Half-year report 2012

vimetco

Contents

Gheorghe Dobra, Chief Executive Officer:

"We focused on consolidating our position on an extremely challenging market and on pursuing our long term development strategy based on increasing the output of higher added value products. Industry-wide cost pressures combined with lower prices on the aluminium market were the main drivers for the reduction in EBITDA for the first half of 2012."

″Nevertheless we will continue to put our efforts into further improving our products portfolio, diversifying it and increasing quality in order to meet the requirements of our most demanding customers. Consequently, we will further focus on securing the necessary raw materials, thus ensuring our long term profitability and sustainability of the business."

Overview

During the first six months of 2012, Vimetco continued its strategy of further securing its necessary raw materials, diversifying its products portfolio, while trying to achieve competitive production cost in a tight market.

Besides consolidating its management team, Vimetco also reached good results in its cost control policy, by achieving significant reduction of energy consumption, via a break through of engineering at its Chinese unit and a consistent investment programme in energy efficiency implemented in Romania.

Moreover, Vimetco signed an updated mining lease agreement in Sierra Leone for the next 20 years (in July 2012), that will secure the bauxite supply for the Romanian segment together with additional profits from sales to third parties. In the energy production sector, Vimetco made further steps in the process of building its own power plant in Romania, on the platform of its alumina producer in Tulcea.

All these measures were accompanied by a tight cost control, adapting to the drastic market conditions. In the first half of 2012, the international aluminium market entered a descendent trend, with new lows for the year, at the end of H1. Aluminium reached an average of USD 2,079/tonne on the LME, down by almost USD 500/tonne (USD 2,550/tonne) compared to the same period of 2011. The decrease in demand reflected into higher inventories and impacted the entire industry.

Despite the difficult market conditions, the Company consolidated its position, keeping the aluminium production at the same level with H1 2011. The processed aluminium output increased slightly from 81,600 tonnes, in H1 2011, to 85,100 tonnes, in H1 2012.

The Chinese operations registered a slight reduction of the output for higher added value products, to 39,800 tonnes, in H1 2012, from 43,500 tonnes, in H1 2011. The Romanian operations significantly increased both output and sales of high added value products in the first half of 2012, compared to the same period of 2011. Thus, the production of processed aluminium increased to 45,000 tonnes in H1 2012, from 38,000 tonnes in H1 2011. The sales followed the same trend, with 44,500 tonnes sold in H1 2012, up from 36,000 tonnes, during the same period of 2011.

The Company also continued its investment projects started in China in production capacities and products quality, and made a significant step towards reducing electricity consumption, to 11,819 kWh/tonne of aluminium, down by 10.7% from 13,235 kWh/tonne.

No significant changes arose in respect of the risks and uncertainties faced by the Company during the first 6 months of 2012 as compared to the ones described in the 2011 Annual Report under the Corporate Governance chapter, Risks & Risk Management section.

Financial Review

Sales for the period were USD 1,180 million (H1 2011: USD 1,382 million). The decrease was mainly the reflection of lower aluminium prices, accompanied by weaker demand.

In the first half of 2012, the cost of goods sold decreased by approximately 10% to USD 1,053 million, from USD 1,176 million during H1 2011.

Despite the lower sales volume, Vimetco had a positive EBIT of USD 80 million, in H1 2012, down from USD 167 million in H1 2011.

The net finance costs increased to USD 233 million, in the first half of this year, up from USD 88 million, in H1 2011, with total interest expenses of USD 112 million, increasing from USD 88 million, in the first half of the previous year. Please see also note 7 in the half-year accounts.

The Group's financial result was also impacted by the strong appreciation of USD against RON, with a loss of approximately USD 24 million in the first half of 2012, up from a gain of USD 5 million the previous year.

All these led to a loss of USD 166 million for the period, from a USD 48 million profit in H1 2011 (restated).

A negative impact in the financial result amounting to USD 75 m came from the change in fair value of the derivatives embedded in the energy supply contract concluded by one of the Group's subsidiary. Please see also note 14 in the half-year accounts.

The cash and cash equivalents at the end of the period stood at USD 122 million, from USD 157 million, at the end of 2011, with the net cash generated from operating activities reaching USD 377 million, up from USD 11 million in the first half of 2011.

Operational Update

Romania & Sierra Leone (Romanian segment)
Sales of primary aluminium were 59,000 tonnes (H1 2011: 75,600 tonnes), while processed aluminium product sales were 44,500 tonnes (H1 2011: 36,000 tonnes).

Reported net result for the Romanian segment was loss of USD 56 million, from profit of USD 79 million a year before, with a turnover of USD 346 million, from USD 393 million, during the same periof of 2011.

Total primary aluminium production for H1 2012 was 125,000 tonnes, compared to 130,000 tonnes in H1 2011, while the output of processed products reached 45,000 tonnes, up from 38,000 tonnes in H1 2011.

Sales revenues reached USD 150 million for primary aluminium and USD 159 million for processed aluminium compared to USD 228 million and USD 152 million respectively for H1 2011.

During the first half of the year, due to the force majeure declared by Hidroelectrica, Alro received approximately 50% of the required electricity from the power producer. As a result, for a part of H1 2012, Alro had been forced to purchase a significant quantity of energy on the Day Ahead Market and from the Balancing Market. These markets were not created for contracting purposes, but for adjusting the deviations from daily forecasted consumption. These are short term, unpredictable contracts that typically incur high costs.

In the first half of 2012, Alro continued its programme of improving energy efficiency of the business, and finalised investments worth of USD 15 million in this field. Vimetco also finalized the shortlist of contractors for the construction of its own power plant in Tulcea. The project is developed by Vimetco Power Romania, one of the Group's 100% subsidiaries and consists of building a 250 MW cogeneration plant at Alum Tulcea. The three companies selected for negotiations of the EPC contract are the Itochu & Hyundai consortium, Metka and Siemens.

In 2012, the Group's smelter in Romania, Alro, witnessed the insolvency declared by its main power supplier, Hidroelectrica. In this context, negotiations were carried out and a new agreement was reached for 3 TWh/year of green energy until 2018, with a new pricing formula, which is based on a series of factors including the aluminium price at the London Metal Exchange and the evolution of the energy market with a floor and a cap levels.

Production of bauxite in Sierra Leone decreased at 587,000 tonnes in H1 2012, compared to 842,000 tonnes in the first half of 2011. The Group used its bauxite production for the alumina refinery in Romania, which produced 216,000 tonnes in the first half of this year. The entire alumina production was, in its turn, sent to Alro, the Group's aluminium producer in Romania.

This year Sierra Mineral Holdings Limited (SMHL) has signed an updated Mining Lease Agreement (MLA) with the Government of Sierra Leone. Under this agreement the mining lease, of 321 square km in the Mokanji area of Sierra Leone will be granted for a period of 20 years from the effective date, while the perimeters remain the same.

China
During the first half of the year, the Chinese segment achieved sales of primary aluminium of 325,000 tonnes compared to 353,500 tonnes in the first half of 2011. Sales of processed aluminium declined to 11,500 tonnes in the first half of 2012 (H1 2011: 32,000 tonnes) as an effect of decrease in demand in Europe.

In H1 2012, the total production of primary aluminium reached 329,000 tonnes, compared to 367,000 tonnes in H1 2011, while the production of processed aluminium decreased to 40,000 tonnes, from 43,600 tonnes during the same period of last year.

Sales revenues stood at USD 724 million for primary aluminium and USD 25 million for processed aluminium.

The Group focused on increasing the sustainability of the Chinese operations, and made a break through in electricity consumption. Henan Zhongfu Industry Co. Ltd. is in the process of decreasing its energy consumption to the lowest level worldwide, following a commercial test of new technology.

The Company will be able to significantly reduce the power consumption of the aluminium electrolysis process under low temperatures and low voltage using this advanced technology. The Research and Development Department at Vimetco's Henan Zhongfu Industry has successfully achieved "low-temperature low-voltage aluminum smelting technology". As a result, the direct current consumption is expected to decrease to 11,819 kWh/tonne of aluminium, down by 10.7% from 13,235 kWh/tonne. The project was co-financed by the Ministry of Science and Technology of the People's Republic of China and passed the exam and appraisal of an expert team organized by the China Nonferrous Metals Industry Association.

Outlook
Vimetco is further focusing on improving the efficiency of the operations and consolidating its competiveness in an extremely challenging international environment. The Company continues its cost control policy, while pursuing its long-term development strategy based on full vertical integration and increase in output of high added value products.

Condensed Consolidated Interim Financial Statements
For the six months ended 30 June 2012
Vimetco NV

Condensed Consolidated Statement of Comprehensive Income Unaudited

Condensed consolidated statement of comprehensive income for the six months ended 30 June 2012

in USD '000 except per share data

	Notes	Six months ended 30 June 2012	Six months ended 30 June 2011 Restated*
Sales	5	1,180,235	1,381,576
Cost of goods sold		-1,052,886	-1,175,535
Gross profit		**127,349**	**206,041**
General and administrative expenses		-58,375	-61,541
Impairment of property, plant and equipment		-	-301
Gain on disposal of associates		-	172
Share of result of associates		-1,430	1,551
Other income	6	13,077	29,055
Other expenses	6	-934	-7,827
Operating profit		**79,687**	**167,150**
Finance costs, net	7	-232,764	-88,180
Foreign exchange (loss) / gain		-24,156	4,833
Profit/(Loss) before income taxes		**-177,233**	**83,803**
Income tax	8	11,012	-35,705
Profit /(Loss) for the period		**-166,221**	**48,098**
Other comprehensive income / (expense):			
Translation adjustment		-21,311	54,207
Gain/(loss) on cash flow hedges		3,854	-17,118
Related income tax		-617	2,739
Amounts of cash flow hedges recycled in income statement		-16,968	7,364
Related income tax		2,715	-1,178
Other comprehensive income / (expense) for the period, net of tax		**-32,327**	**46,014**
Total comprehensive income / (expense) for the period		**-198,548**	**94,112**
Profit/(loss) attributable to:			
Shareholders of Vimetco N.V.		**-142,587**	**22,361**
Non-controlling interests		**-23,634**	**25,737**
		-166,221	48,098
Total comprehensive income / (expense) attributable to:			
Shareholders of Vimetco N.V.		**-168,724**	**46,669**
Non-controlling interests		**-29,824**	**47,443**
		-198,548	94,112
Earnings per share			
Basic and diluted (USD)	9	-0.650	0.102

* Comparative figures for 6 months ended 30 June 2011 have been restated in accordance with IFRS 3 "Business Combinations" (Revised). Refer to Note 3 for details.
The accompanying notes are an integral part of these condensed consolidated interim financial statements.

Condensed Consolidated Statement of Financial Position Unaudited

Condensed consolidated statement of financial position as at 30 June 2012

in USD '000

	Notes	30 June 2012	31 December 2011
Assets			
Non-current assets			
Property, plant and equipment	11	2,473,460	2,435,105
Intangible assets		7,804	8,484
Goodwill	12	204,838	191,509
Mineral rights	13	512,167	516,582
Land use rights		55,854	56,831
Investments		36,566	37,591
Derivative financial instruments asset, non-current	14	17,997	73,429
Deferred tax asset		16,028	9,049
Other non-current assets		5,861	1,885
Total non-current assets		**3,330,575**	**3,330,465**
Current assets			
Inventories	15	456,140	412,698
Trade receivables, net		217,861	221,238
Accounts receivable from related parties	18	38,757	41,463
Current income tax receivable		4,375	2,297
Other current assets		247,305	308,338
Derivative financial instruments asset, current	14	26,778	65,548
Restricted cash	16	843,707	588,656
Cash and cash equivalents		122,211	157,438
Total current assets		**1,957,134**	**1,797,676**
Total assets		**5,287,709**	**5,128,141**

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

Condensed Consolidated Statement of Financial Position Unaudited

Condensed consolidated statement of financial position as at 30 June 2012

in USD '000

	Notes	30 June 2012	31 December 2011
Shareholders' Equity and Liabilities			
Shareholders' equity			
Share capital		27,917	27,917
Share premium		348,568	348,568
Other reserves		115,296	141,433
Retained earnings		75,294	174,400
Profit / (loss) for the period		-142,587	-104,234
Equity attributable to shareholders of Vimetco N.V.		**424,488**	**588,084**
Non-controlling interest		650,006	693,075
Total shareholders' equity		**1,074,494**	**1,281,159**
Non-current liabilities			
Bank and other loans	17	1,422,049	1,364,821
Loans from related parties, non-current	17	-	172,981
Finance leases, non-current	17	476	760
Provisions, non-current		12,704	12,875
Post-employment benefit obligations		7,880	7,764
Other non-current liabilities		381	459
Deferred tax liabilities		149,029	162,048
Total non-current liabilities		**1,592,519**	**1,721,708**
Current liabilities			
Bank loans, overdrafts and other loans	17	816,369	896,244
Loans from related parties, current	17	187,103	14,349
Finance leases, current	17	713	918
Trade and other payables		1,604,597	1,181,888
Trade and other payables to related parties	18	202	465
Provisions, current		365	2,564
Current income taxes payable		10,655	17,682
Derivative financial instruments	14	692	11,164
Total current liabilities		**2,620,696**	**2,125,274**
Total liabilities		**4,213,215**	**3,846,982**
Total shareholders' equity and liabilities		**5,287,709**	**5,128,141**

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

Condensed Consolidated Statement of Changes in Shareholders' Equity Unaudited

Condensed consolidated statement of changes in shareholders' equity for the six months ended 30 June 2012

in USD '000 except per share data

	Share capital	Share premium	Revaluation reserve	Hedging reserve	Hedging reserve - deferred tax
Balance at 1 January 2011 restated	**27,917**	**366,126**	**47,721**	**-39,961**	**6,393**
Profit / (loss) for the period restated	-	-	-	-	-
Other comprehensive income / (expense)					
Translation adjustment	-	-	-	-3,964	634
Gain / (loss) on cash flow hedges	-	-	-	-14,978	-
Related income tax	-	-	-	-	2,397
Amounts of cash flow hedges recycled in income statement	-	-	-	6,443	-
Related income tax	-	-	-	-	-1,031
Other	-	-	-	-	-
Total other comprehensive income / (expense)	**-**	**-**	**-**	**-12,499**	**2,000**
Total comprehensive income / (expense)	**-**	**-**	**-**	**-12,499**	**2,000**
Transactions with owners of the company recognized directly in equity					
Distributions to owners of the company					
Dividends distribution	-	-17,558	-	-	-
Appropriation of prior year loss	-	-	-	-	-
Changes in ownership interests in subsidiaries					
Shares issued to holders of non-controlling interests (Zhongfu Industry)	-	-	-	-	-
Transactions with entities under common control (Global Aluminium Ltd.)	-	-	-	-	-
Non-controlling interests arised in Zhongshan Group	-	-	-	-	-
Non-controlling interests arised in Zhongfu Power	-	-	-	-	-
Balance at 30 June 2011 restated	**27,917**	**348,568**	**47,721**	**-52,460**	**8,393**
Balance at 1 January 2012	**27,917**	**348,568**	**47,721**	**112,435**	**-17,990**
Profit / (loss) for the period	-	-	-	-	-
Other comprehensive income / (expense)					
Translation adjustment	-	-	-	-5,764	922
Gain / (loss) on cash flow hedges	-	-	-	3,372	-
Related income tax	-	-	-	-	-540
Amounts of cash flow hedges recycled in income statement	-	-	-	-14,846	-
Related income tax	-	-	-	-	2,376
Total other comprehensive income / (expense)	**-**	**-**	**-**	**-17,238**	**2,758**
Total comprehensive income / (expense)	**-**	**-**	**-**	**-17,238**	**2,758**
Transactions with owners of the company recognized directly in equity					
Distributions to owners of the company					
Dividends distribution	-	-	-	-	-
Appropriation of prior year loss	-	-	-	-	-
Changes in ownership interests in subsidiaries					
Non-controlling interests arised in Dengfeng City Daxin Commercial Ltd.	-	-	-	-	-
Balance at 30 June 2012	**27,917**	**348,568**	**47,721**	**95,197**	**-15,232**

* Comparative figures for 6 months ended 30 June 2011 have been restated in accordance with IFRS 3 "Business Combinations" (Revised). Refer to Note 3 for details.
The accompanying notes are an integral part of these condensed consolidated interim financial statements.

Condensed consolidated statement of changes in shareholders' equity
for the six months ended 30 June 2012

in USD '000

Translation reserve	Total other reserves	Retained earnings	Profit for the period	Attributable to shareholders of Vimetco N.V.	Non-controlling interests	Total shareholders' equity
1,749	**15,902**	**212,224**	**-37,455**	**584,714**	**474,301**	**1,059,015**
-	-	-	22,361	22,361	25,737	48,098
34,807	31,477	-	-	31,477	22,730	54,207
-	-14,978	-	-	-14,978	-2,140	-17,118
-	2,397	-	-	2,397	342	2,739
-	6,443	-	-	6,443	921	7,364
-	-1,031	-	-	-1,031	-147	-1,178
-	-	-	-	-	-	-
34,807	**24,308**	**-**	**-**	**24,308**	**21,706**	**46,014**
34,807	**24,308**	**-**	**22,361**	**46,669**	**47,443**	**94,112**
-	-	-	-	-17,558	-12,054	-29,612
-	-	-37,455	37,455	-	-	-
-	-	-9,830	-	-9,830	166,019	156,189
-	-	1,484	-	1,484	-1,484	-
-	-	-675	-	-675	675	-
-	-	4,938	-	4,938	-4,938	-
36,556	**40,210**	**170,686**	**22,361**	**609,742**	**669,962**	**1,279,704**
-733	**141,433**	**174,400**	**-104,234**	**588,084**	**693,075**	**1,281,159**
-	-	-	-142,587	-142,587	-23,634	-166,221
-11,657	-16,499	-	-	-16,499	-4,812	-21,311
-	3,372	-	-	3,372	482	3,854
-	-540	-	-	-540	-77	-617
-	-14,846	-	-	-14,846	-2,122	-16,968
-	2,376	-	-	2,376	339	2,715
-11,657	**-26,137**	**-**	**-**	**-26,137**	**-6,190**	**-32,327**
-11,657	**-26,137**	**-**	**-142,587**	**-168,724**	**-29,824**	**-198,548**
-	-	-	-	-	-8,117	-8,117
-	-	-104,234	104,234	-	-	-
-	-	5,128	-	5,128	-5,128	-
-12,390	**115,296**	**75,294**	**-142,587**	**424,488**	**650,006**	**1,074,494**

* Comparative figures for 6 months ended 30 June 2011 have been restated in accordance with IFRS 3 "Business Combinations" (Revised). Refer to Note 3 for details.
The accompanying notes are an integral part of these condensed consolidated interim financial statements.

Condensed Consolidated Statement of Cash Flows
Unaudited

Condensed consolidated statement of cash flows for the six months ended 30 June 2012

in USD '000

	Six months ended 30 June 2012	Six months ended 30 June 2011 Restated*
Cash flow from operating activities		
Profit / (loss) before income taxes	-177,233	83,803
Adjustments for:		
Depreciation and amortisation	70,534	78,954
Interest and guarantee income	-18,902	-9,707
Net foreign exchange losses / (gains)	13,855	-14,168
(Gain) / loss on disposal of property, plant and equipment	43	-330
(Gain) on disposal of associates	-	-172
Impairment of property, plant and equipment	-	301
Charge / (Release) of provisions	-2,223	-180
Interest and guarantee expense	172,772	96,848
Share of result of associates	1,430	-1,551
Effect of derivative financial instruments	66,938	193
Changes in working capital:		
(Increase) / decrease in inventories	-51,487	-28,932
(Increase) / decrease in trade receivables and other assets	49,300	-76,800
Increase / (decrease) in trade and other payables	385,404	1,520
Income taxes paid	-14,836	-25,456
Interest paid	-118,287	-93,277
Net cash generated by operating activities	**377,308**	**11,046**

* Comparative figures for 6 months ended 30 June 2011 have been restated in accordance with IFRS 3 "Business Combinations" (Revised). Refer to Note 3 for details.
The accompanying notes are an integral part of these condensed consolidated interim financial statements.

Condensed Consolidated Statement of Cash Flows
Unaudited

Condensed consolidated statement of cash flows for the six months ended 30 June 2012

in USD '000

		Six months ended 30 June 2012	Six months ended 30 June 2011 Restated*
Cash flow from investing activities			
Purchase of property, plant and equipment and intangible assets, net		-129,100	-241,465
Proceeds from sale of property, plant and equipment		516	12,740
Acquisition of associates		-544	-2,992
Acquisition of subsidiaries (net of cash acquired)	19	-15,911	-7,510
Acquisition of available-for-sale financial assets		-1,522	-
(Increase) / decrease in restricted cash		-258,304	-49,182
Interest received		10,673	7,262
Net cash used in investing activities		**-394,192**	**-281,147**
Cash flow from financing activities			
Proceeds from loans		632,624	817,116
Repayment of loans		-648,027	-610,854
Proceeds from issue of equity by a subsidiary		-	156,189
Dividends paid	10	-86	-5,604
Net cash provided by/(used in) financing activities		**-15,489**	**356,847**
Net increase / (decrease) in cash and cash equivalents		**-32,373**	**86,746**
Cash and cash equivalents at beginning of period		**157,438**	**186,993**
Effect of exchange rate differences on cash and cash equivalents		-2,854	11,162
Cash and cash equivalents at end of period		**122,211**	**284,901**

* Comparative figures for 6 months ended 30 June 2011 have been restated in accordance with IFRS 3 "Business Combinations" (Revised). Refer to Note 3 for details.
The accompanying notes are an integral part of these condensed consolidated interim financial statements.

Notes to the Condensed Consolidated Interim 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 Prins Bernhardplein 200, 1097 JB, 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. 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.

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 22. Details of changes in the Group structure are reported in Note 19.

The Group's main shareholder is Vi Holding N.V. which owns 59.40% of the shares of the Company and its registered office is at Landhuis Joonchi, Kaya Richard J. Beaujon Z/N, Curaçao. The other major shareholder is Willast Investments Limited, British Virgin Islands, which owns 10,00%. 26.51% are free floating on the London Stock Exchange and 4.09% are spread among other shareholders. The ultimate controlling entity in respect of 59.40% of the shares in the Company is Maxon Limited (Bermuda).

These are not the Company's statutory financial statements prepared in accordance with Part 9, Book 2 of the Netherlands Civil Code.

These condensed consolidated interim financial statements were authorised for issue by the Board of Directors on 27 August 2012.

2. Basis of preparation

The condensed consolidated interim financial statements included in this report are unaudited and have been prepared in accordance with IAS 34 Interim financial reporting as endorsed by the EU. They do not include all the information required for full annual financial statements and should be read in conjunction with the annual financial statements of the Group for the year ended 31 December 2011, which have been prepared in accordance with IFRS as adopted by the EU.

2.1 Going concern

The Groups' business has been significantly impacted by the worldwide financial crisis and the downturn in the aluminium market. The current economic conditions continue to create uncertainty particularly over the level of demand for the Group's products and will likely continue to 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 6 months ended 30 June 2012 show that the Group generated a loss for the period of USD 166,221. The Group's forecasts and projections, taking account of reasonably possible changes in trading performance, indicate that the Group should be able to operate within the level of its current facilities. After making enquiries, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. The Group therefore continues to adopt the going concern basis in preparing its condensed consolidated interim financial statements.

in USD '000 except where otherwise mentioned

3. Significant accounting policies

Except as described below, the accounting policies adopted by the Group in the preparation of these condensed consolidated interim financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2011.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

3.1 Restatement of prior year figures

In 2011, the Group finalized the fair value measurements relating to acquisition of certain coal mines, 12 months after the effective date of acquisition in accordance with the requirements of IFRS 3 (revised) Business combinations.

The following table summarises the adjustments made to the statement of comprehensive income for the 6 months 2011 comparative figures following the finalisation of fair value measurement:

	As reported at 30 June 2011	Revaluation	Restated at 30 June 2011
Cost of goods sold	-1,171,281	-4,254	-1,175,535
General and administrative expenses	-62,323	782	-61,541
Income tax expense	-36,421	716	-35,705
		-2,756	

3.2 Standards and interpretations effective in 2012 that the Group has applied to these financial statements:

The following new Standards, amendments and interpretations to existing standards were adopted starting 1 January 2012 with no effect on financial statements:

- Amendments to IFRS 7 titled Disclosures – Transfers of Financial Assets (effective for annual periods beginning on or after 1 July 2011), adopted by the EU on 22 November 2011, increase the disclosure requirements for transactions involving transfers of financial assets. These amendments are intended to provide greater transparency around risk exposures when a financial asset is transferred but the transferor retains some level of continuing exposure in the asset. The amendments also require disclosures where transfers of financial assets are not evenly distributed throughout the period.

The following new standards and amendments to standards have been issued but are not effective for the financial year beginning 1 January 2012 and have not been early adopted by the Group:

- Amendments to IFRS 1 titled Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters (effective for annual periods beginning on or after 1 July 2011), not yet adopted by the EU.

- Amendments to IFRS 1 titled Government Loans (effective for annual periods beginning on or after 1 January 2013), not yet adopted by the EU.

- IFRS 9, Financial instruments, issued in November 2009 (effective for annual periods beginning on or after 1 January 2015), not yet adopted by the EU.

- IFRS 10, Consolidated Financial Statements (effective from 1 January 2013), not yet adopted by the EU.

- IFRS 11, Joint Arrangements (effective from 1 January 2013), not yet adopted by the EU.

- IFRS 12 Disclosure of Interests in Other Entities (effective from 1 January 2013), not yet adopted by the EU.

- IFRS 13 Fair Value Measurement (effective from 1 January 2013), not yet adopted by the EU.

- Amendments to IAS 1 Presentation of Financial Statements: Presentation of Items of Other Comprehensive Income (effective for annual periods beginning on or after 1 July 2012), adopted by the EU on 5 June 2012.

- Amendments to IAS 12 Income taxes - Deferred Tax: Recovery of Underlying Assets (effective from 1 January 2012), not yet adopted by the EU.

- IAS 19 Employee Benefits, (as revised in 2011), effective from 1 January 2013, adopted by the EU on 5 June 2012.

- IAS 27 Separate Financial Statements (as revised in 2011), effective from 1 January 2013, not yet adopted by the EU.

- IAS 28 Investments in Associates and Joint Ventures (as revised in 2011), effective from 1 January 2013, not yet adopted by the EU.

- Amendments to IAS 32 Offsetting Financial Assets and Financial Liabilities, effective on or after 1 January 2014, not yet adopted by the EU.

- IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine, effective for annual periods beginning on or after 1 January 2013, not yet adopted by the EU.

4. Estimates

The preparation of interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

In preparing these condensed consolidated interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2011.

5. 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. The Group's geographical segments are: China and Romania. A list of the principal companies included in each segment is shown in Note 22.

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

The Group's operations in Romania are based in Slatina and Tulcea. Sales are generated by selling primary aluminium and processed aluminium.

In 2011 the Group's subsidiary in Romania, Alum S.A., acquired from the Company 100% of Global Aluminum Ltd. and its two 100% owned subsidiaries Sierra Mineral Holdings I Ltd. and Bauxite Marketing Ltd. The Global Aluminium Group operates a bauxite mine under a mining lease with the Government of Sierra Leone which in August 2012 was extended for a period of 20 years. The business activity and the management process of the companies located in Sierra Leone were integrated into Romanian operations and all the bauxite mined is oriented primarily to aluminium production in Romania. Since the operations located in Sierra Leone do not meet the quantitative thresholds required by IFRS 8 for reportable segments and its oprating results are reviewed by the Board of Directors of the Group in consolidation with operations in Romania, the Sierra Leone component is aggregated and presented within Romania segment.

Segment data for prior periods presented for comparative purposes was restated to reflect the new reportable 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.

Management monitors interest income and expense on a net basis.

in USD '000 except where otherwise mentioned

Segment revenues and results for the six month ended 30 June 2012 and 2011 were as follows:

	China	Romania	Reconciliation to Group	Total
Six months ended 30 June 2012				
Total segment sales	**834,572**	**345,663**	**-**	**1,180,235**
Segment results (operating profit)	**44,820**	**37,763**	**-2,896**	**79,687**
Group finance cost, net				-232,764
Group foreign exchange loss				-24,156
Group profit before income taxes				**-177,233**

	China	Romania	Reconciliation to Group	Total
Six months ended 30 June 2011, restated*				
Total segment sales	**988,398**	**393,178**	**-**	**1,381,576**
Segment results (operating profit)	**71,140**	**97,840**	**-1,830**	**167,150**
Group finance cost, net				-88,180
Group foreign exchange loss				4,833
Group profit before income taxes				**83,803**

Segment assets at 30 June 2012 and 31 December 2011, respectively, were as follows:

	30 June 2012	31 December 2011
Segment assets		
China	4,595,611	4,295,321
Romania	680,242	810,575
Reconciliation to total Group	11,856	22,245
Total consolidated assets	**5,287,709**	**5,128,141**

6. Other income and expense

	Six months ended 30 June 2012	Six months ended 30 June 2011
Other income		
Government grants	10,942	3,215
Sale of emission rights	-	17,395
Other income	2,135	8,445
Total other income	**13,077**	**29,055**

Government grants represent mainly subsidies for supporting aluminium industry, compensation for replacing old facilities, bonuses for local development and awards for applying advanced technical knowhow and improvement of energy savings, received from the government of China.

	Six months ended 30 June 2012	Six months ended 30 June 2011
Other expenses		
Idle plants depreciation expenses	-326	-5,042
Net loss on disposal of property, plant and equipment	-84	-731
Other expenses	-524	-2,054
Total other expenses	**-934**	**-7,827**

Idle plants depreciation expenses relate to some idle capacities in Romania, and also to old idle power plants in China.
Other expenses include smaller sundry expenses which can not be allocated to other categories.

in USD '000 except where otherwise mentioned

7. Finance costs, net

	Six months ended 30 June 2012	Six months ended 30 June 2011
Interest income	10,679	7,273
Interest expense	-111,747	-88,290
Interest expense to related parties (Note 18)	-5,891	-5,690
Finance guarantee income	8,223	2,434
Finance guarantee expense	-54,836	-2,580
Bank charges	-3,113	-4,883
Fair value gains/(losses) from financial instruments	-73,058	7,891
Other financial costs (net)	-3,021	-4,335
Total	**-232,764**	**-88,180**

Interest expense excludes interest capitalised in "property, plant and equipment" amounting to USD 12,178 (six months ended 30 June 2011: USD 8,663).

There was no ineffectiveness of cash flow hedges recognised in profit or loss during 6 months ended 30 June 2012 and 30 June 2011.

At 30 June 2012 one of the Group's subsidiaries was committed itself to some financial guarantees granted in favor of one of its business partners. As the guaranteed company is facing financial difficulties, having delays in paying its debts, the Group's management considered that it was more probable than not that the financial guarantees would be executed by the banks, the Group's subsidiary having no other choice, but to meet its obligation. Should the financial guarantees be executed, the maximum amount to be paid by our Group is USD 44,111, out of which USD 42,456 was recognized as "Finance guarantee expense" during 6 months ended 30 June 2012.

8. Income tax

Income tax expense is recognized based on management's best estimate of the weighted average annual income tax rate expected for the full financial year applied to the pre-tax income of the interim period. The estimated average annual tax rate for the 6 months ended 30 June 2012 is 18.6% (6 months ended 30 June 2011 was 21.3%).

The major components of the income tax expense in the interim consolidated statement of comprehensive income are:

	Six months ended 30 June 2012	Six months ended 30 June 2011 Restated
Income tax		
Current income tax	-5,729	-33,561
Deferred income tax	16,741	-2,144
Income tax expense	**11,012**	**-35,705**
Income tax recognised in other comprehensive income	2,098	1,561
Total income taxes	**13,110**	**-34,144**

Comparative figures for the 6 months ended 30 June 2011 have been restated in accordance with IFRS 3 "Business Combinations" (Revised). Refer to Note 3 for details.

9. Earnings per share

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

	Six months ended 30 June 2012	Six months ended 30 June 2011 Restated
Profit / (loss) for the period attributable to shareholders of Vimetco N.V.	-142,587	22,361
Weighted average number of ordinary shares outstanding during the period	219,484,720	219,484,720
Basic and diluted earnings per share in USD	-0.650	0.102

Comparative figures for the 6 months ended 30 June 2011 have been restated in accordance with IFRS 3 "Business Combinations" (Revised). Refer to Note 3 for details.

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

in USD '000 except where otherwise mentioned

10. Dividends

No dividends were declared and paid by Vimetco NV relating to the year 2011. Dividends in amount of USD 0.08 per share were distributed by Vimetco NV during the 6 months ended 30 June 2011 from the share premium account, totalling USD 17,558, paid in July 2011.

Dividends in amount of USD 8,117 relating to the year 2011 (2010: USD 12,054) were declared by the subsidiaries in respect of non-controlling interests. Payments of dividends during the 6 months ended 30 June 2012 amounted to USD 86 (6 months ended 30 June 2011: USD 5,604).

11. Additions and disposals of property, plant and equipment

During six months ended 30 June 2012 the Group acquired property, plant and equipment in the amount of USD 131,192 (2011: USD 211,063), out of which USD 5,348 are related to acquisition of subsidiaries (2011: USD 8,358) (see note 19).

From January to June 2012, the Group disposed of property, plant and equipment in the net amount of USD 498 (2011: USD 14,868).

The value of property, plant and equipment pledged for securing the Group's borrowings amounts to USD 722,778 (31 December 2011: USD 764,534).

12. Goodwill

	2012	2011 Restated
Balance 1 January	191,509	184,645
Additions	15,820	1,601
Translation adjustment	-2,491	6,483
Balance 30 June	**204,838**	**192,729**

Impairment test for goodwill
The goodwill is allocated to the cash-generating units as follows (after additions and impairment):

	30 June 2012	31 December 2011
China	153,848	138,598
Romania	46,391	48,312
Sierra Leone	4,599	4,599
Total	**204,838**	**191,509**

Comparative figures for 6 months ended 30 June 2011 have been restated in accordance with IFRS 3 "Business Combinations" (Revised). Refer to Note 3 for details.

Goodwill is tested for impairment annually (as at 31 December) and when circumstances indicate the carrying value may be impaired. The Group's impairment test for goodwill and intangible assets with indefinite lives is based on value-in-use calculations that use a discounted cash flow model. The consolidated financial statements for 6 months ended 30 June 2012 show that the Group generated a loss for the period of USD 166,221, indicating a potential impairment of goodwill. In addition, the overall decline in aluminium market around the world, as well ongoing economic uncertainty, have led to a decreased demand in aluminium products. As a result, management performed an impairment calculation as at 30 June 2012.

The key assumptions used to determine the recoverable amount for the different cash generating units remained consistent with those disclosed in the annual financial statements for the year ended 31 December 2011. As a result of the updated analysis, management did not identify an impairment for cash-generating units to which goodwill of USD 204,838 is allocated. There are no significant changes to the sensitivity information disclosed at year end.

in USD '000 except where otherwise mentioned

13. Mineral rights

Cost	
Balance at 1 January 2011 restated	510,476
Acquisition of subsidiaries (Note 19)	4,113
Translation adjustment	11,962
Balance at 30 June 2011 restated	**526,551**
Balance at 1 January 2012	540,813
Acquisition of subsidiaries (Note 19)	449
Additions	788
Translation adjustment	-2,055
Balance at 30 June 2012	**539,995**
Amortisation	
Balance at 1 January 2011 restated	-8,838
Amortisation charge	-7,743
Translation adjustment	-288
Balance at 30 June 2011 restated	**-16,869**
Balance at 1 January 2012	-24,231
Amortisation charge	-3,699
Translation adjustment	102
Balance at 30 June 2012	**-27,828**
Net book value	
Balance at 31 December 2011	**516,582**
Balance at 30 June 2012	**512,167**

Comparative figures for 6 months ended 30 June 2011 have been restated in accordance with IFRS 3 "Business Combinations" (Revised). Refer to Note 3 for details.

The amortisation charge has been included in the Cost of goods sold.

14. Derivative financial instruments

Details of the fair value of derivative financial instruments are set out below:

	Assets	Liabilities
30 June 2012		
Embedded derivatives on energy contract - cash flow hedges	17,997	475
Aluminium forward swaps - cash flow hedges	-	217
Aluminium options	26,778	-
Total	**44,775**	**692**
Thereof:		
Non-current	17,997	-
Current	26,778	692
31 December 2011		
Embedded derivatives on energy contract - cash flow hedges	94,457	-
Forward foreign exchange contract - cash flow hedges	-	11,067
Aluminium forward swaps - cash flow hedges	-	97
Aluminium options	44,520	-
Total	**138,977**	**11,164**
Thereof:		
Non-current	73,429	-
Current	65,548	11,164

Embedded derivatives on energy contract

In 2010, a Group subsidiary in Romania entered into a long-term electricity supply contract valid until January 2018. The agreed price contained an LME-linked price adjustment, which was an element not clearly and closely related to the host contract, and therefore it represented an embedded derivative. The embedded derivative was separated from the host contract and accounted for at fair value through profit and loss. The embedded derivative was designated as cash flow hedge of future highly probable sales of aluminium. The cashflow hedging relation was effective at 31 December 2011 and a cashflow hedging reserve representing the change in fair value of the outstanding embedded derivative since the inception date, amounting to USD 94,457, was booked in other comprehensive income, in correspondence with an asset. This change was driven primarily by the change in the aluminium market price.

In 2012, the Romanian subsidiary of the Group renegotiated the long-term electricity supply contract, such that the pricing mechanism was modified.

For the year 2012, the addendum to the electricity supply contract foresees fixed acquisition prices, so that there is no derivative embedded that needs separate accounting.

Starting the year 2013 until 2018 the agreed price contains an LME-linked price adjustment (different than the initial one), a floor level, a cap level and another feature that cancels the floor in case some market conditions are cumulatively met (in respect of both aluminium and energy market). As a result, the compounded embedded derivative that needs to be separated from the host contract consists of four parts:
- a series of 61 monthly forward contracts to sell aluminium, whose notional amounts are determined on the basis of aluminium quantities specified in the contract; the notional amounts of the forward contracts are determined on the basis of the aluminium quantities specified under the energy supply contract, which represent the Group's management's best estimate, at inception date, and consequently at renegotiation date, of the amounts of energy to be acquired;
- a series of 61 monthly long call options for buying aluminium, corresponding to the maximum energy price set in the addendum;
- a series of 61 monthly short put options for selling aluminium, corresponding to the minimum energy price set in the addendum;
- a series of 61 monthly long put options whereby the underlying is an energy price index.

The Group management analyzed the compound derivative and concluded that it no more meets the hedge accounting criteria as it would not prove hedge effectiveness, such that the Romanian subsidiary needed to discontinue the cashflow hedge relationship applied till December 2011 to the previous derivative embedded in the energy supply contract.

As a consequence of termination of the cashflow hedge relationship, the cashflow hedging reserve accumulated at 31 December 2011 will remain in other comprehensive income until the forecasted sales occur. The portion of the hedging reserve recycled to the profit and loss as a credit to Sales for the 6 months ended 30 June 2012 amounted to USD 8,876 (30 June 2011: losses of USD 6,549), with a corresponding deferred tax amount of USD 1,420 (for the 6 months ended 30 June 2011: USD 1,050).

The change in fair value of the embedded derivative instrument between 31 December 2011 and 30 June 2012, amounting to USD 74,892 was debited to the profit and loss account, being presented under "Finance costs, net", caption "Fair value gains/(losses) from financial instruments" (6 months ended 30 June 2011: nil).

The embedded derivatives in the electricity supply contract are classified within Level 2 of the fair value measurement hierarchy.

Aluminium options

During 2011, in order to protect its cash flows from sales against the risk of adverse changes in aluminium market prices, a Group's subsidiary in Romania entered into several ratio collar transactions for the period between March 2011 and December 2011. The collar structure involved taking long positions on put European options, partially financed by short positions on call European options, for half of the quantity in the put options. Under this strategy the Group would be guaranteed a monthly averaged price of at least 2,350 USD/Mt and would be able to profit just 50% from aluminum prices above approximately 2,700 USD/Mt for the above stated volume.

In 2011, the same entity also entered into several 100% collar transactions, by taking long positions on put European options, which would guarantee a monthly averaged price of minimum 2,600 USD/Mt. These were partially financed by short positions on call European options, for the entire quantity under the put options, for strike prices ranging between 3,100 USD/ Mt and 3,300 USD/Mt.

The options were over-the-counter (OTC) contracts with first class banks and were settled on a monthly basis. As at 30 June 2012, their fair value amounted to USD 26,778 (31 December 2011: USD 44,520), hedging 39,000 tons of aluminium (31 December 2011: 78,000 tons).

in USD '000 except where otherwise mentioned

As at 30 June 2012, the effective portion of the intrinsic value of the options, which was credited in other comprehensive income was of USD 28,311 (30 June 2011: 1,858). The gain recycled to profit or loss under "sales" as of 30 June 2012 was of USD 20,393 (30 June 2011: nil), while the amount of USD 1,834 representing change in time value of the options was recognized in profit and loss as a gain (30 June 2011: USD 7,732), along with the net loss from expired options of USD 2,679 (30 June 2011: USD 697).

The options are classified within Level 2 of the fair value measurement hierarchy.

There were no transfers between levels of the fair value hierarchy used in measuring the fair value of financial instruments.

In 2012 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.

Forward foreign exchange contracts

As at 31 December 2011 the Group had several forward foreign exchange contracts outstanding, which were settled in May and June 2012. The realized loss included in "foreign exchange (loss) / gain" amounted to USD 12,218 (30 June 2011: USD 5,713).

15. Inventories

	30 June 2012	31 December 2011
Raw and auxiliary materials	208,475	180,937
Work in progress	177,209	165,997
Finished goods	77,914	77,444
Less: Provision for obsolescence	-7,458	-11,680
Total	**456,140**	**412,698**

The movements in the provision for obsolescence are as follows:

	2012	2011 Restated
Balance at 1 January	-11,680	-2,623
(Charge) / credit to cost of goods sold	3,996	673
Translation adjustment	226	-215
Balance at 30 June	**-7,458**	**-2,165**

The value of inventories pledged for securing the Group's borrowings amounts USD 179,181 (31 December 2011: USD 146,977).

16. Restricted cash

Restricted cash represents amounts:

- pledged to banks to guarantee repayments of bills of exchange issued by the Group;

- held in bank accounts as restricted cash with the purpose of financing the construction of a new flat rolled products plant in China;

- held in bank accounts as restricted cash for issuance of letters of credit;

- held in bank accounts and classified as restricted cash as a guarantee under the provisions of several loan agreements. The guarantee represents estimated interest expenses to be paid by the Company within the following months.

in USD '000 except where otherwise mentioned

17. Borrowings

	30 June 2012	31 December 2011
Long-term borrowings		
Long-term bank loans	1,103,557	981,328
Less: Short-term portion of long-term bank loans	-70,465	-63,687
Bank loans	**1,033,092**	**917,641**
Other loans	388,957	447,180
Bank and other loans	**1,422,049**	**1,364,821**
Loans from related parties (Note 18)	-	172,981
Finance leases	476	760
Total long-term borrowings	**1,422,525**	**1,538,562**
Short-term borrowings		
Short-term bank loans and overdrafts	554,616	619,677
Short-term portion of long-term bank loans	70,465	63,687
Bank loans and overdrafts	**625,081**	**683,364**
Other loans	191,288	212,880
Bank loans, overdrafts and other loans	**816,369**	**896,244**
Loans from related parties (Note 18)	187,103	14,349
Finance leases	713	918
Total short-term borrowings	**1,004,185**	**911,511**
Total borrowings	**2,426,710**	**2,450,073**

Short-term bank loans and overdrafts include amounts received for the bills of exchange discounted at banks in amount of USD 117,774 (31 December 2011: USD 87,408).

Bank borrowings mature until 2023 and have borne interest (fix and variable for different currencies) at annual interest rates between 1.37% and 13.01% (2011: 1.57% and 11.5%).

The borrowings are secured by property, plant and equipment, inventory, actual and future accounts receivables, current bank accounts and by some financial investments of the Group companies.

According to the existing borrowing agreements the Group is subject to certain restrictive covenants. These covenants require the Group, among other things, to maintain certain financial ratios inculding minimum debt to earnings before interest, taxation, depreciation and amortisation ("EBITDA") and interest cover.

As of 30 June 2012 one of the Group's subsidiaries was in breach of some of its loan covenants. The subsidiary has been in discussions with its bank and on 29 June 2012 received a waiver in respect of the breach. A violation of the debt covenants giving the lenders the right to demand repayment at a future compliance date within one year of the reporting date is not likely and therefore amounts not expected to be paid within one year have been classified as long-term. At 31 December 2011 the Group was in compliance with all covenants related to bank borrowings.

The Company has estimated that the fair value of the borrowings equals their carrying amount, due to the short nature of the borrowing for the short-term borrowings and for the long-term borrowings based on the fact that most of the borrowings bear interest at floating interest rates.

in USD '000 except where otherwise mentioned

18. Related party transactions

The Group enters, under normal terms of business, into certain transactions with its major shareholder, 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 primary related party transactions are described below.

Financing

Related party	30 June 2012	31 December 2011
Vi Holding N.V.	187,103	187,330
Total borrowings from related parties	**187,103**	**187,330**
Thereof:		
Short-term portion of borrowings	187,103	14,349
Long-term portion of borrowings	-	172,981

The loan payable to Vi Holding N.V. at 30 June 2012 is repayable on 31 May 2013 and is subject to interest at LIBOR plus 5.75% (between September 2009 and 13 May 2010 it was LIBOR plus 7.75%). The loan is subordinated.

Interest expense related to loans from related parties amounted to USD 5,891 (2011: USD 5,690).

Other services

Goods and services provided to related parties:

	Six months ended 30 June 2012	Six months ended 30 June 2011
Vi Holding N.V.	-	-
Companies under common control	40	-
Associates	2,248	1,175
Total goods and services provided to related parties	**2,288**	**1,175**

Goods and services purchased from related parties:

Vi Holding N.V.	-	-
Companies under common control	32,268	34,019
Associates	-	50
Total goods and services purchased from related parties	**32,268**	**34,069**

Interest income from related parties:

Vi Holding N.V.	-	-
Companies under common control	-	-
Associates	2,067	-
Total interest income from related parties	**2,067**	**-**

in USD ‘000 except where otherwise mentioned

Furthermore, the following balances were outstanding at 30 June 2012 and 31 December 2011:

Trade and other accounts receivable:

	30 June 2012	31 December 2011
Vi Holding N.V.	-	-
Companies under common control	58	877
Associates	38,699	40,586
Total trade and other accounts receivable from related parties	**38,757**	**41,463**

Trade and other accounts payable:

Vi Holding N.V.	-	159
Companies under common control	202	214
Associates	-	-
Key management personnel	-	92
Total trade and other accounts payable to related parties	**202**	**465**

Management Compensation

Total compensation of the Group's key management personnel included in "general and administrative expenses" in the statement of comprehensive income:

	Six months ended 30 June 2012	Six months ended 30 June 2011
Short-term employee benefits	736	310
Post-employment benefits	72	20
Total	**808**	**330**

Compensation for other related parties

Other related parties include close family members of the Group's key management personnel. Total compensation included in "general and administrative expenses" in the statement of comprehensive income:

	Six months ended 30 June 2012	Six months ended 30 June 2011
Short-term employee benefits	-	131
Post-employment benefits	-	4
Total	**-**	**135**

On 22 June 2011 Mr. Pavel Machitski was appointed as member of the Board of Directors. As a consequence his compensation was disclosed under “Management Compensation” for the period starting 22 June 2011.

in USD '000 except where otherwise mentioned

19. Acquisitions and disposals of subsidiaries

On 1 January 2012, the Group's subsidiary Zhengzhou City Dengcao Investment Co. Ltd. acquired 100% of a coal mine Yichuan County Jinyao Coal Mine Co. Ltd.

Provisional fair values of assets acquired and liabilities assumed at the date of acquisition were as follows:

Yichuan County Jinyao Coal Mine Co. Ltd.	Book value	Fair value adjustment	Fair value
Property, plant and equipment	5,348		5,348
Mineral rights	449	-	449
Other non-current assets	1	-	1
Deferred tax assets	-	128	128
Current assets	2,302	-485	1,817
Current liabilities	-7,613	-30	-7,643
Net assets	**487**	**-387**	**100**
Non-controlling interest			-
Goodwill arising on acquisition			**15,820**
Consideration:			**15,920**
Net cash acquired with the subsidiary			9
Cash paid			15,920
Cash consideration payable			-
Net cash outflow on acquisition of subsidiaries			**15,911**

Fair value measurements for the initial accounting of the above mentioned business combination are still being verified, hence the net assets acquired are reported on a preliminary basis only.

Goodwill arose in the acquisition of the coal mine, because the consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies, revenue growth and potentially mineable mineral resources. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable assets. The goodwill arising on acquisition is not expected to be deductible for tax purposes.

The mine is under a modernisation process and no revenue is included in consolidated statement of comprehensive income. Since acquisition, Jinyao Coal Mine generated net losses in amount of USD 569.

Acquisition of entities under common control

On 29 February 2012, the Group subsidiary Henan Yulian Energy Group Co., Ltd. set up a new company Dengfeng City Daxin Commercial Ltd., 100% owned. The company's issued capital is USD 2,400 and the main business activity is power generation. As part of an asset reorganization scheme, Henan Yulian Energy Group Co., Ltd. transferred its power generation plants and related liabilities to Dengfeng City Daxin Commercial Ltd. Subsequently, on 31 March 2012 the newly created company was sold to another subsidiary of the Group Zhengzhou Guangxian Industry and Trade Co. As a result, the effective shareholding of the Group in Dengfeng City Daxin Commercial Ltd. decreased from 96.78% to 57.69% (see Note 22). No additional goodwill was recognized on the transfer and the difference between the consideration transferred and the carrying values of net assets of the subsidiary was recognized in Equity as Changes in ownership interests in subsidiaries. The Group recognised a decrease in non-controlling interests of USD -5,128 and an increase in retained earnings of USD 5,128.

20. Contingencies and commitments

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 674,124 at 30 June 2012 and USD 690,008 at 31 December 2011.

Raw material purchase contracts. The Group has entered into various contracts for acquiring energy, gas and other material and consumables at market prices prevailing at the date of purchase.

The Group has committed to purchase electricity until 2018 under a long-term agreement with a Romanian electricity supplier. The estimated value of this commitment is USD 932,931 as at 30 June 2012 (USD 1,010,653 as at 31 December 2011) and is based on estimates made at inception date of the contract, excluding the impact of embedded derivatives recognised in these consolidated financial statements.

Taxation

In June 2012, the accounting and reporting regulation in Romania was changed so as to require that companies whose securities are traded on a public regulated market to prepare its individual financial statements for the year-ended 2012 based on International Financial Reporting Standards as endorsed by the EU (IFRSs). Despite the fact that the Romanian Accounting Standards (RAS) have achieved a certain degree of convergence with IFRSs, there are still important differences affecting mainly the recognition and measurement of property plant and equipment, intangible assets, share capital and financial instruments.

The Group is currently evaluating the impact of the above changes on its tax position and dividends distribution policy in Romania, which were up to now based on RAS and is waiting for additional clarifications from the Ministry of Public Finance of Romania in this respect. The above changes might be material to the Group's earnings or to shareholders' funds, but the future impact cannot be accurately assessed at the current reporting date.

21. Events after the balance sheet date

On 26 July 2012 one of the Group's subsidiaries was notified by its major electricity supplier that due to severe draught in the region the supply of the electricity will be reduced below the contractual level, without mentioning and/or committing itself to a specific quantity. The estimated period during which the quantity will be reduced below the contractual level is between 7 August 2012 and 31 December 2012. Based on the available information the Group's management cannot estimate reliably the future impact on the Group's financial statements.

in USD '000 except where otherwise mentioned

22. Principal companies in the Vimetco Group

The principal companies in the Vimetco Group at 30 June 2012 and 31 December 2011, classified by segment, are as follows:

	30 June 2012		31 December 2011	
	shareholding	votes[1)]	shareholding	votes[1)]
China				
Datang Gongyi Power Generation Co., Ltd.	47.42%	49.00%	47.42%	49.00%
Datang Linzhou Thermal Power Co., Ltd.	10.08%	20.16%	10.08%	20.16%
Dengfeng City Chenlou Yisan Coal Mine Co., Ltd.	31.73%	100.00%	31.73%	100.00%
Dengfeng City Daxin Commercial, Ltd.	57.69%	100.00%	0.00%	0.00%
Dengfeng City Jinxing Coal Mine Co., Ltd.	31.73%	100.00%	31.73%	100.00%
Everwide Industrial Ltd.	100.00%	100.00%	100.00%	100.00%
Henan Jiatuo Coal Distribution Co., Ltd.	57.69%	100.00%	57.69%	100.00%
Henan Yellow River Heluo Branch Water Supply Co., Ltd.	30.45%	44.00%	30.45%	44.00%
Henan Yinhu Aluminium Co., Ltd.	50.01%	100.00%	50.01%	100.00%
Henan Yonglian Coal Industry Co., Ltd.	31.15%	45.00%	31.15%	45.00%
Henan Yulian Energy Group Co., Ltd.	96.78%	96.78%	96.78%	96.78%
Henan Yulian Zhongshan Investment Holdings Co., Ltd.	57.69%	100.00%	57.69%	100.00%
Henan Zhongfu Aluminium Alloy Co., Ltd.	37.01%	100.00%	37.01%	100.00%
Henan Zhongfu Anodes Carbon Co., Ltd.	41.78%	83.53%	41.78%	83.53%
Henan Zhongfu Industry Co., Ltd.	50.01%	51.68%	50.01%	51.68%
Henan Zhongfu Power Co., Ltd.	69.21%	100.00%	69.21%	100.00%
Henan Zhongfu Specialized Aluminium Product Co., Ltd.	37.01%	73.99%	37.01%	73.99%
Henan Zhongfu Thermal Power Co., Ltd.	33.91%	49.00%	33.91%	49.00%
Linzhou Jinhe Electrical Power Equipment Co., Ltd.	25.51%	51.00%	25.51%	51.00%
Linzhou Linfeng Aluminium and Power Co., Ltd.	50.01%	100.00%	50.01%	100.00%
Linzhou Linfeng Aluminium Product Co., Ltd.	50.01%	100.00%	50.01%	100.00%
Shanghai Xinfu Industry Development Co. Ltd.	45.01%	100.00%	45.01%	100.00%
Shanghai Zhongfu Aluminium Development Co., Ltd.	45.01%	90.00%	45.01%	90.00%
Shenzhen OK (OUKAI) Industry Development Co., Ltd.	50.01%	100.00%	50.01%	100.00%
Yichuan County Jinyao Coal Mine Co., Ltd.	31.73%	100.00%	0.00%	0.00%
Zhengzhou City Dengcao Investment Co., Ltd.	31.73%	55.00%	31.73%	55.00%
Zhengzhou City Fanda Investment Management Co., Ltd.	57.69%	100.00%	57.69%	100.00%
Zhengzhou City Huixiang Coal Industry Co., Ltd.	40.39%	70.00%	40.39%	70.00%
Zhengzhou Dengcao Enterprise Group Jinling Coal Mine Co., Ltd.	31.73%	100.00%	31.73%	100.00%
Zhengzhou Guangxian Industry and Trade Co., Ltd.	57.69%	100.00%	57.69%	100.00%
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%
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%
Corporate and other				
Vimetco N.V.	n/a	n/a	n/a	n/a
Vimetco Management GmbH	100.00%	100.00%	100.00%	100.00%
Vimetco Ghana (Bauxite) Ltd.	100.00%	100.00%	100.00%	100.00%

1) 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.

Statement of Management Responsibilities

To the Shareholders of Vimetco N.V

Pursuant to the Listing Rules of the United Kingdom Listing Authority (UKLA) the Company is required to prepare 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. 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 Condensed Consolidated Interim Financial Statements set out on pages 7 to 30, 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 Condensed Consolidated Interim 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 Condensed Consolidated Interim Financial Statements set out on pages 7 to 30 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 4 to 6 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. 5:25d 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 half-yearly 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 half-yearly management report includes a fair review of a) the important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements, b) the principal risks and uncertainties for the remaining six months of the financial year and c) for issuers of shares the major related parties transactions.

For and on behalf of the Board of Directors

Gheorghe Dobra	**Marian Nastase**
Chief Executive Officer	Chief Financial Officer

27 August 2012