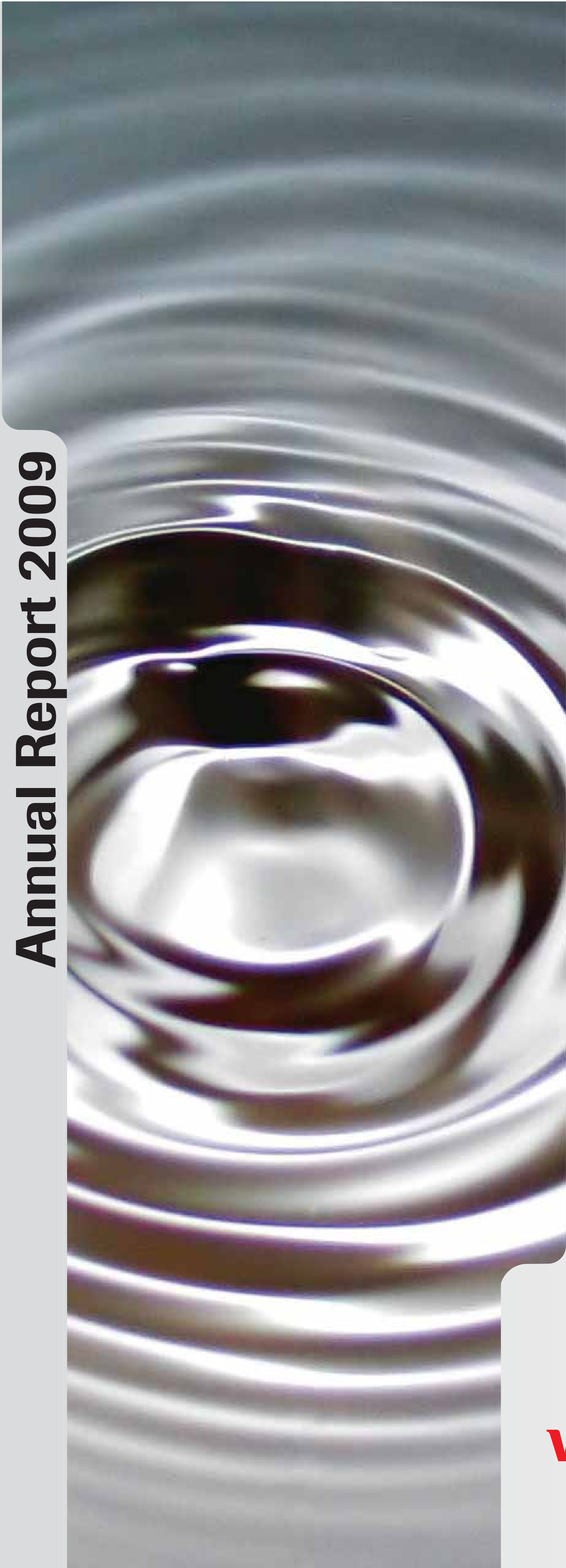
# Annual Report 2009



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, China, Guinea, Sierra Leone and Romania.

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.**

# Contents

# Report of the Board of Directors

# Financial Highlights

| Consolidated Financial Statements | | 2009 | 2008 |
|---|---|---|---|
| Sales | USD million | **1,519** | 1,833 |
| EBITDA[1] | USD million | **300** | 259 |
| EBITDA margin | | **19.7%** | 14.1% |
| Net (loss)/profit | USD million | **63** | -144 |
| | | | |
| Total assets | USD million | **3,462** | 3,091 |
| Shareholders' equity | USD million | **918** | 947 |
| Net debt[2] | USD million | **1,490** | 1,120 |
| | | | |
| Earnings per share | USD | **0.129** | -0.753 |
| Equity per share | USD | **2.93** | 3.03 |
| **P/E[4]** | USD | **19.4** | n/a |
| | | | |
| **Share price at year-end** | USD | **2.50** | 0.17 |
| | | | |
| Production | | | |
| | | | |
| Electrolytic aluminium production | metric tonnes | **703,000** | 691,000 |
| Processed aluminium production | metric tonnes | **99,000** | 91,000 |
| Alumina production | metric tonnes | **44,000** | - |
| Bauxite production[3] | metric tonnes | **757,000** | 422,000 |
| | | | |
| Average number of employees | | **9,973** | 10,770 |

[1] EBITDA: profit before tax, net finance items (operating profit), depreciation and amortisation
[2] Net debt: total of short- and long-term bank loans, loans from related parties and lease obligations less cash and cash equivalents
[3] 2008 production refers to the period since the acquisition of the mine by Vimetco N.V.: end July to December 2008, including moisture.
[4] P/E: price per share divided by earnings per share

# Letter from the Chairman

**Dear Shareholders,**

It has always been a rather difficult task to compress one year of business into two pages. And it looks more so when it comes to one of the most challenging economic years in recent history. However, I am proud to say that for Vimetco, 2009 was a year of confirmation; a year that proved that our company has been built on strong foundations and with a sound strategy. In a year of crisis, we not only saw the opportunity, but we took it. And we remained true to our aim to exploit our strengths in the global aluminium market to deliver increased value to our shareholders, our customers and the community at large.

**Fast, decisive measures to cope with the crisis**

As one of the very few companies in the global aluminium industry to announce a one-year result in the green, we believe that it was our management structure as well as the expertise of our directors and the dedication from our employees the factors that helped us most to fare over the troubled months of 2009. In the first quarter on 2009, faced with the need to react promptly to a world economy in turmoil, we took the decision to reduce the management layers within Vimetco. It was a decision that enabled us to become more responsive and to implement crisis prevention actions in a fast and focused manner.

At the beginning of 2009 it became apparent that the demand for aluminium is slowing down fast. The price plummeted and both ourselves and our customers were struggling with high cash costs. We took a number of decisions that were designed to improve our cash flow profile and to reduce our costs. In our Romanian operations we decided to close one potline, reducing the total production by 25%. The measure not only answered a weaker demand for metal, but also provided us with significant costs savings as the energy needed to operate was purchased on spot market at high costs. These measures, combined with a significant sales effort, enabled us to reduce the inventory in Vimetco Romanian operation by 27,000 tonnes in the first six months of the year.

While the Chinese market remained relatively strong during the whole year 2009, the signals in the first quarter were not showing an encouraging picture. Therefore, we decided to decommission a number of coal power generation plants that were running on older, uncompetitive technologies. We also reduced our ingots production, in response to weak demand for this product. In February 2009, we decided to stop any current investment programs and not to initiate any other.

**A sustainable rebound**

The second half of 2009 has been directly and positively impacted by the measures taken at the beginning of the year. While the market slowly recovered and LME prices begun to stabilize, we were faced with a decision on how to respond. We chose a mature approach, based on what we always believed to be the key for Vimetco's success – a sustainable growth.

As the negotiations initiated in Sierra Leone were concluded, we were in a better position to take advantage of our mining operations there, at more competitive prices. The restart of the full operations at the Vimetco bauxite mine in Sierra

Leone led to the next logical step, restarting the refining operations in our Alum Tulcea refinery in Romania. The upgrading process of the Alum refinery was finalized and operations started in October 2009. The reopening of Alum means that our Romanian operations are now fully integrated, with 100% of Sierra Leone bauxite being refined and used for producing primary aluminium and added value products in our Slatina smelter and processing facilities.

The second quarter of 2009 also clearly showed that the Chinese economy is more resilient to the crisis than previously estimated. As the demand remained solid, we decided to complete the planned investments. A new slabs, billets and wire rod casting house, with a total capacity of 300,000 tonnes was commissioned in 2009 and investment projects aimed to increase capacity to 670,000 tonnes of aluminum were accomplished. The Company has further consolidated its energy independence by commissioning a new power production capacity of 300 MW.

**The way ahead**

We intend to continue our strategy to develop our Chinese operations towards producing more added-value products as Vimetco is exceptionally well suited to achieve this goal, considering the technological base Vimetco has built in China and the significant experience of our Romania engineers. We base this strategy on the successful transfer of know-how from our Romanian operations towards China, via an intensive program designed to train Chinese specialists and take advantage of the Romanian expertise. This program has been a key element in achieving the desired development of our Chinese operations. Chinese and Romanian Vimetco specialists already took part in the know-how exchange program and we intend to continue this action in 2010.

Expanding our product range and moving into the high-end processed products is a Group-wide strategy. I am proud to announce that we have successfully completed the certification process for producing aeronautics-grade alloys in Romania. The mill construction project in China (Gongyi city) and the recently announced joint-venture of Vimetco's subsidiary Henan Zhongfu Industrial Co., Ltd and Chalco Henan Aluminium Fabrication Co., Ltd. to produce 120,000 tonnes/year of flat rolled aluminum products is yet another step towards consolidating our position on the higher added value aluminium products market in China.

I would like to extend my thanks to all Vimetco Group employees for the loyalty, support and hard work they showed during the difficult year of 2009. I am confident that we are now in a better position to continue our development as an important player on the aluminium market. While we remain cautiously optimistic about the 2010 evolution of the economy as a whole, we will continue our strategy to further integrate and to sustainably develop our business.

**Vitaliy Machitski**
Chairman of the Board

# Letter from the CEO

**Dear Shareholders,**

We are closing a difficult year that put us to test from almost all points of view – strategy, finance, production, marketing and sales. And I am happy to tell you that we managed to steer through in a manner that I am confident has laid the foundation for a strong future development of our Company. The measures that we took, the timing and swiftness of implementation of these measures, as well as the exceptional effort from every employee of Vimetco during this testing year have paid off. We are in an enviable position to be one of the few companies in the aluminium industry able to report a profit at the end of 2009.

The aluminium price has shown a constant, though slow recovery starting from 1,492 USD/t at in January 2009 to 2,235 USD/t in December. The average price for 2009, of 1,667 USD/t remains far from the maximum recorded in 2008. Despite this recovery, the low prices recorded in the first half of the year required significant measures to ensure the cash flow. The measures that we implemented in the first part of the year paid off, with the inventories of finish goods in Vimetco Romanian operation decreasing from 35,000 tonnes as of 31 December 2008 to 8,000 tonnes as of 30 June 2009 as well as a significant improvement in our productivity.

Our focus over the whole year was to continue increasing both our production and sales of the higher added-value products. While during the first half of the year we saw an increase in our ingots sales, this was mainly thanks to our efforts towards reducing the inventory. At Group level, we managed a decrease of 5.29% of the production of primary aluminium, doubled by an increase of 8.92% of processed aluminum products, compared to the year 2008. Despite closing down a pot line in Vimetco Alro, which reduced the Romanian operations' production of electrolytic aluminium by 24.36%, we recorded an increase of 25% in the volume of processed aluminium production compared to the year 2008.

An important step towards achieving our vertical integration goal was the restart of Vimetco Alum Tulcea alumina refinery. Combined with producing at optimal capacity in our bauxite mining operations in Sierra Leone, this led to a production of 43,517 tonnes of alumina that was used by the Vimetco Alro smelters. The most significant achievement in integrating the mining, refining and smelting activities for our Romanian operations is that Vimetco is now in a position to have a better control over the alumina costs for Romania, on a long-term basis, thus being sheltered by any volatility in the alumina and bauxite markets.

Another focus for 2009 at Group level was expanding the product range and moving towards the high-end products. In Vimetco Alro we continued our certification process for hard alloys heat treated plates and we have completed the upgrading works for our Cold Rolling Mill.

Benefiting from the Group's synergies, we used the support of our Romanian team and have commissioned a 300,000 tonnes/ year casting house in our Henan Zhongfu unit, with state of the art technology, being able to deliver engineered products, such as wire rods, billets and slabs. This subsequently led to establishing a joint-venture with Chalco Henan Aluminium Fabrication Co, Ltd. that would enable us to better benefit from the high-end products market in China. We have also continued investments in Lingfeng unit, commissioning the second 400kA smelter after Zhongfu.

Besides the investments in production, we have improved our sales organization, being able to reenter the US market with processed products. Our focus on developing the production of engineered products, with higher added value will further increase the sustainability and viability of our business.

All the measures we took in 2009, including the strategic decisions to continue selected investment programs, have proved successful and will constitute the basis for further growth of Vimetco. It will also consolidate the Company's position as a highly competitive supplier, in terms of quality, costs and reliability.

In 2009, Vimetco has improved the competitiveness in the aluminum business. We continued the vertical integration strategy and we have always strong focus on our product development.

Let me thank all our employees in China, Romania and Sierra Leone. Without their ideas, power and engagement we would not be there were we are today. Thank you!

**Frank Mueller**
Chief Executive Officer

# Sustainable Development

Vimetco is a major global aluminium manufacturer, with production facilities in China, Romania and Sierra Leone, focusing on vertical integration through acquisitions and organic growth. The Company is pursuing its strategy to become a self sustained aluminium producer, owning facilities throughout the entire production chain, from bauxite to processed aluminium products.

Vimetco is committed to meeting all its customers' requirements in terms of quality and range of products and delivery period. The Company diversified its range of higher value added, processed products, implementing best available technologies in its units. Besides the investments in technology, Vimetco is constantly working at ensuring the wellbeing of its employees and has an active presence in the communities where it operates.

The investment programme and growth strategy helped Vimetco enter the top world aluminium producers over a period of less than seven years, and consolidate its position despite the downturn of the international economy. The Company grew through acquiring production facilities in emerging markets, investing in best available technology and in employee training. This strategy helps Vimetco capitalise on the long term development of the aluminium market.

The consolidation strategy also placed the Company in a good position at a time when the international downturn of the economy showed its effects on the aluminium market. Being a sound Company, and implementing a complex programme for cost reduction, Vimetco managed to overcome the most difficult period of the international crisis and remained viable and profitable.

Despite a drop in aluminium demand in 2008 and during most of 2009, the aluminium industry has good potential for growth on the long term. Industry analysts forecast an average annual growth rate of the consumption of 10% in 2010 and 6% in 2012, from 35 million tonnes, in 2009, to approx 45 million tonnes in 2012.

**Strategy**

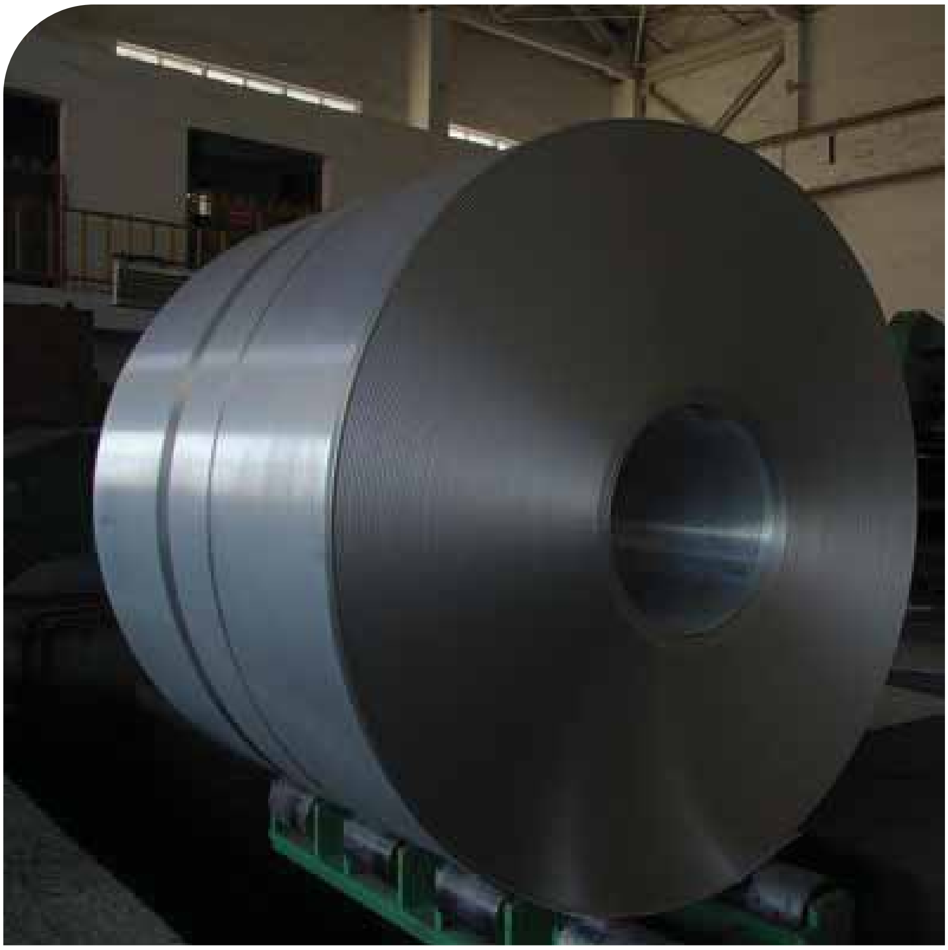
Vimetco continues to pursue its long term development strategy, focused on vertical integration, in order to consolidate the Company's position on the international aluminium market. Thus, it secured its raw material supply through acquisition of bauxite mines, it diversified its portfolio, focusing on higher added value and it further improved productivity and costs control, increasing efficiency of its operations.

On the short term, Vimetco implemented the cost savings programme, ever since 2008, and throughout 2009, as required by the economic environment. The Company postponed part of its capital expenditures, adjusted production and renegotiated raw materials supply contracts to ensure a tighter cost control. However, its long term strategy remained unchanged.

Vimetco continues implementing its strategy of full vertical integration, in order to ensure the stability of its entire production chain, and the predictability of the production costs, thus consolidating its status as a dependable supplier for its customers. The company continues its programme of securing the raw materials, and is further prospecting potential development of this area, after it invested in bauxite mines in Sierra Leone. Moreover, it commissioned new production facilities for electricity, in China.

The Company is also pursuing its programme of focus on higher added value products, completing and commissioning a cast house in China, for production of intermediate products such as billets, slabs and wire rod. The shift in product range, according to the customers' demand, will result in higher margins for the Company, with a positive impact on the final results.

Vimetco capitalises on the synergies of its units, being able to transfer best practices and know how in distinctive areas of the business. Alro's expertise in producing higher added value products is shared with the Chinese operations, resulting in an increase of capacity for added value primary aluminium in China. Moreover, Vimetco is implementing a unitary procurement system that will lead to lower purchasing costs and maintain the Company's strong position on the cost curve.



**Customers and Markets**

Through its operations, Vimetco is well positioned to cover the demand of its international customers. Its operations in China are growing steadily, in consistency with the demand of the largest aluminium market in the world. Vimetco has a total production capacity of 670,000 tonnes per year in China and is well positioned to respond to further developments of the Chinese market.

Advantages in China also include proximity to customers and low transportation costs. Vimetco's Chinese holdings include smelting plants in Gongyi, processing facilities in Zhengzhou, a smelter in Linzhou and casting facilities. A new cast house has been commissioned in 2009, with a production capacity of 300,000 tonnes per annum for each slabs, billets and wire rod. The plants feature integrated power generation, with a third 300MW power plant being commissioned in 2009. On the other hand, on short term, Vimetco reacted to the reduction of Chinese market growth and in January 2009, cut production of low added value products in its China operations by another 50,000 tonnes per annum.

The management is further evaluating Chinese market potential targeting to increase Flat Rolled Products (FRP) sales. An increase of FRPs can lead to achieving higher premiums and ensures an optimized product mix between Primary and Processed products. Industry analysts forecast a recovery of the growth in China, with the aluminium consumption being expected to increase by 25% in 2010, compared to 2009, reaching 16.6 million tonnes per annum, compared to 13.4 million tonnes per annum, in 2009.

In Romania, Vimetco implemented its vertical integration strategy, owning a smelter in Slatina and an alumina refinery in Tulcea. The smelter includes casting facilities, anode plant and processing plant, having a production capacity of electrolytic aluminium of 265,000 tonnes per annum. The Company also produces processed aluminium products, including plates, sheets, coils, and extruded products. Vimetco operates also Alum, the alumina refinery in Tulcea, which underwent an upgrading program that began in February 2007. The

plant was reopened in the fourth quarter of 2009, securing the ongoing production of alumina, which facilitates continued aluminium production, while ensuring security of supply for Alro.

Alum has replaced part of the existing equipment in order to make the production process more efficient and also to be in compliance with the European norms on environment protection. After the implementation of the upgrading program, the technological flow has been optimized, resulting in competitive production costs.

The operations in Romania offer proximity to customers, especially those in Western Europe, flexibility of output, by producing a wide range of aluminium products, of high quality. Alro has also invested in further diversifying its product range, with the aerospace industry as one of the key markets targeted. The Romanian facility received the NADCAP certification (National Aerospace and Defence Contractor Accreditation Programme), recognizing the compliance of Alro's processes to the strict international requirements of the aerospace industry.

The certification is the result of Alro's significant investment program, focused on diversifying output, increasing high value added production and improving quality. Now, Alro is in process of acquiring specific company certifications in order to enable the Company to become a regular supplier for the aerospace industry.

Vimetco is committed to working closely with customers, in order to meet their demand in terms of quality and range of products, as well as delivery terms. Besides targeting the aerospace industry, Vimetco is also targeting the Chinese construction industry, the Company's experts carefully researching industry requirements in this field.

**Activity and products**

Vimetco produces primary and processed aluminium products both in Romania and China. The Company ensures the necessary alumina for its Romanian operation, supplying the alumina refinery in Romania with bauxite from its own mines in Sierra Leone. The Chinese operations are also on the path of vertical integration, with electricity producers in their portfolio.

**China**

Vimetco is among the top producers in China and mainly supplies its aluminium on the local market. Vimetco's Chinese holdings include smelting plants in Gongyi, with a combined capacity of 490,000 tonnes per annum, as well as processing facilities in Zhengzhou, a smelter in Linzhou, with a capacity of 180,000 tonnes per annum and casting facilities with capacities of 30,000 tonnes per annum in wire rod and 30,000 tonnes per annum in billets. A new cast house has been commissioned in the second quarter of 2009 with a production capacity of 300,000 tonnes per annum for each slabs, billets and wire rod.

The Chinese subsidiaries produced over 412,000 tonnes of primary aluminium, in 2009, and 58,000 tonnes of processed aluminium, as per the market demand. The increase in production was mainly determined by the commissioning of a new cast house in the second quarter of 2009, with a production capacity for slabs, billets and wire rod. The plants feature integrated power generation, with a new 300MW power plant being commissioned in 2009.

Vimetco is considering increasing its market share in China, based on the domestic demand, shifting its output towards higher added value products such as billets, slabs and wire rods.

**Romania**

Alro is Romania's only aluminium producer and is also the largest primary aluminium production facility in the Central and Eastern Europe (excluding CIS) by volume. The company has a production capacity of 265,000 tonnes per annum. Facilities include a smelting plant in Slatina, which produced 229,000 tonnes of primary aluminium and 41,000 tonnes of processed products in 2009. In response to market conditions, Alro implemented a rigorous plan at the end of 2008 to reduce production costs, focusing on its core activities and services, core business assets and on ensuring the highest levels of product quality and short delivery times. Alro's cost reduction program continued during 2009, with reduction in raw material costs and a reduction in headcount. During the first half of 2008, a new sales organization was put in place, with the objective of overall improvement of sales processes and customer service.

Pursuing its long-term strategy of becoming a vertically integrated aluminium producer, Vimetco restarted the alumina refinery Alum Tulcea in Romania, in October 2009, thus controlling the entire chain supply, from bauxite to high added value products. Reopening the alumina refinery in Tulcea means that Alro secures the ongoing production of alumina which facilitates continued aluminium production while ensuring security of supply. The smelter in Slatina built a new deposit for alumina, with state of the art technology, complying with all international requirements regarding environment protection.

Wire rod from Alro is used for high-voltage cables and wires, which are further processed for end-products such as telecom cables or power cables. The billets are bars from Alro are used in the extrusion process to make profiles and slabs, which are further processed by Alro's rolling mill. Flat rolled products - sheets and plates – are further used by customers to produce end products.

**Sierra Leone**

In 2008, Vimetco acquired a bauxite mine in Sierra Leone, with resource base of approximately 31 million tonnes of bauxite and a production of 757,000 tonnes in 2009. The bauxite mine assures the necessary raw materials for the alumina refinery in Romania, consolidation the vertical integration of the Group and security of supply for Vimetco's smelter in Romania.

**Quality**

Vimetco is committed to delivering products of best quality that meet the requirements of the most demanding customers. In Romania, Alro formulated and approved a quality-control policy, identified the Company's goals and objectives in the area of quality and introduced and developed a system of regulatory documents, including quality-management procedures and process flowcharts.

Alro has a strong team of quality management professionals having reached impressive results in improving quality throughout the production cycle from raw material purchases to the delivery of finished products to customers. Alro's products are ISO 9001 certified for quality management and have NADCAP as well as EN 9100 certificate for aerospace production organizations, respecting the quality standards for primary aluminium on the London Metal Exchange – LME, as well as the international standards for flat rolled products.

In its turn, Henan Zhongfu Industrial, Vimetco's Chinese subsidiary, acquired 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. In China, the Company is also certified ISO 14001.

Vimetco is constantly working towards improving the quality of its products, and is investing in state of the art technology that supports the production of best quality products. The company is placing a great emphasis both on products characteristics and specifications, surfaces, storage and transportation, but also on quality of packaging of the products.
The Company's strategy is to constantly invest in both research and development and in the latest technology to ensure our production is at the leading edge.

## Employees

Vimetco believes that its business success relies on attracting and retaining best people with the appropriate skills. Therefore, we placed among top priorities the training of the employees, implementing a wide range of programmes for all 10,145 employees Vimetco has. Vimetco places high importance on developing local talents at its units.

In Romania, Alro is constantly improving working conditions to the highest standards as proven by OHSAS 18001 certification that the Company owns. In its turn, the Chinese subsidiary of Vimetco, Henan Zhongfu Industry Co, places health and safety of the employees at top priority, being certified by the relevant authorities in China in this field, until 2011. Vimetco invests in training programs, and takes advantage of the Company synergies, in order to share best practices within all its units.

The Company places a great emphasis on the safety of its employees, investing in new technologies, maintenance, infrastructure and continuously improving labour conditions. The employees are optimally equipped with necessary protection equipment and attend ongoing training programs regarding health and safety.

Alro is developing a system of occupational trauma prevention and early identification and elimination of occupational hazards and risks, involving broad staff participation and use of state-of-the-art methods. The Company seeks to ensure that work conditions at its facilities are in compliance with the applicable international standards.

## Corporate Social Responsibility

Vimetco believes the sustainability of its business comes from its commitment to the local communities where it operates. Thus, the Company implements highest standards in terms of relationship with business partners, local community, environment protection and health and safety. It also places a great emphasis on contributing to the well being of the communities where it operates. Corporate social responsibility issues are generally addressed based on local requirements and regulations.

## Environment

Vimetco complies with all international requirements regarding environment protection. Moreover, the Company invests in state of the art technology, which is environment friendly. It also implemented programmes of improving environment conditions in all its units.

In 2005, Alro, became one of the first companies in Romania to receive an Environmental Authorization for a period of ten years, thus recognition its strong long-term investment plan in environmental projects, worth over USD 20 million. The Environmental Authorization certifies that all the emissions of the Company are in full compliance with European Union standards.

Alro has also developed programs for the automatic monitoring of environmental impact factors, in cooperation with the Governmental Environmental Protection Agency and Public Health Directorate. An environmental protection officer was appointed for each of the Company's divisions.

The plant in Slatina replaced wet-fluoride-capture technology with dry-gas treatment technology, thereby increasing the gas-capture rate from 65% to over 99%. Furthermore, all exhaust gases comply with the industry best practices standard. The Company is applying eco-efficiency and safety measures throughout the entire production process. It is also involved in activities related to global environmental issues through active cooperation with international organizations on greenhouse gas emission reductions.

Alro is also committed to meeting all the legal obligations under REACH (Registration Evaluation Authorization and Restriction of Chemicals), as a manufacturer, importer and downstream user and has started the pre-registration process. Alro is a member of the REACH Consortium, formed by the European Aluminium Association (EAA), which prepares chemical safety reports for aluminium and alumina.

Following a two years modernization programme, Alum, the alumina refinery in Tulcea, Romania, was restarted. The Company undertook a complex environmental protection programme, in order to make the production process more efficient and also to be in compliance with the European norms on environment protection. The programme continues with building an installation for slime thickening, in accordance with global best practices.

The Chinese operations also comply with international requirements regarding environment protection, Henan Zhongfu Industry being certified ISO 14001 for environmental management system, until 2011. The investments in expanding production capacity for higher added value products have a positive impact on environment, benefiting from state of the art technology that complies with the regulations in the field.

In Sierra Leone, Vimetco operates in accordance with relevant environment protection rules. The Company restores the pits that have been mined out, reinstating the previously reserved topsoil. The old pits are then planted with ground cover shrubs and also cash crops such as cashews and oil palm. The mining operations are also certified for environment protection, having a license for Environment Protection valid until October 2013.

**Community**

Vimetco works closely with the local communities where it operates, in order to improve the quality of life both for its employees and for the people living in those areas. In Romania, Alro works closely with the local community to identify the areas in which support is needed, actively participating in community life through its corporate responsibility programs, from rebuilding homes destroyed by natural disasters, to education and health.

The mining operations in Sierra Leone, SML contributes a percentage of its turnover to the Agricultural Development Fund, and to a Foundation focusing on community development projects in the mining area. Through Children of the Nations charity, based close to the mine site, the Company provides accommodation for orphaned children and main high school in the area. It also restores the pits that have been mined out, rendering the land back into the agricultural circuit.

# Business Review

Bold and timely measures taken at the end of 2008 and in the beginning of 2009 allowed Vimetco to steer through the difficult first half of 2009, adapting production and improving sales, productivity and cash generation. While reducing primary aluminium production, the Company has increased the volume of higher added-value products such as billets, slabs and wire rods and achieved a significant reduction in inventories over the first quarter of the year.
Taking into consideration the robustness of the Chinese economy, the investment programs for the Chinese subsidiaries were resumed in the second quarter and a series of significant ones were completed as planned. Vimetco achieved its vertical integration plans for Romania by successfully re-opening the Tulcea alumina refinery that provides the necessary raw materials for Vimetco Alro. Vimetco Group finished the year with a net profit of USD 63 million.

## Financial Highlights

### Sales and costs

Vimetco recorded a decrease of 17% in overall sales, to USD 1,519 million, partially offsetting the 35% drop in average of aluminium prices as quoted on the London Metal Exchange (LME) in 2009 compared to 2008. Similarly, the company managed to offset the drop of over 17.8% in the average price of the aluminium as quoted on the Shanghai Metal Market (SMM) in 2009 compared to 2008. The results are mainly due to maintaining the weight of high added-value products sold in 2009 (both value and volume) in total sales, with the reduction in the production of primary aluminium. The restarting of the mining operations in Sierra Leone, combined with the restarting of the Tulcea alumina refinery and the fact that the incorporation of the bauxite mine into the group took place only in the end of July 2008, led to an overall increase of 79% in bauxite production, as well as to a total production of alumina of 44,000 mt in 2009. Also the bauxite sales in terms of volumes were 35% higher than in 2008.

The cost of raw materials recorded a decrease starting with the end of second quarter of 2009, as some of the previous contracts were finalized and new contracts were signed taking advantage of better raw material prices. Combined with the decision to close down one potline in Alro S.A., for which the company had to buy energy at high spot prices in order to operate, Vimetco achieved an overall reduction of costs of sales by 34% in its Romanian unit, from USD 599 million to USD 394 million. A further reduction of 10% was achieved in costs of sales of the group entities in China, mainly by closing down less efficient, older technology power generating capacities, as well as by renegotiating raw material supply contracts.

At group level, Vimetco recorded an overall reduction of 19% of total cost of goods sold, from USD 1,563 million to USD 1,263 million. Electricity, water and gas expenses have been reduced by 15%, while consumables' costs have been reduced by 34%.

### Positive results in 2009

The gross profit of Vimetco for 2009 was of USD 256 million, 5% lower than in 2008. EBITDA was USD 300 million, representing a 15% increase over the 2008 figure. The net profit for 2009 was USD 63 million, compared to a loss after the impairment charge for China, in 2008, of USD 144 million.

A significant change in the geographical structure of the

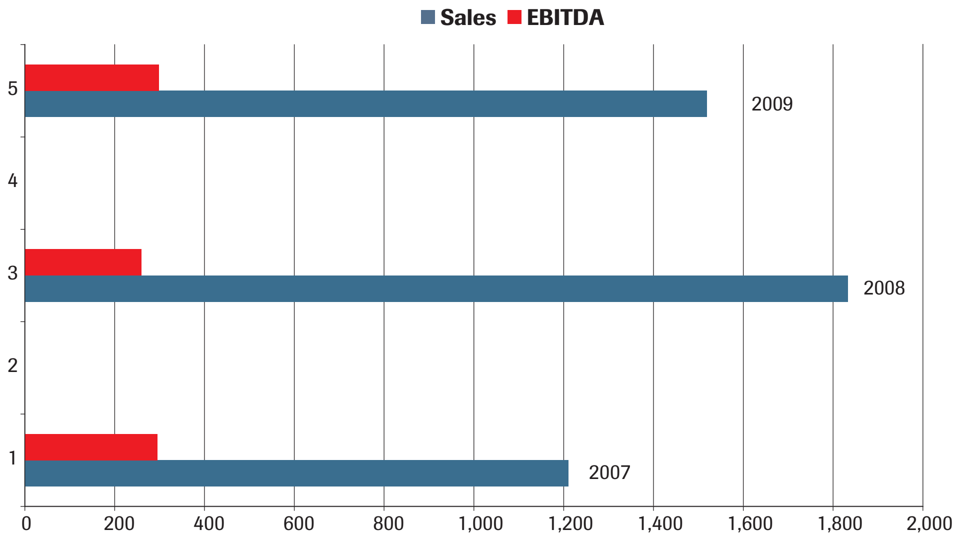
revenues for 2009 is represented by the increase of 10% in the weight of revenues generated by the Chinese operations, that have grown from 54% of total revenues in 2008 to 64% in 2009. Also, 49% of the 2009 gross profit was generated by China (compared to only 17% in 2008), reflecting an improvement in the gross profit margin of the Chinese Vimetco operations from 4.6% to 12.7%.

In 2009, the Chinese operations started to contribute to the Group's net profit, with a net profit of USD 22 million in 2009 compared to a loss of USD 11 million before goodwill impairment in 2008.

## Financial situation

Ensuring a positive cash flow was one of the main objectives throughout the entire year 2009, but a special attention was paid to this subject during the first six

## Sales and EBITDA development 2007 - 2009




months. Total cash available at the Group level, in the end of 2009 was of USD 675 million, representing a 56% increase compared to the same period of 2008. Most of the restricted cash is with the Chinese operations.
The net cash generated by operating activities was USD 139 million, a decrease of 58% compared to the year 2008, mainly due to the drop in aluminium prices as well as the production reduction measures taken at the beginning of the year. Following an investment freeze during the first quarter of 2009, the Group resumed its development programs. The overall capital investments in the Chinese operations were of USD 239 million. USD 12 million was invested in continuing upgrading projects in the Romanian operations.
Total debt at Vimetco Group level was of USD 1,658 million at 31 December 2009. The 36% increase in total debt was largely due to the investment programs in China.
Loans from related parties were the primary source of financing for the Group before the Initial Public Offer. After the Initial Public Offer, the loans from related parties were substantially repaid. In 2008, additional finance was raised through a loan facility with the majority holder Vi Holding N.V. to finance the expansion in China and Sierra Leone.
At the end of 2009, the debt to Vi Holding N.V. was of USD 184 million, out of which USD 173 million represents a long-term debt to be paid on 31 May 2013 and is subject to interest at LIBOR plus 7.75% (until September 2009 LIBOR plus 5.75%). The loan is subordinated.
Bank borrowings mature until 2023 and bear interest at annual rates between 1.23% and 15.39% (2008: between 1.3% and 13.1%).

At 31 December 2009, 51% (2008: 51%) of the Company's shares in Alro and Everwide are pledged as collateral against the Company's borrowings from a syndicate of banks (please see Consolidated Financial Statement).
In China, the finance costs increased in 2009 compared to 2008, mainly as a result of increase in borrowings from an average of USD 566 million in 2008 to an average of USD 891 million in 2009 (for further details you may see the consolidated financial statements, note 21).
There is no cross-border finance in China, financing being provided by Chinese institutions. There is no indication of any issues in rolling short-term debt.
In Romania, the increase in financial costs, mainly as a result of higher interest rate margins applied by banks, was partly offset by a significant decrease in LIBOR rates (i.e.: average LIBOR 1M of 0.33% in 2009; 2008: 2.68%).

**Operational highlights**

Vimetco implemented a strong anti-crisis program in 2009, in response to the international market developments, while maintaining its long term expansion strategy. The following is a summary of highlights of Vimetco's operations in 2009:
- Following a temporary suspension of its investment plans, at the beginning of 2009, the development programs in China were restarted
- Expansion of the smelting capacity in Henan Zhongfu Industry Co., Ltd by 240,000 tonnes per annum
- Expansion of the smelting capacity in Linzhou Linfeng Aluminium and Power Co., Ltd. by an additional 80,000 tonnes per annum
- Commissioning of a new power generating unit of 300 MWh in Henan Yulian Energy Group Co., Ltd.
- Restarting of the alumina refinery in Tulcea, Romania, in October 2009
- Completion of investment projects in Romania for high value added products.

## Market, price development

Aluminium price on the LME started in 2009 at a spot price of USD 1,492 per tonne, then rose to USD 2,035 per tonne, in mid-August, to decline again at USD 1,758 per tonne in September. However, the aluminium price ended the year at USD 2,235 per tonne on the LME, thus registering an average of USD 1,667 per tonne, a 35% decrease compared to USD 2,573 per tonne, registered in 2008.
The Chinese aluminium prices quoted at the SMM continued to decrease in 2009 as well, albeit at a slower pace. SMM price in local CNY currency declined by approx 18% during 2009, compared to 2008. However, the aluminium inventories continued to increase, reaching 4.6 million tonnes by the end of 2009, compared to 2.34 million tonnes by the end of 2008.

## Main investment projects

Following a temporary suspension of its investment plans, in the beginning of 2009, the Group restarted the development programs in China, mainly as a result of a robust market and continually increasing demand for aluminium on the Chinese market. The most important investment projects in 2009 in Vimetco Chinese operations were expanding the smelting capacity in Henan Zhongfu Industry Co., Ltd by 240,000 tonnes per annum, expanding the smelting capacity in Linzhou Linfeng Aluminium and Power Co., Ltd. by an additional 250,000 tonnes per annum, out of which 80,000 tonnes per annum capacity was already commissioned in 2009, as well as building a new power generating unit of 300 MWh in Henan Yulian Energy Group Co., Ltd.
Vimetco has successfully completed the restarting of the alumina refinery in Tulcea, Romania, in October 2009. The upgrading works were started in 2007, with the aim to improve efficiency and achieve the vertical integration of the Vimetco bauxite mining operations in Sierra Leone and the aluminium producing operations in Romania. Vimetco continued the investment projects in Romania for high value added products and for further improving the quality of its products.

## Romania segment

Vimetco continued its program of cost reduction which started at the end of 2008, due to the international financial situation. As part of its strategy to address the market conditions, Alro limited its investments to projects already in progress, mainly focusing on increasing product quality and the output of flat rolled products. Alro budgeted a total of approx USD 6 million for investments in 2009. The main projects focused on upgrading equipment, improving working conditions and further increasing the quality of its flat rolled products. The projects commissioned in 2009 are part of the Company's investment programme focused on increasing production of high value added products, in line with Alro's long-term strategic goals. The investments had also improved the quality of the products and provided the Company with greater flexibility in meeting customers' needs regarding product range and specifications.

In 2009, Alro had also continued to develop its aerospace program related to hard alloys heat treated plates, following the NADCAP certification, received in 2008.

In October 2009, Vimetco successfully completed the modernization programme for its alumina refinery in Romania, Alum

Tulcea. The refinery undertook an upgrading program that began in February 2007 and that involved replacing part of the existing equipment in order to make the production process more efficient and also to be in compliance with the European requirements for environment protection.

After the implementation of the upgrading program, the technological flow has been optimized, resulting in competitive production costs. The restart of the alumina refinery secures the ongoing production of alumina which facilitates continued aluminium production at Alro.

The Romania segment posted a consolidated gross profit of USD 132 million and a gross profit margin of 25.2%. Net profit for the year amounted at USD 48 million, while the respective margin was of 9.1%.

Sales reached USD 527 million in 2009, while cost of goods sold stood at USD 394 million. Total sales of primary aluminium stood at 183,000 tonnes, in 2009, while the sales of processed products reached 40,000 tonnes. The average number of personnel stood at 3,340.
The financial results for 2009 reflect the cost reduction strategy implemented by the Company throughout the entire financial year. Alro continued the programmes for the reduction of consumption of raw materials, energy and gas and renegotiated the contracts with part of its suppliers.

**China segment**

In China, expansion projects worth USD 239 million were carried out in 2009, mainly in increasing production capacity and efficiency of operations. In Henan Zhongfu Industry Co., Ltd , Vimetco continued its investments in the 240,000 tonnes per year additional smelting capacity, the new 400kA pot line being commissioned in 2009. By October 2009, all the new 400kA potlines were operating at optimal capacity. The new cast house for intermediate products was commissioned for billets and slabs and sales started as of July 2009. Moreover, in first quarter 2010, Henan Zhongfu Industrial Co., Ltd and Chalco Henan Aluminium Fabrication Co., Ltd. entered a joint venture to produce flat rolled aluminum products. The long term strategic goal of the joint venture company is to consolidate its position on the aluminium industry, focusing on high value added aluminium products.
At the Linzhou Linfeng Aluminium and Power Co., Ltd. unit, the Company started the project of increasing the aluminium production by additional 250,000 tonnes per year. 1/3 of the potlines have been tested with good results and commissioned in November 2009, while the remaining 2/3 will be sped up to get ahead of schedule as the economy has shown strong signs of recovery. Vimetco also started a mill construction project in China (Gongyi city).
In Henan Yulian Energy Group Co., Ltd., the construction of an additional power plant with 300 MW capacity continued and was finalized in 2009, increasing the Group's total energy production capacity at 1,000MW.
On 30 March 2009, Vimetco, through one of its subsidiaries, entered a purchase agreement to acquire the remaining 22.22% of the non-controlling stake in its subsidiary Henan Zhongfu Power Co., Ltd. As a result of this acquisition Vimetco holds interest in the company through its 2 subsidiaries: Henan Yulian Energy Group Co., Ltd.

(31.81%) and Henan Zhongfu Industry Co., Ltd. (68.19%). See note 27 to the Consolidated Financial Statements.

In China, Vimetco's operations registered a gross profit of USD 124 million, a USD 79 million increase mainly thanks to better product mix and lower production costs related to alumina and anodes. The gross margin increased at 12.7%, compared to 4.6% in 2008. Total profit increased by USD 248 million to USD 22 million, mainly due to USD 192 million less impairment charges compared to 2008. Aluminium sales increased compared to 2008, by USD 45 million, as a result of higher sold volumes that offset the lower specific prices. In China, total sales reached USD 979 million, while cost of goods sold was of USD 854 million. The total sales of primary aluminium, including tolling, stood at 466,000 tonnes in 2009, while the sales of processed products reached 48,000 tonnes. The average number of personnel stood at 6,613.

**Sierra Leone segment**

On 12 October 2009 Sierra Mineral Holdings I, Ltd. resumed the mining process (that was suspended since the end of May 2009) following the renegotiation of the contract with the subcontractor PW Mining. Vimetco reinforced the team on site with two Romanian experts assigned to manage procurement and logistics, as well as geological issues. New procedures and rules were enforced in order to comply with Vimetco's regulations.
2009 bauxite sales amounted to 640,000 tonnes (net of moisture), out of which 139,000 tonnes were sold to Alum in November and December 2009. The average monthly sold quantity was larger in 2009 compared to 2008 by 23% (i.e.: 91 kmt/month in 2009 vs 74 kmt/ month in 2008) mainly due to the intra-group sales (no such sales in 2008).

## Outlook

Analysts forecast an increase in average LME price to USD 2,160 per tonne in 2010, despite the metal surplus that exists on the market. The fundamental of this forecast relies on stronger Chinese demand, among others. The Chinese demand is expected to rise an additional 11% in 2010, to over 16 million tones per year.
Vimetco will continue its development projects, focusing on new products and improving production mix in order to gain new customers and enter or consolidate its position on growing market segments. The short-term priorities are to ensure the competitiveness of its operations and maintain cash level for debt repayment.

# Corporate Governance

Vimetco is committed to safeguarding the interests of its shareholders. The Company is continuously implementing an effective oversight and control processes as well as transparent communication of information. Vimetco complies with the internationally recognised standards of the Dutch Corporate Governance Code, unless stated otherwise, as well as the Listing Rules of the London Stock Exchange.

## Share Capital

Vimetco's issued share capital on 31 December 2009 was made up of 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.

In 2007, the GDR Depository, J.P. Morgan Chase Bank, N.A., issued 65,845,416 global depository receipts ("GDRs"), representing the interest in the same number of shares in Vimetco's capital, as well as any securities, cash or other property deposited with the Depositary but which have not been distributed directly to holders of GDRs ("the Offering"). 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.

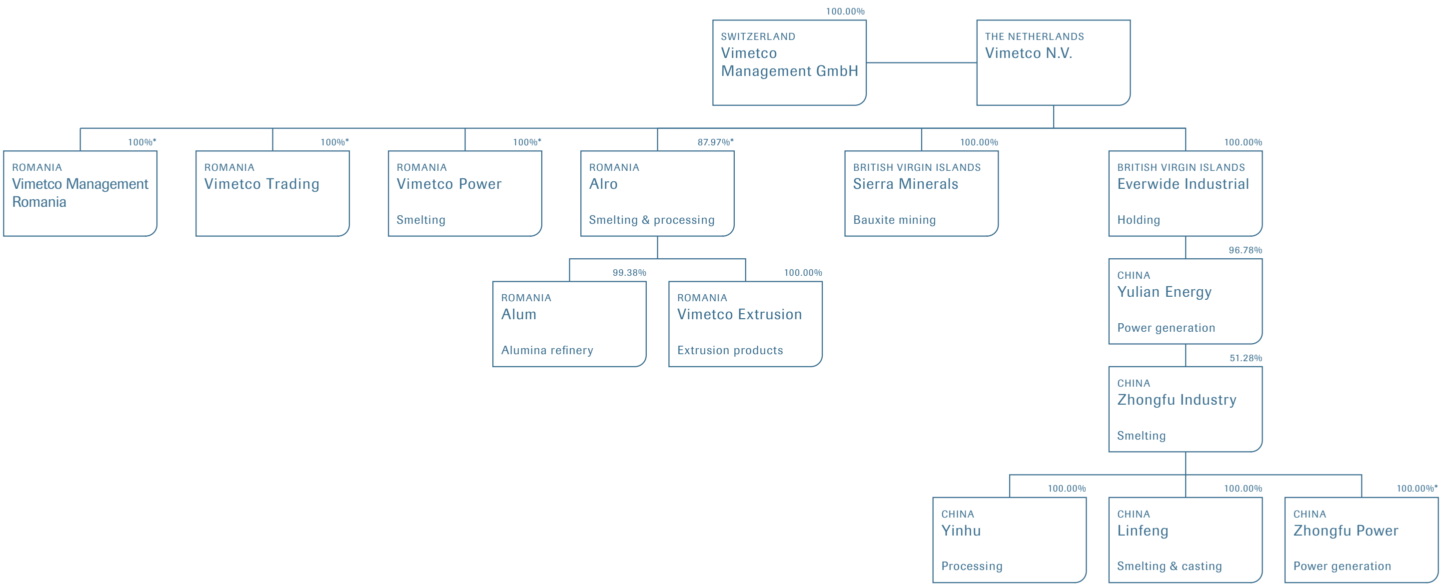
The General Meeting of Shareholders is competent to adopt a resolution for the issue of shares and to fix the issue price and any additional conditions of issue. Vimetco's Articles of Association provide that the General Meeting of Shareholders may designate the Board of Directors as the body competent 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. This designation may be extended each time for a maximum period of five (5) years. A designation as set out above was made on 20 June 2007 in connection with the Company's equity incentive compensation scheme (ICS) as described below, on the understanding that this authority is limited to a maximum of 6,270,990 shares of EUR 0.10 each for a period ending five years from 20 June 2007. 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.

## Shareholders

Significant shareholders in 2009 were Maxon Limited through Vi Holding N.V. (59.4%) and Zhi Ping Zhang through Willast Investments Limited (10%).

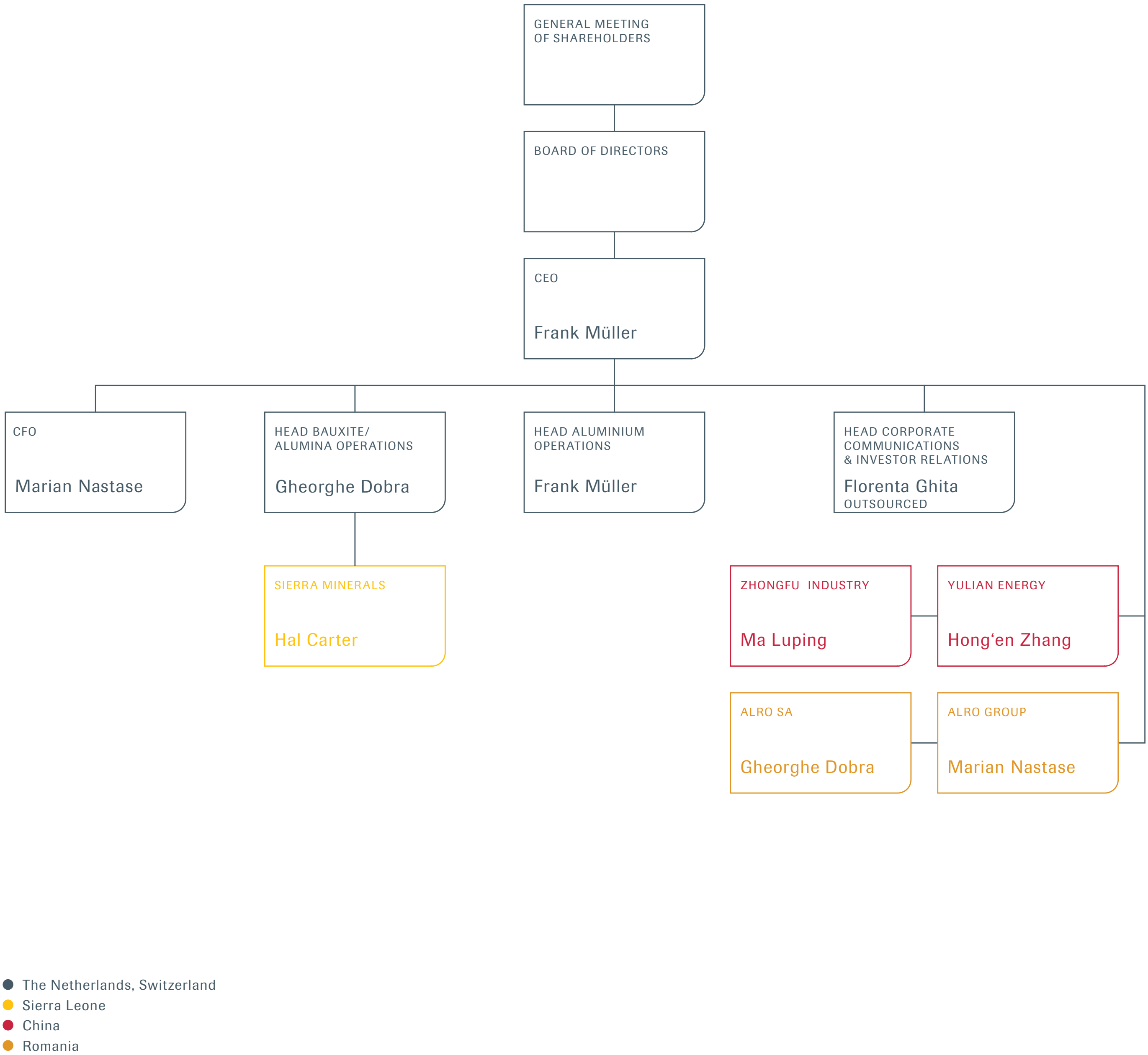
Vimetco's shareholders exercise their rights through an Annual and Extraordinary General Meetings of Shareholders. These meetings must be held in the Netherlands, and specifically in the municipalities of Amsterdam or Haarlemmermeer (Airport Schiphol). The General Meeting is convened at least once a year, within six months following the end of the financial year. The Shareholders' Meetings are chaired by the Chairman of the Board.

## Simplified Group structure (as at 31 December 2009)




* held directly and indirectly

## Organisational chart (as at 31 December 2009)



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 notarial record is drawn up of the meeting's proceedings. Such proceedings can include a review of the Annual Report, confirmation 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.
At the Annual General Meeting of Shareholders held on 16 June 2009, the shareholders were informed that it is the general intention of the Board of Directors that Vimetco will make distributions to its shareholders of approximately 20% of consolidated net income on average over the aluminium price cycle. 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 instruments, 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 proposal of the Board of Directors not to pay a dividend for 2008 was adopted by the General Meeting held on 16 June 2009, as cash flows will be used to pay back a loan.
Furthermore, the Annual Report 2008 was reviewed at the 2009 Annual General Meeting of Shareholders and the 2008 Annual Accounts were adopted.

**Significant ownership of shares/ GDRs**

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: 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.

As mentioned above in the paragraph on Shareholders, Vimetco had the following significant shareholders in 2009:

1. Maxon Limited through Vi Holding N.V. (59.4%); and
2. Zhi Ping Zhang through Willast Investments Limited (10%).

**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 Annual 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 holders of securities which may result in restrictions on the transfer of securities 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 Vi Holding N.V.) and Willast Investments Limited and its owners. This agreement contains restrictions on the transfer of the shares, such as a lock-up arrangement for Willast Investments Limited until 31 December 2011 (subject to certain exceptions). Furthermore, any of Vimetco's shares transferred by either Willast Investments Limited or Vi Holding N.V. are subject to mutual preemptive rights;

– Vimetco and its subsidiary Alro are a party to several facility 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


Vitaliy Machitski


Frank Müller


Gaobo Zhang


Bernard Zonneveld


Valery Krasnov


James Currie


Igor Sventski


Vyacheslav Agapkin


Denis Sedyshev

**Vitaliy Machitski**
**Chairman**

Non-Executive Director (not independent within the meaning of Dutch Corporate Governance Code)
Elected until: Annual General Meeting of 2010
Date of initial appointment as a member of Vimetco's Board of Directors: June 20, 2007
Board committee membership: Audit Committee, Remuneration Committee
Israeli national; age: 55
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: Rinco Holding Management Company, LLC

**Frank Müller**
**Chief Executive Officer**

Executive Director (not independent within the meaning of Dutch Corporate Governance Code)
Elected until: Annual General Meeting of 2010
Date of initial appointment as a member of Vimetco's Board of Directors: 16 June, 2009
German national; age: 53
Prior to being appointed as acting CEO on 20 March 2009, Frank Müller was responsible for Aluminium related projects and processing improvements at Vimetco N.V. Dr. Müller joined the Company from Alcan Singen GmbH, where he served as director of production for the rolling mill plant and the cast house. Previously, Dr. Müller worked for Amag/Austria and Aleris/Koblenz (formerly Hoogovens Aluminium). Dr. Müller has more than twenty years of experience in casting and processing of aluminium, working as manager for production departments in various positions. Dr. Müller has a PhD degree in Metallurgy from Technische Universität Bergakademie of Freiberg/Sachsen.
Current directorship positions in other companies: president of the board of Alro SA, member of the board of Everwide Industrial Limited, sole administrator Vimetco Management Romania SRL, member of the board Vimetco Extrusion SRL
Directorship positions in other companies within the past five years: Alcan Singen GmbH

**Gaobo Zhang**

Non-Executive Director (not independent within the meaning of Dutch Corporate Governance Code)
Elected until: Annual General Meeting of 2010
Date of initial appointment as a member of Vimetco's Board of Directors: June 20, 2007
Chinese national; age: 45
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:
Everwide Industrial Limited, Crown Honor Holdings Limited, OP Capital Investments Limited, Oriental Patron Management Services Limited, Oriental Patron Investment Management (Tianjin) Limited, OP Investment Service Limited, Choice Even Investments Limited, Prodirect Investments

Limited, Sunshine Prosper Limited, 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, Best Future International Limited, Million West Limited, Vitari Consultants Limited, Capital House Limited, Entrepreneur Investments Limited, OP Financial Investments Limited (formerly called Concepta Investments Limited), Partnerfield Investments Limited, Plansmart Investments Limited, Oriental Patron Resources Investment Limited, OPS Education Consulting Limited, Willast Investments Limited, Ottness Investments Limited, Oriental Patron Investment Consulting (Shenzhen) Limited.
Directorship positions in other companies within the past five years: Oriental Patron Select (OPS) Limited, Lucky Unicom Investments Limited, Oriental Patron China Investment Limited, Oriental Patron Property Limited, Beijing Kava Online Technology Company Limited.

**Bernard Zonneveld**

Non-Executive Director (independent within the meaning of the Dutch Corporate Governance Code)
Elected until: Annual General Meeting of 2010
Date of initial appointment as a member of Vimetco's Board of Directors: July 12, 2007
Board committee membership: Remuneration Committee (Chairman),
Audit Committee (member)
Dutch national; age: 53
Since May 2007, Mr. Zonneveld has served as Managing Director/Global Head of Structured Metals & Energy Finance at ING Bank's wholesale banking division in Amsterdam. Mr. Zonneveld joined ING Group in 1993 and has since held various senior positions, including Managing Director/Global Head of Structured Commodity Finance and Product Development and Director/ Head of Structured Commodity & Export Finance. Since the beginning of 2006, he has served as Chairman of the Dutch-Russian Council for Trade Promotion. He holds a master's degree in business law from Erasmus University in Rotterdam.
Current directorship positions in other companies: Netherlands-Russian Council for Trade Promotion (Chairman), Netherlands-Ukraine Council for Trade Promotion.
Directorship positions in other companies within the past five years: International Energy Credit Association (IECA), Severstal Auto, MC Estar, Netherlands-Kazakh Council for Trade Promotion

**Valery Krasnov**

Non-Executive Director (not independent within the meaning of Dutch Corporate Governance Code)
Elected until: Annual General Meeting of 2010
Date of initial appointment as a member of Vimetco's Board of Directors: June 20, 2007
Russian national; age: 66
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: Tur Energy A.Ş., Bosphorus Gas Corporation A.Ş.

**James Currie**

Non-Executive Director (Independent within the meaning of Dutch Corporate Governance Code)
Elected until: Annual General Meeting of 2010
Date of initial appointment as a member of Vimetco's Board of Directors:  June 20, 2007
Board committee membership: Audit Committee (Chairman), Remuneration Committee
British national; age: 68
From 1997 to 2001, Mr. Currie served as the Director General for Environment and Nuclear Safety at the European Commission. He currently serves as a consultant to the law firm Eversheds LLP and to Burson-Marsteller, Brussels. Mr. Currie holds a master's degree from Glasgow University.
Current directorship positions in other companies: Total Holdings UK, Davaar Associates, UK MetOffice
Directorship positions in other companies within the past five years: British Nuclear Fuels Ltd, Royal Bank of Scotland Group

**Vyacheslav Agapkin**

Non-Executive Director (not independent within the meaning of Dutch Corporate Governance Code)
Elected until: Annual General Meeting of 2010
Date of initial appointment as a member of Vimetco's Board of Directors: June 20, 2007
Russian national; age: 60
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: International Institute of Construction (since December 1991), Vi Holding, LLC.
Directorship positions in other companies within the past five years: none

**Denis Sedyshev**

Non-Executive Director (not independent within the meaning of Dutch Corporate Governance Code)
Elected until: Annual General Meeting of 2010
Date of initial appointment as a member of Vimetco's Board of Directors: June 16, 2009
Russian national; age: 35
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: Annual General Meeting of 2010
Date of initial appointment as a member of Vimetco's Board of Directors: June 16, 2009

Russian national; age: 38
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 executed 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 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
Directorship positions in other companies within the past five years: none

**Pierre Baillot**
**Chairman**
(resigned on 18 March 2009)

**Rolf Steinemann**
**Executive Director**
(resigned on 20 March 2009)

**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. As far as Mr. Frank Müller's position as the president of the board of Alro S.A. is concerned, the Board of Directors of Vimetco has permitted the exception as Alro S.A. is Vimetco's subsidiary.

At the 2009 Annual General Meeting of Shareholders, the members of the Board of Directors were granted a discharge vis-à-vis Vimetco for their management as described by the 2008 Annual Report. Furthermore, new members of the Board of Directors, namely, Frank Müller, Denys Sedyshev and Igor Sventski were appointed, and all existing members of the Board were reappointed. Vitaliy Machitski was appointed at the 2009 Annual General Meeting as Chairman of the Board.
On 18 March, 2009 Pierre Baillot and on 20 March 2009 Rolf Steinemann resigned form the Board and from all other positions within the Group. On 20 March, 2009 Frank Müller was nominated by the Board as new acting CEO and appointed by the 2009 Annual General Meeting as executive director and CEO. Marian Nastase was appointed by the Board on 20 March 2009 as acting CFO and reappointed by the Board as CFO of Vimetco on 29 June 2009. All existing Directors will be nominated for a new term at the 2010 Annual General Meeting of Shareholders.

## Group Management and its responsibilities

**Frank Müller**
Chief Executive Officer
(acting CEO starting March 20, 2009, executive director and CEO starting from 16 June 2010)
Prior to being appointed as acting CEO on 20 March 2009 Frank Müller was responsible for Aluminium

related projects and processing improvements at Vimetco N.V. Dr. Müller joined the Company from Alcan Singen GmbH, where he served as director of production for the rolling mill plant and the cast house. Previously, Dr. Müller worked for Amag/Austria and Aleris/Koblenz (formerly Hoogovens Aluminium). Dr. Müller has more than twenty years of experience in casting and processing of aluminium, working as manager for production departments in various positions. Dr. Müller has a PhD degree in Metallurgy from Technische Universität Bergakademie of Freiberg/Sachsen.

**Marian Nastase**
Chief Financial Officer of Vimetco N.V.
(acting CFO starting 20 March 2009, CFO starting from 29 June, 2009)
Alro Vice President and Country Manager Romania.
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. 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.

**Gheorghe Dobra**
Alro General Manager
Gheorghe Dobra has served in the current position since 1993. He has been a member of the Board of Directors of Alro S.A. since 1993. Mr. Dobra has 25 years of experience in the aluminium industry and has worked 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.

**Hong'en Zhang**
Chairman of Henan Yulian Energy Group Co., Ltd
Hong'en Zhang has served as Chairman of Henan Yulian Energy Group Co., Ltd since 2007 and as Chairman of Henan Zhongfu Industrial Co., Ltd. between 1993 and 2007. From 1981 to 1993, Mr. Zhang served as factory manager at the Gongyi City Power Plant. He is a member of the Chinese Communist Party and serves on the Gongyi City People's Congress Standing Committee. In 2008, Mr. Zhang has been elected as a deputy to the National People's Congress (NPC), the highest organ of state power in China. He holds a law degree from Zhongnan University of Economics and Law, Wuhan City, and an EMBA Degree from Tsinghua University, Beijing.

**He HuaiQin**
Director, Board Chairman and Committee Member of Zhongfu Industry Co., Ltd. on behalf of Henan Yulian Energy Group Co,, Board Chairman of Shenzhen Oukai Industrial Development Co., Ltd. and Zhongfu Electric Power Co., Ltd
He HuaiQin served as Deputy Director of Zhongfu Electric Power Group Co., Ltd. from October 1993 to November 1997. He served as Disciplinary Secretary of Zhongfu Electric Power Group Co., Ltd. from November 1997 to March 1998. He served as Deputy General Manager of Henan Yulian Group from March 1998 to September 2000. He served

as Deputy General Manager and Secretary of the Board of Zhongfu Industrial Co., Ltd. September 2000 to December 2003. He served as Deputy General Manager and Yulian Party Committee Member of Zhongfu Industrial Co., Ltd. from December 2003 to August 2007. He served as Director, General Manager and Yulian Party Committee Member of Zhongfu Industrial Co., Ltd. from August 2007 to November 2009. He served as Director, Board Chairman and Yulian Party Committee Member of Zhongfu Industrial Co., Ltd. as well as Board Chairman of Shenzhen Oukai Industrial Development Co., Ltd. and Zhongfu Electric Power Co., Ltd. from November 2009 to date.

**Rolf Steinemann**
Chief Financial Officer
(resigned on 20 March 2009)

**Simona Gambini**
Vice President
Head of Corporate Communications and Investor Relations
(resigned on 28 January, 2010)

**Leslie W. Leibenguth**
Vice President
(resigned on September 19, 2009)
**Jimmy Wong**
Vice President
(resigned on December 25, 2009)

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.

**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 the 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 2009. The 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 members at the Annual General Meeting of Shareholders in 2009 and their nomination for new terms at the Annual General Meeting of Shareholders in 2010.

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), Mr. Vitaliy Machitski and Mr. Bernard Zonneveld. 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 in the course of 2009 to review and discuss half year and annual financial reports of Vimetco with participation of Vimetco's external advisers - Deloitte Accountants B.V.

**Remuneration Committee**

Vimetco's Remuneration Committee consists of Mr. Bernard Zonneveld (Chairman), Mr. Vitaliy Machitski and Mr. James Currie. 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.

In the course of 2009 the members of the Remuneration Committee met during the meetings of the Board to discuss issues related to preparation and adoption of Vimetco's remuneration policy with the view of its further approval by the General Meeting of Shareholders as well as issues on how the remuneration policy was implemented in the past financial year.

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

Vimetco's remuneration policy intends to facilitate that the Company attract, motivate and retain 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 the 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. During 2009, 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 Company during the year 2009 was of USD 1.21 million in salary and pension contributions. No bonuses were paid to the members of the Board of Directors during 2009. In 2008, the total compensation amounted to USD 3.09 million in salary, bonuses 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 to members of the Board of Directors nor to members of the Group Management. There are no loans outstanding.

'000 USD

| Directors | Gross periodical remuneration (salary and directors' fee) | Bonus | Pension contributions | Distributions made on termination of the employment | Total |
|---|---|---|---|---|---|
| **P. Baillot** | 296 | - | - | - | 296 |
| **B. Zonneveld** | 139 | - | - | - | 139 |
| **J. Currie** | 139 | - | - | - | 139 |
| **R. Steinemann** | 63 | - | 5 | 236 | 304 |
| **V. Machitski** | - | - | - | - | - |
| **G. Zhang** | - | - | - | - | - |
| **V. Agapkin** | 41 | - | 7 | - | 48 |
| **V. Krasnov** | 41 | - | 7 | - | 48 |
| **F. Muller** | 210 | - | 21 | - | 231 |
| **D. Sedyshev** | - | - | - | - | - |
| **I. Sventski** | - | - | - | - | - |
| **Total** | 929 | - | 40 | 236 | 1,205 |

## 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 2009, no RSU or options to purchase GDRs were granted by the Company according to the ICS. The package of awards is linked to the performance of the 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 2009:
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]
Frank Mueller: 15,000 (shares)[1]
Bernard Zonneveld: 50,000 (shares)[1]

[1] None of these shares has been granted as a part of the incentive compensation scheme
(For further details please see page 97, Note 20 and pages 135 and 137, Note 14).

**Dutch Corporate Governance Code**

Dutch companies listed on a government recognised stock exchange, whether in The Netherlands or elsewhere, are required to disclose in their annual 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. Its Board of Directors has reviewed the Code, including the amendments incorporated in December 2008, generally agrees with its basic provisions, and 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 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 of 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 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 be independent, the majority of Vimetco's Board members do not currently fulfill the respective criteria. Vimetco is nevertheless 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. The Chief Financial Officer performs the duties under this article qualitate qua.
– Internal Audit: In view of its size, Vimetco has decided to not yet create its own internal audit department.
– Positions at 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. Gaobo 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.

## 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 the Group.

## Risks & Risk Management

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 raw materials. Consequently, the availability of electricity and raw materials at commercially viable prices has a direct impact on profitability.
The Group developed its strategy of vertical integration to secure future profitability and to reduce the major risks. In accordance with its 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. The Company also uses sophisticated risk management techniques to control its raw material and energy costs.
The following are the main risks related to the Company's business and strategy and should be read carefully when evaluating Vimetco's business, its prospects and the forward looking statements set out in the annual report. The following risks are not the only risks to Vimetco's business and strategy. Other risks which the board of directors currently deems immaterial or of which the board of directors is currently unaware may adversely affect Vimetco's business in the

future. Reference is also made to note 28 to the Consolidated Financial Statements.

### Aluminium – cyclical

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. There is a recent and ongoing trend towards consolidation among Vimetco's major competitors. These industry developments combined with excess production capacity, have exerted, and may in the future continue to exert, downward pressure on the prices of aluminium and certain aluminium products. Further reduction in prices of aluminium and certain aluminium products could adversely impact Vimetco's cash flow, turnover and profits.

### Increasing energy prices

High energy costs in recent years have forced several competitors to shut down or reduce the capacity of production facilities in Europe. Energy costs are rising more quickly in Europe, partly as a result of the introduction of the EU Emissions Trading Scheme (EU ETS), which was launched in January 2005 to reduce European greenhouse gas emissions. Energy costs are expected to continue to increase over the coming years, in part due to compliance costs related to existing regulations, such as the EU ETS, and new environmental, health and safety laws and regulations, whether at the national or international level. China has and continues to face major power supply deficits, primarily due to soaring energy demand driven by rapid economic growth, which is outstripping generating capacity. Romania also faces a future electricity generation deficit. Increase in energy prices could adversely impact Vimetco's cash flow, turnover and profits. Vimetco has taken steps to ensure energy independence through the construction of its own power generating plants in China.

### Bauxite and alumina procurement synergies

Alumina is the principal material used to produce aluminium, while bauxite is the raw material from which alumina is refined. Although Vimetco has recently acquired a bauxite mine, the Company still depends on a limited number of alumina suppliers. 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 favorable terms than under its current supply agreements. Such purchases of alumina could adversely impact Vimetco's cash flow, turnover and profits. To ward off this eventuality, 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 2009, the Company restarted Alum, its alumina refinery in Romania, ensuring the necessary raw material for Alro.

**Emerging markets – potential and risks**

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 newly acquired 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.

**Hedging policy (FX and aluminium price risk)**

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 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.

**Liquidity and Interest rate risks**

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, Vimetco has raised several credit facilities from different banks or syndicates of banks. Some of the facilities are on long term basis, used for financing the Group's investments, others are on short term for working capital needs. The Group's net debt increased in 2009 by 33% to USD 1,490 (2008: USD 1,120 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. Approximately 70% of the debt capital consists of variable interest rate loans. 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 2009 would have decreased/ increased by USD 11,539 (2008: USD 9,725). The Group's sensitivity to interest rates has increased during the current period because of new loans obtained to finance the expansion projects in China. USD 830 million of the debt capital is repayable in less than one year. There is a risk that Vimetco may have to refinance these loans at higher interest rates upon their expiration.

**Credit risk**

Credit risk of Vimetco's counterparties that have outstanding payment obligations creates exposure to Vimetco and may in circumstances have a material and adverse effect on Vimetco's financial position. Vimetco regularly monitors the financial position of its debtors and adjusts credit limits as appropriate. In addition, credit exposure is controlled through certain limits granted by factoring companies (in case of factorised clients), banks (in case of bank guarantees and LCs) and are reviewed and approved by the local management

Cash flow

Vimetco's business is dependent on demand for its product. Reduced demand due to adverse economic conditions could adversely impact

Vimetco's cash flow, turnover and profits.

## 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. Such systems are designed to manage rather than eliminate the risks and can only provide reasonable but not absolute assurance that assets are safeguarded, the risks facing the business are being addressed and all information required to be disclosed is reported to the Board of Directors within the required time frame. Vimetco's procedures cover financial, operational, strategic and environmental risks. The Board of Directors has also established a clear organisational 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. 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, 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 inaccuracies;
- the risk management and control systems in relation to the financial reporting have worked properly in 2009;
- there are no indications that the risk management and control systems in relation to the financial reporting will not work properly in 2010;
- 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.

## Related-Party/Conflict-of-Interest Transactions

In view of the best practice requirements under the Dutch Corporate Governance Code, Vimetco hereby declares that in 2009:
- 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

- there were no transactions between Vimetco and any of its shareholders who hold at least ten percent (10%) of its shares, involving conflicts of interest with such shareholders and being of material significance to the company and/or to such shareholders, which would need to be disclosed herein.

In the event of a potential conflict of interest, the provisions of Principles II.3 and III.6 of the Code are applied.

In 2009, 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 26 "Related party transactions" to the consolidated financial statements of the Company.

## Auditors

Deloitte Accountants B.V. were the appointed auditors of Vimetco N.V.

In 2009 and 2008, the following amounts were paid to Deloitte for audit services and non-audit services (thousand USD):

| 2009 | Dutch audit firm 2: 382a Dutch Civil Code | Other network firm | Total network firm |
|---|---|---|---|
| Statutory audit annual | 1,526 | 376 | 1,902 |
| Non-audit services | - | 653 | 653 |
| Total | 1,526 | 1,029 | 2,555 |

| 2008 | Dutch audit firm 2: 382a Dutch Civil Code | Other network firm | Total network firm |
|---|---|---|---|
| Statutory audit annual | 1,566 | 403 | 1,969 |
| Tax advisory services | – | 467 | 467 |
| Total | 1,566 | 870 | 2,436 |

## Annual Report 2009

This Annual Report and the 2009 financial statements, audited by Deloitte Accountants B.V., have been presented to the Board of Directors. The financial statements and the report of the external auditor with respect to the audit of the financial statements were discussed by the Audit Committee and by the Board with the presence of the external auditor. The Board of Directors endorses this Annual Report. The Board recommends that the Annual General Meeting of Shareholders adopt the 2009 financial statements included in this Annual Report and approves the proposal not to pay a cash dividend for the financial year 2009. This Annual Report is signed by all members of the Board of Directors.

# Shareholder Information

2009 is the second year of Vimetco as a full listed company. After Vimetco's Initial Public Offering was successfully completed on 2 August 2007, the global financial markets fell continuously, negatively affecting the share price development of Vimetco's GDRs. However, a slight improvement was registered in the second part of 2009.

### 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 Services Authority (FSA). Contact information can be found at the end of this chapter.

The GDR's price increased for the most part of 2009, reaching USD 2.5 by the year-end, after it collapsed at USD 0.17 at the end of 2008. This appreciation was partly determined by the general trend registered on the main stock exchanges in 2009. Vimetco's GDR's fluctuated between USD 2.74 (high) and USD 0.165 (low).

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 99.39% of Alum S.A. shares, which are listed on the RASDAQ platform of the Bucharest Stock Exchange under the ticker symbol BBGA. Vimetco N.V. indirectly holds 96.78% of Henan Yulian Energy Group Co., Ltd., which is the majority shareholder in Henan Zhongfu Industry Co., Ltd., 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 26.51% have been deposited with JP Morgan Chase Bank NA (free float). Vimetco's major shareholders as on 31 December 2009 were:

Vi Holding N.V.
(formerly Romal Holdings N.V.): 59.4%
Willast Investments Limited: 10.0%

### Dividend policy

The Group intends to make distributions to its shareholders of approximately 20% of its consolidated income on average over the aluminium price cycle. Vimetco has not paid a dividend in 2009 and does not anticipate paying cash dividends in the near future.

### Financial calendar

Annual General Meeting: 16 June 2010
Full year report 2009: 27 April 2010
Half-year report 2010: 27 August 2010
Annual General Meeting: June 2011

Exchange rates
Average 2009
RON per USD 3.049
CNY per USD 6.831

Average 2008
RON per USD 2.516
CNY per USD 6.945

For further information please contact:
Florenta Ghita
Premium Communication
0040740063116

# Consolidated Financial Statements 2009
# Vimetco NV

# Consolidated Statement of Comprehensive Income

**Consolidated Statement of Comprehensive Income**
**for the year ended 31 December**

in USD '000, except per share data

| | Note | 2009 | 2008 |
|---|---|---|---|
| Sales | 3 | 1,519,401 | 1,833,349 |
| Cost of goods sold | 4 | -1,263,141 | -1,563,293 |
| **Gross profit** | | **256,260** | **270,056** |
| | | | |
| General and administrative expenses | 5 | -92,026 | -98,993 |
| Restructuring charge | 6 | -5,999 | -17,499 |
| Charge/Reversal of impairment of property, plant and equipment | 11 | -13,580 | 1,602 |
| Impairment of goodwill | 13 | -6,747 | -214,683 |
| Gain on disposal of associates | 15 | 1,316 | - |
| Share of result of associates | 15 | -3,058 | 1,500 |
| Other income | 7 | 67,050 | 29,940 |
| Other expenses | 7 | -32,240 | -19,434 |
| **Operating profit / (loss)** | | **170,976** | **-47,511** |
| | | | |
| Finance costs, net | 8 | -76,014 | -71,549 |
| Foreign exchange (loss) / gain | | -19,179 | -14,168 |
| **Profit / (loss) before income taxes** | | **75,783** | **-133,228** |
| | | | |
| Income tax expense | 9 | -12,486 | -10,915 |
| **Profit / (loss) for the year** | | **63,297** | **-144,143** |

# Consolidated Statement of Comprehensive Income

## Consolidated Statement of Comprehensive Income for the year ended 31 December

in USD '000, except per share data

| | Note | 2009 | 2008 |
|---|---|---|---|
| **Other comprehensive income / (expense):** | | | |
| Translation adjustment | | -17,828 | -21,754 |
| Gain on cash flow hedges | | 8,036 | 37,318 |
| Related income tax | | -1,286 | -5,032 |
| Amounts of cash flow hedges recycled in income statement | | -50,532 | -34,144 |
| Related income tax | | 8,085 | 5,463 |
| **Other comprehensive income / (expense) for the period, net of tax** | | **-53,525** | **-18,149** |
| | | | |
| **Total comprehensive income / (expense) for the period** | | **9,772** | **-162,292** |
| | | | |
| Profit attributable to: | | | |
| **Shareholders of Vimetco N.V.** | | **28,360** | **-165,268** |
| **Non-controlling interest** | | **34,937** | **21,125** |
| | | 63,297 | -144,143 |
| | | | |
| Total comprehensive income / (expense) attributable to: | | | |
| **Shareholders of Vimetco N.V.** | | **-18,719** | **-190,982** |
| **Non-controlling interest** | | **28,491** | **28,690** |
| | | 9,772 | -162,292 |
| | | | |
| **Earnings per share** | | | |
| Basic and diluted (USD) | 10 | 0.129 | -0.753 |

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

# Consolidated Statement of Financial Position

## Consolidated Statement of Financial Position as at 31 December

in USD '000

| Assets | Note | 2009 | 2008* |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | 11 | 1,951,037 | 1,836,909 |
| Intangible assets | 12 | 11,694 | 15,327 |
| Goodwill | 13 | 84,135 | 92,266 |
| Land use rights | 14 | 55,651 | 55,483 |
| Investments | 15 | 18,061 | 38,205 |
| Deferred tax asset | 24 | 42,219 | 31,919 |
| **Total non-current assets** | | **2,162,797** | **2,070,109** |
| | | | |
| **Current assets** | | | |
| Inventories | 16 | 308,252 | 326,831 |
| Trade receivables, net | 17 | 177,367 | 57,158 |
| Accounts receivable from related parties | 26 | 6,672 | 1,277 |
| Current income tax receivable | | 557 | 295 |
| Other current assets | 18 | 130,094 | 149,670 |
| Derivative financial instruments | 28 | 1,439 | 53,706 |
| Restricted cash | 19 | 507,386 | 330,009 |
| Cash and cash equivalents | 19 | 167,498 | 101,561 |
| **Total current assets** | | **1,299,265** | **1,020,507** |
| **Total assets** | | **3,462,062** | **3,090,616** |

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

# Consolidated Statement of Financial Position

## Consolidated Statement of Financial Position as at 31 December

in USD '000

| Shareholders' Equity and Liabilities | Note | 2009 | 2008 |
|---|---|---|---|
| **Shareholders' equity** | | | |
| Share capital | 20 | 27,917 | 27,917 |
| Share premium | | 366,126 | 366,126 |
| Other reserves | | 37,798 | 84,877 |
| Retained earnings | | 183,864 | 351,999 |
| Profit / (loss) for the year | | 28,360 | -165,268 |
| **Equity attributable to shareholders of Vimetco N.V.** | | **644,065** | **665,651** |
| Non-controlling interest | | 273,583 | 281,374 |
| **Total shareholders' equity** | | **917,648** | **947,025** |
| | | | |
| **Non-current liabilities** | | | |
| Bank and other loans | 21 | 650,423 | 460,379 |
| Loans from related parties | 21. 26 | 172,981 | 171,388 |
| Finance leases | 21 | 4,026 | 5,756 |
| Provisions | 22 | 3,446 | 7,068 |
| Post-employment benefit obligations | 23 | 7,225 | 7,135 |
| Other non-current liabilities | | 79 | 523 |
| Derivative financial instruments | 28 | 32,114 | 60,317 |
| Deferred tax liabilities | 24 | 14,565 | 18,955 |
| **Total non-current liabilities** | | **884,859** | **731,521** |
| | | | |
| **Current liabilities** | | | |
| Bank loans, overdrafts and other loans | 21 | 817,034 | 580,498 |
| Loans from related parties | 21. 26 | 10,948 | 314 |
| Finance leases | 21 | 2,092 | 3,013 |
| Trade and other payables | 25 | 799,592 | 793,232 |
| Trade and other payables to related parties | 26 | 2,435 | 1,523 |
| Provisions | 22 | 2,326 | 5,538 |
| Current income taxes payable | | 7,659 | 12,742 |
| Derivative financial instruments | 28 | 17,469 | 15,210 |
| **Total current liabilities** | | **1,659,555** | **1,412,070** |
| **Total liabilities** | | **2,544,414** | **2,143,591** |
| **Total shareholders' equity and liabilities** | | **3,462,062** | **3,090,616** |

* Prior year figures related to goodwill and intangible assets were adjusted by USD 3,030 after the completion in 2009 of fair value measurements of Global Aluminium Ltd (Note 13).

# Consolidated Statement of Changes in Shareholders' Equity

## Consolidated Statement of Changes in Shareholers' Equity

in USD '000

| | Share capital | Share premium | Revaluation reserve | Hedging reserve | Hedging reserve - deferred tax |
|---|---|---|---|---|---|
| **Balance at 1 January 2008** | **27,917** | **366,126** | **47,721** | **-5,334** | **-** |
| Profit / (loss) for the year | - | - | - | - | - |
| **Other comprehensive income / (expense)** | | | | | |
| Translation adjustment | - | - | - | 463 | -42 |
| Gain / (loss) on cash flow hedges | - | - | - | 32,652 | |
| Related income tax | - | - | - | | -4,403 |
| Amounts of cash flow hedges recycled in income statement | - | - | - | -29,875 | - |
| Related income tax | - | - | - | | 4,780 |
| Total comprehensive income / (expense) | - | - | - | 3,240 | 335 |
| Changes in non-controlling interest - China | - | - | - | - | - |
| Dividend distribution | - | - | - | - | - |
| Appropriation of prior year profit | - | - | - | - | - |
| **Balance at 31 December 2008** | **27,917** | **366,126** | **47,721** | **-2,094** | **335** |
| Profit / (loss) for the year | - | - | - | - | - |
| **Other comprehensive income / (expense)** | | | | | |
| Translation adjustment | - | - | - | -1,361 | 218 |
| Gain / (loss) on cash flow hedges | - | - | - | 7,031 | |
| Related income tax | - | - | - | | -1,125 |
| Amounts of cash flow hedges recycled in income statement | - | - | - | -44,214 | |
| Related income tax | - | - | - | | 7,074 |
| Total other comprehensive income / (expense) | - | - | - | -38,544 | 6,167 |
| Non-controlling interests acquired in Vimetco Management Gmbh | - | - | - | - | - |
| Non-controlling interests acquired in Zhongfu Power | - | - | - | - | - |
| Non-controlling interests changed on share capital increase in Zhongfu Power | - | - | - | - | - |
| Non-controlling interests on acquisition of Shanghai Zhongfu Aluminium | - | - | - | - | - |
| Dividend distribution | - | - | - | - | - |
| Allocation of prior year loss | - | - | - | - | - |
| **Balance at 31 December 2009** | **27,917** | **366,126** | **47,721** | **-40,638** | **6,502** |

The "revaluation reserve" pertains to the revaluation as part of the capital increase at Alro in 2005 when property, plant and equipment fair value uplifts and USD 27,023 goodwill were recognised (excluding amounts attributable to minority interests).

The "hedging reserve" comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments where the hedged transaction has not yet occurred. The related deferred tax is disclosed under "hedging reserve - deferred tax". Both reserves exclude amounts attributable to minority interests.

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 minority interests).

The "retained earnings" comprise retained earnings of Vimetco N.V. and the cumulative retained earnings of its subsidiaries since acquisition date. The retained earnings available for distribution to the shareholders of Vimetco N.V. at 31 December 2009 amount to USD 57,681 (2008: USD 10,673). The remaining balance is not immediately available for distribution since it comprises retained earnings of subsidiaries which are subject to certain legal restrictions before they can be distributed to Vimetco N.V.

*Total other reserves represent the sum of "revaluation reserve", "hedging reserve", "hedging reserve – deferred tax" and "translation reserve"

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

in USD '000

| Translation reserve | Total other reserves* | Retained earnings | "Profit for the year" | Attributable to shareholders of Vimetco N.V. | Non-controlling interests | Total shareholders' equity |
|---|---|---|---|---|---|---|
| **68,204** | **110,591** | **166,521** | **160,936** | **832,091** | **303,178** | **1,135,269** |
| - | - | - | -165,268 | -165,268 | 21,125 | -144,143 |
| | | | | | | |
| -29,289 | -28,868 | - | - | -28,868 | 7,114 | -21,754 |
| - | 32,652 | - | - | 32,652 | 4,666 | 37,318 |
| - | -4,403 | - | - | -4,403 | -629 | -5,032 |
| - | -29,875 | - | - | -29,875 | -4,269 | -34,144 |
| - | 4,780 | - | - | 4,780 | 683 | 5,463 |
| -29,289 | -25,714 | - | -165,268 | -190,982 | 28,690 | -162,292 |
| - | - | 24,542 | - | 24,542 | -25,149 | -607 |
| - | - | - | - | - | -25,345 | -25,345 |
| - | - | 160,936 | -160,936 | - | | - |
| **38,915** | **84,877** | **351,999** | **-165,268** | **665,651** | **281,374** | **947,025** |
| - | - | - | 28,360 | 28,360 | 34,937 | 63,297 |
| | | | | | | |
| -14,702 | -15,845 | - | - | -15,845 | -1,983 | -17,828 |
| - | 7,031 | - | - | 7,031 | 1,005 | 8,036 |
| - | -1,125 | - | - | -1,125 | -161 | -1,286 |
| - | -44,214 | - | - | -44,214 | -6,318 | -50,532 |
| - | 7,074 | - | - | 7,074 | 1,011 | 8,085 |
| -14,702 | -47,079 | - | - | -47,079 | -6,446 | -53,525 |
| - | - | 16 | - | 16 | -110 | -94 |
| - | - | -2,074 | - | -2,074 | -27,204 | -29,278 |
| - | - | -809 | - | -809 | 809 | - |
| - | - | - | - | - | 146 | 146 |
| - | - | - | - | - | -9,923 | -9,923 |
| - | - | -165,268 | 165,268 | - | - | - |
| **24,213** | **37,798** | **183,864** | **28,360** | **644,065** | **273,583** | **917,648** |

# Consolidated Statement of Cash Flows

## Consolidated Statement of Cash Flows for the year ended 31 December

in USD '000

| | Note | 2009 | 2008 |
|---|---|---|---|
| **Cash flow from operating activities** | | | |
| Profit / (loss) before income taxes | | 75,783 | -133,228 |
| Adjustments for: | | | |
| Depreciation and amortisation | | 108,198 | 93,889 |
| Interest and guarantee income | 8 | -22,014 | -18,521 |
| Net foreign exchange losses / (gains) | | 1,660 | 19,778 |
| Loss on disposal of property, plant and equipment | 7 | 4,855 | 2,224 |
| (Gain) on disposal of associates | | -1,316 | - |
| Impairment of goodwill | 15 | 6,747 | 214,683 |
| Reversal of impairment of property, plant and equipment | 11 | 13,580 | -1,602 |
| Charge / (Release) of provisions | 22 | -6,180 | 1,502 |
| Interest and guarantee expense | 8 | 91,031 | 82,435 |
| Share of result of associates | 15 | 3,058 | -1,500 |
| Effect of derivative financial instruments | | -8,363 | 11,902 |
| | | | |
| Changes in working capital: | | | |
| (Increase) / decrease in inventories | | 9,074 | -51,368 |
| (Increase) / decrease in trade receivables and other assets | | -25,638 | 8,200 |
| Increase / (decrease) in trade and other payables | | 5,371 | 244,917 |
| | | | |
| Income taxes paid | | -26,237 | -59,669 |
| Interest paid | | -90,272 | -86,124 |
| **Net cash generated by operating activities** | | **139,337** | **327,518** |

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 | 2009 | 2008 |
|---|---|---|---|
| **Cash flow from investing activities** | | | |
| Purchase of property, plant and equipment and intangible assets, net | | -222,154 | -453,327 |
| Proceeds from sale of property, plant and equipment | | 1,333 | 999 |
| Acquisition of associates | 15 | -9,871 | -15,055 |
| Acquisition of subsidiaries | 27 | -30,162 | -35,424 |
| Proceeds from sale of subsidiaries | | 399 | - |
| Proceeds from sale of associates | 15 | 28,985 | - |
| Proceeds from sale of available-for-sale financial assets | | 4,252 | 1,875 |
| (Increase) / decrease in restricted cash | | -176,999 | -192,547 |
| Interest received | | 10,140 | 11,429 |
| **Net cash used in investing activities** | | **-394,077** | **-682,050** |
| | | | |
| **Cash flow from financing activities** | | | |
| Proceeds from loans | | 1,123,593 | 1,194,031 |
| Repayment of loans | | -794,908 | -843,353 |
| Dividends paid | | -9,923 | -25,839 |
| **Net cash provided by financing activities** | | **318,762** | **324,839** |
| | | | |
| **Net increase in cash and cash equivalents** | | **64,022** | **-29,693** |
| **Cash and cash equivalents at beginning of year** | | **101,561** | **137,081** |
| Effect of exchange rate differences on cash and cash equivalents | | 1,915 | -5,827 |
| **Cash and cash equivalents at end of year** | | **167,498** | **101,561** |

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 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 in China. Everwide was acquired fully in June 2007. In July 2008 the Group invested in bauxite mining operations in Sierra Leone. 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 31. Details of changes in the Group structure are reported in Note 27.

The Group's main shareholder is Vi Holding N.V. which owns 59.4% of the shares of the Company and its registered office is at Landhuis Joonchi, Kaya Richard J. Beaujon Z/N, Curaçao, Netherlands Antilles. The other major shareholder is Willast Investments Limited, British Virgin Islands, which owns 10%. 26.5% are free floating on the London Stock Exchange and 4.1% are spread among other shareholders. 51% of the shares of the Company are pledged as security for the Shareholder Loan, see Note 26.

These Consolidated Financial Statements were authorised for issue by the Board of Directors on 26 April 2010.

## 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

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU). The consolidated financial statements have been prepared under the historical cost convention, except for the revaluation of certain financial instruments.

The preparation of financial statements in conformity with IFRS 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 judgement or complexity, or areas where assumptions and estimates are significant to the Consolidated Financial Statements are disclosed in paragraph 2.29.

2.1.1 Standards and interpretations effective in 2009 that the Group has applied to these financial statements:

The following new and revised Standards and Interpretations have been adopted in the current period and have affected the presentation or amounts reported in these financial statements. Details of other Standards and Interpretations adopted in these financial statements but that have had no effect on the amounts reported are set out in section 2.1.2

- IAS 1 (as revised in 2007) “Presentation of Financial Statements” (effective 1 January 2009). The revised standard prohibits the presentation of items of income and expenses (that is, ‘non-owner changes in equity’) in the statement of changes in equity, requiring ‘nonowner changes in equity’ to be presented separately from owner changes in equity in a statement of comprehensive income. As a result the group presents in the consolidated statement of changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in the consolidated statement of comprehensive income. Comparative information has been re-presented so that it also is in conformity with the revised standard. As the change in accounting policy only impacts presentation aspects, there is no impact on earnings per share.

- IAS 27 (revised) “Consolidated and separate financial statements” (effective from 1 July 2009). The revised standard requires the effects of all transactions with noncontrolling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is remeasured to fair value, and a gain or loss is recognised in profit or loss. The change in accounting policy is applied prospectively for all business combinations occurring on or after 1 January 2009 and has no material impact on earnings per share.

- Amendments to IAS 28 (as revised in 2008) “Investments in Associates”. The principle adopted under IAS 27(2008) (see above) that a loss of control is recognised as a disposal and re-acquisition of any retained interest at fair value is extended by consequential amendment to IAS 28; therefore, when significant influence is lost, the investor measures any investment retained in the former associate at fair value, with any consequential gain or loss recognised in profit or loss.

- IFRS 3 (revised) “Business combinations” (effective from 1 July 2009). The revised standard continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the income statement. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree at fair vale or at the non-controlling interest’s proportionate share of the acquiree’s net assets. All acquisition-related costs should be expensed. The Group has early adopted this standard for all business combinations occurring on or after 1 January 2009. The standard has been applied prospectively to business combinations for which the acquisition date is on or after 1 January 2009 and has no material impact on earnings per share.

- Improving Disclosures about Financial Instruments (Amendments to IFRS 7 “Financial Instruments: Disclosures”). The amendments to IFRS 7 expand the disclosures required in respect of fair value measurements and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy. As the change in accounting policy only results in additional disclosures, there is no impact on earnings per share.The Group has elected not to provide comparative information for these expanded disclosures in the current year in accordance with the transitional reliefs offered in these amendments.

- IAS 23 (as revised in 2007) “Borrowing Costs” (effective from 1 January 2009). The revised standard requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing those borrowing costs has been removed. The Standard was early adopted by the Group in 2008.

- IFRS 8 “Operating segments” (effective from 1 January 2009). IFRS 8 replaces IAS 14 Segment reporting. It requires a ‘management approach’ under which segment information is presented on the same basis as that used for internal reporting purposes. The Group has early adopted this standard in 2008.

2.1.2 Amended Standards and Interpretations adopted with no effect on financial statements

- Amendments to IFRS 2 “Share-based payment” (effective 1 January 2009). The amendments clarify the definition of vesting conditions for the purposes of IFRS 2, introduce the concept of ‘non-vesting’ conditions, and clarify the accounting treatment for cancellations.

- Amendments to IAS 20 “Accounting for Government Grants and Disclosure of Government Assistance”. As part of Improvements to IFRSs (2008), IAS 20 has been amended to require that the benefit of a government loan at a below-market rate of interest be treated as a government grant. This accounting treatment was not permitted prior to these amendments.

- Amendments to IAS 39 “Financial Instruments: Recognition and Measurement” and IFRS 7 “Financial Instruments: Disclosures” regarding reclassifications of financial assets. The amendments to IAS 39 permit an entity to reclassify non-derivative financial assets out of the ‘fair value through profit or loss’ (FVTPL) and ‘available-for-sale’ (AFS) categories in very limited circumstances.

- Amendments to IAS 40 “Investment Property”. As part of Improvements to IFRSs (2008), IAS 40 has been amended to include within its scope investment property in the course of construction. Investment property under construction is measured at fair value (where that fair value is reliably determinable), with changes in fair value recognised in profit or loss.

- Amendments to IFRS 1 “First-time Adoption of International Financial Reporting Standards” and IAS 27 “Consolidated and Separate Financial Statements – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate”. The amendments deal with the measurement of the cost of investments in subsidiaries, jointly controlled entities and associates when adopting IFRSs for the first time and with the recognition of dividend income from subsidiaries in a parent’s separate financial statements.

- Amendments to IAS 32 “Financial Instruments: Presentation” and IAS 1 “Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation”. The revisions to IAS 32 amend the criteria for debt/equity classification by permitting certain puttable financial instruments and instruments (or components of instruments) that impose on an entity an obligation to deliver to another party a pro-rata share of the net assets of the entity only on liquidation, to be classified as equity, subject to specified criteria being met.

- Amendments to IAS 38 ”Intangible Assets”. The amendment clarifies guidance in measuring the fair value of an intangible asset acquired in a business combination and it permits the grouping of intangible assets as a single asset if each asset has similar useful economic lives. The amendment will not result in a material impact on the group or company’s financial statements.

- Amendments to IAS 39 “Financial Instruments: Recognition and Measurement – Eligible Hedged Items”. The amendments provide clarification on two aspects of hedge accounting: identifying inflation as a hedged risk or portion, and hedging with options.

- Embedded Derivatives (Amendments to IFRIC 9 and IAS 39). The amendments clarify the accounting for embedded derivatives in the case of a reclassification of a financial asset out of the ‘fair value through profit or loss’ category as permitted by the October 2008 amendments to IAS 39 “Financial Instruments: Recognition and Measurement” (see above).

- IFRIC 13 “Customer Loyalty Programmes”. The Interpretation addresses how companies, that grant their customers loyalty award credits (often called ‘points’) when buying goods or services, should account for their obligation to provide free or discounted goods or services if and when the customers redeem the points.

- IFRIC 15 “Agreements for the Construction of Real Estate”. The Interpretation addresses how entities should determine whether an agreement for the construction of real estate is within the scope of IAS 11 Construction Contracts or IAS 18 Revenue and when revenue from the construction of real estate should be recognised.

- IFRIC 16 “Hedges of a Net Investment in a Foreign Operation”. The Interpretation provides guidance on the detailed requirements for net investment hedging for certain hedge accounting designations.

- IFRIC 17 “Distributions of Non-cash Assets to Owners” (adopted in advance of effective date of 1 July 2009). The Interpretation provides guidance on the appropriate accounting treatment when an entity distributes assets other than cash as dividends to its shareholders.

- IFRIC 18 “Transfers of Assets from Customers” (adopted in advance of effective date of transfers of assets from customers received on or after 1 July 2009). The Interpretation addresses the accounting by recipients for transfers of property, plant and equipment from ‘customers’ and concludes that when the item of property, plant and equipment transferred meets the definition of an asset from the perspective of the recipient, the recipient should recognise the asset at its fair value on the date of the transfer, with the credit recognised as revenue in accordance with IAS 18 Revenue.

- Improvements to IFRSs (2008). The Improvements have led to a number of changes in the detail of the Group’s accounting policies – some of which are changes in terminology only, and some of which are substantive but have had no material effect on amounts reported. The majority of these amendments are effective from 1 January 2009.

2.1.3 Standards and Interpretations in issue not yet adopted

- Improvements to IFRSs (2009), which amends 12 IFRS Standards. Amendments are largely clarifications of existing requirements and guidance and changes to eliminate unintended consequences of other recent modifications to IFRS Standards and Interpretations. The effective date and transitional provisions vary by Standard. Most of the amendments are effective for annual periods beginning on or after 1 January 2010.

- IFRS 9: Financial Instruments (replacement of IAS 39, effective date of 1 January 2013). IFRS 9 specifies how an entity should classify and measure its financial assets. It requires all financial assets to be classified in their entirety on the basis of the entity’s business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Financial assets are measured either at amortised cost or fair value.

The directors have not yet had an opportunity to consider the potential impact of the adoption of these amendments.

## 2.2 Basis of consolidation

The accompanying Consolidated Financial Statements include the accounts of the Company and its subsidiaries. Subsidiaries are consolidated when the Group has power to exercise control over the financial and operating policies so as to obtain benefits from its activities. Subsidiaries are consolidated from the date on which control was achieved by the Group and are no longer consolidated from the date that control ceases. 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.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of 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 31. Changes in the Group structure are reported in Note 27.

## 2.3 Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration for each acquisition 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 such fair values are adjusted against the cost of acquisition 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 relevant IFRSs. Changes in the fair value of contingent consideration classified as equity are not recognised.

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(2008) are recognised at their fair value at the acquisition date, except that:

- 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 the replacement by the Group of an acquiree's share-based payment awards are measured in accordance with IFRS 2 "Share-based Payment"; 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 in subsidiaries are identified separately from the Group's equity therein. The interests of non-controlling shareholders may be initially measured either at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets. The choice of measurement basis is made on an acquisition-by-acquisition basis. 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, through participation in the financial and operating policy decisions of the investee. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. Generally, significant influence occurs when the Group has between 20% and 50% of the voting rights. Joint venture arrangements that involve the establishment of a separate entity in which each venturer has an interest are referred to as jointly controlled entities.

The results and assets and liabilities of associates and jointly controlled entities 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 and jointly controlled entities are carried in the consolidated balance sheet 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.

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 of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

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 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 a subsidiary, associate or jointly controlled entity, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

## 2.7 Foreign currencies

The individual financial statements of each of the companies within the Group are prepared in the currency of the primary economic environment in which it operates (its 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 2.27 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.

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.

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).

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.

## 2.8 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts, VAT and other sales-related taxes. Sales of goods are recognised when goods are delivered, significant risks and rewards of ownership have passed to the buyer, when it is probable that economic benefits will flow to the Group and when those economic benefits can be reliably measured.

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.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established

## 2.9 Leasing

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.

Assets held under finance leases are recognised as assets of the Group at their fair value or, if lower, at the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the 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 recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs (see 2.10 below). Contingent rentals are recognised as expenses in the periods in which they are incurred.

Rentals payable under operating leases (net of any incentives received from the lessor) are recognised as an expense on a straight-line basis over the term of the relevant lease.

## 2.10 Borrowing costs

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.

## 2.11 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 income statement over the periods necessary to match them with the related costs which they are intended to compensate, and are disclosed under “other income”.

## 2.12 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 to it under under HG 780/2006 by the Romanian National Environmental Authority 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.

## 2.13 Employee benefits

Payments to defined contribution benefit plans are recognised as an expense as they become due. Payments made to state managed retirement programmes are treated as defined contribution plans. These costs are treated as 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. Actuarial gains and losses that exceed 10% of the greater of the present value of the Group's defined benefit obligation and the fair value of plan assets as at the end of the prior year are amortised over the expected average remaining working lives of the participating employees. Past service cost is recognised immediately to the extent that the benefits are already vested, and otherwise is amortised on a straight-line basis over the average period until the benefits become vested.

The retirement benefit obligation recognised in the statement of financial position represents the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains and losses and unrecognised past service cost, and as reduced by the fair value of plan assets. Any asset resulting from this calculation is limited to unrecognised actuarial losses and past service cost, plus the present value of available refunds and reductions in future contributions to the plan.

Equity incentive compensation scheme
The Group operates a cash-settled, share-based compensation plan for key management. A liability equal to the portion of the employee services received in exchange for the grant of global depository receipts ("GDRs") is recognised at the current fair value determined at the end of each reporting period. At the end of each reporting period until the liability is settled, and at the date of settlement, the fair value of the liability is remeasured, with any changes in fair value recognised in profit or loss for the year.

## 2.14 Income taxes

Income tax expense represents the sum of current and deferred income tax.

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

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. These assets and liabilities are not recognised 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 tax profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on 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 are recognised for the carryforward of unused tax losses to the extent that it is probable that future taxable profit will be available against which the unused tax losses can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date 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.

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 realised, 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 liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax are recognised as an expense or income in profit or loss, except when they relate to items that are recognised outside profit or loss (whether in other comprehensive income or directly in equity), in which case the tax is also recognised outside profit or loss, or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is included in the accounting for the business combination.

## 2.15 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.

## 2.16 Property, plant and equipment

Property, plant and equipment are stated at cost, less accumulated depreciation and any impairment losses. Historical cost includes expenditures directly attributable to the acquisition of the items. Major additions and the replacement of property, plant and equipment are capitalised. All other repair and maintenance costs are charged to profit or loss during the financial period in which they are incurred.

Properties in the course of construction for production 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 | 5 - 60 years |
| Plant and machinery | 3 - 34 years |
| Equipment and vehicles | 3 - 20 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.

Gains and losses on disposal of property, plant and equipment are determined by comparing proceeds with their carrying amount and are recorded in the income statement

## 2.17 Intangible assets

i) 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.

ii) 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”.

iii) Exploration assets
Once an operating licence has been obtained, the expenditures that are directly attributable to an exploration site are capitalised at cost, and disclosed as “exploration assets” and amortised over the shorter of the life of the mine and the life of the mining licence.

iv) 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.

## 2.18 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.

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.

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.

## 2.19 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.

## 2.20 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials, and where applicable, direct labour, other direct costs and related production overheads (based on normal operating capacity). Cost is determined by the first-in first-out (FIFO) method. Net realisable value is the estimated selling price in the ordinary course of business, less cost of completion and selling expenses.

## 2.21 Trade receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as noncurrent assets.

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment, see also Note 2.27.

## 2.22 Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the statement of financial position.

## 2.23 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.

## 2.24 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, see also Note 2.27.

## 2.25 Provisions

Provisions for environmental restoration, restructuring costs and legal claims are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated. Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognised for future operating losses.

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.

## 2.26 Guarantees

A liability is recorded for the fair value of a guarantee issued by the Group. Subsequent to initial measurement, the fair value assigned to the guarantee is reduced and recognised in the income statement as the Group is released from its risk under the guarantee, as appropriate. All other guarantees are disclosed as contingencies in the consolidated financial statements.

## 2.27 Financial instruments

**Financial assets**
All financial assets are recognised and derecognised on trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, held-to-maturity investments and available for sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Effective interest method

The effective interest method is a method of calculating the amortised 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 (including all fees on 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.

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

i) Financial assets at fair value through profit or loss (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 recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset and is included in the 'finance costs, net' line item in the statement of comprehensive income. Fair value is determined in the manner described in Note 28.

ii Loans and receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

iii) Held-to-maturity investments

Held-to-maturity investments are investments for fixed maturity financial assets with fixed or determinable payments that the Group has the positive intention and ability to hold to maturity. Held-to-maturity investments are measured at amortised cost using the effective interest method less any impairment, with revenue recognised on an effective yield basis.

iv) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories and are stated at fair value. Fair value is determined in the manner described in Note 28. Gains and losses arising from changes in fair value are recognised in other comprehensive income and accumulated in the investments revaluation reserve, with the exception of impairment losses, interest calculated using the effective interest method, and foreign exchange gains and losses on monetary assets, which are recognised in profit or loss. 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 recognised in profit or loss when the Group's right to receive the dividends is established.

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

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 listed and unlisted equity investments classified as AFS, 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, including redeemable notes classified as AFS and finance lease receivables, objective evidence of impairment could include:
- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial asset, 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 of 60 days, 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 recognised 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.

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 recognised in profit or loss.

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

With the exception of AFS equity instruments, 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 recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of AFS equity securities, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income.

Reclassification of financial assets

Reclassification is only permitted in rare circumstances and where the asset is no longer held for the purpose of selling in the short-term. In all cases, reclassifications of financial assets are limited to debt instruments. Reclassifications are accounted for at the fair value of the financial asset at the date of reclassification. The Group has not reclassified any financial assets in 2009.

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.

**Financial liabilities**
Financial liabilities are classified as other financial liabilities. Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs, and subsequently at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

## 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 aluminium options are fair valued through profit or loss and are not designated by the Group as hedging instruments in hedge relationships. Further details of derivative financial instruments are disclosed in Note 28.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as either:

- hedges of the fair value of recognised assets or liabilities or an unrecognised firm commitment (fair value hedge); or
- hedges of a particular risk associated with a recognised asset or liability or a highly probable forecast transaction (cash flow hedge).

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

The fair values of various derivative instruments used for hedging purposes are disclosed in Note 28. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months, and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months.

i) Fair value hedge
Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recognised in profit or loss, 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 recognised in profit or loss.

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.

ii) Cash flow hedge

The Group designates and qualifies as cash flow hedge accounting all its LME aluminium forward swaps agreements and forward foreign exchange contracts with settlement dates commencing December 31, 2007. The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss within “finance costs, net”.

Amounts previously recognised in other comprehensive income and accumulated in equity are recycled to profit or loss in the periods when the hedged item affects profit or loss (for example, when the forecast sale that is hedged takes place). The gain or loss relating to the effective portion of hedges attributable to aluminium price risk are recognised in the statement of comprehensive income within “sales”. The gain or loss relating to the effective portion of forward foreign exchange contracts which is recycled to profit or loss is reported within “foreign exchange (loss) / gain”.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss recognised in other comprehensive income and accumulated in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately recognised in profit or loss.

## 2.29 Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group’s accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. 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.

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 judgements 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 tangible and intangible assets excluding goodwill

At each balance sheet date, 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). Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, management estimates future cash flows 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 carrying amount of tangible and intangible assets at the end of the reporting period was USD 1,962,731 (2008: USD 1,849,206) after a net impairment loss of USD -13,580 recognised during 2009 for property, plant and equipment (2008: reversal of impairmnet of USD 1,602). Details of the impairment losses are set out in Note 11.

ii) Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the directors to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value.

The carrying amount of goodwill at the end of the reporting period was USD 84,135 (2008: USD 92,266) after an impairment loss of USD 6,747 was recognised during 2009 (2008: USD 214,683). Details of the impairment loss calculation are set out in Note 13.

iii) Useful lives of property, plant and equipment

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

iv) Pension benefits

The present value of the pension obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions will impact the carrying amount of pension obligations. Additional information is disclosed in Note 23.

v) Environmental and restructuring provisions, see Note 22.

vi) Deferred taxes, see Note 24.

vii) Provisions and contingent liabilities, see Notes 22 and 29.

viii) Fair value of derivatives and other financial instruments.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The group uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period, for details see Note 28.

## 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. The Group's geographical segments are: China, Romania and Sierra Leone. A list of the principal companies included in each segment is shown in Note 31.

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 and captive thermal power generation.

The Group's operations in Romania are based in Slatina and Tulcea. Sales are generated by selling primary aluminium and processed aluminium. The captive alumina plant was restarted during 2009 as a further step in vertical integration strategy of the Group.

In Sierra Leone the Group operates a bauxite mine under a mining lease with the Government of Sierra Leone. The mining activities are currently outsourced to an external contractor.

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.

Segment revenues and results for the years ended 31 December 2009 and 2008 were as follows:

| | China | Romania | Sierra Leone | Inter-segment transactions | Reconciliation to Group | Total |
|---|---|---|---|---|---|---|
| **2009** | | | | | | |
| Sales | 978,899 | 526,564 | 17,678 | -3,740 | - | 1,519,401 |
| Cost of goods sold | -854,462 | -394,093 | -18,326 | 3,740 | - | -1,263,141 |
| **Gross profit / (loss)** | **124,437** | **132,471** | **-648** | **-** | **-** | **256,260** |
| | | | | | | |
| General and administrative expenses | -31,644 | -47,042 | -304 | - | -13,036 | -92,026 |
| Restructuring charge | - | -5,999 | - | - | - | -5,999 |
| (Charge)/Reversal of Impairment of property, plant and equipment | -22,436 | 8,856 | - | - | - | -13,580 |
| Impairment of goodwill | - | - | -6,747 | - | - | -6,747 |
| Share of result of associates | -3,058 | - | - | - | - | -3,058 |
| Other income / (expenses) | 22,064 | 6,416 | -979 | - | 8,625 | 36,126 |
| **Operating profit / (loss)** | 89,363 | **94,702** | **-8,678** | **-** | **-4,411** | **170,976** |
| | | | | | | |
| Interest income | 7,369 | 1,711 | 1 | - | 29 | 9,110 |
| Interest expense | -75,632 | -11,598 | -1,759 | - | 5,604 | -83,385 |
| Other financial income / (expense) (net) | 3,830 | -26,809 | -25 | - | 2,086 | -20,918 |
| **Profit / (loss) before income taxes** | **24,930** | **58,006** | **-10,461** | **-** | **3,308** | **75,783** |
| | | | | | | |
| Income tax expense | -2,571 | -9,915 | - | - | - | -12,486 |
| **Profit / (loss) for the year** | 22,359 | **48,091** | **-10,461** | **-** | **3,308** | **63,297** |
| | | | | | | |
| **Additional information** | | | | | | |
| Capital expenditure (incl. intangible assets) | 238,542 | 12,131 | 1,160 | - | 24 | 251,857 |
| Depreciation and amortisation | 69,696 | 36,403 | 1,944 | - | 155 | 108,198 |
| Average number of employees | 6,613 | 3,340 | - | - | 20 | 9,973 |

in USD 000 except where otherwise mentioned

| | China | Romania | Sierra Leone | Inter-segment transactions | Reconciliation to Group | Total |
|---|---|---|---|---|---|---|
| **2008** | | | | | | |
| Sales | 997,564 | 824,948 | 10,837 | - | - | 1,833,349 |
| Cost of goods sold | -952,146 | -599,343 | -11,804 | - | - | -1,563,293 |
| **Gross profit** | **45,418** | **225,605** | **-967** | **-** | **-** | **270,056** |
| | | | | | | |
| General and administrative expenses | -19,498 | -65,569 | -222 | - | -13,704 | -98,993 |
| Restructuring charge | - | -17,499 | - | - | - | -17,499 |
| Reversal of impairment of property, plant and equipment | - | 1,602 | - | - | - | 1,602 |
| Impairment of goodwill | -214,683 | - | - | - | - | -214,683 |
| Share of result of associates | 1,500 | - | - | - | - | 1,500 |
| Other income / (expenses) | 13,447 | -10,858 | -715 | - | 8,632 | 10,506 |
| **Operating profit / (loss)** | -173,816 | **133,281** | **-1,904** | **-** | **-5,072** | **-47,511** |
| | | | | | | |
| Interest income | 9,123 | 3,110 | 2 | | 902 | 13,137 |
| Interest expense | -58,678 | -11,548 | -647 | | -608 | -71,481 |
| Financial income / (expense) (net) | 39 | -33,527 | -6 | - | 6,121 | -27,373 |
| **Profit / (loss) before income taxes** | **-223,332** | **91,316** | **-2,555** | **-** | **1,343** | **-133,228** |
| | | | | | | |
| Income tax expense | -2,728 | -8,806 | -151 | - | 770 | -10,915 |
| **Profit / (loss) for the year** | -226,060 | **82,510** | **-2,706** | **-** | **2,113** | **-144,143** |
| | | | | | | |
| **Additional information** | | | | | | |
| Capital expenditure (incl. intangible assets) | 479,475 | 60,131 | 1,209 | - | 777 | 541,592 |
| Depreciation and amortisation | 55,092 | 37,786 | 865 | - | 146 | 93,889 |
| Average number of employees | 6,359 | 4,392 | - | - | 19 | 10,770 |

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:

| | 2009 | 2008 |
|---|---|---|
| China | 978,899 | 948,984 |
| Romania | 113,115 | 150,841 |
| Other European Union countries | 376,406 | 617,376 |
| Other European countries | 24,054 | 38,671 |
| USA | 10,199 | 17,439 |
| Other countries | 16,728 | 60,038 |
| **Total** | **1,519,401** | **1,833,349** |

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

| | 2009 | 2008 |
|---|---|---|
| Bauxite | 13,938 | 10,837 |
| Primary aluminium | 1,125,275 | 1,364,080 |
| Processed aluminium | 208,367 | 277,915 |
| Other products | 171,821 | 180,517 |
| **Total** | **1,519,401** | **1,833,349** |

Segment assets and liabilities at 31 December 2009 and 2008 are as follows:

| | China | Romania | Sierra Leone | Reconciliation to Group | Total |
|---|---|---|---|---|---|
| **31 December 2009** | | | | | |
| Investments in associates | 18,060 | - | - | - | 18,060 |
| Other non-current assets allocated | 1,726,117 | 388,857 | 29,191 | 572 | 2,144,737 |
| | | | | | |
| **Total assets** | **2,749,388** | **667,351** | **41,677** | **3,646** | **3,462,062** |
| **Total liabilities** | **2,280,101** | **320,379** | **21,807** | **-77,873** | **2,544,414** |
| | | | | | |
| **31 December 2008** | | | | | |
| Investments in associates | 37,984 | - | - | - | 37,984 |
| Other non-current assets allocated | 1,572,746 | 421,959 | 36,724 | 696 | 2,032,125 |
| | | | | | |
| Total assets | 2,225,672 | 790,017 | 53,030 | 21,897 | 3,090,616 |
| **Total liabilities** | **1,747,510** | **379,285** | **22,699** | **-5,903** | **2,143,591** |

in USD 000 except where otherwise mentioned

## 4. Cost of goods sold

| | 2009 | 2008 |
|---|---|---|
| Electricity, water and gas | -257,570 | -302,640 |
| Raw materials and trading goods | -727,883 | -852,629 |
| Consumables | -95,311 | -143,929 |
| Personnel costs | -56,509 | -66,289 |
| Depreciation and amortisation | -82,272 | -75,509 |
| Movement in provision for obsolescence | 46,459 | -51,964 |
| Other direct costs | -90,055 | -70,333 |
| **Total** | **-1,263,141** | **-1,563,293** |

## 5. General and administrative expenses

| | 2009 | 2008 |
|---|---|---|
| Personnel costs | -36,854 | -45,168 |
| Third-party services | -19,981 | -17,976 |
| Depreciation and amortisation | -11,387 | -10,538 |
| Taxes other than income taxes | -6,886 | -6,834 |
| Provision for doubtful receivables (trade and other) | 2,231 | 4,012 |
| Other general and administrative expenses | -19,149 | -22,489 |
| **Total** | **-92,026** | **-98,993** |

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

## 6. Restructuring

**Alum**
On 25 January 2007, the Board of Directors of the Group approved a restructuring plan, that resulted in the shut-down of the Alum production facility in February 2007 for a technological overhaul. The Plan objectives were to reduce the production costs of the facility and increase efficiency while ensuring compliance with certain new environmental regulations.

In October 2009 Alum restarted the calcinated alumina production after the upgrading and reorganization program that began in February 2007. The restarting of the plant has involved hiring 470 additional employees, meaning that the plant now employs 600 people in total.

The company has replaced part of the existing equipment in order to make the production process more efficient and also to be in compliance with the European norms on environment protection. After the implementation of the upgrading program, the technological flow has been optimized, resulting in competitive production costs.

**Restructuring charge**
The restructuring charge of USD 5,999 (2008: USD 17,499) represents termination benefits paid by Alro (2008: Alro and Alum) to its employees as the result of the staff restructuring plan started and implemented in 2008 and 2009.

## 7. Other income and expenses

| | 2009 | 2008 |
|---|---|---|
| **Other income** | | |
| Receipt from a legal case | 4,070 | 6,458 |
| Reimbursements from insurance claims | - | 2,407 |
| Government grants | 24,998 | 14,146 |
| Other income | 19,463 | 6,929 |
| Sale of emission rights | 18,519 | - |
| **Total other income** | **67,050** | **29,940** |
| | | |
| **Other expenses** | | |
| Idle plants maintenance expenses | -25,079 | -12,539 |
| Net loss on disposal of property, plant and equipment | -4,855 | -2,224 |
| Other expenses | -2,306 | -4,671 |
| **Total other expenses** | **-32,240** | **-19,434** |

Government grants represent mainly compensation for replacing old facilities, bonuses for local development and awards for applying advanced technical knowhow received from the government of China.

As described in Note 6, Alum has been closed for a technological overhaul, which resulted in its costs being classified under other expenses in the period subsequent to the closure of the factory for modernisation. These include depreciation of USD -5,806 (2008: USD -7,842). The costs incurred by Alum during the modernisation period were presented as “Idle plants maintenance expenses”.

In 2009 “Idle plants maintenance expenses” include also the maintenance expenses incurred for the idle power plants held by one of the Group’s subsidiaries. These include depreciation of USD -8,733 (2008: nil).

in USD 000 except where otherwise mentioned

## 8. Finance costs

| | 2009 | 2008 |
|---|---|---|
| Interest income | 9,110 | 13,137 |
| Interest expense | -67,930 | -63,334 |
| Interest expense to related parties (Note 26) | -15,455 | -8,147 |
| Finance guarantee income | 12,904 | 5,384 |
| Finance guarantee expense | -7,646 | -10,954 |
| Bank charges | -5,338 | -5,350 |
| Other financial costs (net) | -1,659 | -2,285 |
| **Total** | **-76,014** | **-71,549** |

Interest expense excludes interest capitalised in “property, plant and equipment” amounting to USD 23,238 (2008: USD 21,069) based on average interest rates of 6.9% (2008: 7.6%).

There were no ineffectiveness of cash flow hedges recognised in profit or loss during 2009 and 2008.

## 9. Income tax expense

| | 2009 | 2008 |
|---|---|---|
| Current income tax | -21,004 | -39,464 |
| Deferred income tax (Note 24) | 8,518 | 28,549 |
| **Total** | **-12,486** | **-10,915** |

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

| | 2009 | 2008 |
|---|---|---|
| Profit / (loss) before income taxes | 75,783 | -133,228 |
| Expected weighted average income tax rate for the Group | 22.4% | 20.7% |
| Expected income tax expense | -16,973 | 27,578 |
| | | |
| Difference between expected and actual tax rates of subsidiaries | -17,201 | 8,658 |
| Goodwill impairment | -1,687 | -53,671 |
| Non-taxable income | 18,168 | 9,575 |
| Non-deductible expenses | -4,156 | -6,333 |
| Other adjustments | 9,364 | 3,278 |
| **Total income tax expense** | **-12,486** | **-10,915** |

Other adjustments include capitalization of previously unrecognized tax losses of USD 6,658 (2008: USD 1,814).

The weighted average applicable tax rate was 22.4% (2008: 20.7%). The increase is caused by a change in the profitability and expiry of tax reductions for some subsidiaries in China.

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

## 10. Earnings per share

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

| | 2009 | 2008 |
|---|---|---|
| Profit / (loss) for the year attributable to shareholders of Vimetco N.V. | 28,360 | -165,268 |
| Weighted average number of ordinary shares outstanding during the year | 219,484,720 | 219,484,720 |
| Basic and diluted earnings per share in USD | 0.129 | -0.753 |

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

## 11. Property, plant and equipment

| | Land | Buildings and constructions | Plant and machinery | Equipment and vehicles | Assets under construction | Total |
|---|---|---|---|---|---|---|
| **Cost** | | | | | | |
| | | | | | | |
| **Balance at 1 January 2008** | **33,683** | **494,207** | **1,219,804** | **108,122** | **153,877** | **2,009,693** |
| | | | | | | |
| Additions | 242 | 1,252 | 6,781 | 3,212 | 528,123 | 539,610 |
| Acquisition of subsidiaries | - | 17,395 | 52,573 | 1,375 | 611 | 71,954 |
| Disposals | - | -1,946 | -15,079 | -4,710 | -2,713 | -24,448 |
| Transfers between categories | 194 | -8,773 | 247,380 | 7,642 | -246,443 | - |
| Translation adjustment | -4,577 | -31,061 | -35,265 | -15,709 | 6,773 | -79,839 |
| **Balance at 31 December 2008** | **29,542** | **471,074** | **1,476,194** | **99,932** | **440,228** | **2,516,970** |
| | | | | | | |
| Additions | - | 939 | 3,945 | 1,259 | 244,974 | 251,117 |
| Acquisition /disposal of subsidiaries | - | -439 | -68 | -2 | -3,171 | -3,680 |
| Disposals | - | -5,934 | -36,958 | -12,651 | -23 | -55,566 |
| Transfers between categories | - | 82,462 | 391,887 | 2,448 | -476,797 | - |
| Translation adjustment | -1,026 | -9,711 | -18,439 | -3,915 | -1,081 | -34,172 |
| **Balance at 31 December 2009** | **28,516** | **538,391** | **1,816,561** | **87,071** | **204,130** | **2,674,669** |

in USD 000 except where otherwise mentioned

| Accumulated depreciation and impairment | Land | Buildings and constructions | Plant and machinery | Equipment and vehicles | Assets under construction | Total |
|---|---|---|---|---|---|---|
| **Balance at 1 January 2008** | **-** | **-207,681** | **-407,823** | **-87,598** | **-17** | **-703,119** |
| | | | | | | |
| Additions | - | -18,635 | -65,359 | -8,421 | - | -92,415 |
| Disposals | - | 1,666 | 13,558 | 4,012 | - | 19,236 |
| Reversal of impairment | - | 399 | 1,110 | 93 | - | 1,602 |
| Transfers between categories | - | 9,717 | -11,013 | 1,280 | 16 | - |
| Translation adjustment | - | 28,694 | 52,889 | 13,051 | 1 | 94,635 |
| **Balance at 31 December 2008** | **-** | **-185,840** | **-416,638** | **-77,583** | **-** | **-680,061** |
| | | | | | | |
| Additions | - | -18,996 | -75,061 | -7,509 | - | -101,566 |
| Disposals | - | 5,691 | 32,052 | 11,324 | - | 49,067 |
| Impairment charge for the period | | - | -22,436 | - | | -22,436 |
| Reversal of impairment | - | 2,028 | 2,703 | 4,125 | - | 8,856 |
| Transfers between categories | - | -23 | -24 | 47 | - | - |
| Translation adjustment | - | 6,570 | 12,670 | 3,267 | 1 | 22,508 |
| **Balance at 31 December 2009** | **-** | **-190,570** | **-466,734** | **-66,329** | **1** | **-723,632** |
| | | | | | | |
| **Net book value** | | | | | | |
| | | | | | | |
| **Balance at 31 December 2008** | **29.542** | **285,234** | **1,059,556** | **22,349** | **440,228** | **1,836,909** |
| **Balance at 31 December 2009** | **28.516** | **347,821** | **1,349,827** | **20,742** | **204,131** | **1,951,037** |

Leased assets included above have a net book value of USD 2,273 and USD 3,964 as at 31 December 2009 and 2008 respectively.

Bank borrowings are secured on “property, plant and equipment” in the amount of USD 500,604 (2008: USD 547,191).

Capital expenditure (additions) includes capitalised interest amounting to USD 23,238 (2008: USD 21,069) based on average interest rates of 6.9% (2008: 7.6%).

Impairment charge of 22,436 (2008: nil) was recognised for old power plants in China for which government grants were received from the government of China (see Note 7).

Reversal of impairment in 2009 of USD 7,522 relates to Alum, which restarted the calcinated alumina production after the upgrading and reorganization program.

## 12. Intangible assets

| | Software | Customer relationships | Exploration assets | Other intangible assets | Total |
|---|---|---|---|---|---|
| **Cost** | | | | | |
| **Balance at 1 January 2008** | **4,442** | **7,146** | **-** | **2,310** | **13,898** |
| Additions | 312 | - | - | 1,670 | 1,982 |
| Acquisition of subsidiaries | 5 | 2,248 | 3,632 | - | 5,885 |
| Disposals | -9 | - | - | - | -9 |
| Transfers between categories | 1,775 | - | - | -1,775 | - |
| Translation adjustment | -783 | 600 | - | -369 | -552 |
| **Balance at 31 December 2008** | **5,742** | **9,994** | **3,632** | **1,836** | **21,204** |
| Additions | 212 | - | - | 528 | 740 |
| Transfers between categories | 159 | - | - | -159 | - |
| Translation adjustment | -178 | 10 | - | -50 | -218 |
| **Balance at 31 December 2009** | **5,935** | **10,004** | **3,632** | **2,155** | **21,726** |
| **Amortisation** | | | | | |
| **Balance at 1 January 2008** | **-1,680** | **-515** | **-** | **-368** | **-2,563** |
| Additions | -1,062 | -1,646 | -312 | -709 | -3,729 |
| Disposals | 8 | - | - | - | 8 |
| Translation adjustment | 253 | -62 | - | 216 | 407 |
| **Balance at 31 December 2008** | **-2,481** | **-2,223** | **-312** | **-861** | **-5,877** |
| Additions | -1,474 | -1,673 | -541 | -502 | -4,190 |
| Translation adjustment | 27 | -3 | - | 11 | 35 |
| **Balance at 31 December 2009** | **-3,928** | **-3,899** | **-853** | **-1,352** | **-10,032** |
| **Net book value** | | | | | |
| **Balance at 31 December 2008** | **3,261** | **7,771** | **3,320** | **975** | **15,327** |
| **Balance at 31 December 2009** | **2,007** | **6,105** | **2,779** | **803** | **11,694** |

Prior year Exploration assets were adjusted by USD 3,030 after the completion in 2009 of fair value measurements of net assets of Global Aluminium Ltd. Goowill was adjusted by the corresponding amount (Note 13).

The amortisation expense has been included in the line item 'depreciation and amortisation' within Cost of goods sold and General and administrative expenses.

in USD 000 except where otherwise mentioned

## 13. Goodwill

| | |
|---|---|
| **Cost** | |
| Balance at 1 January 2008 | 282,754 |
| Acquisition of subsidiaries | 38,432 |
| Allocation of fair value measurement (Note 27) | -3,030 |
| Translation adjustment | 6,823 |
| **Balance at 31 December 2008** | **324,979** |
| | |
| Translation adjustment | -1,685 |
| **Balance at 31 December 2009** | **323,294** |
| | |
| **Impairment** | |
| Balance at 1 January 2008 | -16,820 |
| Additions | -214,683 |
| Translation adjustment | -1,210 |
| **Balance at 31 December 2008** | **-232,713** |
| | |
| Additions | -6,747 |
| Translation adjustment | 301 |
| **Balance at 31 December 2009** | **-239,159** |
| | |
| **Net book value** | |
| | |
| **Balance at 31 December 2008** | **92,266** |
| **Balance at 31 December 2009** | **84,135** |

Impairment tests for goodwill
The goodwill is allocated to the cash-generating units at 31 December 2009 and 2008 as follows (after additions and impairment):

| | **2009** | **2008** |
|---|---|---|
| China | 26,487 | 26,461 |
| Romania | 53,049 | 40,646 |
| Sierra Leone | 4,599 | 25,159 |
| **Total** | **84,135** | **92,266** |

## Sierra Leone

The Group acquired the mining operations in Sierra Leone on 25 July 2008. The recoverable amount of its provisionally determined goodwill in 2008 has been assessed by reference to fair value less cost to sell, as determined from the observable purchase price paid by the Group and no diminution in its value was considered to have occurred since the date of acquisition.

In 2009 the Group completed the allocation of goodwill to cash-generating units for the purpose of subsequent impairment testing. Vimetco's acquisition of the bauxite mining assets was in line with its goal of achieving full vertical integration. The Group already owned alumina refinery in Romania through its Alum subsidiary which supplies alumina to Vimetco's aluminium smelter at Alro in Slatina, Romania. The acquisition of the mining operations in Sierra Leone ensures stable and secured supply of bauxite to alumina refinary and smelter in Romania with the effect of Alro benefiting from the synergies of combination, long term secure supply and therefore a protection against volatility of bauxite price in international markets.

Considering the benefit from the synergies of the combination the goodwill has been allocated for the purpose of impairment testing purposes as follows:

| | |
|---|---|
| Alro | 13,813 |
| Sierra Mineral Holdings I Ltd | 11,346 |

The allocation of the goodwill to Alro was determined based on a value in use calculation considering the effect of business combination. The allocation of goodwill to Sierra Mineral Holdings I Ltd was made based on the value in use calculation of the company at the acquisition date.

At the end of the reporting period, the Group assessed the recoverable amount of goodwill allcoated to Sierra Leone, and determined that goodwill associated with mining operations was impaired by USD 6,747 (2008: nil). The recoverable amount of mining activities was assessed by reference to the cash-generating unit's value in use. A discount factor of 21.6% per annum was applied in the value in use model.

Details of the carrying amount of goodwill allocated to Sierra Leone is as follows:

| | |
|---|---|
| Balance at 1 January 2009 | 25,159 |
| Goodwill allocated to Alro | -13,813 |
| Goodwill impairment | -6,747 |
| **Balance at 31 December 2009** | **4,599** |

### China

For 2008, the recoverable amount of the cash-generating unit China was determined based on a value in use calculation which used cash flow projections based on financial budgets approved by the Board of Directors covering a five-year period, and a pre-tax discount rate of 20.9% per annum (equivalent to a post-tax discount rate of 16%). The cash flows beyond that five-year period were extrapolated using a steady 2.8% per annum growth rate. As a result an impaiment charge of USD 214,683 was recognised in 2008 financial statements.

In 2009 the recoverable amount of cash-generating unit China is determined based on a value in use calculation which uses cash flow projections based on financial budgets approved by the directors covering a five-year period, and a pre-tax discount rate of 15.9% per annum. The cash flows beyond that five-year period have been extrapolated using the financial performances of the 5th year of cash flow projections with no growth expectation.

The key assumptions to which the calculation of value in use is most sensitive are the long-term aluminium price and discount rate. The aluminium prices used in the value in use calculations was of USD 2.130 ex VAT. The directors believe that any reasonably possible change in the key assumptions on which recoverable amount is based would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of the cash-generating unit.

### Romania

For 2008, the recoverable amount of the cash-generating unit Romania was determined based on a value in use calculation which used cash flow projections based on financial budgets approved by the Board of Directors covering a five-year period, and a pre-tax discount rate of 17.4% per annum. The cash flows beyond that five-year period were extrapolated using a steady 2% per annum growth rate.

In 2009 the recoverable amount of cash-generating unit Romania is determined based on a value in use calculation which uses cash flow projections based on financial budgets approved by the directors covering a five-year period, and a pre-tax discount rate of 17.0% per annum. The cash flows beyond that five-year period have been extrapolated using the financial performances of the 5th year of cash flow projections with no growth expectation.

The key assumptions to which the calculation of value in use is most sensitive are the long-term aluminium price and discount rates. The aluminium prices used in the value in use calculations for the forecasted period varied from USD 2.045 to USD 2.355 per tonne.

There are no reasonably possible changes in key assumptions, which would cause the goodwill allocated to Romania to be impaired.

## 14. Land use rights

| | |
|---|---|
| **Cost** | |
| | |
| Balance at 1 January 2008 | 52,386 |
| Acquisition of subsidiaries | 1,067 |
| Translation adjustment | 3,542 |
| **Balance at 31 December 2008** | **56,995** |
| | |
| Additions | 1,376 |
| Translation adjustment | 56 |
| **Balance at 31 December 2009** | **58,427** |
| | |
| **Amortisation** | |
| | |
| Balance at 1 January 2008 | -249 |
| Additions | -1,223 |
| Translation adjustment | -40 |
| **Balance at 31 December 2008** | **-1,512** |
| | |
| Additions | -1,262 |
| Translation adjustment | -2 |
| **Balance at 31 December 2009** | **-2,776** |
| | |
| **Net book value** | |
| | |
| **Balance at 31 December 2008** | **55,483** |
| **Balance at 31 December 2009** | **55,651** |

The land use rights are for property located in China and are rented over a period of 50 years.

in USD 000 except where otherwise mentioned

## 15. Investments

Details of the carrying values of the Group's investments at 31 December 2009 and 2008 are set out below:

| Company | Type of investment | 2009 | 2008 |
|---|---|---|---|
| Henan Non-Ferrous Metal Holdings Co., Ltd. (i) | Associate - equity method | - | 30,804 |
| Henan Yonglian Coal Industry Ltd. (ii) | Associate - equity method | 13,949 | 6,383 |
| Datang Gongyi Yulian Power Co., Ltd. | Associate - equity method | 1,076 | 797 |
| Datang Linzhou Thermal Power Co., Ltd | Associate - equity method | 1,465 | - |
| Henan Yellow River Heluo Water Supply Co., Ltd | Associate - equity method | 774 | - |
| Henan Zhongfu Thermal Power Ltd. | Associate - equity method | 796 | - |
| **Total associated companies** | | **18,060** | **37,984** |
| | | | |
| Other investments | Available-for-sale - at cost | 1 | 221 |
| **Total investments** | | **18,061** | **38,205** |

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

| Company | 2009 | 2008 |
|---|---|---|
| Henan Yonglian Coal Industry Ltd. (ii) | -2,858 | 1,568 |
| Datang Gongyi Yulian Power Co., Ltd. | -19 | -68 |
| Datang Linzhou Thermal Power Co., Ltd | - | - |
| Henan Yellow River Heluo Water Supply Co., Ltd | - | - |
| Henan Zhongfu Thermal Power Ltd. | -181 | - |
| **Total share of the results of associates** | **-3,058** | **1,500** |

(i) During 2009 the Group sold almost entirely the stake it held in Henan Non-Ferrous Metal Holdings Co., Ltd., retaining still 0.31% of the entity as of 31 December 2009. The selling price was established with the reference to the fair value of its net assets and amounted USD 28,985. The remaining stake was classified as available-for-sale financial asset and presented under "Other current assets".

| | |
|---|---|
| Acquisition cost of the disposed stake | 28,985 |
| Share of cummulative losses until the disposal date | -1,316 |
| Total value at the disposal date | 27,669 |
| Consideration received | 28,985 |
| **Gain on disposal** | **1,316** |

(ii) In March and June 2009 the Group increased the investment in Henan Yonglian Coal Industry Ltd with the amount of USD 7,576 by participating to the increase in the associate's share capital and maintaining its shareholding of 45% in the entity.

Summarised financial data for the associated companies at 31 December 2009 and 2008 and for the years then ended is set out below:

| | 2009 | 2008 |
|---|---|---|
| Total assets | 136,042 | 377,913 |
| Total liabilities | -92,142 | -198,497 |
| **Net assets** | **43,900** | **179,416** |
| **Group's share of net assets of associates** | **18,060** | **37,985** |
| | | |
| Total sales | 52,377 | 162,262 |
| Result for the period | -20,454 | 10,966 |
| **Group's share of result of associates** | **-3,058** | **1,500** |

Cash consideration paid for the acquisition and increase of investments in associates amounted USD 9,871 (2008: USD 15,055)

## 16. Inventories

| | 31 December | |
|---|---|---|
| | **2009** | **2008** |
| Raw and auxiliary materials | 167,876 | 187,619 |
| Work in progress | 95,773 | 92,053 |
| Finished goods | 49,610 | 102,624 |
| Less: Provision for obsolescence | -5,007 | -55,465 |
| **Total** | **308,252** | **326,831** |

in USD 000 except where otherwise mentioned

| The movements in the provision for obsolescence are as follows: | 2009 | 2008 |
|---|---|---|
| Balance at 1 January | -55,465 | -8,801 |
| (Charge) / credit to cost of goods sold | 46,459 | -51,964 |
| Utilisations and other movements | 1,793 | 1,105 |
| Translation adjustment | 2,206 | 4,195 |
| **Balance at 31 December** | **-5,007** | **-55,465** |

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

Credit to cost of goods sold in amount of USD 46,459 (2008: charge of -51,964) relates to the reversal of write-downs of inventory to net realisable value recognised in 2008. Previous year write-downs have been reversed as a result of increased sales prices on finished goods and purchase costs of raw and auxiliary materials.

## 17. Trade receivables, net

| | 31 December | |
|---|---|---|
| | **2009** | **2008** |
| Trade accounts receivable | 42,239 | 48,744 |
| Bills of exchange | 136,605 | 11,764 |
| Provision for doubtful receivables | -1,477 | -3,350 |
| **Total** | **177,367** | **57,158** |

The Group exposure to concentration credit risk was lower at the end of 2009 compared to 2008. As at 31 December 2009, the highest 4 trade receivables do not account for more than 40% (2008: 63%) of the net trade receivable balance (excluding bills of exchange). The total balance for these four debtors is USD 18,974 (2008: USD 28,389).

Bills of exchange include USD 93,852 (2008: nil) representing bills receivable discounted with recourse received from one of the main customers of the Group, which accounted for more than 5% of the Group's sales (i.e. 9.8 %). In 2008, no single customer accounted for more than 5% of the sales (see also Note 21).

A provision has been established for doubtful receivables based on historical experience.

| Movements in the provision for doubtful receivables are as follows: | 2009 | 2008 |
|---|---|---|
| Balance at 1 January | -3,350 | -5,241 |
| (Charge) / credit to general and administrative expenses | 1,641 | -202 |
| Utilisations and other movements | 160 | 1,974 |
| Translation adjustment | 72 | 119 |
| **Balance at 31 December** | **-1,477** | **-3,350** |

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 receivable to a factor and as a result derecognises the transferred amount at the transfer date and recognises factoring fees and commissions at the disbursement date.

The amount available to factor under the agreements at 31 December 2009 was approximately USD 86,000 (2008: USD 147,000) of which approximately USD 27,000 (2008: USD 31,000) was utilised.

| | 31 December | |
|---|---|---|
| Trade receivables past due but not impaired | **2009** | **2008** |
| Up to 3 months | 12,962 | 33,865 |
| 3 to 6 months | 107 | 626 |
| Over 6 months | 25 | 89 |
| **Total** | **13,094** | **34,580** |

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

| | 31 December | |
|---|---|---|
| Ageing of impaired trade receivables: | **2009** | **2008** |
| Up to 3 months | - | 67 |
| 3 to 6 months | 5 | 5 |
| Over 6 months | 1,472 | 3,278 |
| **Total** | **1,477** | **3,350** |

in USD 000 except where otherwise mentioned

## 18. Other current assets

| | 31 December 2009 | 31 December 2008 |
|---|---|---|
| Advances to suppliers | 58,631 | 87,272 |
| VAT receivable | 23,634 | 19,162 |
| Prepayments | 261 | 4,820 |
| Other debtors | 25,590 | 21,794 |
| Provision for doubtful debtors | -877 | -831 |
| Receivable in connection with LME aluminium swaps | 1,759 | 10,492 |
| Other current assets | 21,096 | 6,961 |
| **Total** | **130,094** | **149,670** |

Advances to suppliers primarily relate to prepayments for energy suppliers.
The Group had a number of LME aluminium swaps with a settlement date before 31 December 2009, for which payment was received in 2010.

## 19. Cash and cash equivalents

| | 31 December 2009 | 31 December 2008 |
|---|---|---|
| Restricted cash | 507,386 | 330,009 |
| | | |
| Cash at banks and in-hand | 167,175 | 101,398 |
| Cash equivalents | 323 | 163 |
| Cash and cash equivalents | 167,498 | 101,561 |
| | | |
| **Total cash** | **674,884** | **431,570** |

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 escrow and classified as restricted cash as a guarantee under the provisions of a loan agreement with a syndicate of banks. The guarantee represents estimated interest expenses to be paid by the Company within the following 15 months.

## 20. Share capital

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

| | 2009 | 2008 |
|---|---|---|
| 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.

Incentive compensation scheme (“ICS”)
The Group granted restricted share units (“RSUs”) and cash to its key management personnel. RSUs represent the unsecured right to receive a global depository receipt (“GDR”) free of charge.

The grant under the ICS was made in connection with the Initial Public Offering in 2007. The RSUs are not transferable. The cash component of the ICS was fully payable within a five-month period after the end of the calendar year. The RSUs themselves will generally vest, subject to exception, over five years in equal instalments (i.e. 20% on each anniversary until the fifth anniversary, on which date 100% is vested). The RSUs entitle the holder to a number of GDRs equal to the RSU amount divided by the offer price of USD 9. The Group can elect to settle the respective amounts in cash.

No RSUs were granted in 2009 (2008: no RSUs granted).

The following cash settled share-based payment arrangement was in existence during the current and comparative reporting period:

| | |
|---|---|
| Grant date | 27 July 2007 |
| RSUs granted | 279,067 |
| Expiry date | 26 July 2012 |

| | 2009 | 2008 |
|---|---|---|
| Balance of RSUs at 1 January | 157,591 | 279,067 |
| Granted during the period | - | - |
| Vested during the period | -32,832 | -55,813 |
| Lapsed during the period | -26,265 | -65,663 |
| Balance of RSUs at 31 December | 98,494 | 157,591 |
| | | |
| Expected number of RSUs to vest over the remaining vesting period | 98,494 | 131,326 |
| | | |
| Weighted average fair value of an unvested RSU for which service has been received (in USD) | 0.11 | 0.17 |
| Liability recognised for unvested RSUs for which service has been received | 1 | 2 |

The main input factor for the fair value estimation is the market price of the Vimetco GDR at the balance sheet date.

in USD 000 except where otherwise mentioned

## 21. Borrowings

| | 31 December 2009 | 31 December 2008 |
|---|---|---|
| **Long-term borrowings** | | |
| Long-term bank loans | 716,111 | 542,635 |
| Less: Short-term portion of long-term bank loans | -109,893 | -84,319 |
| Bank loans | 606,218 | 458,316 |
| Other loans | 44,205 | 2,063 |
| Bank and other loans | 650,423 | 460,379 |
| Loans from related parties (Note 26) | 172,981 | 171,388 |
| Finance leases | 4,026 | 5,756 |
| **Total long-term borrowings** | **827,430** | **637,523** |
| | | |
| **Short-term borrowings** | | |
| Short-term bank loans and overdrafts | 582,268 | 439,550 |
| Short-term portion of long-term bank loans | 109,893 | 84,319 |
| Bank loans and overdrafts | 692,161 | 523,869 |
| Other loans | 124,873 | 56,629 |
| Bank loans, overdrafts and other loans | 817,034 | 580,498 |
| Loans from related parties (Note 26) | 10,948 | 314 |
| Finance leases | 2,092 | 3,013 |
| **Total short-term borrowings** | **830,074** | **583,825** |
| | | |
| **Total borrowings** | **1,657,504** | **1,221,348** |

Short-term bank loans and overdrafts include amounts received for the bills of exchange discounted at banks in amount of USD 93,852 (2008: nil), for details see Note 17.

Bank borrowings mature until 2023 and bear interest at annual interest rates between 1.23% and 15.39% (2008: between 1.3% and 13.1%).

At 31 December 2009, 51% (2008: 51%) of the Company's shares in Alro and Everwide are pledged as collateral for the Company's borrowings from a syndicate of banks.

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 including minimum debt to earnings before interest, taxation, depreciation and amortisation ("EBITDA"), tangible net worth to tangible assets and interest cover.

The Group has amended a USD 135 million loan facility with an outstanding balance of USD 52,500 (including USD 22,500 due over 1 year) via an amendment dated 16 March 2010 with the lenders of the facility. The amendment changed one of the covenants i.e. the Tangible Net Worth ratio from 50% to 40% with effect from 30 December 2009, for the covenant computation on 31 December 2009. The Company's ongoing borrowing costs under the facility remains the same. The amendment means that according to IFRS the non-current portion is reclassified as due in less than 1 year. Based on Group projections it is expected that the loan will be again classified as non-current in the next reporting period.

During 2009 some amendments to the loan covenants were made, the Group being always in compliance with the loan covenants.

Bank and other borrowings include secured liabilities of USD 756,393 (2008: USD 616,752) These borrowings are secured by property, plant and equipment of the Group in the amount of USD 500,604 (2008: USD 547,191) (Note 11), by inventory amounting to USD 26,133 (2008: nil), by 50.1% (2008: 41.7%) of the shares of Zhongfu Industry, 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 price at 31 December 2009 and 2008 was higher than the level stated in the loan contracts.

For the exposure of the Group's borrowings to interest rate changes and the contractual repricing dates at the balance sheet dates refer to Note 28.

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 the borrowings bear interest at floating interest rates.

The Group has the following undrawn borrowing facilities:

| | 31 December | |
|---|---|---|
| | **2009** | **2008** |
| **EUR denominated floating rate (EUR '000)** | | |
| Expiring within 1 year | - | 29,767 |
| Until further notice | 1,611 | 2,200 |
| **Total** | **1,611** | **31,967** |
| **USD denominated floating rate (USD '000)** | | |
| Expiring within 1 year | 4,138 | 6,928 |
| Until further notice | 359 | - |
| **Total** | **4,497** | **6,928** |
| **CNY denominated floating rate (CNY '000)** | | |
| Expiring within 1 year | - | - |
| Expiring within 2 years (2011/9) | 1,200,000 | - |
| **Total** | **1,200,000** | **-** |

in USD 000 except where otherwise mentioned

| The minimum lease payments for finance leases are set out below: | 2009 | 2008 |
|---|---|---|
| Lease installments falling due: | | |
| Within 1 year | 2,268 | 3,414 |
| 1 to 5 years | 4,406 | 6,240 |
| After 5 years | - | - |
| Total lease installments | 6,674 | 9,654 |
| Less: Future finance charges | -556 | -885 |
| Present value of lease obligations | 6,118 | 8,769 |
| Thereof: | | |
| Short-term finance lease obligations | 2,092 | 3,013 |
| Long-term finance lease obligations | 4,026 | 5,756 |

The net book value of leased assets was USD 2,273 and USD 3,964 as at 31 December 2009 and 2008 respectively.

## 22. Provisions

| | Provision for Alum waste dump | Restructuring | Other provisions | Total |
|---|---|---|---|---|
| **Balance at 1 January 2008** | **4,667** | **4,143** | **3,568** | **12,378** |
| Additional provisions recognised | 136 | 5,519 | 258 | 5,913 |
| Acquisition of subsidiaries | - | - | 549 | 549 |
| Utilisation | - | -4,040 | -371 | -4,411 |
| Translation adjustment | -643 | -723 | -457 | -1,823 |
| **Balance at 31 December 2008** | **4,160** | **4,899** | **3,547** | **12,606** |
| Thereof: | | | | |
| Current | - | 4,899 | 639 | 5,538 |
| Non-current | 4,160 | - | 2,908 | 7,068 |
| | | | | |
| Additional provisions recognised | - | - | 363 | 363 |
| Release of provision | -1,851 | - | -138 | -1,989 |
| Utilisation | - | -4,554 | - | -4,554 |
| Translation adjustment | -216 | -345 | -93 | -654 |
| **Balance at 31 December 2009** | **2,093** | **-** | **3,679** | **5,772** |
| Thereof: | | | | |
| Current | 2,093 | - | 233 | 2,326 |
| Non-current | - | - | 3,446 | 3,446 |

The provision for Alum waste dump was recognised in 2005 for the closure of the Red Lake waste dump which was expected to occur in 2010. Based on an Agreement with the National Environmental Agency the Red Lake waste dump has to be partially closed by the end of 2010 and starting with 1 January 2011 the Red Lake waste dump will be deposited in solid form. On 31 December 2008 the provision was calculated based on an independent valuation report and includes expected materials and the contractors' costs. On 31 December 2009 the provision was reassessed based on the contracts already concluded for the partial closing of the red mud lake.

"Other provisions" covers risks from various operating activities, mainly in connection with three civil litigation cases with inventors claiming payments for the usage of their inventions.

## 23. Post-employment benefit obligations

Defined contribution plans
The employees of the Group are members of state-managed retirement benefit plans operated by the local government. The Group contributes a specified percentage of payroll costs to the retirement benefit schemes to fund the benefits. The Group also contributes a certain amount to pension funds managed by separate entities. The only obligation of the Group with respect to the retirement benefit plan is to make the specified contributions. USD 11,142 were recognized as expense in the income statement (2008: USD 19,167).

Defined benefit plan
According to the Collective Labour Agreement in Romania, when retiring due to age or illness, the employees benefit from a retirement bonus which is computed based on the number of years of service and varies from 1 to 6 salaries.

The most recent actuarial valuations of the present value of the defined benefit obligation were carried out at 31 December 2009 by a professional actuarial company. 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:

| | 2009 | 2008 |
|---|---|---|
| Discount rate (%) | 9.51 | 6.10 |
| Expected rate of salary increase (%) | 4.00 | 4.30 |
| Expected inflation rate (%) | 4.00 | 4.30 |

in USD 000 except where otherwise mentioned

Amounts recognised in the statement of comprehensive income in respect of these defined benefit plans are as follows:

| | 2009 | 2008 |
|---|---|---|
| Current service cost | -194 | -1,835 |
| Interest cost on obligation | -542 | -599 |
| Actuarial gains / (losses) recognised in the year | 19 | -31 |
| Past service cost | - | - |
| **Total expense** | **-717** | **-2,465** |

The expense on current service cost and actuarial gains for the year are included in the statement of comprehensive income as Cost of goods sold and interest cost on obligation as Finance costs, net.

The amount included in the statement of financial position arising from the Group's obligation in respect of its defined benefit plans is as follows:

| | 31 December | |
|---|---|---|
| | 2009 | 2008 |
| Present value of defined benefit obligation | 5,219 | 6,271 |
| Net actuarial gains / (losses) not recognised | 2,006 | 864 |
| **Net liability from defined benefit obligation** | **7,225** | **7,135** |

Movements in the net liability from defined benefit obligation are as follows:

| | 2009 | 2008 |
|---|---|---|
| Balance at 1 January | 7,135 | 8,575 |
| Current service cost | 194 | 1,835 |
| Interest cost | 542 | 599 |
| Actuarial losses / (gains) recognised in the year | -19 | 31 |
| Past service cost | - | - |
| Benefits paid | -393 | -2,787 |
| Translation adjustment | -234 | -1,118 |
| **Balance at 31 December** | **7,225** | **7,135** |

| | 2009 | 2008 |
|---|---|---|
| Total actuarial gains / (losses) in the period | 1,146 | 2,493 |
| Thereof experience adjustment | 504 | 2,022 |

## 24. 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 2009 | | 31 December 2008 | |
|---|---|---|---|---|
| | **Assets** | **Liabilities** | **Assets** | **Liabilities** |
| Property, plant and equipment | 12,306 | 12,580 | 6,704 | 14,303 |
| Intangible assets | 14 | 1,526 | 14 | 1,942 |
| Investments | 555 | - | - | - |
| Inventories | 503 | - | 9,321 | - |
| Trade receivables and other current assets | 465 | 253 | 745 | 8,648 |
| Borrowings | - | 54 | - | 137 |
| Provisions and other liabilities | 10,760 | 445 | 20,267 | 3,642 |
| Gross deferred tax assets / liabilities | 24,603 | 14,858 | 37,051 | 28,672 |
| Capitalisation of tax loss carryforwards | 17,909 | - | 4,585 | - |
| Offset of deferred tax assets and liabilities | -293 | -293 | -9,717 | -9,717 |
| **Net deferred tax assets and liabilities as disclosed in the balance sheet** | **42,219** | **14,565** | **31,919** | **18,955** |
| Net deferred (asset) / liability | | -27,654 | | -12,964 |

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

| | 2009 | 2008 |
|---|---|---|
| Balance at 1 January | -12,964 | 10,619 |
| Charge / (credit) to income statement (Note 9) | -8,518 | -28,549 |
| Charge / (credit) to equity | -6,799 | -431 |
| Acquisition of subsidiaries | - | 2,760 |
| Other | -4 | - |
| Translation adjustment | 631 | 2,637 |
| **Balance at 31 December** | **-27,654** | **-12,964** |

in USD 000 except where otherwise mentioned

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 loss carryforwards in the foreseeable future and the Group does not have tax group relief in these countries:

| | 31 December | |
|---|---|---|
| | 2009 | 2008 |
| China | - | 4.885 |
| Romania | 7,498 | 7,506 |
| The Netherlands | 5,942 | 6,385 |
| Sierra Leone | 2,553 | 681 |
| **Total** | **15,993** | **19,457** |

| | 31 December | |
|---|---|---|
| **Unrecognised deferred tax assets expiring** | 2009 | 2008 |
| Within 1 year | 1,860 | 237 |
| 1 - 2 years | 4,525 | 1,927 |
| 2 - 5 years | 5,133 | 10,908 |
| More than 5 years | 4,475 | 6,385 |
| **Total** | **15,993** | **19,457** |

## 25. Trade and other payables

| | 31 December | |
|---|---|---|
| | 2009 | 2008 |
| Trade accounts payable | 90,995 | 85,876 |
| Bills of exchange | 509,178 | 464,089 |
| Liabilities for capital expenditure | 59,530 | 96,007 |
| Customer deposits | 79,345 | 59,800 |
| Wages and social security | 5,275 | 10,139 |
| Salary taxes | 927 | 2,239 |
| Sales and other taxes payable | 2,678 | 354 |
| Unpaid dividends for minority shareholders of subsidiaries | 767 | 522 |
| Financial guarantees | 2,622 | 7,874 |
| Other accounts payable | 48,275 | 66,332 |
| **Total** | **799,592** | **793,232** |

## 26. 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 may not always be at arm's length.

The immediate parent and Group's main shareholder is Vi Holding N.V. which owns 59.4% of the shares of the Company which is 100% controlled by a trust company Meccania Ltd., controlled by a family trust.

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 primary related party transactions are described below.

Financing
In 2009 and 2008, the loan from shareholder is related to a credit facility granted by Vi Holding N.V. for a maximum amount of USD 250,000. USD 173,000 were drawn down mainly in connection with the financing of capital expenditure in China and the acquisition of Global Aluminium Ltd.

| | 31 December | |
|---|---|---|
| **Related party** | **2009** | **2008** |
| Vi Holding N.V. | 183,929 | 171,702 |
| **Total borrowings from related parties** | **183,929** | **171,702** |
| Thereof: | | |
| Short-term portion of borrowings | 10,948 | 314 |
| Long-term portion of borrowings | 172,981 | 171,388 |

The loan payable to Vi Holding N.V. at 31 December 2009 is repayable on 31 May 2013 and is subject to interest at LIBOR plus 7.75% (until September 2009 LIBOR plus 5.75%). The loan is subordinated.

Interest expense related to the loans amounted to USD 15,455 (2008: USD 8,147).

in USD 000 except where otherwise mentioned

The Group provided and purchased goods and services to related parties as follows:

| Goods and services provided to related parties | 2009 | 2008 |
|---|---|---|
| Vi Holding N.V. | - | - |
| Companies under common control | 680 | 147 |
| Associates | - | - |

| Goods and services purchased from related parties | 2009 | 2008 |
|---|---|---|
| Vi Holding N.V. | - | - |
| Companies under common control | -17,681 | -20,319 |
| Associates | - | - |

Furthermore, the following balances were outstanding at 31 December

| | | 31 December |
|---|---|---|
| **Trade and other accounts receivable** | **2009** | **2008** |
| Vi Holding N.V. | - | - |
| Companies under common control | 280 | 1,277 |
| Associates | 6,392 | - |

| | | 31 December |
|---|---|---|
| **Trade and other accounts payable** | **2009** | **2008** |
| Vi Holding N.V. | 296 | - |
| Companies under common control | 2,139 | 1,523 |
| Associates | - | - |

## Management compensation

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

| | 2009 | 2008 |
|---|---|---|
| Short-term employee benefits | 1,165 | 3,025 |
| Post-employment benefits | 40 | 65 |
| **Total** | **1,205** | **3,090** |

## 27. Acquisitions and disposals of subsidiaries

The Group has entered into purchase agreements to acquire an interest in various companies during the years presented in these Consolidated Financial Statements. The Group uses the purchase method to account for these acquisitions, with the results of the subsidiaries being consolidated from the date of acquisition.

**2008**

**Acquisition of Linfeng and Hongfeng**

On 3 January 2008, the Group acquired 100% of Linzhou Linfeng Aluminium and Power Co., Ltd. ("Linfeng"), an aluminium smelting company located in Linzhou. Linfeng's assets included a 100% shareholding in Linzhou Youchuang Thermal Power Co., Ltd ("Youchuang"), which owned and operated power generators located in Linzhou and a 51% shareholding in Jinhe Electrical Power Equipment Co., Ltd, an aluminium casting company. On 16 May 2008, Linfeng acquired 100% of Linzhou Hongfeng Aluminium Ltd., an aluminium casting company located in Linzhou. Subsequent to the acquisition, Youchuang was merged into Linfeng.

The business acquired contributed sales of USD 249,851 and net profit of USD 25,840 to the Group for the period from 3 January 2008 to 31 December 2008. No significant transactions relevant for the income statement took place during the first two days of the year.

Details of the net assets acquired and goodwill are as follows:

| | |
|---|---|
| **Total purchase consideration (cash)** | **39,020** |
| Thereof paid in 2008 | 27,530 |
| | |
| Fair value of net assets acquired | 28,777 |
| **Goodwill** (Note 13) | **10,243** |

The goodwill is attributable to the workforce of the acquired business, the significant growth potential in the Linzhou area and synergies with the existing business in China.

in USD 000 except where otherwise mentioned

| Linfeng Group | Book value | Fair value adjustment | Fair value |
|---|---|---|---|
| Current assets | 79,368 | - | 79,368 |
| Property, plant and equipment | 54,414 | 9,953 | 64,367 |
| Land use rights | 735 | 332 | 1,067 |
| Customer relationships and other non-current assets | 79 | 2,248 | 2,327 |
| Current liabilities | -109,035 | -283 | -109,318 |
| Non-current liabilities | -5,257 | -3,072 | -8,329 |
| **Net assets of Linfeng** | **20,304** | **9,178** | **29,482** |
| Minority interest | -705 | - | -705 |
| **Net assets acquired (100%)** | **19,599** | **9,178** | **28,777** |

Cash and cash equivalents in subsidiary acquired: USD 21,616.

**Acquisition of the bauxite mine in Sierra Leone**
On 25 July 2008, the Group acquired 100% of the equity interest of Global Aluminium Ltd. and its subsidiaries by way of a total consideration of USD 29,687 paid in cash. Global Aluminium's main subsidiary, Sierra Mineral Holdings I, Ltd. ("SML"), operates a bauxite mine under a mining lease with the Government of Sierra Leone.

The business acquired contributed sales of USD 10,837 and net loss of USD -2,706 to the Group for the period from 25 July 2008 to 31 December 2008. If the acquisition had occurred on 1 January 2008, sales of the Group would have been USD 1,854,180 and loss before allocations would have been USD -146,105. The amounts have been calculated using the Group's accounting policies.

In 2009 the group completed the fair value measurements for the business acquired and has recognised intangible assets in amount of USD 3,030 being the capitalisation of mineral rights. Mineral rights are to be amortised over the period of 7 years until the end of current agreement with the Government of Sierra Leone which expires in 2015. After 2015 the Group has the right of renewal of the mining lease and the fiscal terms and conditions of the lease will be negotiated thereafter.

Details of the net assets acquired and goodwill are as follows:

| | |
|---|---|
| **Total purchase consideration** | **29,687** |
| Thereof paid in 2008 | 29,687 |
| | |
| Fair value of net assets acquired | 4,528 |
| **Goodwill** (Note 13) | **25,159** |

For the purpose of subsequent impairment testing, the goodwill acquired in the business combination with Global Aluminium Ltd. and its subsidiaries, was allocated to groups of cash-generating units, that are expected to benefit from the synergies of the combination, as follows: USD 11,346 to Global Aluminium Ltd. and USD 13,813 to Alro Group (for details see Note 13).

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

| Global Aluminium Ltd. Group | Book value | Fair value adjustment | Fair value |
|---|---|---|---|
| Current assets | 11,460 | - | 11,460 |
| Property, plant and equipment | 7,587 | - | 7,587 |
| Other non-current assets | 904 | - | 904 |
| Capitalisation of mineral rights | - | 3,030 | 3,030 |
| Current liabilities | -7,090 | - | -7,090 |
| Non-current liabilities | -11,363 | - | -11,363 |
| **Net assets acquired (100%)** | **1,498** | **3,030** | **4,528** |

Cash and cash equivalents in subsidiary acquired: USD 177.

**2009**

On 30 March 2009 the Group has entered into a purchase agreement to acquire the remaining 22.22% of the non-controlling interests in its subsidiary Henan Zhongfu Power Co., Ltd. As the result of minority acquisition, the Group holds interest in the company through its 2 subsidiaries: Henan Yulian Energy Group Co., Ltd. (31.81%) and Henan Zhongfu Industry Co., Ltd. (68.19%). The purchase was made for a cash consideration of USD 29,278.

On 31 August 2009 Henan Zhongfu Power Co., Ltd. increased its share capital by an amount of USD 51,237. All the shares issued were acquired by Henan Yulian Energy Group Co., Ltd. As the result the ownership in the subsidiary has changed as follows: Henan Yulian Energy Group Co., Ltd. (50.90%) and Henan Zhongfu Industry Co., Ltd. (49.10%).

The following summarises the effect of changes in the Group's ownership interest in Henan Zhongfu Power Co., Ltd.:

| | **2009** |
|---|---|
| Group's ownership interest at beginning of period | 62,878 |
| Effect of increase in Group's ownership interest | 27,204 |
| Effect on comprehensive income from increase in ownership | -2,074 |
| Effect of increase in share capital | 37,724 |
| Effect on comprehensive income from the share issue | -809 |
| Share of profit or loss | -2,839 |
| **Group's ownership interest at end of period** | **122,084** |

On 4 March 2009 the Group purchased the 10% non-controlling interests in Vimetco Management GmbH from its related party Ringas Management B.V. for a cash consideration payable of USD 94. Vimetco Management GmbH is now a 100% subsidiary of the Group.

in USD 000 except where otherwise mentioned

### Acquisition of Linzhou Zhenxin Machinery
On 14 December 2009, the Group acquired 100% of Linzhou Zhenxin Machinery Ltd, an anod stud conductor located in Linzhou.

The business acquired contributed sales of USD 1,259 and net profit of USD 25 to the Group for the period from 14 December 2009 to 31 December 2009. If the acquisition had occurred on 1 January 2009, consolidated revenue would have been USD 1,526,624 and consolidated profit for the period would have been USD 64,093.

Details of the net assets acquired and goodwill are as follows:

| | |
|---|---|
| **Total purchase consideration (cash)** | **2,348** |
| Thereof paid in 2009 | 2,348 |
| | |
| Fair value of net assets acquired | 2,348 |
| **Goodwill** | **-** |

| Linzhou Zhenxin | Book value | Fair value adjustment | Fair value |
|---|---|---|---|
| Current assets | 6,342 | 54 | 6,396 |
| Property, plant and equipment | 224 | 33 | 257 |
| Current liabilities | -4,248 | -57 | -4,305 |
| **Net assets acquired (100%)** | **2,318** | **30** | **2,348** |

Cash and cash equivalents in subsidiary acquired: USD 1,464.

| Net cash outflow on acquisition of subsidiaries | 2009 | 2008 |
|---|---|---|
| Consideration paid in cash | 31,626 | 57,217 |
| Less: cash and cash equivalent balances acquired | -1,464 | -21,793 |
| **Net cash outflow on acquisition of subsidiaries** | **30,162** | **35,424** |

### Disposal of Henan Zhongfu Thermal Power Ltd.

On 1 June 2009 in accordance with a share transfer agreement the Group disposed of the 51% shareholding in its 100% held subsidiary Henan Zhongfu Thermal Power Ltd. The selling price was established with the reference to the fair value of its net assets and amounted USD 1,016. Since then Henan Zhongfu Thermal Power Ltd became an associate and is accounted for using the equity method.

| | 2009 |
|---|---|
| **Henan Zhongfu Thermal Power Ltd** | |
| Current assets | 914 |
| Non-current assets | 3,937 |
| Current liabilities | -2,857 |
| Non-current liabilities | - |
| **Net assets disposed of** | **1,994** |
| 51% thereof | 1,017 |
| | |
| Consideration received | 1,017 |
| | |
| **Gain on disposal** | **-** |
| | |
| **Consideration received less cash disposed of** | **399** |

## 28. Financial risk factors

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 Group Treasury under policies approved by the Board of Directors. Treasury identifies, evaluates and hedges 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 21, "cash and cash equivalents" as disclosed in Note 19 (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.

Consistent 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.

in USD 000 except where otherwise mentioned

During 2009, the Group's strategy, was to maintain the gearing ratio within 60% to 70%. The gearing ratios at 31 December 2009 and 2008 were as follows:

| | 2009 | 2008 |
|---|---|---|
| Total borrowings (Note 21) | 1,657,503 | 1,221,348 |
| Less: cash and cash equivalents (Note 19) | -167,498 | -101,561 |
| **Net debt** | **1,490,005** | **1,119,787** |
| | | |
| **Total shareholders' equity** | **917,648** | **947,025** |
| **Total capital** | **2,407,653** | **2,066,812** |
| Gearing ratio | 62% | 54% |

The increase in the gearing ratio during 2009 resulted primarily from the increase of borrowings to finance the expansion in China.

## Categories of financial instruments

| 31 December | 2009 | 2008 |
|---|---|---|
| **Financial assets** | | |
| Cash and bank balances | 674,884 | 431,570 |
| Fair value through profit or loss (FVTPL) | | |
| Held for trading | - | - |
| Designated as at FVTPL | 1,190 | - |
| Derivative instruments in designated hedge accounting relationships | 249 | 53,706 |
| Held-to-maturity investments | - | - |
| Loans and receivables | 204,716 | 90,721 |
| Available-for-sale financial assets | 1,107 | 5,203 |
| | | |
| **Financial liabilities** | | |
| Fair value through profit or loss (FVTPL) | | |
| Held for trading | - | - |
| Designated as at FVTPL | 1,138 | - |
| Derivative instruments in designated hedge accounting relationships | 48,445 | 75,527 |
| Amortised cost | 2,459,531 | 2,016,103 |
| Financial guarantee contracts | 2,622 | 7,874 |

There were no reclassifications between the categories of financial assets during 2009.

**Market risk**

he Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates, interest rates and commodity prices. The Group enters into a variety of contracts for derivative financial instruments to manage its exposure to foreign currency risk and market prices, including:

- forward foreign exchange contracts to hedge the exchange rate risk arising on the USD denominated sales;
- swaps to manage the commodity prices risks associated with sales of aluminium based on the London Metal Exchange price for High Grade Aluminium; and
- commodity options to protect Group 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 exposures, primarily with respect to the EUR and USD. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations. Exchange rate exposures are managed within approved policy parameters utilising forward foreign exchange contracts. The Group's risk management policy is to hedge between 45% and 55% of anticipated cash flows (Romanian sales and purchases) in USD.

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 2009** | | | | | |
| Total monetary assets | 44,145 | 39,361 | 8,830 | 674,202 | **766,538** |
| Total monetary liabilities | 83,823 | 96,917 | 351,484 | 1,631,990 | **2,164,214** |
| **31 December 2008** | | | | | |
| Total monetary assets | 14,502 | 25,585 | 103,933 | 349,335 | **493,355** |
| Total monetary liabilities | 82,993 | 116,951 | 440,514 | 1,132,376 | **1,772,834** |

in USD 000 except where otherwise mentioned

## 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 to a 10% increase and decrease in these currencies. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the 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% change in foreign currency rate. The sensitivity analysis includes external loans where the denomination of the loan is in a currency other than the functional currency.

| Currency of denomination | EUR | USD | USD |
|---|---|---|---|
| Functional currency | RON | RON | CNY |
| | | | |
| **31 December 2009** | | | |
| Profit or loss | 3,968 [1)] | 5,756 [2)] | 34,265 [4)] |
| Other equity | - | 4,814 [3)] | - |
| | | | |
| **31 December 2008** | | | |
| Profit or loss | 6,849 [1)] | 9,137 [2)] | 33,658 [4)] |
| Other equity | - | 2,182 [3)] | - |

1) This is mainly attributable to the exposure outstanding on EUR denominated receivables and borrowings at the end of the period.
2) This is mainly attributable to the exposure outstanding on USD denominated receivables and short- and long-term borrowings at the end of the period.
3) This is mainly a result of the changes in fair value of derivative instruments designated as cash flow hedges.
4) This is mainly attributable to exposure outstanding on USD denominated financing.

## Forward foreign exchange contracts

The Group's general policy is to hedge up to approximately 50% of its USD exchange risks associated with highly probable forecast foreign currency denominated or linked revenues.
The Group has entered into forward foreign exchange contracts with reputable counterparties to hedge foreign exchange risk.

The following table details the forward foreign currency contracts outstanding at 31 December 2009 and 2008:

| Forward contracts: sell USD / buy RON | Weighted average exchange rate | Contract amounts USD '000 | Fair value USD '000 |
|---|---|---|---|
| **31 December 2009** | | | |
| Less than 1 year | 2.51 | 83,665 | -16,332 |
| Between 1 and 2 years | 2.51 | 83,665 | -20,708 |
| Between 2 and 5 years | 2.51 | 125,498 | -11,405 |
| **Total** | **2.51** | **292,828** | **-48,445** |
| **31 December 2008** | | | |
| Less than 1 year | 2.51 | 83,665 | -15,210 |
| Between 1 and 2 years | 2.51 | 83,665 | -21,520 |
| Between 2 and 5 years | 2.51 | 125,498 | -38,797 |
| **Total** | **2.51** | **292,828** | **-75,527** |

The Group has entered into forward foreign exchange contracts (for terms not exceeding five years) to hedge the exchange rate risk arising from future USD denominated sales and RON denominated operational expenditures, which are designated as cash flow hedges.

As at 31 December 2009, the aggregate amount of unrealised losses under forward foreign exchange contracts relating to the exposure on the future sales is USD 48,445 (2008: USD 75,527). Settlement of the hedged transaction takes place twice a year at which stage the amount deferred in equity is released to profit or loss. The realised loss on forward foreign exchange contracts included in “foreign exchange (loss) / gain” amounts to USD 12,801 (2008: USD -1,877).

**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 issued at floating rates expose the Group to cash flow interest rate risk. Borrowings issued 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 and on the Chinese Central Bank for CNY borrowings. The Group maintains all of its long-term interest-bearing liabilities at floating rates if allowed by local legislation.

The Group’s exposures to interest rates on financial assets and financial liabilities are detailed in the liquidity risk management section of this Note.

Interest rate sensitivity

The sensitivity analyses below have been determined based on the exposure to interest rates for EUR, USD 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 2009 would decrease/increase by USD 11,539 (2008: USD 9,725). The Group's sensitivity to interest rates has increased during the current period because of new loans obtained to finance the expansion projects in China.

**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. Commodity prices are extremely significant to the Group's results of operations. Customers require the Group to enter into contracts whose price is determined by the then current aluminium commodity price which may be different to that applicable at the time of shipment. These contracts expose the Group to the risk of lower market prices at the time of shipment.

Commodity forward contracts
In line with the Group's policy, commodity price risk is managed by forward swap agreements if market conditions are deemed favourable. In the normal course of business and in the absence of expectations of significant market movements, hedging activities of the Group are limited to approximately 25% of the Group's expected annual aluminium output.

Because of such aluminium swap contracts concluded and classified on the consolidated balance sheet as derivatives, the Group's balance sheet is exposed to movements in the prices of the aluminium. The fair value of the swap contracts is based on the High Grade Aluminium quote of the London Metal Exchange. The following table provides information about the Group's significant cash-settled aluminium swap contracts. Contract amounts are used to calculate the volume and average prices to be exchanged under the contracts

| | Volume | Contract fixed price | Contract value | Fair value |
|---|---|---|---|---|
| Aluminium | tonnes '000 | USD | USD '000 [1] | USD '000 |
| **31 December 2009** | | | | |
| Swap - sell fixed / buy floating up to 1 year [2] | 510 | 1,897 | 1,347 | 249 |
| **Total** | **510** | **1,897** | **1,347** | **249** |
| | | | | |
| **31 December 2008** | | | | |
| Swap - sell fixed / buy floating up to 1 year [2] | 51,984 | 2,584 | 134,327 | 53,706 |
| **Total** | **51,984** | **2,584** | **134,327** | **53,706** |

1) The notional amount represents the nominal value of contracts at the fixed price specified, but is not a measure of the risk exposure or value.

2) Floating commodity prices in future periods are based on the benchmark (LME) applicable at the time of the price reset.

The realised gain on the aluminium swap contracts included in "sales" amounts to USD 63,356 (2008: USD 35,982).

Commodity options
In 2009, in order to protect the Group cash flow from the adverse impact of falling aluminium prices, derivative instruments have been used to hedge the sales in 2009. To achieve this goal, put options were bought, where a price floor of USD 1,994/mt is secured. The hedged tonnage is 26,750 mt. The put options were financed via call options in order to reduce initial investment (50% tonnage structure), whereby the Group would be able to benefit only 50% out of aluminium prices above approximately USD 2,376 for the above stated volume.

The options are over-the-counter (OTC) contracts with first class banks and will be settled on a monthly basis in 2009. As at December 31, 2009, the fair value amounts to USD 52 (December 31, 2008: nil) and was recognised in profit or loss within the finance costs, net.

The sensitivity is based on an aluminium price increase/decrease by 10%. At 31 December 2009, such a variance of the High Grade Aluminium quote on the London Metal Exchange market would increase/decrease other components of equity by USD 644 (2008: USD 53,706 ) as a result of a increase/decrease in the fair value of aluminium forward swap agreements designated as hedges. These sensitivities should be used with care. The relationship between currencies and commodity prices is a complex one and changes in exchange rates can influence commodity prices and vice versa.

Summary of the fair value of derivative financial instruments as at 31 December 2009 and 2008:

| | Assets | Liabilities |
|---|---|---|
| **31 December 2009** | | |
| Forward foreign exchange contract - cash flow hedges | - | 48,445 |
| Aluminium forward swaps - cash flow hedges | 249 | - |
| Aluminium options | 1,190 | 1,138 |
| **Total** | **1,439** | **49,583** |
| Thereof: | | |
| Non-current | - | 32,114 |
| Current | 1,439 | 17,469 |
| | | |
| **31 December 2008** | | |
| Forward foreign exchange contract - cash flow hedges | - | 75,527 |
| Aluminium forward swaps - cash flow hedges | 53,706 | - |
| Aluminium options | - | - |
| **Total** | **53,706** | **75,527** |
| Thereof: | | |
| Non-current | - | 60,317 |
| Current | 53,706 | 15,210 |

The positive fair values of hedging derivatives are classified as assets and the negative fair values as liabilities. There was no ineffectiveness to be recorded from cash flow hedges as at 31 December 2009 and 2008.

## 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 transactions concluded 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 guarantee insurance cover is required. In Romania, all the receivables are immediately sold to a bank on a non-recourse basis. For promisory exchange notes received from customers in China, the Group policy is to receive and accept only notes issued by the 4 big state owned banks and banks listed on the stock exchanges of China. For the Group's concentration risk, refer to Note 17. 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 Group Treasury. 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

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. Included in Note 21 is a listing of additional undrawn facilities that 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.

| | within 1 year | 1 to 5 years | after 5 years | Total |
|---|---|---|---|---|
| **2009** | | | | |
| Borrowings (principal and expected future interest payments) | 900,237 | 654,341 | 399,052 | 1,953,630 |
| Trade and other mandatory payables | 809,686 | | | 809,686 |
| **Total** | **1,709,923** | **654,341** | **399,052** | **2,763,316** |
| | | | | |
| **2008** | | | | |
| Borrowings (principal and expected future interest payments) | 619,732 | 581,429 | 267,251 | 1,468,412 |
| Trade and other monetary payables | 807,497 | - | - | 807,497 |
| **Total** | **1,427,229** | **581,429** | **267,251** | **2,275,909** |

**Fair value of financial intstruments**

Directors consider that the carrying amounts of financial assets and financial liabilities recognised at amortised cost in the financial statements approximate their fair values.

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 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 balance sheet date. The fair value of forward foreign exchange contracts is determined using forward exchange rates provided by dealers at the balance sheet date. The fair value of LME forward swap over-the-counter derivatives is determined using LME aluminium quotes for each settlement dates provided by dealers.

- The fair values of financial quarantee contracts is determined 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 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 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).

in USD 000 except where otherwise mentioned

| | December 31, 2009 | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| **Available-for-sale financial assets** | | | | |
| Unquoted equities | - | - | 1,107 | 1,107 |
| **Financial assets at FVTPL** | | | | |
| Aluminium options | - | 1,190 | - | 1,190 |
| Aluminium forward swaps | - | 249 | - | 249 |
| **Total** | **-** | **1,439** | **1,107** | **2,546** |

| | December 31, 2009 | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| **Financial liabilities at FVTPL** | | | | |
| Aluminium options | - | 1,138 | - | 1,138 |
| Forward foreign exchange contracts | - | - | 48,445 | 48,445 |
| Financial guarantee contracts | - | - | 2,622 | 2,622 |
| **Total** | **-** | **1,138** | **51,067** | **52,205** |

Reconciliation of Level 3 fair value measurements of financial assets and liabilities:

| | 2009 | | |
|---|---|---|---|
| | Assets | Libilities | |
| | Unquoted equities | Financial guarantee contracts | Derivative financial liabilities |
| **Opening balance** | **5,203** | **7,874** | **75,527** |
| (Gains)/losses in profit or loss | - | -5,258 | - |
| (Gains)/losses in other comprehensive income | - | - | -10,752 |
| Purchases | 732 | - | - |
| Issues | - | - | - |
| Settlements / Sale | -4,904 | - | -12,801 |
| Transfer out of level 3 | - | - | - |
| Translation adjustment | 76 | 6 | -3,529 |
| **Total** | **1,107** | **2,622** | **48,445** |

Gains for the period included in profit or loss of USD 5,258 related to financial guarantee contracts are included in ‘Finance costs, net’ (Note 8).

Gains included in other comprehensive income of 10,752 related to derivative financial liabilities are reported as ‘Gain / (loss) on cash flow hedges’.

## 29. Contingencies and commitments

Contingencies

Legal case: At the beginning of 2005, one of the main suppliers for the Group interrupted the supply of raw materials by cancelling the existing purchase agreements. There were two proceedings between the Group and the supplier (the Group as a plaintiff claiming damages for breach of existing agreements plus interest and the Group as a defendant). In summer 2007, the Group was awarded damages due from the supplier to the Group by reference to various formulae. In September 2007, the supplier made an interim payment of USD 12,000 to the Group. In 2009 the case was settled and a final payment of USD 4,070 was made to the Group.

Currently, the Group is in a legal case defending an action brought by a raw material supplier, claiming damages in respect of the repudiation of a contract. 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 management is unable to measure whether or not the legal case will lead to an adverse outcome. The Company did not record a provision in relation to the legal case.

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 as USD 492,534 at 31 December 2009 (2008: USD 375,986).

The Group has further investment commitments in China amounting to USD 177,231 (2008: USD 162,554) mainly for power projects with joint ventures. The timing of the cash outflows depends on the progress of the project.

Raw material purchase contracts. The Group has entered into various contracts to acquire energy, gas and other material and consumables in the amount of USD 259,780 for the year 2009 (2008: USD 222,380).

Operating lease commitments

The expense for operating leases in 2009 was USD 214 (2008: USD 663). At 31 December 2009, the Group had commitments of USD 319 (2008: USD 1,282) under non-cancellable operating leases. Of these USD 199 is due within one year (2008: USD 751), and the rest between one and five years.

Guarantees

During 2009, bank guarantees to the amount of USD 197 (2008: USD 3,531) were issued and extended to sundry partners. These guarantees were issued mainly for customs and other duties in 2009, and for power purchase in 2008.

In addition, the Group had issued guarantees to the amount of USD 6 as at 31 December 2009 (2008: USD 3,492) relating to electricity purchasing contracts.

in USD 000 except where otherwise mentioned

## 30. Events after the balance sheet date

In March 2010 Group's subsidiary Henan Zhongfu Industrial Co., Ltd, has entered an agreement with aluminium producer Chalco Henan Aluminium Fabrication Co., Ltd. to set up a new company Henan Zhongfu Specialized Aluminum Product Co., Ltd.

The company will have a registered capital of USD 112,621, of which Chalco Henan Aluminum Fabrication Co. will make a cash contribution of USD 29,290, representing 26% of the registered capital. Henan Zhongfu Industrial Co., Ltd will own 74% of the new subsidiary, comprising production facilities, inventories and other assets valued at a total of approximately USD 67,953, as well as USD 15,377 in a cash contribution.

## 31. Principal companies in the Vimetco Group

The principal companies in the Vimetco Group at 31 December 2009 and 2008, classified by segment, are as follows:

| | 2009 | | 2008 | |
|---|---|---|---|---|
| | shareholding | votes [1)] | shareholding | votes [1)] |
| **China** | | | | |
| Datang Gongyi Yulian Power Co., Ltd. | 47.42% | 49.00% | 47.06% | 49.00% |
| Everwide Industrial Ltd. | 100.00% | 100.00% | 100.00% | 100.00% |
| Henan Non-Ferrous Metal Holdings Co., Ltd. | 0.30% | 0.31% | 29.55% | 30.77% |
| Henan Yellow River Helup Branch Water Supply Ltd. | 42.58% | 44.00% | 0.00% | 0.00% |
| Henan Yinhu Aluminium Co., Ltd. | 49.63% | 100.00% | 49.25% | 100.00% |
| Henan Yonglian Coal Industry Ltd. | 43.55% | 45.00% | 43.22% | 45.00% |
| Henan Yulian Energy Group Co., Ltd. | 96.78% | 96.78% | 96.05% | 96.05% |
| Henan Zhongfu Anodes Carbon Co., Ltd. | 56.78% | 83.52% | 56.35% | 83.52% |
| Henan Zhongfu Industry Co., Ltd. | 49.63% | 51.28% | 49.25% | 51.28% |
| Henan Zhongfu Power Co., Ltd. | 73.63% | 100.00% | 53.20% | 77.78% |
| Henan Zhongfu Thermal Power Ltd. | 36.08% | 49.00% | 49.25% | 100.00% |
| Jinhe Electrical Power Equipment Co., Ltd. | 25.31% | 51.00% | 25.12% | 51.00% |
| Linzhou Hongfeng Aluminium Ltd. | 49.63% | 100.00% | 49.25% | 100.00% |
| Linzhou Linfeng Aluminium and Power Co., Ltd. | 49.63% | 100.00% | 49.25% | 100.00% |
| Linzhou Zhenxin Machinery Casting Ltd. | 49.63% | 100.00% | 0.00% | 0.00% |
| Shanghai Zhongfu Aluminium Ltd. | 44.66% | 90.00% | 0.00% | 0.00% |
| Shenzhen OK (OUKAI) Industry Development Co., Ltd. | 49.63% | 100.00% | 49.25% | 100.00% |
| Henan Yonglian Coal Industry Ltd. | 43.55% | 45.00% | 43.22% | 45.00% |
| Datang Gongyi Yulian Power Co., Ltd. | 47.42% | 49.00% | 47.06% | 49.00% |
| Datang Linzhou Thermal Power Co., Ltd | 9.93% | 20.00% | 4.93% | 10.00% |
| Henan Yellow River Heluo Water Supply Co., Ltd | 42.58% | 44.00% | 0.00% | 0.00% |

| | 2009 | | 2008 | |
|---|---|---|---|---|
| | shareholding | votes [1] | shareholding | votes [1] |
| **Romania** | | | | |
| Alro S.A. | 87.50% | 87.97% | 87.50% | 87.97% |
| Alum S.A. | 86.96% | 99.39% | 86.96% | 99.39% |
| 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% | 99.90% | 100.00% |
| Vimetco Power Romania S.r.l. | 100.00% | 100.00% | 99.90% | 100.00% |
| Vimetco Trading S.r.l. | 100.00% | 100.00% | 99.90% | 100.00% |
| | | | | |
| **Sierra Leone** | | | | |
| Bauxite Marketing Ltd. | 100.00% | 100.00% | 100.00% | 100.00% |
| Global Aluminium Ltd. | 100.00% | 100.00% | 100.00% | 100.00% |
| Sierra Mineral Holdings I, Ltd. | 100.00% | 100.00% | 100.00% | 100.00% |
| | | | | |
| **Corporate and other** | | | | |
| Vimetco N.V. | n/a | n/a | n/a | n/a |
| Vimetco Management GmbH | 100.00% | 100.00% | 90.00% | 90.00% |

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 the 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
# Vimetco NV

# Condensed Company-only Income Statement

**Condensed Company-only Income Statement for the year ended 31 December**

in USD 000

| | Note | 2009 | 2008 |
|---|---|---|---|
| Company-only result after tax | | -3,471 | -214,644 |
| Share of net result of investments | 5 | 31,831 | 49,376 |
| **Profit/(loss) for the year** | | **28,360** | **-165,268** |

# Company-only Statement of Financial Position

**Company-only Statement of Financial Position**
**as at 31 December**

in USD 000

Before appropriation of current year result

| | Note | 2009 | 2008* |
|---|---|---|---|
| **Assets** | | | |
| | | | |
| **Non-current assets** | | | |
| Intangible fixed assets: | | | |
| Goodwill | 6 | 68,129 | 76,066 |
| | | | |
| Financial fixed assets: | | | |
| Investments | 7 | 495,323 | 562,648 |
| Loans to Group companies | 8 | 309,372 | 308,725 |
| **Total non-current assets** | | **872,824** | **947,439** |
| | | | |
| **Current assets** | | | |
| Other receivables | 9 | 18,357 | 2,760 |
| Prepaid expenses | | 50 | - |
| Accrued income from Group companies | | 46,009 | 18,966 |
| Cash and cash equivalents | | 5,790 | 17,609 |
| Restricted cash | | 878 | 4,438 |
| **Total current assets** | | **71,084** | **43,773** |
| **Total assets** | | **943,908** | **991,212** |

## Company-only Statement of Financial Position as at 31 December

Before appropriation of current year result

in USD 000

| | Note | 2009 | 2008* |
|---|---|---|---|
| **Shareholders' equity and liabilities** | | | |
| | | | |
| **Shareholders' equity** | | | |
| Share capital | 10 | 27,917 | 27,917 |
| Share premium | | 366,126 | 366,126 |
| Legal reserve | | 351,081 | 351,651 |
| Retained earnings / (accumulated deficit) | | -129,419 | 85,225 |
| Profit / (loss) for the year | | 28,360 | -165,268 |
| **Total shareholders' equity** | | **644,065** | **665,651** |
| | | | |
| **Non-current liabilities** | | | |
| Loan from credit institutions | 11 | 65,758 | 103,113 |
| Loan from shareholder | 12 | 172,981 | 171,389 |
| **Total non-current liabilities** | | **238,739** | **274,502** |
| | | | |
| **Current liabilities** | | | |
| Current portion of loan from credit institutions | 11 | 38,000 | 38,000 |
| Loan from shareholder | 12 | - | - |
| Interest payable | | 10,948 | 315 |
| Accrued expenses | | 1,326 | 1,133 |
| Deferred income | 13 | 8,043 | 9,651 |
| Accounts payable | 9 | 2,014 | 993 |
| Other payables | 9 | 773 | 967 |
| **Total current liabilities** | | **61,104** | **51,059** |
| **Total liabilities** | | **299,843** | **325,561** |
| **Total shareholders' equity and liabilities** | | **943,908** | **991,212** |

* Prior year figures related to goodwill and investments were adjusted by USD 3,030 after the completion in 2009 of fair value measurements of Global Aluminium Ltd (Note 6).

# 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 2008** | **27,917** | **366,126** |
| Appropriation of prior year result | - | - |
| Change in minorities' share of net assets | - | - |
| Losses from cash flow hedges | - | - |
| Net loss for the year | - | - |
| Translation adjustment | - | - |
| **Balance at 31 December 2008** | **27,917** | **366,126** |
| Appropriation of prior year result | - | - |
| Change in minorities' share of net assets | - | - |
| Gains from cash flow hedges | - | - |
| Net profit for the year | - | - |
| Translation adjustment | - | - |
| **Balance at 31 December 2009** | **27,917** | **366,126** |

The "legal reserve revaluation" pertains to the revaluation as part of the capital increase at Alro in 2005 when property, plant and equipment fair value uplifts and USD 27,023 goodwill were recognised (excluding amounts attributable to minority interests).

The "legal reserve hedging" comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments (net of deferred tax) where the hedged transaction has not yet occurred. The reserve excludes amounts attributable to minority interests.

The "legal reserve translation" comprises foreign currency differences arising from the translation of the financial statements of foreign operations of the Group (excluding amounts attributable to minority interests).

The "other legal reserve" comprises reserves that are not immediately available for distribution since it includes retained earnings of subsidiaries which are subject to certain legal restrictions before they can be distributed to Vimetco N.V.

The "retained earnings" 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

| | Legal reserve | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Legal reserve revaluation | Legal reserve hedging | Legal reserve translation | Other legal reserve | Total legal reserve | Retained earnings | Profit / (loss) for the year | Total shareholders' equity |
| | **47,721** | **-5,334** | **68,204** | **168,162** | **278,753** | **-1,641** | **160,936** | **832,091** |
| | | | | | | | | |
| | - | - | - | 74,070 | 74,070 | 86,866 | -160,936 | - |
| | - | - | - | 24,542 | 24,542 | - | - | 24,542 |
| | - | 3,575 | - | - | 3,575 | - | - | 3,575 |
| | - | - | - | - | - | - | -165,268 | -165,268 |
| | - | - | -29,289 | - | -29,289 | - | - | -29,289 |
| | | | | | | | | |
| | **47,721** | **-1,759** | **38,915** | **266,774** | **351,651** | **85,225** | **-165,268** | **665,651** |
| | | | | | | | | |
| | - | - | - | 49,376 | 49,376 | -214,644 | 165,268 | - |
| | - | - | - | -2,867 | -2,867 | - | - | -2,867 |
| | - | -32,377 | - | - | -32,377 | - | - | -32,377 |
| | - | - | - | - | - | - | 28,360 | 28,360 |
| | - | - | -14,702 | - | -14,702 | - | - | -14,702 |
| | | | | | | | | |
| | **47,721** | **-34,136** | **24,213** | **313,283** | **351,081** | **-129,419** | **28,360** | **644,065** |

# 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.

## 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 (see Note 2 to the consolidated financial statements).

As the financial data of Vimetco N.V. (the “Parent company”) are included in the consolidated financial statements, the income statement in the parent company financial statements is presented in condensed form (in accordance with section 402, Book 2 of the Netherlands Civil Code).

### Investments in subsidiaries and associates

Investments in subsidiaries, joint ventures and associates are accounted for using the net equity value. Vimetco N.V. calculates the net equity value using the accounting policies as described in Note 2 to the consolidated financial statements.

The net equity value of subsidiaries comprises the cost, excluding goodwill, of Vimetco’s share in the net assets of the subsidiary, plus Vimetco’s share in income or losses since acquisition, less dividends received. Goodwill paid upon acquisition of an investment in associate is included in the net equity value of the investment and is not shown separately on the face of the balance sheet.

## 3. Employees and salaries

8 employees, excluding directors, served the Company during the years ended 31 December 2009 and 2008. The salaries amounted to USD 981 in 2009 (2008: USD 574). For the details of directors’ remuneration on Group level see Note 14.

## 4. Auditors' 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) in amount of USD 1,526 to the statutory auditors in 2009 (2008: USD 1,566) and additionally USD 376 to their network firms in 2009 (2008: USD 403). The Company also incurred expenses for non-audit services (mainly tax and other advisory services) amounting to USD 653 to the statutory auditors' network firms in 2009 (2008: USD 467).

## 5. Share in the results of investments

| | 2009 | 2008 |
|---|---|---|
| Alro S.A. (including shares held by its subsidiary Conef S.A.) | 41,635 | 72.261 |
| Everwide Industrial Ltd. | -6,583 | -20.495 |
| Global Aluminium Ltd. | -3,714 | -2.706 |
| Vimetco Management GmbH | 60 | 278 |
| Vimetco Management Romania S.r.l. | 432 | 25 |
| Vimetco Power Romania S.r.l. | -27 | -21 |
| Vimetco Trading S.r.l. | 28 | 34 |
| **Balance at 31 December** | **31,831** | **49,376** |

## 6. Goodwill

Prior year goodwill was adjusted by USD 3,030 after the completion in 2009 of fair value measurements of net assets of Global Aluminium Ltd. Investments in subsidiaries were adjusted by the corresponding amount (Note 7). Reference is made to Notes 13 and 27 to the Consolidated Financial Statements.

The movements in goodwill are as follows:

| | 2009 | 2008 |
|---|---|---|
| Balance at 1 January | 76,066 | 259,482 |
| Purchase of 100% of Global Aluminium Ltd. | - | 28,189 |
| Fair value measurement of Global Aluminium Ltd. | - | -3,030 |
| Impairment charge | -6,747 | -214,683 |
| Translation adjustment | -1,190 | 6,108 |
| **Balance at 31 December** | **68.129** | **76,066** |

in USD 000 except where otherwise mentioned

## 7. Investments

As of 31 December 2009, the Company has investments in the following companies:

| Company | Registered in | Controlled share in issued capital |
|---|---|---|
| Alro S.A. (including shares held by its subsidiary Conef S.A.) | Romania | 87.97% |
| Everwide Industrial Ltd. | British Virgin Islands | 100.00% |
| Global Aluminium Ltd. | British Virgin Islands | 100.00% |
| TM Power S.A. | Romania | 50.00% |
| Vimetco Management GmbH | Switzerland | 100.00% |
| Vimetco Management Romania S.r.l. | Romania | 99.00% |
| Vimetco Power Romania S.r.l. | Romania | 99.00% |
| Vimetco Trading S.r.l. | Romania | 99.00% |

In 2009, the Company acquired another 10% of the share capital of Vimetco Management GmbH from a related party, thus reaching 100% control of Vimetco Management GmbH.

On 25 July 2008, the Company acquired 100% of Global Aluminium Ltd. In 2009 the group completed the fair value measurements for the business acquired and has recognised intangible assets in amount of USD 3,030 being the capitalisation of mineral rights. Mineral rights are to be amortised over the period of 7 years until the end of current agreement with the Government of Sierra Leone which expires in 2015. Reference is made to Note 27 to the Consolidated Financial Statements.

| | Book value | Fair value adjustment | Fair value |
|---|---|---|---|
| Net assets of Global Aluminium Ltd. | 4,848 | 3,030 | 7,878 |
| Consideration | | | 33,037 |
| Goodwill | | | 25,159 |

| The movement in investments in subsidiaries is as follows: | 2009 | 2008 |
|---|---|---|
| Balance at 1 January | 562,648 | 659,193 |
| Dilution gains from changes in minority interests of Chinese entities | -2,883 | 24,542 |
| Non-controlling interests acquired in Vimetco Management Gmbh | 110 | - |
| Purchase of 100% of Global Aluminium Ltd. | - | 4,848 |
| Fair value measurement of Global Aluminium Ltd. | - | 3,030 |
| Establishment of other Group entities in 2008 | - | 260 |
| Hedge accounting at Alro S.A. | -32,377 | 3,010 |
| Dividend payments | -50,479 | -145,356 |
| Translation adjustment | -13,527 | -36,255 |
| Share in result of investments | 31,831 | 49,376 |
| **Balance at 31 December** | **495,323** | **562,648** |

Prior year investments in subsidiaries were adjusted by USD 3,030 after the completion in 2009 of fair value measurements of net assets of Global Aluminium Ltd (Note 6).

## 8. Loans to Group companies

Loans to Group companies as at 31 December 2009 comprise two loans to Everwide Industrial Ltd. and Sierra Mineral Holdings I, Ltd. The loans are not secured. Repayment date of the loan to Everwide Industrial Ltd. was 8 June 2009 with the right to postpone the repayment. The loan was rolled over at the maturity date in 2009, for another 4 years. No repayment schedule was agreed with respect to the loan to Sierra Minerals I Holdings Ltd.

The loan to Everwide Industrial Ltd. bears interest at the London Interbank Offered Rate ("LIBOR") plus 8% (2008: LIBOR plus 5.75%). The interest rate for the loan to Sierra Mineral Holdings I, Ltd. in 2009 was 15% (2008: 15%).

| | 31 December | |
|---|---|---|
| | **2009** | **2008** |
| Loan to Everwide Industrial Ltd. | 297,912 | 297,912 |
| Loan to Sierra Minerals I Holdings Ltd. | 11,460 | 10,813 |
| **Balance at 31 December** | **309,372** | **308,725** |

## 9. Receivables and payables

| | 31 December | |
|---|---|---|
| | **2009** | **2008** |
| **Other receivables** | | |
| Third parties | 204 | 364 |
| Group companies | 18,153 | 2,316 |
| Shareholder (Vi Holding N.V.) | - | 80 |
| **Total** | **18,357** | **2,760** |
| **Accounts payable** | | |
| Third parties | 1,718 | 735 |
| Shareholder (Vi Holding N.V.) | 296 | 258 |
| **Total** | **2,014** | **993** |
| **Other payables** | | |
| Third parties | 9 | 967 |
| Group companies | 670 | - |
| Related parties | 94 | - |
| **Total** | **773** | **967** |

in USD 000 except where otherwise mentioned

## 10. Share capital and share premium

The authorised share capital consists of 800,000,000 (2008: 800,000,000) common shares. All shares have a par value of EUR 0.10.

As of 31 December 2009 and 2008, 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 average historical rate of EUR/USD 1.272.

## 11. Loan from credit institutions

On 21 June 2007, the Company entered into a USD 190,000 term facility agreement with a syndicate of banks ("New Term Facility"). The New Term Facility bears interest at the London Interbank Offered Rate ("LIBOR") plus a margin of 7% (2% till June 2009). The average interest rate paid in 2009 was 5.27% (2008: 5.90%).
In accordance with the maturity schedule, USD 38,000 was repaid on 29 May 2009 (2008:USD 47,500). The balance is due as follows:

| Due date | Principal due |
|---|---|
| 31 May 2010 | 38,000 |
| 31 May 2011 | 38,000 |
| 31 May 2012 | 28,500 |
| **Total** | **104,500** |

51% of the Company's shares in Alro S.A. and Everwide Industrial Ltd. are used as collateral for the Company's borrowings. The Company is also subject to certain restrictive covenants. These covenants limit, among other things, the Company's ability to dispose of significant assets and require the Group to maintain certain financial ratios including minimum debt to earnings before interest, taxation, depreciation and amortisation ("EBITDA") and debt coverage ratios.

As USD 38,000 has to be repaid in 2010, this part has been reclassified to the current liabilities.

## 12. Loan from shareholder

In 2009 and 2008, the loan from shareholder is related to a credit facility granted by Vi Holding N.V. for a maximum amount of USD 250,000. USD 173 million were drawn down mainly in connection with the financing of capital expenditure in China and the acquisition of Global Aluminium Ltd. The loan bears interest at the London Interbank Offered Rate ("LIBOR") plus 7.75% (until September 2009 LIBOR plus 5.75%) and is due for repayment on 31 May 2013. The loan is subordinated. The average interest rate paid in 2009 was 7.71% (2008 8.36%).

## 13. Deferred income

Deferred income refers to prepaid fees amounting to USD 11,929 thousand for services until the end of 2014. An amount of USD 1,608 was recognised as revenue in 2009 (2008: USD 1,608).

| | 2009 | 2008 |
|---|---|---|
| Opening balance | 9,651 | 11,259 |
| Revenue recognition | -1,608 | -1,608 |
| **Balance at 31 December** | **8,043** | **9,651** |

## 14. Directors' remuneration

The remuneration of the individual members of the Board of Directors for the financial years 2009 and 2008 is as follows:

| | Gross periodical remuneration (salary and directors' fee) | Bonus [1)] | Pension contributions | Distributions made on termination of the em-ployment | Total |
|---|---|---|---|---|---|
| **Year ended 31 December 2009** | | | | | |
| Independent directors | | | | | |
| B. Zonneveld | 139 | - | - | - | 139 |
| J. Currie | 139 | - | - | - | 139 |
| | | | | | |
| Executive directors | | | | | |
| R. Steinemann | 63 | - | 5 | 236 | 304 |
| P. Baillot | 296 | - | - | - | 296 |
| F. Muller | 210 | - | 21 | - | 231 |
| | | | | | |
| Non-executive directors | | | | | |
| V. Machitski | - | - | - | - | - |
| G. Zhang | - | - | - | - | - |
| V. Agapkin | 41 | - | 7 | - | 48 |
| V. Krasnov | 41 | - | 7 | - | 48 |
| D. Sedyshev | - | - | - | - | - |
| I. Sventski | - | - | - | - | - |
| | | | | | |
| **Total** | **929** | **-** | **40** | **236** | **1,205** |

in USD 000 except where otherwise mentioned

| | Gross periodical remuneration (salary and directors' fee) | Bonus [1] | Pension contributions | Distributions made on termination of the em-ployment | Total |
|---|---|---|---|---|---|
| **Year ended 31 December 2008** | | | | | |
| Independent directors | | | | | |
| P. Baillot | 366 | - | - | - | 366 |
| B. Zonneveld | 146 | - | - | - | 146 |
| J. Currie | 146 | - | - | - | 146 |
| | | | | | |
| Executive directors | | | | | |
| C. Wüst | 362 | 1,004 | 49 | 190 [2] | 1,605 |
| R. Steinemann | 249 | 502 | 16 | - | 767 |
| | | | | | |
| Non-executive directors | | | | | |
| V. Machitski | - | - | - | - | - |
| G. Zhang | - | - | - | - | - |
| V. Agapkin | 26 | 4 | - | - | 30 |
| V. Krasnov | 26 | 4 | - | - | 30 |
| F. Muller | - | - | - | - | - |
| D. Sedyshev | - | - | - | - | - |
| I. Sventski | - | - | - | - | - |
| | | | | | |
| **Total** | **1,321** | **1,514** | **65** | **190** | **3,090** |

[1] including cash payments from incentive compensation scheme.

[2] accrual of Mr. Wüst's remuneration during the notice period in 2009.

The above mentioned amounts are remunerations for full year, except for (Pierre Baillot, Rolf Steinemann and Frank Müller).

This remuneration is paid from various Group entities where the directors have respective appointments.

The number of granted RSUs under the incentive compensation scheme is as follows (reference is made to Note 20 to the Consolidated Financial Statements):

| | Granted in 2008 | **Balance of RSUs as of 31 December 2008** | Vested in 2009 | Lapsed in 2009 | **Balance of RSUs as of 31 December 2009** |
|---|---|---|---|---|---|
| Independent directors | | | | | |
| P. Baillot | - | - | - | - | - |
| B. Zonneveld | - | - | - | - | - |
| J. Currie | - | - | - | - | - |
| | | | | | |
| Executive directors | | | | | |
| C. Wüst | - | - | - | - | - |
| R. Steinemann | - | 26,265 | - | -26,265 | - |
| | | | | | |
| Non-executive directors | | | | | |
| V. Machitski | - | - | - | - | - |
| G. Zhang | - | - | - | - | - |
| V. Agapkin | - | 65,663 | -16,416 | - | 49,247 |
| V. Krasnov | - | 65,663 | -16,416 | - | 49,247 |
| | | | | | |
| **Total** | **-** | **157,591** | **-32,832** | **-26,265** | **98,494** |

# Other Information

## Auditors' report

To the Audit Committee and Shareholders of Vimetco N.V., the Netherlands

**Report on the financial statements**

We have audited the accompanying financial statements 2009 of Vimetco N.V., Amsterdam. The financial statements consist of the consolidated financial statements and the company financial statements. The consolidated financial statements comprise the consolidated statement of financial position as at December 31, 2009, statement of comprehensive income, statement of changes in shareholders' equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes. The company financial statements comprise the company statement of financial position as at December 31, 2009, the company income statement for the year then ended and the notes.

**Management's responsibility**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Netherlands Civil Code, and for the preparation of the Report of the Board of Directors in accordance with Part 9 of Book 2 of the Netherlands Civil Code. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

**Auditor's responsibility**

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with Dutch law. This law requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion with respect to the consolidated financial statements**

In our opinion, the consolidated financial statements give a true and fair view of the financial position of Vimetco N.V. as at December 31, 2009, and of its result and its cash flow for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Netherlands Civil Code.

**Opinion with respect to the company financial statements**

In our opinion, the company financial statements give a true and fair view of the financial position of Vimetco N.V. as at December 31, 2009, and of its result for the year then ended in accordance with Part 9 of Book 2 of the Netherlands Civil Code.

**Report on other legal and regulatory requirements**

Pursuant to the legal requirement under 2:393 sub 5 part f of the Netherlands Civil Code, we report, to the extent of our competence, that Report of the Board of Directors is consistent with the financial statements as required by 2:391 sub 4 of the Netherlands Civil Code.

Deloitte Accountants B.V.

Already signed: J. Penon

Amsterdam, April 26, 2010

# 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 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 EC 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 48 to 123, 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 EC 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 EC, 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 48 to 123 have been prepared in accordance with IFRS as endorsed by the EC, 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 18 to 25 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 view of the situation on the position of the company and the undertakings included in the consolidation as a whole on 31 December 2009 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

| | |
|---|---|
| Frank Mueller<br>Chief Executive Officer | Marian Nastase<br>Chief Financial Officer |

26 April 2010

## Addresses

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## Publishing details

Concept & Design: Pitchman & Thrusters | Bucharest | Romania
Content: Premium Communication
Photos: Vimetco

## 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.

**Vimetco N.V.**

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