December 2016, based on some inputs provided by management and others derived from open market evidence.

The holding company for the China group of CGUs is Everwide Industrial Ltd. ("Everwide") which holds 96.78% of Henan Yulian Energy Group Co., Ltd. ("Yulian"), which in its turn owns 53.29% of Henan Zhongfu Industrial Co., Ltd. ("Zhongfu"), a company whose shares are actively traded on the Shanghai Stock Exchange. All other Group subsidiaries in China are directly or indirectly held by Zhongfu. Beside the investment in Zhongfu, which represents the main asset of Yulian, all the other assets and liabilities of Yulian and Everwide include mainly short term receivables and loans and borrowings, for which it was considered within the impairment test that the carrying amounts approximate their fair values.

The quoted share price of Zhongfu as at 31 December 2016 was used as the main input in the valuation model to determine the FVLCS of the group of CGUs in China (Level 1 fair value based on the inputs in the valuation technique used). The book value of Zhongfu net debt was added to its equity market value (computed using the market quotation) in order to reach Zhongfu's enterprise fair value. This enterprise value was consolidated upwards at Yulian and further on at Everwide level and ultimately compared to the Everwide enterprise carrying value. 2% selling costs (reflecting incremental costs directly attributable to the disposal of shares in Zhongfu) were deducted in the computation of Everwide's enterprise FVLCS prior to the comparison with the carrying value.

No impairment resulted form this assessment.

Romania

In 2016 the recoverable amount of cash-generating unit Romania was determined based on fair value less costs of disposal, estimated using discounted cash-flow techniques and applying a market-based measurement. This method requires eliminating all owner specific synergies from the cash-flow projections other than those synergies that any market participant would be able to realize. The fair value measurement was categorized as a Level 3 fair value based on the inputs in the valuation technique used (see Note 27).

The cash flow projections were based on financial forecasts estimated by the directors covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated growth rates stated below.

The key assumptions used in the estimation of the recoverable amount are set out in the following table. The values assigned to key assumptions and estimates used to measure the recoverable amount of the CGU Romania reflect past experience, are consistent with external sources of information and are based on management's expectations of market development. The production quantities were estimated based on past experience, represent management's best estimate of future production and reflect investment plans. Sales prices were based on the long-term aluminium prices derived from available industry and market sources. Operating costs were projected based on the historical performance and adjusted for the current market conditions and inflation.

	2016	2015
Discount rate, after-tax	11.0%	12.1%
Growth rate (average of next five years)	7.7%	6.4%
EBITDA margin (average of next five years)	19.1%	13.1%

The discount rate is the CGU weighted-average of the cost of equity of the CGU, i.e. 12.7% (in 2015: 15.6%), calculated based on the average unlevered betas of comparable companies within the industry and of a cost of debt after tax of 4.3% (in 2015: 4.1%), using the CGU's debt leverage of 20.7% (in 2015: 30.6%).

Growth rates during the next five years are based on published industry research, directors' future expectations of economic and market conditions, the result of capital investments and anticipated efficiency improvements. The growth rate beyond the five-year period was assumed in line with the forecasted inflation, namely 1% (in 2015: 1.9%).

EBITDA margin is the average margin as a percentage of revenue over the five-year forecast period. It is based on the average levels experienced over the past years, with adjustments made to reflect the expected future sales volumes and price fluctuations.

No impairment resulted from this assessment.

in USD '000, except otherwise stated

Sierra Leone

The recoverable amount of cash-generating units operating in Sierra Leone (Global Aluminium Ltd.) was determined based on fair value less costs of disposal, estimated using discounted cash-flow techniques and applying a market-based measurement. Financial forecasts estimated by the directors at 31 December 2016 and 2015 cover a five-year period. The after-tax discount rate is of 19.2% per annum until 2018, being the estimated period of depletion for measured reserves and of 21.2% per annum thenafter for indicated and inferred mineral reserves due to the higher risk or uncertainty (in 2015: 18% and 20% respectively). The cash flows beyond the five-year period have been extrapolated until the year 2030, when the estimated reserves (measured, indicated and inferred) will be depleted at a 2% growth rate in line with the forecast inflation (in 2015: 1.9%), except for the terminal year when a reduced production is foreseen at the level of the remaining reserves. The fair value measurement was categorized as a Level 3 fair value based on the inputs in the valuation technique used (see Note 27).

The key assumptions for the cash-generating unit Sierra Leone are:

	2016	2015
Discount rate, after-tax	19.2%	18.0%
Growth rate (average of next five years)	4.5%	9.4%
EBITDA margin (average of next five years)	24.9%	23.7%

The discount rate is the CGU weighted-average cost of equity of 23% (in 2015: 23.2%), calculated based on the average unlevered betas of comparable companies within the industry and of a cost of debt after tax of 9.7% (in 2015: 8.1%), using the CGU's debt leverage of 28.3% (in 2015: 34.6%).

Growth rates during the next five years are based on the current contract with Alum reflecting the price in the market for long term contracts and on the company's intention to develop sales to third party clients.

EBITDA margin is the average margin as a percentage of revenue over the five-year forecast period. It is based on the external analysis and the expected future sales volumes and prices, coupled with CGU's cost cutting efforts.

No impairment resulted from this assessment.

The estimated recoverable amount of the CGU China exceeded its carrying amount by approximately USD 110,374 (2015: 1,086,023), of CGU Romania exceeded its carrying amount by approximately USD 525,179 (2015: USD 170,339) and for CGU Sierra Leone by approximately USD 32,000 (2015: USD 39,098). The following table shows the amount by which the key assumptions used for CGU Romania would need to change individually for the estimated recoverable amount to be equal to the carrying amount:

		Romania
	2016	2015
Discount rate	24.6%	15.9%
Growth rate	2.2%	1.1%
EBITDA margin	12.4%	11.7%

The most sensitive key assumption used in impairment test of CGU Sierra Leone is EBITDA margin. A decrease to 11.8% would cause the estimated recoverable amount to be equal to the carrying amount (2015: 9.3%). For the other assumptions management considers that there are no reasonably possible modifications that would lead to an impairment of the goodwill allocated to CGU Sierra Leone.

in USD '000, except otherwise stated

12. Land use rights

Cost	
Balance at 1 January 2015	**78,553**
Additions	199
Translation adjustment	-4,536
Balance at 31 December 2015	**74,216**
Additions	36
Translation adjustment	-4,749
Balance at 31 December 2016	**69,503**
Amortisation	
Balance at 1 January 2015	**-9,578**
Charge for the period	-1,726
Translation adjustment	620
Balance at 31 December 2015	**-10,684**
Charge for the period	-1,635
Translation adjustment	755
Balance at 31 December 2016	**-11,564**
Net book value	
Balance at 31 December 2015	**63,532**
Balance at 31 December 2016	**57,939**

During 2016 and 2015, the Group sold no land use rights.

The land use rights are amortized over their economic useful life using a straight-line method over a period of no more than 50 years.

The amortisation charge has been included in General and administrative expenses.

in USD '000, except otherwise stated

13. Other intangible assets

	Exploration assets	Development expenses	Software	Customer relationships	Other intangible assets	Total
Cost						
Balance at 1 January 2015	**3,721**	**2,910**	**4,593**	**11,163**	**5,015**	**27,402**
Additions	-	-	66	-	176	242
Disposals	-	-1,587	-	-	-5	-1,592
Translation adjustment	-	-270	-430	-644	-486	-1,830
Balance at 31 December 2015	**3,721**	**1,053**	**4,229**	**10,519**	**4,700**	**24,222**
Additions	5	-	32	-	32	69
Disposals	-	-	-75	-	-21	-96
Translation adjustment	-	-38	-177	-672	-208	-1,095
Balance at 31 December 2016	**3,726**	**1,015**	**4,009**	**9,847**	**4,503**	**23,100**
Amortisation						
Balance at 1 January 2015	**-3,159**	**-2,627**	**-3,797**	**-11,163**	**-2,293**	**-23,039**
Additions	-458	-261	-220	-	-316	-1,255
Amortization charge	-	1,587	-	-	-	1,587
Translation adjustment	-	248	385	644	253	1,530
Balance at 31 December 2015	**-3,617**	**-1,053**	**-3,632**	**-10,519**	**-2,356**	**-21,177**
Additions	-34	-	-152	-	-295	-481
Amortization charge	-	-	75	-	21	96
Translation adjustment	-1	38	143	672	110	962
Balance at 31 December 2016	**-3,652**	**-1,015**	**-3,566**	**-9,847**	**-2,520**	**-20,600**
Net book value						
Balance at 31 December 2015	**104**	**-**	**597**	**-**	**2,344**	**3,045**
Balance at 31 December 2016	**74**	**-**	**443**	**-**	**1,983**	**2,500**

The amortisation expense has been included in the Cost of goods sold and General and administrative expenses.

Research and development costs that are not eligible for capitalisation in amount of USD 240 have been expensed in 2016 (2015: USD 1,261) being recognised as General and administrative expenses.

in USD '000, except otherwise stated

14. Investments in associates

Details of the carrying values of the Group's investments accounted for using the equity method in the consolidated financial statements at 31 December 2016 and 2015 are set out below:

Company	Type of investment	Place of business	Nature of activities	2016	2015
Henan Yonglian Coal Industry Co., Ltd.	Associate - equity method	China	Coal mining	16,117	18,019
Datang Gongyi Power Generation Co., Ltd. (i)	Associate - equity method	China	Power generation	19,996	9,543
Datang Linzhou Thermal Power Co., Ltd. (ii)	Associate - equity method	China	Power generation	18,907	23,270
Henan Yellow River Heluo Water Supply Co., Ltd.	Associate - equity method	China	Water supply	565	809
Henan Zhongfu Thermal Power Co., Ltd.	Associate - equity method	China	Power generation	1,834	2,514
Shanghai Bao Shuo Trading Co. Ltd.	Associate - equity method	China	Trading activities	1,644	1,693
Xing Cun Coal Mine Co., Ltd.	Associate - equity method	China	Coal mining	10,212	10,787
Shang Zhuang Coal Mine Co. Ltd.	Associate - equity method	China	Coal mining	7,299	9,089
Total associated companies				**76,574**	**75,724**

The information on ownership and voting rights is presented in Note 30.

Details of the Group's share of the results of associates are set out below:

	2016	2015
Henan Yonglian Coal Industry Co., Ltd.	-785	-1,045
Datang Gongyi Power Generation Co., Ltd.	-	-
Datang Linzhou Thermal Power Co., Ltd.	1,516	5,366
Henan Yellow River Heluo Water Supply Co., Ltd.	-201	-1
Henan Zhongfu Thermal Power Co., Ltd.	-542	-1,105
Shanghai Bao Shuo Trading Co. Ltd.	62	96
Xing Cun Coal Mine Co., Ltd.	119	-828
Shang Zhuang Coal Mine Co. Ltd.	-1,262	-972
Total share of the results of associates	**-1,093**	**1,511**

Acquisition of equity interests

2016

(i) The Group increased its contribution in Datang Gongyi Power Generation Co., Ltd. by USD 11,549 maintaining its shareholding in the entity of 49%.

(ii) In 2016 the Group received dividends from Datang Linzhou Thermal Power Co., Ltd. in amount of USD 4,520.

2015

(i) In 2015 the Group increased its contribution in Datang Gongyi Power Generation Co., Ltd. by USD 6,178 maintaining its shareholding in the entity of 49%.

(ii) The Group increased its investment in Datang Linzhou Thermal Power Co., Ltd. by USD 161 slightly increasing its shareholding in the entity from 19.23% to 20.00%.

Cash consideration paid for the increase of investments in associates amounted to USD 11,549 (2015: USD 3,693).
Set out below are the summarised financial information for associates which are accounted for using the equity method:

in USD '000, except otherwise stated

						2016
	Yonglian Coal	Datang Linzhou	Xing Cun	Shang Zhuang	Other	Total
Current assets	13,949	33,655	9,260	12,108	87,021	155,993
Non-current assets	70,131	299,455	36,920	54,192	401,697	862,395
Current liabilities	36,143	45,850	21,046	7,224	183,432	293,695
Non-current liabilities	12,098	192,735	577	40,820	231,959	478,189
Equity	**35,839**	**94,525**	**24,557**	**18,256**	**73,327**	**246,505**
Group's carrying amount of the investment	**16,116**	**18,907**	**10,212**	**7,299**	**24,040**	**76,574**
Revenue	16,952	115,037	15,235	8,416	599,632	755,273
Cost of sales	-13,550	-95,497	-12,781	-9,039	-600,162	-731,029
Operating Income/ (expenses)	-4,342	125	-1,982	-1,149	509	-6,840
Finance costs	-595	-9,528	-305	-9	-1,110	-11,547
Result before tax	**-1,535**	**10,138**	**167**	**-1,781**	**-1,132**	**5,857**
Income tax expense	-	-2,552	-	-	-120	-2,672
Result for the year	**-1,535**	**7,586**	**167**	**-1,781**	**-1,252**	**3,185**
Total comprehensive income for the year	-1,744	7,586	322	-3,155	-1,252	1,757
Group's share of result for the year	**-784**	**1,517**	**119**	**-1,262**	**-682**	**-1,093**

						2015
	Yonglian Coal	Datang Linzhou	Xing Cun	Shang Zhuang	Other	Total
Current assets	31,735	49,228	16,909	13,453	84,367	195,691
Non-current assets	76,469	329,039	39,297	57,077	178,917	680,799
Current liabilities	54,799	45,255	29,686	6,584	127,861	264,184
Non-current liabilities	13,334	216,675	616	41,215	93,388	365,229
Equity	**40,071**	**116,337**	**25,904**	**22,730**	**42,035**	**247,077**
Group's carrying amount of the investment	**18,019**	**23,270**	**10,787**	**9,089**	**14,559**	**75,724**
Revenue	13,775	148,101	10,454	5,946	577,249	755,525
Cost of sales	-9,241	-113,118	-10,536	-6,860	-577,663	-717,418
Operating Income/ (expenses)	-6,207	12,933	-2,051	-1,452	-216	3,007
Finance costs	-484	-12,875	-106	-	-979	-14,444
Result before tax	**-2,156**	**35,041**	**-2,238**	**-2,367**	**-1,610**	**26,670**
Income tax expense	-	-8,262	-	-	-166	-8,428
Result for the year	**-2,156**	**26,779**	**-2,238**	**-2,367**	**-1,776**	**18,242**
Total comprehensive income for the year	-2,323	27,156	-2,238	-2,431	-1,776	18,388
Group's share of result for the year	**-1,045**	**5,366**	**-828**	**-972**	**-1,010**	**1,511**

in USD '000, except otherwise stated

15. Inventories

	31 December 2016	31 December 2015
Raw and auxiliary materials	143,154	132,573
Work in progress	158,415	152,370
Finished goods	62,129	75,772
Less: Provision for obsolescence	-6,577	-17,085
Total	**357,121**	**343,630**

The movement in the provision for obsolescence is as follows:

	2016	2015
Balance at 1 January	-17,085	-14,020
Charge to cost of goods sold	-845	-7,443
Reversal credited to cost of goods sold	10,760	3,323
Reversal credited to general and administrative expenses	318	-
Translation adjustment	275	1,055
Balance at 31 December	**-6,577**	**-17,085**

All inventories are expected to be utilised or sold within 12 months.

As at 31 December 2016, inventories in amount of USD 114,959 (2015: USD 121,089) were pledged for securing borrowings of the Group. Please see also Note 20.

16. Trade receivables, net

	31 December 2016	31 December 2015
Trade receivables	87,958	51,323
Bills of exchange	172,515	117,195
Allowance for doubtful receivables	-17,392	-14,665
Total	**243,081**	**153,853**

As at 31 December 2016, the highest four trade receivable balances accounted for approximately 25% (2015: 32%) of the net trade receivable balance (excluding bills of exchange). The total balance for these four debtors is USD 17,472 (2015: USD 11,740).

Bills of exchange include USD 147,772 (2015: 105,538) bills receivable discounted with recourse.

In 2016 there were three clients belonging to China segment that individually accounted for more than 5% of the Group sales (with 12%, 9% and 6% respectively) (in 2015 one client accounted for more than 5% of the Group sales, i.e. 7%).

During the reporting periods, the Group sold significant amounts of trade accounts receivable under factoring agreements on a non-recourse basis. The Group effectively transfers all the risks and rewards related to the receivables to a factor and as a result derecognises the transferred amount at the transfer date and recognises factoring fees and interest at the disbursement date.

The factoring facilities available to Group companies at 31 December 2016 amounted to approximately USD 182,652 (2015: USD 129,935) of which approximately USD 77,519 (2015: USD 61,700) were utilised at the reporting date.

in USD '000, except otherwise stated

An impairment charge has been established for doubtful receivables based on historical experience.

In determining the recoverability of trade receivables the Group considers any change in the credit quality of the customer from the date the credit was initially granted up to the reporting date. Accordingly, the Group's management believes that there is no further credit provision required in excess of the allowance for doubtful receivables already provided for.

Movement in the impairment of doubtful receivables are as follows:

	2016	2015
Balance at 1 January	-14,665	-14,284
Increase through income statement	-5,811	-3,610
Release through income statement	1,976	2,295
Utilisations and other movements	27	28
Translation adjustment	1,081	906
Balance at 31 December	**-17,392**	**-14,665**

The receivables' ageing is provided below:

	31 December 2016	31 December 2015
Not past due and not impaired	230,376	147,838
Past due but not impaired	12,705	6,009
Past due and impaired	17,392	14,671
Less: Allowance for doubtful receivables	-17,392	-14,665
Total	**243,081**	**153,853**

Trade receivables past due but not impaired at 31 December are as follows:

	31 December 2016	31 December 2015
Up to 3 months	8,814	1,338
3 to 6 months	2,754	2,793
Over 6 months	1,137	1,878
Total	**12,705**	**6,009**

They relate to a number of independent customers for whom there is no recent history of default.

Ageing of impaired trade receivables:

	31 December 2016	31 December 2015
Up to 3 months	-	-
3 to 6 months	2	1
Over 6 months	17,390	14,670
Total	**17,392**	**14,671**

in USD '000, except otherwise stated

17. Other current assets

	31 December 2016	31 December 2015
Advances to suppliers	126,122	83,234
VAT receivable	47,636	57,774
Prepayments	1,162	2,297
Other debtors	60,133	55,073
Impairment of doubtful debtors	-19,896	-19,109
Available for sale financial assets	-	1
Other current assets	17,886	11,463
Total	**233,043**	**190,733**

Advances to suppliers primarily relate to amounts prepaid to suppliers for raw materials such as coal, alumina, petroleum coke and other production materials.

18. Cash and cash equivalents

	31 December 2016	31 December 2015
Cash at banks	98,176	43,492
Cash in hand	212	287
Cash and cash equivalents	**98,388**	**43,779**

Restricted cash includes mainly:

- USD 609,641 (2015: USD 700,382) pledged to banks to guarantee repayments of bills of exchange issued by the Group;

- USD 10,572 (2015: USD 39,191) pledged under the provisions of loan agreements by several companies in the Group.

At 31 December 2015, in addition to the above figures the Group has the amount of USD 10,589 representing cash placed with a bank until December 2017 as a pledge for a revolving loan and a non-cash facility contracted by one of the Group's subsidiaries.

19. Share capital

The authorised share capital of the Company consists of 800,000,000 ordinary shares of EUR 0.10 (the equivalent of USD 0.127), of which the following number of ordinary shares are issued and paid in:

	2016	2015
Number at 1 January	219,484,720	219,484,720
Number at 31 December	**219,484,720**	**219,484,720**

Each ordinary share carries one vote per share and carries the right to dividends.

No dividends were declared and paid by Vimetco N.V. in 2016 (2015: nil).

in USD '000, except otherwise stated

20. Borrowings and leasing

	31 December 2016	31 December 2015
Long-term borrowings		
Long-term bank loans	695,013	703,125
Less: Short-term portion of long-term bank loans	-262,380	-158,428
Bank loans	*432,633*	*544,697*
Other loans	180,683	93,950
Corporate bonds	60,993	100,362
Bank and other loans	*674,309*	*739,009*
Loans from related parties (Note 25)	227,405	213,915
Finance leases	1,119	478
Total long-term borrowings	**902,833**	**953,402**
Short-term borrowings		
Short-term bank loans and overdrafts	570,655	587,091
Short-term portion of long-term bank loans	262,380	158,428
Bank loans and overdrafts	*833,035*	*745,519*
Other loans	779,595	701,830
Corporate bonds	253,642	269,854
Bank loans, overdrafts and other loans	*1,866,272*	*1,717,203*
Loans from related parties (Note 25)	22,102	55,905
Finance leases	458	175
Total short-term borrowings	**1,888,832**	**1,773,283**
Total borrowings	**2,791,665**	**2,726,685**

Short-term bank loans and overdrafts include amounts received for the bills of exchange discounted with recourse at banks in amount of USD 147,772 (2015: 105,538); for other details please see also Note 16.

In December 2015, Alro SA signed a revolving loan agreement amounting to USD 137,000 with a syndicate of banks, with the maturity in December 2017 and with the possibility to extend it for one more year, whereby the Company mainly refinanced the outstanding USD 120,000 revolving loan obtained from the European Bank of Recontruction and Development in August 2010. At 31 December 2016 Alro had the amount of USD 135,296 drawn out of the respective facility.

In December 2015, Alro SA also signed a credit facility with the Black Sea Trade and Development Bank for the amount of USD 60,000 to support the investment program. The loan has a maturity of 7 years, with a grace period of 2 years from payment of instalments. On 31 December 2016 the amount drawn down from the loan was of USD 60,000.

At the same time, in December 2015 Alro SA signed the extension until December 2017 of another revolving loan amounting to RON 180,000 thousand obtained from a commercial bank in December 2013. At 31 December 2016 the Group had the entire facility drawn down for working capital.

Bank borrowings mature until 2023 and bear interest at annual interest rates between 0.40% for EUR and 21.00% for SLL (Sierra Leone Leones) (2015: between 0.44% for EUR and 15.00% for SLL).

For more information about Company's borrowings, please see notes 11 and 12 to the Company separate Financial Statements.

Other loans are loans received in China from financial institutions other than banks and from other non-financial institutions.

in USD '000, except otherwise stated

According to the existing borrowing agreements some of the Group companies are subject to certain restrictive covenants. These covenants require several companies in the Group, among other things, to refrain from paying dividends to their shareholders unless certain conditions are met, and to maintain a minimum or maximum level for certain financial ratios, including: debt service coverage ratio, debt to worth leverage ratio, current ratio, debt to EBITDA (adjusted earnings before interest, taxation, depreciation and amortisation), tangible net worth to tangible assets, interest cover, solvency rate and gearing ratio.

At 31 December 2016, one of the Group companies was in breach of covenants in respect of one of its loans. The respective company discussed the situation with the bank and received the necessary waiver. Due to the fact that the waiver was received after the testing period agreed with the bank, the Group classified an amount of USD 856 representing loan due after the year 2017 from "Long term loans" to "Short-term portion of long term loans".

In 2011 and 2012, one of the Group subsidiaries in China made two corporate bond issues (denominated in CNY, with a total face value of CNY 1,500,000,000, CNY 100 each, respectively CNY 1,000,000,000, CNY 100 each), mainly for the repayment of short-term borrowings. In 2015 the Henan Zhongfu Industrial Co., Ltd., announced the maturity prolongation by 2 years for the 2012 bonds issue, giving the bond holders the right to sell back part of their bonds at par value. As a consequence, bonds with a total face value of CNY 657,917,000 were prolonged until August 2017. The bonds are listed on the Shanghai Stock Exchange with an AA rating, the market price and the fair value being as presented in the table below:

Market price (USD per bond)	**31 December 2016**	**31 December 2015**
2011 bonds issue	14.04	15.00
2012 bonds issue	14.49	14.87

In 2015 one of the Group subsidiaries in China made another corporate bonds issue, which was privately subscribed (denominated in CNY, with a total face value of CNY 208,330,000). These bonds were not listed and they were fully reimbursed in 2016. Another subsidiary, in 2016, made another corporate bonds issue, which was privately subscribed (denominated in CNY, with a total face value of CNY 944,000,000). These bonds are not listed and they have short term maturity.

Fair value	**31 December 2016**	**31 December 2015**
2011 bonds issue	60,578	224,991
2012 bonds issue	95,316	97,863
2015 bonds issue	-	32,082
2016 bonds issue	136,082	-
Total fair value	**291,976**	**354,936**
Carrying amount	314,635	370,216

The fair value for 2011 and 2012 bonds issues belong to the level 1 of the fair value measurement hierarchy (those issues being listed), while the 2015 and 2016 bonds issues belong to the level 3 of the fair value measurement hierarchy.

Bank and other borrowings include secured liabilities of USD 1,686,965 (2015: USD 1,052,706). These borrowings are secured by tangible assets of the Group in the amount of USD 1,393,819 (2015: USD 1,422,081) (Note 9), by inventory amounting to USD 104,635 (2015: USD 114,959), by 10% (2015: 46%) of the shares of Alro, by 50.97% (2015: 52.57%) of the shares of Zhongfu Industrial, by current accounts opened with several banks and by future accounts receivable. For the Zhongfu share pledge the loan contracts specify that the Group has to compensate for any shortfall in the share price below a certain level. The share prices as at 31 December 2016 was above the trigger prices in the loan contracts, except for one loan. For the respective loan appropriate actions have been taken by the management of the respective subsidiary, with no additional requirement from the corresponding bank.

For the exposure of the Group's borrowings to interest rate changes and the contractual repricing dates at the balance sheet dates please refer to Note 27.

in USD ‘000, except otherwise stated

Except for the corporate bonds, for which the fair value has been presented above, the Company has estimated the fair value of the other borrowings, which is presented in the table below:

	31 December 2016	31 December 2015
Fair value of borrowings and leasing (others than bonds)	2,480,713	2,351,249
Carrying amount of borrowings and leasing (others than bonds)	2,477,030	2,356,469

As at 31 December 2016 the Group had undrawn borrowing facilities amounting to USD 93,594 (31 December 2015: USD 45,000).

As at 31 December 2016 the Group had a revolving facility meant for issuing letters of credit and letters of guarantee, with the ceiling of USD 10,434 (31 December 2015: USD 10,908). At 31 December 2016, USD 3,208 were unused from this facility (31 December 2015: USD 3,706).

The minimum lease payments for finance leases are set out below:

	31 December 2016	31 December 2015
Lease installments falling due:		
Within 1 year	509	196
1 to 5 years	1,179	505
After 5 years	-	-
Total lease installments	**1,688**	**701**
Less: Future finance charges	-111	-48
Present value of lease obligations	1,577	653
Thereof:		
Short-term finance lease obligations (less than 1 year)	458	175
Long-term finance lease obligations (1 to 5 years)	1,119	478

Finance leases relate to leases of equipment and vehicles with lease terms of up to 5 years. The net book value of leased assets was USD 1,868 (31 December 2015: USD 716).

in USD '000, except otherwise stated

21. Provisions

	Provision for land restoration	Provision for litigations	Other provisions	Total
Balance at 1 January 2015	**15,401**	**2,156**	**10,287**	**27,844**
Additional provisions recognised	389	-	5,322	5,711
Release of provision	-3,380	-112	-2	-3,494
Utilisation	-	-300	-147	-447
Unwinding of discount	278	-	-	278
Translation adjustment	-888	-225	-769	-1,882
Balance at 31 December 2015	**11,800**	**1,519**	**14,691**	**28,010**
Thereof:				
Current	-	1,519	14,690	16,209
Non-current	11,800	-	1	11,801
Additional provisions recognised	4,837	-	930	5,767
Release of provision	-	-1,226	-25	-1,251
Utilisation	-	-327	-5,380	-5,707
Unwinding of discount (Note 6)	303	-	-	303
Translation adjustment	-673	34	-530	-1,169
Balance at 31 December 2016	**16,267**	**-**	**9,686**	**25,953**
Thereof:				
Current	-	-	9,685	9,685
Non-current	16,267	-	1	16,268

The provision for land restoration is related to the obligations that the Group has in respect of rehabilitating mines, closing of plants and cleaning of waste deposit sites after the related production / extraction has ceased. The amounts of the provisions are determined based on time schedules for the rehabilitation works and the corresponding costs to be incurred, discounted to present value. In 2016, the increase was mainly due to the addition of a calculated provision for a coal mine, and also due to the change of the discount rate used for the calculation of the provision for the coal mines in China, oppositely to the year 2015 when the discount rate had led to a release of provision.

The "Other provisions" at 31 December 2016 and 2015 mainly relate to some obligations for compensations to be paid to a business partner in China in relation to an old agreement.

In 2015, the Group additionally recognized in "Other provisions" a provision of USD 5,302 following the announcement of a fine imposed on a Romanian subsidiary by the Competition Council. In 2016, the subsidiary paid the amount, and therefore the provision was utilized.

22. Employee benefits

During 2016 the Group recognized short-term employment benefits expenditure representing wages and salaries and other staff costs amounting to USD 136,080 (2015: USD 125,038).

Defined contribution plans

The employees of the Group are members of state-managed retirement benefit plans operated by the local governments. The Group contributes a specified percentage of the payroll to the retirement benefit schemes to fund the benefits. The Group also contributes a certain amount to pension funds managed by non-governmental entities. The only obligation of the Group with respect to the retirement plans is to make the specified contributions during the period of employment of the respective employees.

in USD '000, except otherwise stated

The Group has an arrangement in place to make payments to an optional defined contribution plan for the post-employment benefit of a part of its employees that have rendered service to the Group during the period. The defined contribution plan is managed by a separate entity and the contribution made by the Group was in the form of fixed amounts per employee, paid monthly. The Group recognized the liability undiscounted (accrued expense) at the reporting date after deducting any contribution already paid and the expense incurred during the year, the Group's legal and constructive obligation being limited to the amounts that it contributes to the fund.

In 2016 USD 9,347 were recognized as contribution expenses to defined contribution plans in the income statement (2015: USD 8,399).

Defined benefit plan

According to the Collective Labour Agreements in Romania and Sierra Leone, when retiring due to age or disease, the employees benefit from a retirement bonus that is computed based on the number of years of work and the last applicable salary.

The most recent actuarial valuations of the present value of the defined benefit obligations were carried out at 31 December 2016 and 2015 by an independent actuarial specialist. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method. The plan is unfunded.

The principal assumptions used for the purposes of the actuarial valuations were as follows:

	31 December 2016	31 December 2015
Discount rate (%)	3.65	3.71
Estimated rate of salary increase (%)	3.75	3.98
Estimated inflation rate (%)	2.47	2.40

Amounts recognised in profit or loss in respect of these defined benefit plans are as follows:

	2016	2015
Current service cost	-432	-519
Interest cost on obligation	-334	-393
Total expense	**-766**	**-912**

The expense on current service cost are included in the statement of profit or loss and other comprehensive income as Cost of goods sold and administrative expenses, and interest cost on obligation as Finance costs.

The movement in the present value of the defined benefit obligation is as follows:

	2016	2015
Balance at 1 January	**8,723**	**11,072**
Included in profit or loss:		
Current service cost	432	519
Interest cost on obligation	334	393
Included in other comprehensive income:		
Actuarial changes arising from changes in demographic assumptions	-1	-60
Actuarial changes arising from changes in financial assumptions	94	-1,652
Actuarial changes arising from changes in experience adjustments	1	-34
Benefits paid	-694	-406
Translation adjustment	-318	-1,109
Balance at 31 December	**8,571**	**8,723**

in USD '000, except otherwise stated

Significant actuarial assumptions for the determination of defined benefit obligation are: discount rate, estimated salary increase rate and estimated inflation rate. The sensitivity analysis below has been determined based on reasonably possible changes of the respective assumptions occuring at the end of the reporting period, while holding all other assumptions constant:

	Defined benefit obligation charge	
	2016	2015
Discount rate +1%	-314	-789
Discount rate -1%	1.446	865
Estimated salary increase rate +1%	1.429	857
Estimated salary increase rate -1%	-315	-797
Longevity +1 year	488	27
Longevity -1 year	508	50
Employee turnover rate +0.5%	390	-62
Employee turnover rate -0.5%	604	11

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

The Group expects to make a payment of USD 1,069 representing benefits to be paid on its defined benefit obligation during the next financial year.

The weighted average duration of defined benefit obligation is 16.9 years (2015: 16.3 years).

The following information relates to the maturity profile of the defined benefit obligation at 31 December 2016:

Maturity analysis of undiscounted defined benefit payments	Retirement benefits	Death-in-service benefits	Total
Within 1 year	965	104	**1,069**
1 - 2 years	497	111	**608**
2 - 5 years	1,667	380	**2,047**
5 - 10 years	3,746	769	**4,515**
Over 10 years	19,878	3,401	**23,279**

in USD '000, except otherwise stated

23. Deferred income tax

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. Deferred tax assets and liabilities result from temporary differences in the following balance sheet items:

	31 December 2016		31 December 2015	
	Assets	Liabilities	Assets	Liabilities
Property, plant and equipment	8,241	19,844	10,852	20,105
Intangible assets	-	548	-	390
Mineral rights	-	58,064	-	57,408
Land use rights	-12	6,204	15	6,822
Long-term loans receivable granted to subsidiaries	-	53,177	-	49,610
Inventories	2,645	-	3,210	-
Trade receivables and other current assets	6,209	165	5,419	166
Provisions and other liabilities	11,987	436	9,446	942
Gross deferred tax assets / liabilities	**29,070**	**138,438**	**28,942**	**135,443**
Recognition of tax loss carryforwards	119,538	-	116,484	-
Offset of deferred tax assets and liabilities	-21,618	-21,618	-25,009	-25,009
Net deferred tax assets and liabilities as disclosed in the statement of financial position	**126,990**	**116,820**	**120,417**	**110,434**
Net deferred (asset) / liability		**-10,170**		**-9,983**

Deferred tax from tax loss carryforwards relates to the capitalisation of tax losses for those companies where the management believes there will be sufficient taxable profits in the future or sufficient taxable temporary differences against which these fiscal losses could be used.

The future taxable profits have been forecast on the basis subsidiaries business-plans prepared by management. The values assigned to key assumptions and estimates used to measure the taxable profits reflect past experience, are consistent with external sources of information and are based on management's expectations of market development. The main companies for which the deferred tax assets from tax loss carryforwards have been recognised and the main assumptions used in the forecasts are presented in the table below:

	Henan Zhongfu Industrial Co., Ltd.	Henan Zhongfu Aluminium Co. Ltd.	Linfeng Aluminium and Power Co., Ltd.	Alro S.A.
Tax losses capitalised, USD	20,561	8,139	6,954	23,576
Average sales growth	2.82%	2.95%	2.94%	5.73%
Average EBITDA margin	4.02%	6.62%	9.28%	15.11%
Average profit before tax margin	0.60%	1.44%	4.93%	8.35%

The table below shows the amounts by which the tax loss carryforwards recognised as deferred tax assets would decrease at 31 December 2016 following a 1% decrease of each assumption:

	Henan Zhongfu Industrial Co., Ltd.	Henan Zhongfu Aluminium Co. Ltd.	Linfeng Aluminium and Power Co., Ltd.	Alro S.A.
Average sales growth	-20,561	-3,932	-420	-14,915
Average EBITDA margin	-19,887	-7,980	-	-
Average profit before tax margin	-20,561	-8,139	-	-

in USD '000, except otherwise stated

Additionally, an amount of USD 53,342 of tax loss carryforwards (2015: USD 49,443) relates the impairment loss recognised by the Company on the loan granted and other receivables from its subsidiary Everwide Industrial Ltd. considered as a deductible expense in Company-only financial statements, while an amount of USD 53,342 (2015: 49,776) was recognised as deferred tax liabilities in Group consolidated financial statements. Also, an amount of USD 6,966 of tax loss carryforwards (2015: USD 13,116) were recognised mainly by companies in China to offset the taxable temporary differences against which these fiscal losses could be used.

The movements in the net deferred tax (asset) / liability are as follows:

	2016	2015
Balance at 1 January	-9,983	21,609
Charge / (credit) to income statement (Note 7)	16	-33,934
Charge / (credit) to equity	-24	274
Translation adjustment	-179	2,068
Balance at 31 December	**-10,170**	**-9,983**

In the following countries there are unrecognised deferred tax assets from tax loss carryforwards in individual companies, which are not recognised because the entities in which the losses reside are in a cumulative loss position and it is not probable that sufficient taxable profits will be generated by the entities to utilise the tax losses carried forward in the foreseeable future and the Group does not have tax group relief in these countries:

	31 December 2016	31 December 2015
China	95,697	123,145
The Netherlands	771	-
Sierra Leone	18,756	20,208
Ghana	-	530
Total	**115,224**	**143,883**

Tax loss expiring	31 December 2016	31 December 2015
Within 1 year	10,533	17,304
1 - 2 years	17,180	8,300
2 - 5 years	70,923	103,760
More than 5 years	16,588	14,519
Total	**115,224**	**143,883**

Additional to non-recognized deferred tax assets for tax losses, the Group has non-recognized deferred tax assets for deductible temporary differences at the level of certain Chinese subsidiaries in amount of USD 12,671 (2015: USD 14,694). The Group has not recognized these deferred tax assets because it was not assessed as probable that sufficient future taxable profits will be available to utilize the benefits of the deductible temporary differences (see Note 7).

in USD '000, except otherwise stated

24. Trade and other payables

	31 December 2016	31 December 2015
Trade payables	183,699	206,317
Bills of exchange	1,106,928	1,175,133
Liabilities for capital expenditure	72,125	71,728
Customer advances	34,242	75,055
Wages and social security, including taxes	30,854	35,483
Sales and other taxes payable	7,009	6,899
Financial guarantees	5,181	9,624
Other payables	148,966	133,062
Total	**1,589,004**	**1,713,301**

25. Related party transactions

The Group enters, under normal terms of business, into certain transactions with its parent, companies under common control, directors and management. The transactions between the related parties are based on mutual agreements and management considers such transactions to be on an arm's length basis.

The immediate parent of the Group (the "Parent") is Vi Holding N.V. which controls 59.40% of votes of the Company. The ultimate controlling entity in respect of 59.40% of the votes in the Company is Maxon Limited (Bermuda).

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note.

The balances and transactions with related parties are presented below.

Financing from related parties

In 2016 and 2015, the loan from the Parent represents a credit facility granted by Vi Holding N.V. USD 172,000 were drawn down mainly in connection with the financing of capital expenditure in China and the acquisition of Global Aluminium Ltd.

	31 December 2016	31 December 2015
Related party		
Vi Holding N.V.	236,434	221,699
Associates	13,073	48,121
Total borrowings from related parties	**249,507**	**269,820**
Thereof:		
Short-term portion of borrowings	22,102	55,905
Long-term portion of borrowings	227,405	213,915

The borrowing payable to Vi Holding N.V. is subject to interest at LIBOR plus 5.75% and it is repayable in 5 annual installments starting 31 May 2018 and until 31 May 2022.

in USD '000, except otherwise stated

The interest expense related to the above mentioned borrowings was:

Related party	2016	2015
Vi Holding N.V.	14,735	12,853
Associates	2,558	4,243
Total interest expense with related parties	**17,293**	**17,096**

Financing to related parties

Related party	31 December 2016	31 December 2015
Vi Holding N.V.	-	-
Associates	22,756	23,223
Total loans granted to related parties	**22,756**	**23,223**

Long-term loans receivables from associates represent the financing provided to projects which relate to the water supply of the power plants owned by the Group in China. Loans are interest bearing, measured at amortised cost and included under the Long-term loans to related parties in the Consolidated Statement of Financial Position. The loans are neither due, nor impaired.

Interest income related to the loans mentioned above was:

Related party	2016	2015
Vi Holding N.V.	-	-
Associates	1,762	1,312
Total interest income from related parties	**1,762**	**1,312**

The Group provided and purchased goods and services to related parties as follows:

Goods and services provided to related parties	2016	2015
Vi Holding N.V.	198	-
Companies under common control	65	69
Associates	331,600	137,414

Goods and services purchased from related parties	2016	20154
Vi Holding N.V.	-348	-476
Companies under common control	-45,049	-48,151
Associates	-16,959	-19,776
Key management personnel	-	-
Other	-	-

Furthermore, the following balances were outstanding:

Trade and other accounts receivable	31 December 2016	31 December 2015
Vi Holding N.V.	-	-
Companies under common control	530	316
Associates	22,645	49,954
Total	**23,175**	**50,270**

in USD '000, except otherwise stated

Trade and other accounts payable	31 December 2016	31 December 2015
Vi Holding N.V.	529	580
Companies under common control	17	16
Associates	20,126	20,355
Key management personnel	-	-
Other	-	1
Total	**20,672**	**20,952**

Management Compensation

Total compensation of the Group's key management personnel included in "general and administrative expenses" in the Statement of Profit or loss and other comprehensive income:

	2016	2015
Short-term employee benefits	999	3,684
Post-employment benefits	99	122
Total	**1,098**	**3,806**

Key management personnel transactions

A number of key management personnel, or their close family members, hold positions in other companies that result in them having control or significant influence over these companies.

A number of these companies transacted with the Group during the year. The terms and conditions of these transactions were no more favourable than those available, or which might reasonably be expected to be available, in similar transactions with non-key management personnel related companies on an arm's length basis.

The transactions concluded between the Group and these related parties were as follows:

	2016	2015
Entities controlled by key management personnel or their close family members	47	45
Benefits paid to close family members of the key management personnel	-	-
Total	**47**	**45**

26. Acquisitions and disposals of subsidiaries

2016

Set up of new subsidiaries / acquisition of new company

Set up of a new subsidiary Henan Zhongfu Lanxun Technology Co., Ltd.

On 2 February 2016, Henan Zhongfu Industrial Co., Ltd. ("ZF Industrial") and a third party company set up and registered a new subsidiary of the Group, namely Henan Zhongfu Lanxun Technology Co., Ltd. ("ZF Lanxun") for operating the Group's new project - Internet Data Center in Henan China. ZF Industrial and the third party company directly hold equity interest of 85% and 15% respectively in the new company. The Company's effective percentage of shareholding in ZF Lanxun is 43.84%. The contribution of the non-controlling party to the share capital of the new subsidiary amounts to USD 226.

Set up of a new subsidiary Henan Zhongfu Power Sales Co., Ltd.

On 24 February 2016, ZF Industrial set up a new wholly owned subsidiary, namely Henan Zhongfu Power Sales Co., Ltd. ("ZF Power Sales"). The business nature of the company is mainly trading of electricity. The Company's effective percentage of shareholding in ZF Power Sales is 51.57%.

Acquisition of Gongyi City Yunqi Networking Technology Co., Ltd.

On 29 December 2016, the newly set up subsidiary Henan Zhongfu Lanxun Technology Co., Ltd. acquired 100% of Gongyi City Yunqi Networking Technology Co., Ltd. at a consideration of USD 2. The purpose of acquiring this company was for the development of the Group's new project - Internet Data Center. No goodwill arose on acquisition as the consideration payable equaled the fair value of net assets of the acquired company. The Company's effective percentage of shareholding in ZF Power Sales is 43.84%.

Transactions between consolidated entities

On 2 February 2016, Henan Yulian Energy Group Co., Ltd. ("Yulian Energy") acquired 49% of equity interest in Zhengzhou Guangxian Industry and Trade Co., Ltd. ("Guangxian") and 19% of Zhengzhou City Huixiang Coal Industry Co., Ltd. ("Huixiang") from Yulian Coal Industry Group Co., Ltd. ("Yulian Coal") and on 2 February 2016 Yulian Energy acquired 49% of equity interest in Yulian Coal from Henan Zhongfu Industrial Co., Ltd. ("ZF Industrial"). After the transactions, Yulian Energy directly holds Guangxian, Huixiang and Yulian Coal with percentage of 49%, 19% and 49% respectively and the Company's effective percentage of shareholding in these 3 subsidiaries after the change of group structure increased further from 51.57%, 36.10% and 51.57% to 85.02%, 55.99% and 73.72% respectively. No goodwill was recognized on these transactions between consolidated entities and the difference between the consideration transferred and the amount by which the non-controlling interests of the subsidiaries were adjusted was recognised in Equity on the line "Transactions between consolidated entities". The Group recognised a decrease in retained earnings of USD -22,125 with a corresponding increase in non-controlling interests of USD 22,125.

On 26 February 2016, Henan Yulian Coal Industry Group Co., Ltd. ("Yulian Coal") sold its 100% equity interest in Henan Zhongfu Power Co., Ltd. ("ZF Power") to Henan Zhongfu Industrial Co., Ltd. ("ZF Industrial"). After the transaction, ZF Power has become a wholly owned subsidiary of ZF Industrial and the Company's effective percentage of shareholding in ZF Power remains unchanged at 51.57%.

2015

Transactions between consolidated entities

Sale of 3.07% shares in Henan Zhongfu Industrial Co., Ltd. and subsequent repurchase of 0.03%

At 22 January 2015, Henan Yulian Energy Group Co., Ltd. ("Yulian") sold 53,532,552 shares of Henan Zhongfu Industrial Co., Ltd. ("Zhongfu") in open market, thus reducing its equity interest in Zhongfu from 56.33% to 53.26%. Proceeds from disposal amounted to USD 49,371 and the change in ownership interest that did not result in a loss of control over Zhongfu was accounted for as equity transactions (ie transactions with owners in their capacity as owners). Subsequently, on 16 September 2015, Yulian purchased 506,000 shares of Zhongfu on open market for a consideration of USD 336 and after this acquisition, Yulian increased the equity interest in ZF Industrial from 53.26% to 53.29%, i.e., by 0.03%. The difference between the net consideration received of USD 49,035 and the amount by which the non-controlling interest was adjusted of USD 22,196 was recognised directly in equity and the resulting amount of USD 26,839 was attributed to the owners of the parent, i.e. retained earnings. As a result of the sale of shares, the Group's effective shareholding in Zhongfu decreased from 54.52% to 51.57%.

Set up of a new subsidiary Henan Zhongfu Technology Center Co., Ltd.

On 9 September 2015, Henan Zhongfu Industrial Co., Ltd. ("Zhongfu") set up a new wholly owned subsidiary, namely Henan Zhongfu Technology Center Co., Ltd. ("ZF Technology") with registered capital of CNY 20 million. The business nature of this company is research and development of new products and materials, technological design and provision of related technology consulting service. The Company's effective percentage of shareholding in ZF Technology is 51.57%."

Liquidation of subsidiary Vimetco Management GmbH

At 31 December 2015 the Group liquidated its wholly owned subsidiary Vimetco Management GmbH due to no activity of the entity. No gain/(loss) on disposal was recognised as the subsidiary had no signifcant assets or liabilities at the date of its liquidation.

The list of principal subsidiaries is presented in Note 30.

in USD '000, except otherwise stated

Financial information of subsidiaries that have material non-controlling interests is provided below:

					2016
	Alro	**Zhongfu Industrial**	**Yujin Energy Group**	**Huixiang Coal**	**Zhongfu Aluminium Group**
	Romania	**China**	**China**	**China**	**China**
NCI percentage	**12.50%**	**48.43%**	**59.45%**	**44.01%**	**61.84%**
Summarised statement of profit or loss and other comprehensive income:					
Revenue	524,311	2,113,830	29,644	-	169,964
Cost of sales	-452,264	-2,096,805	-23,328	-	-167,886
Administrative expenses	-33,358	-14,027	351	20,196	-4,281
Other income	3,120	1,211	1,507	-	-
Finance costs, net	-22,018	-62,421	-103	-1,105	-292
Result before tax	**19,791**	**-58,212**	**8,071**	**19,091**	**-2,495**
Income tax	-3,221	19,132	-1,665	-6,829	-3,555
Result for the year	**16,570**	**-39,080**	**6,406**	**12,262**	**-6,050**
Total comprehensive income	**6,243**	**-88,008**	**-2,751**	**11,722**	**-10,614**
Attributable to non-controlling interests	780	-42,622	-1,635	6,969	-6,564
Dividends paid to non-controlling interests	-	-	-	-	-
Summarised statement of financial position:					
Non-current assets	293,971	1,463,463	305,584	93,824	50,352
Current assets	262,541	1,275,972	28,608	2,521	45,222
Non-current liabilities	65,649	377,830	44,294	13,725	-
Current liabilities	227,886	1,667,826	153,639	70,606	30,736
Net assets	**262,977**	**693,779**	**136,259**	**12,014**	**64,838**
Attributable to non-controlling interests	32,872	335,997	81,006	5,287	40,096
Summarised cash flow information:					
Operating	34,162	367,226	6,301	1,767	157
Investing	-16,901	-391,736	6,416	-728	138
Financing	21,044	26,597	-6,022	-1,039	-
Net increase/(decrease) in cash and cash equivalents	**38,305**	**2,087**	**6,695**	**-**	**295**

in USD '000, except otherwise stated

					2015
	Alro	**Zhongfu Industrial**	**Dengcao Group**	**Huixiang Coal**	**Zhongfu Aluminium Group**
	Romania	**China**	**China**	**China**	**China**
NCI percentage	**12.50%**	**48.43%**	**71.63%**	**63.90%**	**61.84%**
Summarised statement of profit or loss and other comprehensive income:					
Revenue	573,912	1,466,482	18,318	-	164,117
Cost of sales	-496,004	-1,446,842	-25,039	-	-166,689
Administrative expenses	-41,813	-44,338	-35,636	-75,519	-19,721
Other income	3,175	1,263	177	1	-
Finance costs, net	-44,335	-67,894	-1,357	-70	238
Result before tax	**-5,065**	**-91,329**	**-43,537**	**-75,588**	**-22,055**
Income tax	-936	-9,325	5,291	14,571	3,427
Result for the year	**-6,001**	**-100,654**	**-38,246**	**-61,017**	**-18,628**
Total comprehensive income	**-37,172**	**-151,743**	**-47,315**	**-62,128**	**-23,585**
Attributable to non-controlling interests	-4,647	-73,489	-33,892	-44,502	-14,585
Dividends paid to non-controlling interests	-	-	-	-	-
Summarised statement of financial position:					
Non-current assets	327,277	1,143,021	328,310	76,819	62,549
Current assets	225,214	1,895,752	37,168	4,343	46,639
Non-current liabilities	201,554	313,652	44,680	6,640	6,930
Current liabilities	94,203	1,920,062	181,788	74,230	26,806
Net assets	**256,734**	**805,059**	**139,010**	**292**	**75,452**
Attributable to non-controlling interests	32,092	389,890	99,573	209	46,660
Summarised cash flow information:					
Operating	10,871	45,606	-2,379	779	-5,223
Investing	-14,277	-54,800	-4,065	-1,071	-2,009
Financing	11,131	1,311	6,422	-	7,225
Net increase/(decrease) in cash and cash equivalents	**7,725**	**-7,883**	**-22**	**-292**	**-7**

The information above is the amount before inter-company eliminations.

Total net cash inflow/(outflow) on acquisition/(disposal) of subsidiaries:	**2016**	**2015**
Cash inflows from disposal of subsidiaries	-	49,371
Cash outflows from acquisitions of subsidiaries	-	-336
Net cash inflow on disposal of subsidiaries	**-**	**49,035**

in USD '000, except otherwise stated

27. Risk management

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments to hedge certain risk exposures.

Risk management is carried out by the Treasury departments under policies approved by the Board of Directors. The Treasury departments identify, evaluate and hedge financial risks in close co-operation with the Group's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure so as to reduce the cost of capital.

The capital structure of the Group consists of debt, which includes the borrowings disclosed in Note 20, net of "cash and cash equivalents" as disclosed in Note 18 (i.e. excluding restricted cash) and shareholders' equity.

The Group's management reviews the capital structure on a regular basis. As a part of this review, management considers the cost of capital and the risks associated with each class of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistently with other companies in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including "current and non-current borrowings" as shown in the consolidated statement of financial position) less "cash and cash equivalents". Total capital is calculated as "total shareholders' equity" as shown in the consolidated statement of financial position plus net debt.

	2016	2015
Total borrowings (Note 20)	2,791,665	2,726,685
Less: cash and cash equivalents (Note 18)	-98,388	-43,779
Net debt	**2,693,277**	**2,682,906**
Total shareholders' equity	**239,195**	**242,693**
Total capital	**2,932,472**	**2,925,599**
Gearing ratio	92%	92%

The gearing ratio is significantly affected by the China segment, where the banking sector permits higher indebtness than in the other countries in which the Group develops its business.

Categories of financial instruments

Financial assets	31 December 2016	31 December 2015
Cash and bank balances	718,617	783,369
Fair value through profit or loss (FVTPL)		
Held for trading	-	-
Designated as at FVTPL	159	4,192
Derivative instruments in designated hedge accounting relationships	-	-
Held-to-maturity investments	-	-
Loans and receivables	431,848	421,935
Available-for-sale financial assets	2,616	2,796

in USD '000, except otherwise stated

Financial liabilities	31 December 2016	31 December 2015
Fair value through profit or loss (FVTPL)		
Held for trading	-	-
Designated as at FVTPL	-	-
Derivative instruments in designated hedge accounting relationships	-	-
Amortised cost	4,368,165	4,382,558
Financial guarantee contracts	5,181	9,624

There were no reclassifications between the categories of financial instruments during 2016 and 2015.

Market risk

The Group's activities expose it primarily to the financial risks of changes in commodity prices, foreign currency exchange rates and interest rates. The Group enters into a variety of contracts for derivative financial instruments to manage its exposure to foreign currency risk and market prices, including:
- swaps to manage the commodity price risks associated with sales of aluminium based on the London Metal Exchange price for High Grade Aluminium.
- forward foreign exchange contracts to hedge the exchange rate risk arising on the USD denominated sales;
- commodity options to protect the Group's cash flows from the adverse impact of falling aluminium prices.

Foreign currency risk management

The Group operates internationally and undertakes certain transactions denominated in foreign currencies. Hence, the Group is exposed to foreign exchange risk arising from various currency fluctuations against the functional currencies (RON and CNY), with respect to the currencies of denomination (EUR and USD). Foreign exchange risk arises from future commercial transactions, recognized assets and liabilities and net investments in foreign operations. Exchange rate exposures are managed within approved policy parameters by utilising forward foreign exchange contracts. The Group's risk management policy has been to hedge approximately 50% the of anticipated cash flows (sales and purchases) of its Romanian segment in USD as far as the market allowed this at reasonable costs.

The Group's foreign currency exposure results from:

- highly probable forecast transactions (sales/purchases) denominated in foreign currencies;
- firm commitments denominated in foreign currencies; and
- monetary items (mainly trade receivables, trade payables and borrowings) denominated in foreign currencies.

The carrying amount of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date is as follows:

Currency of denomination	EUR	USD	USD		
Functional currency	**RON**	**RON**	**CNY**	**Other**	**Total**
31 December 2016					
Total monetary assets *	20,955	74,938	99	1,206,279	**1,302,271**
Total monetary liabilities *	48,451	162,056	213,369	3,955,494	**4,379,370**
31 December 2015					
Total monetary assets *	13,260	96,765	102	1,265,869	**1,375,996**
Total monetary liabilities *	12,331	173,108	199,102	4,093,524	**4,478,065**

* They do not include derivative contracts the Group entered into

Foreign currency sensitivity

The Group is mainly exposed to the EUR (in Romania) and the USD (in Romania and China). The following table details the Group's sensitivity as an impact of a 10% decrease in these currencies against the corresponding functional currency. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of a possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% increase in foreign currency rate. The sensitivity analysis includes loans where the denomination of the loan is in a currency other than the functional currency.

in USD '000, except otherwise stated

A depreciation (appreciation) by 10% of the EUR and USD, as indicated below, against the RON and CNY at 31 December would increase (decrease) equity and profit or loss by the amounts shown below (excluding the impact of income tax).

Currency of denomination	EUR	USD	USD
Functional currency	**RON**	**RON**	**CNY**
31 December 2016			
Profit or loss	-2,750 [1)]	-8,712 [2)]	-21,327 [3)]
Other equity	-	-	-
31 December 2015			
Profit or loss	-93 [1)]	-7,634 [2)]	-19,900 [3)]
Other equity	-	-	-

[1)] This is mainly attributable to the exposure outstanding on EUR denominated receivables and trade payables at the end of the period.
[2)] This is mainly attributable to the exposure outstanding on USD denominated receivables and short-term and long-term USD denominated borrowings at the end of the period.
[3)] This is mainly attributable to exposure outstanding on USD denominated financing.

The sensitivity analysis above excludes the impact from the derivatives.

In respect of the derivatives related to Romania segment, a paralel shift of the RON/EUR exchange rate by 10% in the sense of the RON depreciation against EUR would increase the profit or loss account by USD 16, while in the case of appreciation of RON against USD, the profit or loss account would decrease by USD 16 (at 31 December 2015, the RON depreciation against USD would decrease the profit or loss acount by USD 371, while the RON appreciation against USD would increase it by USD 106), excluding the impact of income tax.

Interest rate risk management

As the Group has no significant interest-bearing assets, the Group's income and operating cash flows are substantially independent of changes in market interest rates.

The Group's interest rate risk arises from borrowings. Borrowings received at floating rates expose the Group to cash flow interest rate risk. Borrowings received at fixed rates expose the Group to fair value interest rate risk. The interest rates on the Group's existing credit facilities are based on the London Interbank Offered Rate ("LIBOR") for USD borrowings, on EURIBOR for borrowings in EUR, ROBOR (Romanian Interbank Offered Rate) for RON borrowings and on the Chinese Central Bank Interest Rate for CNY borrowings. The Group maintains a significant part of its long-term interest-bearing liabilities at floating rates if allowed by local legislation.

At 31 December 2016, approximately 63% of the Group's borrowings are at a fixed rate of interest (2015: 55%).

Interest rate sensitivity

The sensitivity analysis below has been determined based on the exposure to interest rates for EUR, USD, RON and CNY denominated borrowings at the balance sheet date and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period in the case of instruments that have floating rates.

If interest rates had been 100 basis points higher/lower and all other variables were held constant, the Group's profit for the year ended 31 December 2016 would decrease/increase by USD 10,328 (2015: USD 12,212) (excluding the impact on income tax).

Commodity price risk

Commodity price risk is the risk that the Group's future earnings will be adversely impacted by changes in the market price of aluminium. The Group's internal policy is to manage the identified commodity price risk by natural hedge when possible and also for a part of the remaining quantity at risk by entering into derivative contracts such as swap agreements and collar transactions on aluminium when market conditions are favourable.

Commodity options

In 2016, for the purpose of protecting its revenues against the volatility of the aluminium price, the Group entered into several transactions with financial institutions consisting of 100% zero-cost collar of Asian options by taking long positions on put options and short positions on call options for a quantity of 54,700 tonnes aluminium, by securing for the respective quantity a minimum price of 1,584 USD/t. The options were settled on a monthly basis during July - December 2016, so that as at 31 December 2016 no option contract was outstanding.

The loss resulting from the settlement of these options recognized in 2016, amounting to USD 1,238 (2015: nil) is included in the Note 6 Finance costs and income under Other financial costs, net.

The options were classified within Level 2 of the fair value measurement hierarchy.

Commodity swap contracts

In 2016, in order to hedge its sales at fixed price from adverse market fluctuations, the Group concluded swap agreements with a highly reputed counterparty for a quantity of approximately 600 tonnes at an average fixed price of 1,430 EUR/t, for which it will receive from the counterparty a floating price valid at the time of sales. The fixed-to-floating swap agreements have settlements during January-February 2017.

The gain of USD 164 from the mark-to-market at 31 December 2016, is presented under *Fair value gains/(losses) from derivative financial instruments in the Statement of Profit or Loss*.

The commodity swaps were classified within Level 2 of the fair value measurement hierarchy.

Embedded derivatives

In 2010, the Group entered into a long-term electricity purchase contract valid until January 2018. The agreed pricing contains an LME-linked price adjustment, and a foreign exchange linked price adjustment, which were not clearly and closely related to the host contract and therefore they represented an embedded derivative which was separated from the host contract and accounted for at fair value through profit or loss. The contract went through more modifications since its initial date (refer to the Financial Statements for 31 December 2015 for further details) and as a consequence the embedded derivative financial instrument consisted of the following, at 31 December 2016:

- a series of monthly forward contracts to sell aluminium at a fixed price denominated in RON, whose notional amounts are determined on the basis of aluminium quantities specified in the host contract;

- a series of monthly long call options on aluminium, corresponding to the maximum energy price and quantity set in the host contract;

- a series of monthly short put options on aluminium, corresponding to the minimum energy price and quantity set in the host contract;

- a series of monthly long call options on energy at the price set in the host contract, with annual exercising dates and monthly settlements during the following year.

For the measurement of the energy call options, the Monte Carlo simulation was used as a valuation method, by using as inputs the following variables: aluminium quotation on the London Metal Exchange, energy prices on the Day Ahead Market, RON/USD exchange rates, the minimum and maximum quantities estimated by the Management to be purchased during the following period.

in USD '000, except otherwise stated

In 2016, the Company exercised its option not to purchase energy for 2017 on the basis of this contract, so that Group and the Company do not have embedded derivatives outstanding at 31 December 2016 (at 31 December 2015: USD 4,192 were outstanding). The loss from the change in fair value of the embedded derivative instrument during the year 2016, amounting to USD 3,158 was debited to the profit or loss account, being presented under "Fair value gains/(losses) from derivative financial instruments", (for the year 2015: a loss of USD 15,635), while an amount of USD 1,128 was debited to the statement of profit or loss as "energy cost" under "Cost of goods sold", being the fair value of the monthly derivative instruments settled during the year (in 2015: the amount of USD 774 was debited). The embedded derivatives were classified within Level 2 of the fair value measurement hierarchy.

Summary of the fair value of derivative financial instruments as at 31 December 2016 and 2015:

Assets	**31 December 2016**	**31 December 2015**
Aluminium swaps	156	-
Embedded derivatives	-	4,192
Total	**156**	**4,192**
Thereof:		
Non-current	-	3,277
Current	156	916

Liabilities	**31 December 2016**	**31 December 2015**
Thereof:	-	-
Non-current	-	-
Current	-	-

The positive fair values of derivatives are classified as assets and the negative fair values as liabilities.

There was no ineffectiveness to be recorded from cash flow hedges for the years ended 31 December 2016 and 2015.

In 2016 and 2015 there were no significant changes in the business or economic circumstances that affect the fair value of the Group's financial assets and financial liabilities, except for the normal volatility of aluminium prices on international markets, and of foreign exchange rates. However, the Group was affected by the Government's scheme to support the green energy in Romania, leading to higher electricity costs.

Although the Group main activity is to sell its products at prevailing market prices, the Group is closely monitoring the market in order to take advantage of any opportunities that may arise to protect its results against the high volatility of commodity prices.

Commodity price sensitivity

As of 31 December 2016, a paralel upward/downward shift of the aluminium forward curve equal to USD 100 per tonne would increase/decrease the profit or loss account by USD 59 (31 December 2015: USD 59/USD 187), excluding the impact on income tax.

Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of concluded transactions is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the Board.

Trade receivables consist of a large number of customers, spread across diverse industries and geographical areas. Ongoing credit evaluation is performed on the financial condition of accounts receivable and, where appropriate, credit risk insurance is required. In

in USD '000, except otherwise stated

Romania, the major part of the receivables are immediately sold to banks by factoring on a non-recourse basis. For promissory notes (the "Notes") received from customers in China, the Group policy is to accept the Notes issued by banks controlled by the government, banks listed on the stock exchanges of China and other reputable banks. For the Group's concentration risk, refer to Note 16.

The maximum exposure to credit risk for derivative assets is their fair value at the reporting date.

Credit risk from balances with banks and financial institutions is managed by treasury departments. Banks accounts are opened with reputable private banks or with State owned banks. Investments of surplus funds are made only with approved counterparties and within credit limits assigned to each counterparty. Counterparty credit limits are reviewed by management on an annual basis, and may be updated throughout the year. The limits are set to minimise the concentration of risks and therefore mitigate the potential for financial loss through counterparty failure. No material exposure is considered to exist by virtue of the possible non performance of the counterparties to financial instruments.

Liquidity risk management

The ultimate responsibility for liquidity risk management rests with the Board of Directors, which has set up an appropriate liquidity risk management framework for the management of the Group's short-, medium- and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. In Note 20 the additional undrawn facilities are provided, which the Group has at its disposal to further reduce liquidity risk.

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay.

2016	within 1 year	1 to 5 years	after 5 years	Total
Borrowings (principal and expected future interest payments)	2,004,064	999,833	29,218	3,033,115
Trade and other monetary payables	1,581,681	-	-	1,581,681
Total	**3,585,745**	**999,833**	**29,218**	**4,614,796**

2015	within 1 year	1 to 5 years	after 5 years	Total
Borrowings (principal and expected future interest payments)	1,896,093	973,673	82,216	2,951,982
Trade and other monetary payables	1,665,497	-	-	1,665,497
Total	**3,561,590**	**973,673**	**82,216**	**4,617,479**

Fair value of financial instruments

The fair values of financial assets and financial liabilities are determined as follows:

• The fair values of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices (includes listed redeemable notes, bills of exchange, debentures and perpetual notes).

• The fair values of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.

• The fair values of derivative instruments are calculated by using quoted prices. Where such prices are not available, the fair value of financial instruments is determined by using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each repoting date. The fair value of forward foreign exchange contracts is determined using forward exchange rates provided by dealers at the reporting date. The fair value of LME forward swap over-the-counter derivatives is determined using LME aluminium quotes for each settlement date provided by dealers.

in USD ‘000, except otherwise stated

• The fair values of financial guarantee contracts are determined by using option pricing models where the main assumptions are the probability of default by the specified counterparty extrapolated from market-based credit information and the amount of loss, given the default.

• The available for sale financial instruments are valued at cost.

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

• Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

• Level 2 fair value measurements are those derived from valuation techniques containing inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

• Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

				31 December 2016
Financial assets	**Level 1**	**Level 2**	**Level 3**	**Total**
Available-for-sale financial assets	**-**	**-**	**-**	**-**
Financial assets at FVTPL				
Aluminium swaps	-	156	-	**156**
Embedded derivatives	-	-	-	**-**
Total	**-**	**156**	**-**	**156**

				31 December 2016
Financial liabilities	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial liabilities at FVTPL				
Aluminium swaps	-	-	-	**-**
Embedded derivatives	-	-	-	**-**
Financial guarantee contracts	-	-	5,181	**5,181**
Total	**-**	**-**	**5,181**	**5,181**

				31 December 2015
Financial assets	**Level 1**	**Level 2**	**Level 3**	**Total**
Available-for-sale financial assets	**-**	**-**	**-**	**-**
Financial assets at FVTPL				
Embedded derivatives	-	4,192	-	**4,192**
Total	**-**	**4,192**	**-**	**4,192**

				31 December 2015
Financial liabilities	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial liabilities at FVTPL				
Aluminium swaps	-	-	-	**-**
Embedded derivatives	-	-	-	**-**
Financial guarantee contracts	-	-	9,624	**9,624**
Total	**-**	**-**	**9,624**	**9,624**

in USD '000, except otherwise stated

Reconciliation of Level 3 fair value measurements of financial assets and liabilities:

2016	Assets		Liabilities	
	Unquoted equities	Unquoted securities	Financial guarantee contracts	Derivative financial liabilities
Opening balance	**-**	**-**	**-9,624**	**-**
Gains/(losses) in profit or loss	-	-	3,998	-
Gains/(losses) in other comprehensive income	-	-	-	-
Purchases	-	-	-	-
Issues	-	-	-	-
Settlements / sale	-	-	-	-
Transfer out of level 3	-	-	-	-
Translation adjustment	-	-	445	-
Total	**-**	**-**	**-5,181**	**-**

2015	Assets		Liabilities	
	Unquoted equities	Unquoted securities	Financial guarantee contracts	Derivative financial liabilities
Opening balance	**-**	**-**	**-2,599**	**-**
Gains/(losses) in profit or loss	-	-	-7,479	-
Gains/(losses) in other comprehensive income	-	-	-	-
Purchases	-	-	-	-
Issues	-	-	-	-
Settlements / sale	-	-	-	-
Transfer out of level 3	-	-	-	-
Translation adjustment	-	-	454	-
Total	**-**	**-**	**-9,624**	**-**

Net losses related to financial guarantee contracts, in amount of USD 3,998 (2015: net gains of USD 7,479) are included in Note 6 *"Finance costs and income"*.

There were no transfers between the levels of the fair value hierarchy used in measuring the fair value of financial instruments.

Directors consider that, except for loans and borrowings, the fair values of financial assets and financial liabilities recognised at amortised cost in the financial statements approximate their carrying amounts largely due to the short term maturities and low transaction costs of these instruments as of financial position date.

The fair value of the following financial assets and liabilities approximate their carrying amount:

- Trade and other receivables;
- Other current financial assets;
- Cash and cash equivalents;
- Trade and other payables.

For loans and borrowings fair value please see Note 20.

28. Commitments and contingencies

Commitments

Investment commitments

The Group has investment commitments associated with certain production and environmental projects. The contracts for these projects require the Group to make certain investments, which are estimated at USD 28,813 as at 31 December 2016 (2015: USD 79,640).

The Group has further investment commitments in China amounting to USD 59,238 (2015: USD 68,713) mainly for power projects with joint ventures. The timing of the cash outflows depends on the progress of the projects.

Raw material and utilities purchase contracts

At 31 December 2015, the Group had various contracts to purchase energy, gas and other materials and consumables amounting to USD 214,539 (2015: USD 244,584).

Operating lease commitments

Operating leases relate to leases of equipment, vehicles and office facilities with lease terms of up to five years. The expense for operating leases in 2016 was USD 1,581 (2015: 3,611). At 31 December 2016, the Group had commitments of USD 1,044 (2015: 708) under non-cancellable operating leases. Of these USD 865 are due within one year (2015: 589).

Contingencies

Litigations

The Group has contingent liabilities in respect of legal claims arising in the ordinary course of business. It is not anticipated that any material liabilities will arise from the contingent liabilities, other than those provided for (Note 21).

In May 2015, the Group was notified of a legal civil action at the Bucharest Court of Law, brought by the energy producer Hidroelectrica S.A. regarding material claims raised for alleged unrealized benefits from the bilateral contract with Alro. In December 2015, the Primary Court rejected a significant part of the claims of the plaintif as being time-barred, and consequently only remaining claims are under discussion, related to a short period from the contract of less than 2 months, which were subsequently dismissed in first instance by the Court in June 2016. Based on Management's best estimate, it is not possible to make a reliable estimation of the outcome of the legal case. Consequently, the Group did not recognize a provision in relation to the legal case at 31 December 2016.

On the other hand, Alro filed cases against the force majeure clause applied by the same energy producer in the years 2011 and 2012, along with a file of the company's deemed claim from the Statement of Affairs in the context of the insolvency procedure of the latter, and the request to reverse the measures applied by the Official Receiver. The case against the force majeure clause applied by the energy producer in 2011, i.e. the claim against its statement of affairs generated by the refusal of the Official Receiver to include in the table of creditors the subsidiary's receivable from the loss incurred as a consequence of the force majeure clause applied by Hidroelectrica in 2011, was rejected by the Primary Court in February 2016. In May 2016 the Court also dismissed the challenge filed against the Official Receiver's declaring force majeure in 2012. Both claims filed by the Company were also dismissed and there were no other ordinary means of appeal.

In 2016, Alro also contested before the Court of Law a decision of the Competition Council that fined the Company by USD 5,302 for an alleged vertical agreement on the energy market, which was firmly challenged by the Company, as well as several Romanian Energy Regulatory Authority ("ANRE") orders regarding the calculation of green certificate quota for the Company's energy consumption in 2015 and regarding the quota settlement methodology. The disputes are ongoing before the competent Courts of Law (Note 21).

Currently, two of the Group’s subsidiaries in China are involved in a legal case defending an action brought by a business partner who is claiming damages in respect of a business developed in the past together with the respective partner. In May 2016, a decision for settlement was issued by the local High Court but an appeal is in progress with the Supreme Court. The Management could not make a reliable estimation of the outcome of the legal case. Consequently, no provision was booked with respect to this legal case at 31 December 2016.

Taxation

The taxation system in Romania is undergoing a phase of continuous development and harmonisation with the EU regulations. Thus, it is subject to various interpretations and constant changes which may sometimes be retroactive. In some circumstances, the fiscal authorities may treat some aspects in a different way by calculating additional taxes, interest and penalties, which can be significant.

The management considers that the tax liabilities included in these financial statements are adequate.

29. Events after the Reporting Period

Vimetco

On 27 March 2017, the Board of Directors of Vimetco NV proposed to seek a cancellation of the listing of its GDRs on the standard segment of the Official List and to trading on the London Stock Exchange’s Main Market, subject to approval by Shareholders at an extraordinary general meeting to be held on 8 May 2017. Please refer also to the Share Capital section of the Corporate Governance chapter in the Annual Report 2016.

Romania

In the first two months of 2017, purchase committments of USD 48,721 thousand at 31 December 2016 were cancelled by two of the Company suppliers that did not perform their contractual obligations. At the date of these financial statements, the Company had its necessary materials supply assured again with contracts for the whole year 2017.

China

On 19 January 2017, the Board of Directors of Henan Zhongfu Industrial Co., Ltd. (“ZF Industrial”) made an announcement that the Board approved the 4th revised proposal of private placement of shares (in total of 553,602,806 shares) to 6 target investors at a price of CNY 5.69 per share for CNY 3,150 million. The fund is planned to spend on the investment of Internet Data Center project (i.e. CNY 1,900 million) and the repayment of the Group’s borrowings (i.e. CNY 1,250 million). In accordance with the revised proposal, Henan Yulian Energy Group Co., Ltd. (“Yulian Energy”) will participate in this subscription of 158,172,231 shares. After the subscription, Yulian Energy percentage of interest holding in ZF Industrial will be reduced directly by 5.96% from 53.29% to 47.33%. The Company’s effective percentage of shareholding in ZF Industrial will be reduced from 51.57% to 45.80%. In addition, local top management of ZF Industrial and Yulian Energy will establish a private partnership to participate in this subscription for shares through 79,086,115 shares.

In February 2017, Shanghai Xinfu Industry Development Co., Ltd. (“SHXF”), a subsidiary of the Company had a dispute of bill recourse with three third parties and took legal action by filing a lawsuit against them in the People's Court of Pudong District of Shanghai to recover the amount of CNY 20 million the parties owed to SHXF, and claim interest on the overdue payment from 1 February 2017 to the date of settlement. The case is still ongoing and no judgement has been given by the court at the date of this report.

On 23 March 2017, ZF Industrial entered into a share transfer agreement with an independent third party company (the “Seller”), pursuant to which ZF Industrial agreed to purchase and the Seller agreed to sell 11.77% equity interest of Henan Zhongfu Anodes Carbon Co., Ltd. (“ZF Anodes”) at a cash consideration of CNY 14,455 thousand. After the acquisition, ZF Industrial directly holds ZF Anodes of 95.29% and the Company’s effective percentage of shareholding in this subsidiary increased further from 43.08% to 49.15%.

In March 2017, Henan Zhongfu Industrial Co., Ltd. (“ZF Industrial”), a subsidiary of the Company took legal action by filing a lawsuit in the Gongyi City People’s Court against three third parties claiming the payment of debt totaling CNY 18.8 million plus interest according to the loan contract. The case is still ongoing and no judgement has been given by the court at the date of this report.

in USD '000, except otherwise stated

30. Companies in the Vimetco Group

The companies in the Vimetco Group at 31 December 2016 and 2015, classified by segment, are as follows:

	2016		2015	
	shareholding	votes 6)	shareholding	votes 6)
China				
Datang Gongyi Power Generation Co., Ltd.	47.42%	49.00%	47.42%	49.00%
Datang Linzhou Thermal Power Co., Ltd.	16.13%	20.00%	16.13%	20.00%
Dengfeng City Chenlou Yisan Coal Mine Co., Ltd.	73.72%	100.00%	51.57%	100.00%
Dengfeng City Jinxing Coal Mine Co., Ltd.	40.55%	100.00%	28.37%	100.00%
Everwide Industrial Ltd.	100.00%	100.00%	100.00%	100.00%
Gongyi City Xing Cun Coal Mine Co., Ltd.	27.28%	37.00%	19.08%	37.00%
Gongyi City Shang Zhuang Coal Mine Co., Ltd.	29.49%	40.00%	20.63%	40.00%
Gongyi City Yunqi Networking Technology Co., Ltd. 1)	43.84%	100.00%	0.00%	0.00%
Henan Yellow River Heluo Branch Water Supply Co., Ltd.	22.69%	44.00%	22.69%	44.00%
Henan Yinhu Aluminium Co., Ltd.	51.57%	100.00%	51.57%	100.00%
Henan Yonglian Coal Industry Co., Ltd.	23.21%	45.00%	23.21%	45.00%
Henan Yulian Energy Group Co., Ltd.	96.78%	96.78%	96.78%	96.78%
Henan Yulian Coal Industry Group Co., Ltd.	73.72%	100.00%	51.57%	100.00%
Henan Zhongfu Aluminium Alloy Co., Ltd.	38.16%	100.00%	38.16%	100.00%
Henan Zhongfu Aluminium Co., Ltd.	73.72%	100.00%	73.72%	100.00%
Henan Zhongfu Anodes Carbon Co., Ltd.	43.08%	83.53%	43.08%	83.53%
Henan Zhongfu Industrial Co., Ltd.	51.57%	53.29%	51.57%	53.29%
Henan Zhongfu Lanxun Technology Company Ltd. 2)	43.84%	85.00%	0.00%	0.00%
Henan Zhongfu Power Co., Ltd.	51.57%	100.00%	51.57%	100.00%
Henan Zhongfu Power Sales Co., Ltd. 3)	51.57%	100.00%	0.00%	0.00%
Henan Zhongfu Specialized Aluminium Product Co., Ltd.	38.16%	73.99%	38.16%	73.99%
Henan Zhongfu Technology Center Co., Ltd.	51.57%	100.00%	51.57%	100.00%
Henan Zhongfu Thermal Power Co., Ltd.	25.27%	49.00%	25.27%	49.00%
Linzhou Jinhe Electrical Power Equipment Co., Ltd.	41.13%	51.00%	41.13%	51.00%
Linzhou Linfeng Aluminium and Power Co., Ltd.	80.64%	100.00%	80.64%	100.00%
Anyang Gao Jing Aluminium Product Co. Ltd 4)	80.64%	100.00%	80.64%	100.00%
Shanghai Xinfu Industry Development Co. Ltd.	46.42%	90.00%	46.42%	90.00%
Shanghai Bao Shuo Trading Co. Ltd.	10.31%	20.00%	10.31%	20.00%
Shenzhen OK (OUKAI) Industry Development Co., Ltd.	51.57%	100.00%	51.57%	100.00%
Yichuan County Jinyao Coal Mine Co., Ltd.	40.55%	100.00%	28.37%	100.00%
Zhengzhou City Yujin Energy Co., Ltd. 5)	40.55%	55.00%	28.37%	55.00%
Zhengzhou City Huixiang Coal Industry Co., Ltd.	55.99%	70.00%	36.10%	70.00%
Zhengzhou Dengcao Enterprise Group Jinling Coal Mine Co., Ltd.	40.55%	100.00%	28.37%	100.00%
Zhengzhou Guangxian Industry and Trade Co., Ltd.	85.02%	100.00%	51.57%	100.00%

1) The company was newly acquired and transfered to our Group on 29 Dec 2016.

2) The company was newly established on 2 Feb 2016.

3) The company was newly established on 24 Feb 2016.

4) Formerly named as Linzhou Linfeng Aluminium Product Co., Ltd.

5) Formerly named as Zhengzhou City Dengcao Investment Co., Ltd.

6) For this purpose, the voting rights reported are those of the immediate parent company or companies, where the immediate parent company or companies are, themselves, controlled by Vimetco Group. Consequently, the voting rights reported above may differ significantly from the effective shareholding. Companies in which the voting rights as reported above are greater than 50% are fully consolidated, even if the effective shareholding is less than 50%, since the Vimetco Group is deemed to have control over them.

in USD '000, except otherwise stated

	2016		2015	
	shareholding	votes [6)]	shareholding	votes [6)]
Romania				
Alro S.A.	87.50%	87.97%	87.50%	87.97%
Alum S.A.	86.98%	99.40%	86.98%	99.40%
Conef S.A.	87.47%	99.97%	87.47%	99.97%
Vimetco Extrusion S.R.L	87.50%	100.00%	87.50%	100.00%
Vimetco Management Romania S.R.L	100.00%	100.00%	100.00%	100.00%
Vimetco Power Romania S.R.L	100.00%	100.00%	100.00%	100.00%
Vimetco Trading S.R.L	100.00%	100.00%	100.00%	100.00%

	2016		2015	
	shareholding	votes [6)]	shareholding	votes [6)]
Sierra Leone				
Bauxite Marketing Ltd.	86.98%	100.00%	86.98%	100.00%
Global Aluminium Ltd.	86.98%	100.00%	86.98%	100.00%
Sierra Mineral Holdings I, Ltd.	86.98%	100.00%	86.98%	100.00%

	2016		2015	
	shareholding	votes [6)]	shareholding	votes [6)]
Corporate and other				
Vimetco N.V.	n/a	n/a	n/a	n/a
Vimetco Ghana (Bauxite) Ltd.	100.00%	100.00%	100.00%	100.00%

[6)] For this purpose, the voting rights reported are those of the immediate parent company or companies, where the immediate parent company or companies are, themselves, controlled by Vimetco Group. Consequently, the voting rights reported above may differ significantly from the effective shareholding. Companies in which the voting rights as reported above are greater than 50% are fully consolidated, even if the effective shareholding is less than 50%, since the Vimetco Group is deemed to have control over them.

Company-only Financial Statements

Company-only Income Statement

Company-only Income Statement for the year ended 31 December			in USD '000
	Note	**2016**	**2015**
General and administrative expenses	3	-3,160	-2,693
Other income		854	667
Other expenses		-288	-414
Operating result		**-2,594**	**-2,440**
Finance costs	5	-15,547	-15,158
Finance income	9	13,719	13,283
Foreign exchange gain/(loss)		5	-2,148
Loss before income taxes		**-4,417**	**-6,463**
Income tax		333	1,616
Company-only result after tax		**-4,084**	**-4,847**
Share of net result of group companies	6	-1,491	-165,813
Profit/(loss) for the year		**-5,575**	**-170,660**

In 2016 and 2015, the share of negative net assets of Everwide exceeded the overall exposure of Vimetco in the subsidiary, which includes the value of investment, loans and receivables. Since the value of the investment using the (net) Equity method cannot be valued below nil and the parent has no legal or constructive obligation to cover the negative net assets or pay-off subsidiary's obligation, the changes in the excess negative equity was credited to the share of net result of group companies (see also Note 6). As the result, there is a difference of USD 2,789 (2015: USD 96,189) between the company-only and consolidated profit/(loss) for the year.

Company-only Statement of Financial Position

Company-only Statement of Financial Position as at 31 December
Before appropriation of current year result

in USD '000

	Note	2016	2015
Assets			
Non-current assets			
Intangible fixed assets:			
Goodwill	7	38,716	40,649
Property, plant and equipment		9	-
Financial fixed assets:			
Investments	8	181,403	173,964
Loans to Group companies	9	572	6,449
Accrued income from Group companies	10	292	2,086
Total non-current assets		**220,992**	**223,148**
Current assets			
Other receivables	11	82	1,048
Prepaid expenses		33	135
Restricted cash		-	1
Cash and cash equivalents		153	143
Total current assets		**268**	**1,327**
Total assets		**221,260**	**224,475**

Company-only Statement of Financial Position

Company-only Statement of Financial Position as at 31 December
Before appropriation of current year result

in USD '000

Shareholders' equity and liabilities	Note	2016	2015
Shareholders' equity			
Share capital	12	23,080	23,938
Share premium		348,568	348,568
Other reserves		44,813	51,241
Retained earnings / (accumulated deficit)		-440,731	-270,929
Profit / (loss) for the year		-5,575	-170,660
Total shareholders' equity		**-29,845**	**-17,842**
Non-current liabilities			
Loans from Group companies	13	10,845	7,500
Interest payable on loans from Group companies	13	1,247	500
Loan from shareholder	14	172,000	172,000
Interest payable on loan from shareholder	14	55,405	41,915
Other non-current liability		-	333
Total non-current liabilities		**239,497**	**222,248**
Current liabilities			
Current portion of loan from credit institutions	15	-	10,200
Interest payable		9,029	7,931
Accrued expenses		722	634
Accounts payable	11	920	575
Other payables	11	937	729
Total current liabilities		**11,608**	**20,069**
Total liabilities		**251,105**	**242,317**
Total shareholders' equity and liabilities		**221,260**	**224,475**

Company-only Statement of Changes in Shareholders' Equity

Company-only Statement of Changes in Shareholders' Equity in USD '000

	Share capital	Share premium
Balance at 1 January 2015	**26,679**	**348,568**
Appropriation of prior year result	-	-
Change in non-controlling share of net assets	-	-
Gains from cash flow hedges	-	-
Remeasurements of post-employment benefit obligations	-	-
Net loss for the year	-	-
Translation adjustment	-2,741	-
Balance at 31 December 2015	**23,938**	**348,568**
Appropriation of prior year result	-	-
Change in non-controlling share of net assets	-	-
Gains from cash flow hedges	-	-
Remeasurements of post-employment benefit obligations	-	-
Net loss for the year	-	-
Translation adjustment	-858	-
Balance at 31 December 2016	**23,080**	**348,568**

The "translation reserve" comprises foreign currency differences arising from the translation of the financial statements of foreign operations of the Group.

The "legal reserve participations" comprises reserves that are not immediately available for distribution since it includes retained earnings of subsidiaries which are subject to certain legal restrictions subject to tax before they can be distributed to Vimetco N.V.

The "accumulated deficit" comprise retained earnings of Vimetco N.V. available for distribution to the shareholders of Vimetco N.V. excluding Vimetco N.V.'s result of the current year.

in USD '000

Translation reserve	Legal reserve participations	Total other reserves	Accumulated deficit	Profit/(loss) for the year	Total shareholders' equity
-37,302	**82,224**	**44,922**	**-117,784**	**-155,886**	**146,499**
-	-	-	-155,886	155,886	-
-	26,839	26,839	-	-	26,839
-	-	-	-	-	-
-	1,371	1,371	-	-	1,371
-	-	-	-	-170,660	-170,660
-21,891	-	-21,891	2,741	-	-21,891
-59,193	**110,434**	**51,241**	**-270,929**	**-170,660**	**-17,842**
-	-	-	-170,660	170,660	-
-	-22,125	-22,125	-	-	-22,125
-	-	-	-	-	-
-	-60	-60	-	-	-60
-	-	-	-	-5,575	-5,575
15,757	-	15,757	858	-	15,757
-43,436	**88,249**	**44,813**	**-440,731**	**-5,575**	**-29,845**

There is no equity available for distribution to the shareholders of Vimetco N.V. as at 31 December 2016 (2015: nil).

In 2016 and 2015, the share of negative net assets of Everwide exceeded the overall exposure of Vimetco in the subsidiary, which includes the value of investment, loans and receivables. Since the value of the investment using the (net) Equity method cannot be valued below nil and the parent has no legal or constructive obligation to cover the negative net assets or pay-off subsidiary's obligation, the excess negative equity was credited to the share of net result of group companies (see also Note 6). As the result, there is a difference of USD 98,978 (2015: USD 96,189) between the company-only and consolidated Shareholder's Equity.

Notes to the Company-only Financial Statements

1. General

Reference is made to the description of the business and other general affairs in Note 1 to the Consolidated Financial Statements of Vimetco N.V. and its subsidiaries.

The Company is registered in the commercial register of Dutch Chamber of Commerce in accordance with Article 9, section A of the Trade Register Act 2007, under the registration number KvK 34169722.

2. Basis of preparation and accounting policies

General accounting principles

The parent company financial statements of Vimetco N.V. have been prepared in accordance with Part 9, Book 2 of the Netherlands Civil Code.

In accordance with subsection 8 of section 362, Book 2 of the Netherlands Civil Code, the measurement principles applied in these parent company financial statements are the same as those applied in the consolidated financial statements, which were prepared in accordance with IFRS as adopted by the European Union (see Note 2 to the consolidated financial statements), except for the accounting principles for subsidiaries. These are accounted for in accordance with principles as disclosed below.

Investments in subsidiaries

Investments in subsidiaries are valued using the net equity value method. Under this method, the subsidiaries are carried at the Group's share in their net asset value plus its share in the results of the subsidiaries and its share of changes recognized directly in the equity of the subsidiaries as from the acquisition date, determined in accordance with the accounting policies disclosed in these financial statements, less its share in the dividend distributions from the subsidiaries. The Group's share in the results of the subsidiaries is recognized in the profit and loss account. If and to the extent the distribution of profits is subject to restrictions, these are included in a legal reserve. The Company's share in direct equity increases and decreases of participating interests is also included in the legal reserve.

If the value of the subsidiaries under the net equity value method has become nil, this method is no longer applied, with the subsidiaries being valued at nil if the circumstances are unchanged. In connection with this, any interests that, in substance, form part of the Company's net investment in the subsidiary, are included. A provision is formed if and to the extent the company assumes all or part of the debts of the subsidiary or if it has a constructive obligation to enable the subsidiary to repay its debts.

Goodwill paid upon acquisition of an investment in associate is excluded from the net equity value of the investment and is shown separately on the face of the statement of financial position.

in USD '000 except where otherwise mentioned

3. General and administrative expenses

	2016	2015
Personnel costs	452	428
Audit	936	949
Consulting	525	124
Third-party services	313	173
Insurance	137	137
Travelling	159	144
Vimetco Ghana (Bauxite) Ltd.	638	738
Total	**3,160**	**2,693**

Five employees, excluding directors, served the Company during the year ended 31 December 2016 and five employees during the year ended 2015. For the details of directors' remuneration on Group level see Note 16.

4. Auditor's remuneration

The Company incurred expenses for services in connection with the audit of the Consolidated and Company-only Financial Statements (including audit fees paid by Vimetco N.V. for subsidiaries in China):

2016	**Dutch audit firm 2: 382a Dutch Civil Code**	**Other network firm**	**Total**
Statutory audit	102	834	**936**
Other audit services	-	267	**267**
Non-audit services	-	8	**8**
Total	**102**	**1,109**	**1,211**

2015	**Dutch audit firm 2: 382a Dutch Civil Code**	**Other network firm**	**Total**
Statutory audit	102	847	**949**
Other audit services	-	266	**266**
Non-audit services	-	9	**9**
Total	**102**	**1,122**	**1,224**

in USD '000 except where otherwise mentioned

5. Finance costs

	2016	2015
Interest expense on loan from Global Aluminium Ltd (Note 13)	747	431
Interest expense on loan from Vi Holding N.V. (Note 14)	14,735	12,854
Interest expense on loan from credit institutions (Note 15)	56	1,861
Other finance costs	9	12
Total finance costs	**15,547**	**15,158**

6. Share in the results of group companies

	2016	2015
Alro S.A. (including shares held by its subsidiary Conef S.A.)	15,431	-30
Everwide Industrial Ltd.	-16,793	-165,835
Vimetco Management Romania S.R.L.	60	319
Vimetco Power Romania S.R.L.	-47	-425
Vimetco Trading S.R.L.	45	496
Vimetco Ghana (Bauxite) Ltd.	-187	-338
Balance at 31 December	**-1,491**	**-165,813**

In 2016 and 2015, the share of negative net assets of Everwide exceeded the overall exposure of Vimetco in the subsidiary, which includes the value of investment, loans and receivables. Since the value of the investment using the (net) Equity method cannot be valued below nil and the parent has no legal or constructive obligation to cover the negative net assets or pay-off subsidiary's obligation, the investment in Everwide was credited by the difference between the share of negative net assets and overall exposure in the subsidiary in amount of USD 98,978 (2015: USD 96,189), see also Note 8. The share in the net loss of Everwide Industrial Ltd. as reported by the subsidiary in its consolidated financial result was decreased in 2016 by USD 2,789 (2015: decreased by USD 96,189) by the change in the amount of excess negative equity of USD 98,978 at 31 December 2016 as compared to the amount of USD 96,189 at 31 December 2015.

7. Goodwill

The movements in goodwill are as follows:

	2016	2015
Balance at 1 January	40,649	44,666
Translation adjustment	-1,933	-4,017
Balance at 31 December	**38,716**	**40,649**

The goodwill is attributable to the following group companies:

	31 December 2016	31 December 2015
Alro S.A.	23,092	23,959
Everwide Industrial Ltd.	15,624	16,690
Total	**38,716**	**40,649**

In 2016 the goodwill allocated to Romania and China was tested for impairment and no impairment resulted form this assessment (see Note 11 to the consolidated financial statements).

in USD '000 except where otherwise mentioned

8. Investments

As of 31 December 2016 and 31 December 2015, the Company has investments in the following companies:

Company	Registered in	Controlled share in issued capital 2016	Controlled share in issued capital 2015
Alro S.A. (including shares held by its subsidiary Conef S.A.)	Romania	87.97%	87.97%
Everwide Industrial Ltd.	British Virgin Islands	100.00%	100.00%
Vimetco Management GmbH[1)]	Switzerland	0.00%	0.00%
Vimetco Management Romania S.R.L.	Romania	99.00%	99.00%
Vimetco Power Romania S.R.L.	Romania	99.00%	99.00%
Vimetco Trading S.R.L.	Romania	99.00%	99.00%
Vimetco Ghana (Bauxite) Ltd.	Ghana	100.00%	100.00%

The movement in investments in subsidiaries is as follows:

	2016	2015
Balance at 1 January	173,964	199,864
Dilution loss from changes in non-controlling share of net assets	-22,125	26,839
Gain (loss) from liquidation of Vimetco Management GmbH	-	-76
Remeasurements of post-employment benefit obligations at Alro S.A.	-60	1,371
Dividend received	-861	-554
Translation adjustment	17,690	-17,874
Impairment charge / (reversal) on loans and receivables from Everwide Industrial Ltd.	14,265	129,573
Impairment charge / (reversal) on loan to Vimetco Power Romania S.R.L.	21	634
Share in result of group companies	-1,491	-165,813
Balance at 31 December	**181,403**	**173,964**

[1)] *Liquidation of subsidiary Vimetco Management GmbH*

At 31 December 2015 the Group liquidated its wholly owned subsidiary Vimetco Management GmbH due to no activity of the entity.

Additional impairment on the loans and receivables from Everwide Industrial Ltd. was recognised in 2016 for the negative net equity value of investment in Everwide, thus bringing the investment value to nil. Overall, the Company recognised impairment on loan granted to Everwide in amount of USD 182,141 (2015: USD 181,479) (Note 9), on accumulated accrued interest of USD 30,566 (2015: USD 16,961) (Note 10), on other receivables from Everwide of USD 661 (2015: USD 662) (Note 11). No impairment was recognised on the goodwill allocated to China as the result of the impairment test (see Note 11 to the consolidated financial statements).

The reconciliation between the share of net assets of Everwide Industrial Ltd. and the investment value in 2016 and 2015 is as follows:

	2016	2015
Share of net assets at 1 January	-295,291	-69,529
Share in result of Everwide Industrial Ltd.	-19,581	-262,024
Dilution loss from changes in non-controlling share of net assets	-22,125	26,839
Translation adjustment	24,652	9,423
Accumulated impairment on loans (Note 9)	182,141	181,479
Accumulated impairment on accrued interest (Note 10)	30,566	16,961
Accumulated impairment on other receivables (Note 11)	661	662
Excess of share of negative net assets over loans and receivables	98,977	96,189
Balance of investment at 31 December	**-**	**-**

in USD '000 except where otherwise mentioned

9. Loans to Group companies

The movement in loans to Group companies in 2016 was as follows:

Long-term loans	31 December 2015	Disbursement	Repayment	Impairment charge	Capitalised in equity	31 December 2016
Loan to Everwide Industrial Ltd.	181,479	662	-	-	-	182,141
Impairment recognised on loan to Everwide Industrial Ltd.	-181,479	-	-	-662	-	-182,141
Loan to Vimetco Ghana (Bauxite) Ltd.	2,019	-	-	-	-	2,019
Impairment recognized on loan to Vimetco Ghana (Bauxite) Ltd.	-2,019	-	-	-	-	-2,019
Loan to Vimetco Power Romania S.R.L.	1,083	144	-	-	-	1,227
Impairment recognised on loan to Vimetco Power Romania S.R.L.	-634	-	-	-21	-	-655
Loan to Alro S.A.	6,000	-	-6,000	-	-	-
Loan to Vimetco Management GmbH	-		-	-	-	-
Total long-term loans	**6,449**	**806**	**-6,000**	**-683**	**-**	**572**

The movement in loans to Group companies in 2015 was as follows:

Long-term loans	31 December 2014	Disbursement	Repayment	Impairment reversal	Capitalised in equity	31 December 2015
Loan to Everwide Industrial Ltd.	180,749	730	-	-	-	181,479
Impairment recognised on loan to Everwide Industrial Ltd.	-69,529	-	-	-111,950	-	-181,479
Loan to Vimetco Ghana (Bauxite) Ltd.	2,019	-	-	-	-	2,019
Impairment recognized on loan to Vimetco Ghana (Bauxite) Ltd.	-2,019	-	-	-	-	-2,019
Loan to Vimetco Power Romania S.R.L.	1,045	38	-	-	-	1,083
Impairment recognised on loan to Vimetco Power Romania S.R.L.	-	-	-	-634	-	-634
Loan to Alro S.A.	6,000	-	-	-	-	6,000
Loan to Vimetco Management GmbH	15		-	-15	-	-
Total long-term loans	**118,280**	**768**	**-**	**-112,599**	**-**	**6,449**

Long-term loans include one loan in USD granted to Everwide Industrial Ltd., one loan in USD granted to Vimetco Ghana (Bauxite) Ltd. and one loan granted in USD to Vimetco Power Romania S.R.L. All these loans are not secured and bear interest rates as follows:

- Everwide Industrial Ltd. loan A: 6M LIBOR plus 6%;
- Vimetco Power: 12M LIBOR plus 5%;
- Vimetco Ghana (Bauxite) Ltd.: 5%.

The repayment date of loan granted to Everwide Industrial Ltd. is as follows: 18% on 31 May 2018, 20% on 31 May 2019, 20% on 31 May 2020, 20% on 31 May 2021 and 22% on 31 May 2022.

Additional impairment on the loan granted to Everwide Industrial Ltd. in amount of USD 662 was recognised in 2016 (2015: USD 111,950).

in USD '000 except where otherwise mentioned

Vimetco N.V. recognised an impairment on the loan granted to Vimetco Ghana (Bauxite) Ltd. in amount of USD 2,019 (2015: 2,019) due to the uncertainty related to the future development of the project in Ghana.

The Company also recognised an impairment in amount of USD 655 (2015: USD 634) on the loan granted to Vimetco Power Romania S.R.L. equal to the negative net equity value of investment, thus bringing the investment value to nil.

The long-term loan granted to Alro in amount of USD 6,000 as at 31 December 2015 was collected in full in January 2016.

Interest income on loans to Group companies in 2016 and 2015 was as follows:

	2016	2015
Interest income from Everwide Industrial Ltd.	13,605	11,932
Interest income from Alro S.A.	32	1,282
Interest income from Vimetco Power Romania S.R.L.	82	69
Total interest income	**13,719**	**13,283**

10. Accrued income

Accrued income from Group companies represent interest accrued for the loans granted to Group companies.

The movement in accrued income in 2016 was as follows:

	31 December 2015	Accrual	Repayment	Impairment	Capitalised in equity	31 December 2016
Accrued income from Group companies, long-term						
Accrued interest on loan to Everwide Industrial Ltd.	16,961	13,605	-	-	-	30,566
Impairment on accrued interest on loan to Everwide Industrial Ltd.	-16,961	-	-	-13,605	-	-30,566
Accrued interest on loan to Vimetco Ghana (Bauxite) Ltd.	102	-	-	-	-	102
Impairment on accrued interest on loan to Vimetco Ghana (Bauxite) Ltd.	-102	-	-	-	-	-102
Accrued interest on loan to Vimetco Power Romania S.R.L.	210	82	-	-	-	292
Accrued interest on loan to Alro S.A.	1,876	32	-1,908	-	-	-
Total long-term loans	**2,086**	**13,719**	**-1,908**	**-13,605**	**-**	**292**

in USD '000 except where otherwise mentioned

The movement in accrued income in 2015 was as follows:

	31 December 2014	Accrual	Repayment	Impairment	Capitalised in equity	31 December 2015
Accrued income from Group companies, long-term						
Accrued interest on loan to Everwide Industrial Ltd.	5,029	11,932	-		-	16,961
Impairment on accrued interest on loan to Everwide Industrial Ltd.	-	-	-	-16,961	-	-16,961
Accrued interest on loan to Vimetco Ghana (Bauxite) Ltd.	102	-	-	-	-	102
Impairment on accrued interest on loan to Vimetco Ghana (Bauxite) Ltd.	-102	-	-	-	-	-102
Accrued interest on loan to Vimetco Power Romania S.R.L.	141	69	-	-	-	210
Accrued interest on loan to Alro S.A.	5,575	737	-4,436	-	-	1,876
Total long-term loans	**10,745**	**12,738**	**-4,436**	**-16,961**	**-**	**2,086**

The accrued interest receivable from Group companies is capitalised on the principal amounts of loans and receivable in a period more than 1 year.

Vimetco N.V. recognised an impairment on the loan granted to Everwide Industrial Ltd. (for details see Note 9) for the value of the negative net asset of investment in Everwide. As the value of negative net asset of investment exceed the value of the loan, additional provision in amount of USD 13,605 was recognised for the accumulated interest accrued on loan to Everwide Industrial Ltd. (2015: USD 16,961).

11. Receivables and payables

	31 December 2016	31 December 2015
Other receivables		
Third parties	82	26
Group companies	-	1,022
Total	**82**	**1,048**

Accounts payable	31 December 2016	31 December 2015
Third parties	475	15
Shareholder (Vi Holding N.V.)	445	560
Total	**920**	**575**

Other payables	31 December 2016	31 December 2015
Third parties	2	46
Group companies	935	683
Total	**937**	**729**

Other receivables from group companies in amount of USD 1,022 as at 31 December 2015 represent the dividends receivable from Alro related to 2011 distributions. The amount was collected in full in January 2016.

Other receivables from group companies also include an amount of USD 661 (2015: USD 662) receivable from Everwide, fully impaired because the value of negative net asset of investment exceed the value of the loans and receivables due from the subsidiary (for details see Note 8).

12. Share capital and share premium

The authorised share capital consists of 800,000,000 (2015: 800,000,000) common shares. All shares have a par value of EUR 0.10.

As of 31 December 2016 and 2015, the total issued and paid-in shares amount to 219,484,720. The share capital amounts to EUR 21,948,472 and is translated at the closing currency rate of each reporting period.

In 2016 and 2015, the share of negative net assets of Everwide exceeded the overall exposure of Vimetco in the subsidiary, which includes the value of investment, loans and receivables. Since the value of the investment using the (net) Equity method cannot be valued below nil and the parent has no legal or constructive obligation to cover the negative net assets or pay-off subsidiary's obligation, the excess negative equity was credited to the share of net result of group companies (see also Note 6). As the result, there is a difference of USD 93,238 (2015: USD 96,189) between the company-only and consolidated shareholders' equity.

13. Loan from credit institutions

In 2014, the Company concluded a loan agreement with the Group company Global Aluminium Ltd. for an amount of USD 6,000. At 31 August 2015 an addendum was signed and the limit of the loan was increased to USD 8,700, of which USD 7,500 were drawn down as at 31 December 2015. At 27 June 2016 another addendum was signed and the limit of the loan was increased to USD 11,700, of which USD 10,845 were drawn down as at 31 December 2016. The purpose of the loan is the replenishment of cash and working capital, has the maturity in July 2019 and the interest is calculated at 12M LIBOR + 6.25%. The accrued interest for the loan at 31 December 2016 was of USD 1,247 (at 31 December 2015: USD 500).

14. Loan from Group companies

In 2016 and 2015, the loan from the shareholder is related to a credit facility granted by Vi Holding N.V. for a maximum amount of USD 250,000. USD 172,000 were drawn down mainly in connection with the financing of capital expenditure in China and the acquisition of Global Aluminium Ltd. The loan is subject to interest at 6M LIBOR plus 5.75% and is repayable in 5 annual installments starting 31 May 2018 and until 31 May 2022; please see also Note 25 to the Group Consolidated Financial Statements. The average interest rate in 2016 was 6.62% (2015: 6.15%).

Interest payable as at 31 December 2016 includes the non-current accrued interest capitalised within the principal of USD 55,405 (2015: USD 41,915) and current accrued interest of USD 9,029 (2015: USD 7,784).

The total carrying value of the loan from shareholder and accrued interest is USD 236,434 (2015: 221,699) and its estimated fair value as at 31 December 2016 is USD 241,471 (2015: 224,198).

in USD '000 except where otherwise mentioned

15. Loan from shareholder

In August 2010 the Company signed a loan agreement with Raiffeisen Bank for a total long term financing in amount of USD 75,000. This loan was used for refinancing all existing facilities. The average interest rate in 2016 was 6.66% (2015: 6.56%). As at 31 December 2016 the balance is nil.

Repayment installment

Due date	2016	2015
31 May 2016	-	10,200
Total	**-**	**10,200**

The entire installment of USD 10,200 payable at 31 May 2016 was repaid by the Company by the end of February 2016 and the loan facility was closed.

16. Directors' remuneration

The remuneration of the individual members of the Board of Directors for the financial years 2016 and 2015 is as follows:

	Gross periodical remuneration (salary and directors' fee)	Bonus	Pension contributions	Distributions made on termination of the employment	Total
Year ended 31 December 2016					
Independent directors					
J. Currie	110	-	-	-	110
B. Ciobotaru (until June 2016)	78	-	-	-	78
Executive directors					
G. Dobra	297	-	47	-	344
M. Nastase	417	-	47	-	464
P. Machitski	71	-	5	-	76
Non-executive directors					
V. Machitski	-	-	-	-	-
G. Zhang	-	-	-	-	-
V. Agapkin	13	-	-	-	13
V. Krasnov	13	-	-	-	13
D. Sedyshev	-	-	-	-	-
I. Sventski	-	-	-	-	-
Total	**999**	**-**	**99**	**-**	**1,098**

in USD '000 except where otherwise mentioned

	Gross periodical remuneration (salary and directors' fee)	Bonus	Pension contributions	Distributions made on termination of the employment	Total
Year ended 31 December 2015					
Independent directors					
J. Currie	110	-	-	-	110
B. Ciobotaru	161	-	-	-	161
Executive directors					
G. Dobra	292	281	48	-	621
M. Nastase	420	2,171	55	-	2,646
P. Machitski	223	-	19	-	242
Non-executive directors					
V. Machitski	-	-	-	-	-
G. Zhang	-	-	-	-	-
V. Agapkin	13	-	-	-	13
V. Krasnov	13	-	-	-	13
D. Sedyshev	-	-	-	-	-
I. Sventski	-	-	-	-	-
Total	**1,232**	**2,452**	**122**	**-**	**3,806**

The above mentioned amounts are remunerations for periods of appointment as directors.

This remuneration is paid from various Group entities where the directors have respective appointments.

There were no loans outstanding from members of the Board of Directors during 2016 and 2015.

17. Proposed result appropriation for the year

The Board of Directors proposes to allocate the result of the financial year 2016 to the accumulated deficit and not to pay any dividend.

18. Subsequent events

Reference is made to the Consolidated Financial Statements, Note 29.

Other information

Independent auditor's report

Reference is made to the independent auditors’ report as included hereinafter.

Statutory rules concerning profit appropriation

Distribution of profits

1. Profits shall be at the unfettered disposal of the General Meeting.
2. The Company may distribute the profits available for distribution to the shareholders and other persons with a claim to such profits only to the extent that the amount of the equity in the Company’s shares exceeds the amount of the sum of the paid-up and called part of the capital plus the reserves that must be maintained by law.
3. Any distribution of profits shall be made after adoption of the Annual Accounts from which it appears that any such distribution is permitted.
4. The Company shall not make an interim distribution of profits unless the provisions of paragraph 2 have been satisfied.

Dividends

1. The dividend paid on shares may be claimed by the shareholder until four weeks after adoption of the Annual Accounts. Such claims shall become prescribed upon expiry of a period of five years. A dividend not claimed within a period of five years from the moment such claim may be entered shall vest in the Company.

Independent auditor's report

To: the shareholders, Audit Committee and board of directors of Vimetco N.V.

Report on the audit of the financial statements 2016

Our opinion

We have audited the 2016 financial statements of Vimetco N.V. (the Company), based in Amsterdam. The financial statements include the consolidated financial statements and the company financial statements.

In our opinion:
- The accompanying consolidated financial statements give a true and fair view of the financial position of Vimetco N.V. group as at 31 December 2016 and of its result and its cash flows for 2016 in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and with Part 9 of Book 2 of the Dutch Civil Code
- The accompanying company financial statements give a true and fair view of the financial position of Vimetco N.V. as at 31 December 2016 and of its result for 2016 in accordance with Part 9 of Book 2 of the Dutch Civil Code

The consolidated financial statements comprise:
- The consolidated statement of financial position as at 31 December 2016
- The following statements for 2016: consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows
- The notes, comprising a summary of the significant accounting policies and other explanatory information

The company financial statements comprise:
- The company statement of financial position as at 31 December 2016
- The company income statement for 2016
- The notes, comprising a summary of the accounting policies and other explanatory information

Basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing.
Our responsibilities under those standards are further described in the *"Our responsibilities for the audit of the financial statements"* section of our report.

We are independent of Vimetco N.V. in accordance with the Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten (ViO) and other relevant independence regulations in the Netherlands. Furthermore we have complied with the Verordening gedrags- en beroepsregels accountants (VGBA).

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Materiality

Materiality	USD 19.1 million
Benchmark used	0.7% of the revenues (2015: 0.7%)
Additional explanation	As the group operates with significant variability of results, we have determined our materiality based on revenues.

We have also taken into account misstatements and/or possible misstatements that in our opinion are material for the users of the financial statements for qualitative reasons.

Independent auditor’s report

We agreed with the audit committee that misstatements in excess of USD0.9 million, which are identified during the audit, would be reported to them, as well as smaller misstatements that in our view must be reported on qualitative grounds.

Scope of our group audit

Vimetco N.V. is at the head of a group of entities. The financial information of this group is included in the consolidated financial statements of Vimetco N.V.

Our group audit mainly focused on significant group components in the Netherlands, Romania, China and Sierra Leone. We have performed audit procedures ourselves at Vimetco N.V. and our EY member firms performed audit procedures at the Romania and China components. We used the work of other auditors when auditing the component in Sierra Leone. The scoping resulted in audit procedures
(full scope or specific scope) on 82% of revenues and 85% of total assets. We also performed review procedures at less significant group entities.

By performing the procedures mentioned above at group entities, together with additional procedures at group level, we have been able to obtain sufficient and appropriate audit evidence about the group’s financial information to provide an opinion about the consolidated financial statements.

Our key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements. We have communicated the key audit matters to the supervisory board. The key audit matters are not a comprehensive reflection of all matters discussed.

These matters were addressed in the context of our audit of the financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Description and risk	Our audit response
Going concern assumption **Vimetco N.V.’s disclosures about the going concern assumption are included in Note 2.1.1.** **Refer also to subsequent events disclosures in Note 28.**	
The availability of sufficient funding and the testing of whether the (group) companies will be able to meet their respective financing agreements are important for the going concern assumption and, as such, are significant aspects of our audit. The going concern assessment is largely based on the expectations of and the estimates made by management. The expectations and estimates are inherently subjective and are influenced by elements such as estimated future operating cash flows, which are based on forecast product prices and estimated margins, estimated cash outflows for investment, some of which are discretionary, and estimates of financing cash flows, which are subject to the conditions in the financing markets. These estimates are, among others, based on expectations regarding future developments in the economy, currency exchange rates, aluminium prices and liquidity of the financing markets. The assumptions applied are subject to uncertainties. On the one hand, they have to do with expectations regarding future economic and market developments. On the other hand, for the Chinese segment there were uncertainties in relation to extension of existing financing agreements, refinancing of obligations falling due or the issuance of new bonds and equity.	We have analysed the assumptions and forecasts made by management in the budgets, cash flow forecasts and availability of financing. We have specifically paid attention to the estimates made with respect to revenues, results and cash flows in order to assess the Group's ability to continue to meet its payment obligations in the year ahead, as well as the appropriateness of the classifications of the respective bank loans as current and non-current respectively. We have also reviewed documentation regarding the group companies’ relationship with financing institutions and the status of the short term bank loan extension or refinancing arrangements and also of the private placement of shares initiated in 2015 by the group’s principal subsidiary in China, Zhongfu Industries, which is expected to be finalized in 2017.

Independent auditor's report

Impairment testing of goodwill and other non-current assets

Vimetco N.V.'s disclosures about goodwill, property, plant and equipment and mineral rights assets, including the related impairment, are included in Note 11, Note 9 and Note 10 respectively.

Vimetco N.V. is required to test annually the amount of goodwill (of USD170.0 million) for impairment. The goodwill impairment testing is performed at the level of three cash-generating units (CGUs) – Everwide (in China), Alro Group (in Romania) and Global Alumininium Ltd (in Sierra Leone).
This annual impairment test is significant to our audit because the assessment process is complex, requires significant management judgment and is based on assumptions that are affected by expected future market conditions in China, Romania and Sierra Leone.

Property, plant and equipment and mineral rights assets are also significant to our audit because of the magnitude of the balance sheet position of USD2,493.6 million and respectively USD241.5 million as at 31 December 2016 and the reversal of impairments recorded in 2016 of USD53.7 million (impairment of USD263.7 million recorded in prior year).

The aluminium industry has suffered a cyclical downturn in the last years resulting in capacity shutdowns and deferred investments by many players in the industry; as a consequence, management has reviewed whether indicators of impairment might exist. As of 31 December 2016 management has not identified impairment indicators for the property, plant and equipment of Alro S.A. but has identified impairment indicators for the property, plant and equipment of the subsidiary Alum S.A. and therefore performed separate impairment testing in this respect.
In prior years, management had recorded significant impairments on certain primary aluminium companies from China segment. As the aluminum price started to recover in 2016, management performed separate impairment testing to identify whether the previously recognized impairment should still be maintained.

Similarly, for the coal mines in China, management had recognized significant impairments in prior years; because there was a rebound in coal prices in the second half of 2016 and the first quarter of 2017, management performed separate testing for the coal mines Huixiang, Jinling, Jinxing, Jinyao and Guangxian, to determine whether there is a need to reverse previously recognised impairment losses.

Furthermore, the management assessment of impairment indicators for CGUs and individual assets respectively involves consideration of various sources of information, including the economic environment factors.

Our audit procedures included, among others, using our internal valuation experts to assist us in evaluating the key assumptions and methodologies used by Vimetco N.V. for the impairment testing of goodwill and of other non-current assets (for which impairment indicators were identified). Our evaluation was focused on the discount rate estimates for China, Romania and Sierra Leone, on the sensitivity analysis of the CGUs' recoverable amounts to changes in the significant assumptions as well as on the key assumptions applied in the estimates of future cash flows for the respective CGUs (such as expected sales prices, production/sales volumes, cost and expenses, working capital changes, et cetera) by analysing their consistency with the general and industry-specific economic environment, relevant available market information and the business plans of the Group.

We also evaluated the management assessment of impairment indicators for property, plant and equipment and respectively for mineral rights by considering whether the impairment testing covered all significant cash generating units for which impairment indicators existed at the end of the reporting period.

We further assessed the adequacy of Vimetco N.V.'s disclosures about Impairment testing of goodwill and other non-current assets.

Estimates in respect of recognition of deferred tax assets

Vimetco N.V.'s disclosures about deferred tax assets are included in Note 23.

Deferred tax asset balances are significant to our audit because of the magnitude of the balance sheet position as at 31 December 2016 (of USD127.0 million) and the fact that management judgment is required to assess the recoverability of the balance, in particular by reference to forecast taxable income, some of which is expected to arise a number of years in the future.

Our audit procedures focused on assessing the key management assumptions for the deferred tax asset recoverability such as forecasts which underpin the asset recognition, including summaries of tax losses expiry dates.
We evaluated consistency with long term business plans used by management to manage and monitor the performance of the business.
Our internal tax specialists were involved, as appropriate, in our audit procedures in the current taxation area and any relevant evaluations were considered for impact in our assessment of the taxable profit projections.
Furthermore, we assessed the adequacy of the Group's disclosures regarding deferred tax assets.

Independent auditor's report

Report on other information included in the annual report

In addition to the financial statements and our auditor's report thereon, the annual report contains other information that consists of:
- The management board's report
- Other information pursuant to Part 9 of Book 2 of the Dutch Civil Code

Based on the following procedures performed, we conclude that the other information:
- Is consistent with the financial statements and does not contain material misstatements
- Contains the information as required by Part 9 of Book 2 of the Dutch Civil Code

We have read the other information. Based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements. By performing these procedures, we comply with the requirements of Part 9 of Book 2 of the Dutch Civil Code and the Dutch Standard 720. The scope of the procedures performed is less than the scope of those performed in our audit of the financial statements.

Management is responsible for the preparation of the other information, including the management board's report in accordance with Part 9 of Book 2 of the Dutch Civil Code and other information pursuant to Part 9 of Book 2 of the Dutch Civil Code.

Report on other legal and regulatory requirements

Engagement
We were engaged by the board of directors as auditor of Vimetco N.V. on 17 July 2013, as of the audit for year 2013 and have operated as statutory auditor since that date.

Responsibilities of management and audit committee for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with EU-IFRS and Part 9 of Book 2 of the Dutch Civil Code. Furthermore, management is responsible for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, management is responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, management should prepare the financial statements using the going concern basis of accounting unless management either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so. Management should disclose events and circumstances that may cast significant doubt on the company's ability to continue as a going concern in the financial statements.

The audit committee and non-executive directors are responsible for overseeing the company's financial reporting process.

Independent auditor’s report

Our responsibilities for the audit of the financial statements

Our objective is to plan and perform the audit assignment in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not have detected all material errors and fraud.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

We have exercised professional judgment and have maintained professional skepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit included, e.g.,:

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control
- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company’s internal control
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management
- Concluding on the appropriateness of management’s use of the going concern basis of accounting, and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company’s ability to continue as a going concern.

  If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause a company to cease to continue as a going concern
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures
- Evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation

Because we are ultimately responsible for the opinion, we are also responsible for directing, supervising and performing the group audit. In this respect we have determined the nature and extent of the audit procedures to be carried out for group entities. Decisive were the size and/or the risk profile of the group entities or operations. On this basis, we selected group entities for which an audit or review had to be carried out on the complete set of financial information or specific items.

We communicate with the audit committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant findings in internal control that we identify during our audit.

We provide the audit committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the audit committee, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, not communicating the matter is in the public interest.

Amsterdam, 25 April 2017

Ernst & Young Accountants LLP

Signed by J.J. Vernooij

Statement of Management Responsibilities

To the Shareholders of Vimetco N.V.

Pursuant to the Listing Rules of the United Kingdom Listing Authority (UKLA), the Dutch Act on Financial Supervision (‘Wet of het financieel toezicht’ or ‘Wft’) and the Dutch Civil Code, the Company is required to prepare annual financial statements which present fairly, in all material respects, the state of affairs of Vimetco N.V. and its subsidiaries (together referred to as the “Group”) at the end of each financial period and of the Group’s results and its cash flows for each financial period. Management is responsible for ensuring that the Group keeps accounting records, which disclose, with reasonable accuracy, the financial position and which enable them to ensure that the financial statements comply with International Financial Reporting Standards (IFRS) as endorsed by the EU and that statutory accounting reports comply with Dutch laws and regulations. Management also has a general responsibility for taking such steps that are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.
Management considers that, in preparing the Consolidated Financial Statements set out on pages 47 to 125, the Group has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgments and estimates, and that appropriate International Financial Reporting Standards as endorsed by the EU have been followed.
The Consolidated Financial Statements, which are based on the statutory accounting reports and restated in accordance with IFRS as endorsed by the EU, are hereby approved on behalf of the Board of Directors.
To the best knowledge of the members of the Board of Directors:
(a) the Consolidated Financial Statements set out on pages 47 to 125 have been prepared in accordance with IFRS as endorsed by the EU, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and
(b) the Business Review set out on pages 16 to 21 includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that the Company faces.
Pursuant to the art. 5:25c section 2 paragraph c under 1 and 2 of the Dutch Act on financial supervision (‘Wet op het financieel toezicht’ or ‘Wft’), the management of the Company states that to the best knowledge of the members of the Board of Directors:
1) the annual financial statements prepared in accordance with the applicable set of accounting standards give a true and fair view of the assets, liabilities, financial position and profit or loss of the issuer and the undertakings included in the consolidation taken as a whole, and 2) the annual report includes a fair review of the situation on the position of the company and the undertakings included in the consolidation as a whole on 31 December 2016 and of the development and performance of the business during the financial year; and 3) the annual report includes a description of the principal risks and uncertainties that the company faces.

For and on behalf of the Board of Directors

For and on behalf of the Board of Directors

Gheorghe Dobra
Chief Executive Officer

Marian Nastase
Chief Financial Officer

24 April 2017

Cautionary notice

This Annual Report contains forward-looking statements, which do not refer to historical facts but refer to expectations based on management's current views and assumptions, and involve known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those included in such statements.
Many of these risks and uncertainties relate to factors that are beyond Vimetco's ability to control or estimate precisely, including but not limited to, Vimetco's ability to implement and complete successfully its plans and strategies and to meet its targets, the benefits from Vimetco's plans and strategies being less than those anticipated, the effect of general economic or political conditions, the actions of Vimetco's shareholders, competitors, customers, and other third parties, increases or changes in competition, Vimetco's ability to retain and attract personnel who are integral to the success of the business, Vimetco's IT outsourcing and information security, Vimetco's ability to address corporate social responsibility issues, fluctuations in exchange rates or interest rates, Vimetco's liquidity needs exceeding expected levels, compliance and regulatory risks and other factors discussed in this Annual Report, Risk management and internal control, Risk factors and in Vimetco's other public filings.
Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this Annual Report. Vimetco does not assume any obligation to update any public information or forward-looking statement in this Annual Report to reflect events or circumstances after the date of this Annual Report, except as may be required by applicable securities laws.

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