Annual Report 2011

vimetco

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

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Report of the Board of Directors

Financial Highlights

Consolidated Financial Statements		2011	2010 (restated)
Sales	USD million	**2,717**	2,294
EBITDA[1]	USD million	**426**	317
EBITDA margin		**15.7%**	13.8%
Net (loss)/profit	USD million	**-75**	-14
Total assets	USD million	**5,128**	4,715
Shareholders' equity	USD million	**1,281**	1,059
Net debt[2]	USD million	**2,293**	1,821
Earnings per share	USD	**-0.475**	-0.171
Equity per share	USD	**2.68**	2.66
P/E[3]	USD	**(2.1)**	(17.3)
Share price at year-end	USD	**1.00**	2.95
Production			
Electrolytic aluminium production	metric tonnes	**974,000**	887,000
Processed aluminium production	metric tonnes	**150,000**	138,000
Alumina production	metric tonnes	**484,000**	414,000
Bauxite production	metric tonnes	**1,321,000**	1,053,000
Coal production[4]	metric tonnes	**1,482,000**	690,000
Energy production	MWh	**6,844,000**	6,902,055
Average number of employees		**17,122**	13,266

[1] EBITDA: profit before tax, net finance items (operating profit), depreciation, amortisation and impairment
[2] Net debt: total of short- and long-term bank loans, loans from related parties and lease obligations less cash and cash equivalents
[3] P/E: price per share divided by earnings per share
[4] Coal production in 2010 covers the period since the acquisition of each coal mine by the Group until the year-end

Letter from the Chairman

Dear Shareholders,

It is an honor for me to write to you on the occasion of the publishing of Vimetco Annual Report for the year 2011. It has been a difficult time for the global aluminium industry, over the last years, however Vimetco passes through these difficulties in an appropriate manner, without stopping its development and growth.

In 2011, we continued implementing our long-term investment strategy, creating new production capacities in China, upgrading and extending our European and African assets and pursuing further consolidation, increasing our existing production capacities, extending the list of our high added value products and securing the necessary raw materials and power resources.
We were in an excellent position to benefit from the strong aluminium market during the first half of 2011 and, as a result, Vimetco's overall sales increased to USD 2.7 billion, last year, from USD 2.3 billion in 2010.
Our push into increasing the volume of the high-added value products translated into an increase of the overall sales of processed aluminium products by 11%, to 122,000 tonnes, or USD 416 million (up by approximately USD 100 million compared to 2010), with higher margins. At the same time, Vimetco increased the production of primary aluminium from 876,000 tonnes to 992,000 tonnes, and the production of processed aluminium to 150,000 tonnes, from 138,000 tonnes in 2010. A well thought-out and scaled use of hedging instruments in our Romanian segment has supported the results in spite of reduced aluminium prices in the second half of 2011.

Vimetco continued implementing its vertical integration strategy.In China, we purchased several coal mines in 2010, which allowed us to secure our own fuel for the Group's power plants on a long-term basis. Our bauxite mining assets in Sierra Leone have been integrated with our alumina and aluminium production assets in Romania, thus fully covering the demand in bauxite and alumina for our European operations. The volume of bauxite mining in Sierra Leone has increased by 25% compared to the previous year. We are working intensively towards further expansion of proven reserves of bauxite through prospective works at the operational site and in the newly licensed areas.

We continued construction of the power plants in China in order to guarantee availability of electricity for our aluminium smelter in Linzhou. We have initiated an important energy generation project in Tulcea, that, once completed, will ensure an increasing degree of energy independence for our Romanian operations. As declared earlier in 2011, we obtained several prospecting licenses in Ghana, based on which we intend to receive exclusive rights for bauxite mining at Kibi and Nyanahin (total area of 468.66 sq. km). We are carrying out comprehensive geological survey in these areas and are expecting to get confirmation of quite significant reserves of bauxite that can form the basis for an alumina plant to provide alumina for our Chinese smelters.

We will thus be able to better control all the segments of the business chain in our European and Chinese operations, from raw materials to smelting and then to high-added value processed products. This has always been our objective and we are happy to report significant progress.

We are also very pleased to note that Vimetco's consistent strategy of increasing production of high-added value products has allowed us to retain the profitability of our business in spite of non-favorable market conditions and of increased cost of electricity and raw materials. In Romania, the production volume of rolling products has increased by 17%, extrusion products by 23%, with the products assortment list targeted at aerospace and car industries, keeping high quality level of production. In China, 2011 witnessed the progress in construction of the new rolling mill of 750,000 tonnes hot rolling and 450,000 tonnes cold rolling capacity. By commissioning these capacities in 2012 and 2013, all metal produced at our Chinese smelters will turn into high-tech products with good margins.

In 2011, we achieved significant progress towards further technological improvement of our production, as well as of the staff skills. Our Chinese plants were the first in the world to introduce 400 kA electrolyzes in large-scale production. Today our total aluminium production capacity on most advanced electrolyzes reaches 490,000 tonnes. Successful testing of an advanced technology of electromagnetic and magnetic fluid stabilization under low temperature and low voltage in electrolytic process was completed recently. The technology allows reduction of direct current consumption to a record of 11,819 kWh/t. Significant results in improvement of the technology and staff skills have been also recorded in Romania. In Africa, we have successfully developed our Sierra Leone mining operations and prospecting works at the new licensed area, thus turning this segment into a predictable and profitable source of bauxite for Vimetco Alro. We are also deeply involved in working with the community in the area of our operations, through the SMHL Foundation.

The Group contributes to the Agricultural Development Fund and we helped in the completion of several social projects, by building community halls, improving infrastructure, water wells and other facilities in the regions where the Company operates. We are also looking into further expanding our presence in Africa.

We believe the fundamentals of the world economy point towards its slow recovery. Most important, also for Vimetco, remains the outlook of the Chinese economy.
We have seen a significant decrease in LME quotation in the last quarter of 2011, with the aluminium price going below 2,000 USD/tonne, but the trend has reversed at the beginning of 2012 with signs of slight improvement. The LME price increased to as much as 2,300 USD/tonne in the first three months of 2012, generating slight optimism for a recovery of the demand.

Considering all these factors, Vimetco will continue to work towards cost reduction, improving profitability and the quality of its products, with a focus on high added value products. It will also continue down the path of technology improvement to create the foundationfor further growth in line with the global trends.

Vitaliy Machitski
Chairman of the Board

Letter from the CEO

Dear Shareholders,

First of all, please let me thank you for the confidence you have placed in Vimetco over the last years. I am extremely pleased to see and write about the steady progress our company recorded during this difficult period. It is my belief, shared by the Board of Directors and the management of Vimetco, that this was only possible thanks to a clear strategy and determination in pursuing it, in spite of the adverse economic environment. "I was always, in my over 25 years in the aluminium industry, a constant supporter of organic growth of a company through vertical integration and focus on capitalizing on our internal expertise in developing further our technical capabilities.

Today Vimetco is one of the leading companies in aluminium production, not only in terms of production volume, but also from a technical point of view. Our R&D efforts over the last years have successfully brought us into the exclusive club of aircraft industry suppliers, with Vimetco Alro's certifications from the NADCAP proving that our products comply with some of the most stringent quality requirements in the industry. Our Chinese smelters operate state-of-the art 400 kA pot lines, the only such lines that are operated industrially in the world. We have recently announced another technological breakthrough in our Chinese unit, Henan Zhongfu Industry Co., Ltd., where we have successfully completed a commercial test for a new technology that allows us to decrease the energy consumption to the lowest level worldwide. Our colleagues successfully implemented a "low-temperature low-voltage aluminium smelting technology." As a result, the DC (direct current) consumption has decreased to 11,819 kWh/tonne of aluminium, down by 10.7% from 13,235 kWh/tonne.

I chose to start my letter to you with these results, as I consider Vimetco's R&D efforts to be the cornerstone of our success. And, most importantly, they are enabling Vimetco to improve its competitive edge in the high-added value range of products. Expanding our capabilities in processed aluminium, while keeping our cost-base at optimum levels and securing raw material sources: this is our vertical integration strategy that has proved successful and we are determined to continue to do so.

We have made significant progress in securing the raw material sources for our operations. The project developed by Vimetco Power Romania to build a cogeneration power plant of 250 MW at Alum Tulcea, has reached the shortlist phase with three major international companies selected for negotiations. The European Bank for Reconstruction and Development (EBRD) is considering financing the project. Once completed, this project will provide our Vimetco Alro and Alum operations with a predictable, long-term energy source. This step completes the earlier successful integration of the Sierra Leone bauxite mining operations into Alum, resulting in a total vertical integration of our European operations.

We have developed our Chinese operations following the same blueprint of raw material, smelting and high added-value products chain. Our energy production operations (mining and coal-based power plants) are now providing for most of our raw material requirements and we are actively looking to secure the alumina supply needed. A step towards this goal is represented by the license agreements obtained in March 2011 in Ghana, that give exclusive rights to prospect for bauxite to Vimetco's subsidiary at Kibi and Nyianhin deposits (a total area of 468.66 sq km).
Let me also point out some of our achievements regarding our high added-value products. We have managed to increase the overall sales of processed aluminium products by 11%, to 122,000 tonnes, with higher margins. In Romania, we started a USD 15 million investment programme, co-financed by the European Union and aimed at increasing the competitiveness, strengthening and upgrading the production sector through the purchase of finishing equipment for aluminium sheets, coils and strips and aluminium alloys. In China, the Group focused on increasing the production of added-value products, as well and pursuing the investments started in production capacities and product quality.

Once again, I would like to thank you for being with us in this successful journey and I am sure that the further developments of Vimetco will prove that the momentum of our company will continue towards consolidating our position as a major player in the international aluminium market.

Gheorghe Dobra
CEO

Sustainable Development

Sustainable development

Vimetco bases its long-term strategy on sustainable development, securing the necessary materials for current and future activity, while preserving the environment, taking part in the life of the communities where it operates and supporting the local economies.

The Company is committed to achieve cost savings and operating efficiency as well as the security of supply through vertical integration, whether for electricity, anodes, bauxite or alumina. Along with the cost saving strategy, the Company is committed to safeguarding the environment and to supporting the development of the local communities where it operates.

Sustainable development matrix at Vimetco

Economic sustainability

Vimetco is a vertically integrated international holding with its own production of bauxite, alumina, power, coal and aluminium. The Company is pursuing its long-term vertical integration strategy, while constantly monitoring the production costs. The Company operates its own energy plants in China and is in process of building a cogeneration power plant in Romania.

The second strategic pillar is the focus on value-added products, both in primary and processed sectors. Thus, Vimetco produces added value aluminium products in the primary sector, including billets, wire rod, slabs and in the processed sector, such as plates, sheets, coils and extrusions.

Vimetco's business plan focuses on delivering increased value to its shareholders, customers, employees and communities where it operates. Its counter pillars are its effective vertical integration, expertise in value-added products, favourable geographic spread and its proximity to attractive end-markets.

Long-term development strategy

Vimetco believes economic sustainability allows it to ensure stable, successful business, while contributing to the well-being of its shareholders, employees, protecting the environment and supporting the communities in which it operates.

In 2011, Vimetco continued implementing its long-term investment strategy, by consolidating its production capacities, increasing production of high added value products and analyzing solutions for further securing the necessary raw materials, both bauxite and electricity.

Thus, the Company was granted several licenses to prospect for bauxite in Ghana. The License Agreements give exclusive rights to prospect for bauxite to Vimetco's subsidiary at Kibi and Nyianhin deposits (a total area of 468.66 square kilometers).

Vimetco carried out geological due diligence at the above deposits. The Company expects to confirm quite significant bauxite reserves. The quantity and quality of reserves targeted by exploration works under the licenses will remain subject to confirmation by prospecting works.

Vimetco will carry out prospecting works in accordance with high international environmental protection standards.

Moreover, the exploration program is expected to have a positive impact at local level, improving the life of local communities. The project will also assist, develop and upgrade the local education and medical care. Moreover, it will help develop the local infrastructure within the region.

The Company continues its extraction activity at its bauxite mines in Sierra Leone. Last year it aligned the legal structure of the Vimetco group with vertically integrated operational structure of Vimetco's Romanian aluminium business, by transferring the holding company of its bauxite mining business in Sierra Leone, Global Aluminium Ltd., to its Romanian alumina producer, Alum, reopened two years ago. Besides consolidating its mining activity in Sierra Leone, Vimetco also supported the local community, via SMHL Foundation, and took part in building community halls, improving infrastructure, water wells and sanitary facilities in the regions where the Company operates.

Continuing its vertical integration strategy, Vimetco also pursued its intention to

build its own cogeneration power plant in Romania. After withdrawing from the joint venture for the construction of a coal fired power plant, the Company started the project to build its own cogeneration power plant on the platform of Alum Tulcea. In 2011, Vimetco worked towards reducing specific consumptions, and focusing on core activities.

International presence

With over 17,000 employees, Vimetco has a total production capacity of 1.1 million tonnes of electrolytic aluminium per year with capacity of about 1 million tones of value-added aluminium products and aluminium alloys per year. It is well positioned to cover the demand of its international customers. The Company pursues the corporate governance principles and it does business fairly, with mutual respect, transparency and accountability. Vimetco Group includes three aluminium smelters and rolling mills, one alumina refinery, bauxite-mining facilities, six coal mines and four power plants in four countries, in three parts of the world.

Vimetco's operations in China include smelting plants and casting facilities in Gongyi and Linzhou and processing facilities in Gongyi and Zhengzhou. The entire production of the segment is sold on the Chinese market. Moreover, the Group owns an anode plant, three power plants in China with a total capacity of 900 MW and several coal mines, thus securing partly its electricity needs in the country.

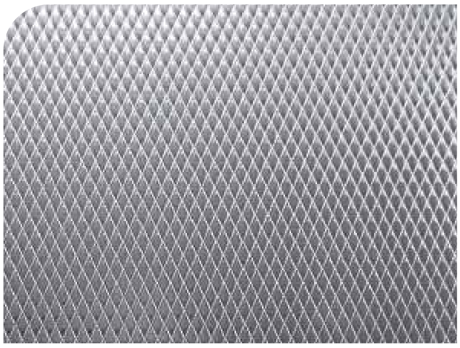
In Romania, Vimetco's operations include a smelter, an anode plant, casting facilities, and a processing plant, with a production capacity of electrolytic aluminium of 265,000 tpa and over 80,000 tpa of processed aluminium, including plates, sheets, coils, and extruded products. In 2011 Vimetco Power Romania SRL, one of the Group's subsidiaries, started the due diligence for the construction of a gas fired cogeneration power plant on the premises of Alum. In 2011, Tractebel Engineering prepared the feasibility study for building a cogeneration power plant of 250 MW by Vimetco Power. The European Bank for Reconstruction and Development (EBRD) is considering financing the project.

Vimetco, through its Romanian units, is an active member of the European Aluminium Association (EAA), organization that encompasses primary aluminium producers, downstream manufacturers, producers of recycled aluminium and national aluminium associations representing the manufacturers of rolled and extruded products in 18 European countries.

The organization aims to promote aluminium's contribution to sustainable development and encourages and initiates studies or research projects and technical co-operation in all relevant areas whether of a scientific, technological, economic, governmental, sociological, legal or any other nature.

Research and development

While pursuing a long-term growth and vertical integration strategy, Vimetco is focused on meeting increasing consumer demands in terms of products' range, quality



and sophistication.
A wide range of aluminium products developed both in China and in Romania meets the requirements of our most demanding customers, in terms of quality, delivery terms and packaging. Vimetco is investing in further diversification of the product range in its units, in line with the requirements of its most demanding customers. Therefore, the Company places strong emphasis on research and development, in order to ensure the output of best quality products. Our R&D strategy focuses on products characteristics, specifications and surfaces. Over the past years Vimetco succeeded to constantly improve products quality and to receive certificates from most prestigious authorities in the field of specific products, such as the NADCAP certificate for aerospace industry.

Alro is also a member of Aluminim REACH Consortium, an organization created by the European Aluminium Association and the

International Aluminium Institute, in order to assist industry players in the compliance process to REACH (European Community Regulation on chemicals and their safe use which deals with Registration, Evaluation, Authorization and Restriction of Chemical substances).

Alro is committed to meeting all the legal obligations under REACH and CLP, as a manufacturer, importer and downstream user and has started the registration process. The company has established a REACH team, which deals with all the requirements of these legislations.

Health and safety

Vimetco implements a strong health and safety policy in all its units around the world, with a successful track record in this field. Health and safety principles apply not only to the Company's employees, but also to its contractors and visitors, as well as customers. Vimetco is pursuing its goal of achieving state of the art safety environment, by implementing standard health and safety measures in all the processes and activities. Each employee is responsible for observing safety and health rules and regulations, taking all necessary measures (including reporting and pursuing regulations) and working safely and efficiently.

Health and safety is not limited to the employees, but goes beyond the Company's premises, up to its customers. Vimetco is constantly addressing health and safety issues across the entire production chain and for all its products, delivering goods that comply with their intended functionalities.

Quality

Vimetco is investing in state of the art technology that allows the company to increase competiveness, while delivering best quality products, in compliance with the demand of its customers.
The Company has a proven track record in this field. In Romania, Alro's products are ISO 9001 certified for quality management and have NADCAP as well as EN 9100 certificate for aerospace production organizations, complying with the quality standards for primary aluminium on the London Metal Exchange - LME, as well as the international standards for flat rolled products.
In China, Henan Zhongfu holds the Certificate of Quality Management System from the Quality Assurance Centre of China Association for Quality, recognizing that the production, marketing and services for re-melting ingots are in conformity with ISO 9001. In China, the company is also certified ISO 14001.

Environment

Vimetco is aware that its impact on the environment is one of its most important challenges and consequences. In this respect, the Company is making constant efforts to improve environment protection programmes.
Alro has developed programs for the self-monitoring of the environmental impact factors and of the work noxious emissions in cooperation with the Local Environmental Protection Agency and Local Public Health

Authority. Each of the Company divisions has its own personnel responsible for the environmental protection. In 2006, Alro received the Integrated Environmental Permits for both its locations, thus becoming the first company in the region and among the 10 largest companies in the country receiving such permits; these permits have a 10-year validity and represent the acknowledgment of the company's complex long-term investment plan.

At the same time, the environmental-related investment programs allowed Alro SA to obtain the ISO 14001 certification for the environmental protection management, and several years ago, the company received the Excellency Award for the special performances obtained in its environmental protection endeavors.

Alro implements eco-efficiency enhancement and safety measures along its entire production process stream, being involved in global environmental-related activities by cooperating actively with international organizations which are in charge with reduction of greenhouse gas emissions and entire range of pollutants generated by the company facilities.

In Sierra Leone, the Company's mines follow modern mining methods with strict environmental controls including extensive re-greening of mined land and proactive participation in the social development of communities around.

The SMHL Foundation is financing sustainable community development initiatives that will improve the socio-economic and infrastructural conditions in the five bauxite mining chiefdoms of Kpanda Kemo in the Bonthe District; Upper Banta, Lower Banta and Dasse in the Moyamba District and Bumpe Ngao in the Bo District.

Vimetco's Chinese enterprises are the leading ones in the country according to its environmental characteristics. Henan Zhongfu Industry is currently implementing an international demonstration project on development of highly ecological technologies for aluminium industry, within the framework of "Asia- Pacific partner programme on development of clean technologies and climate" (APP), the company being ISO 14001 certified for environmental management system.

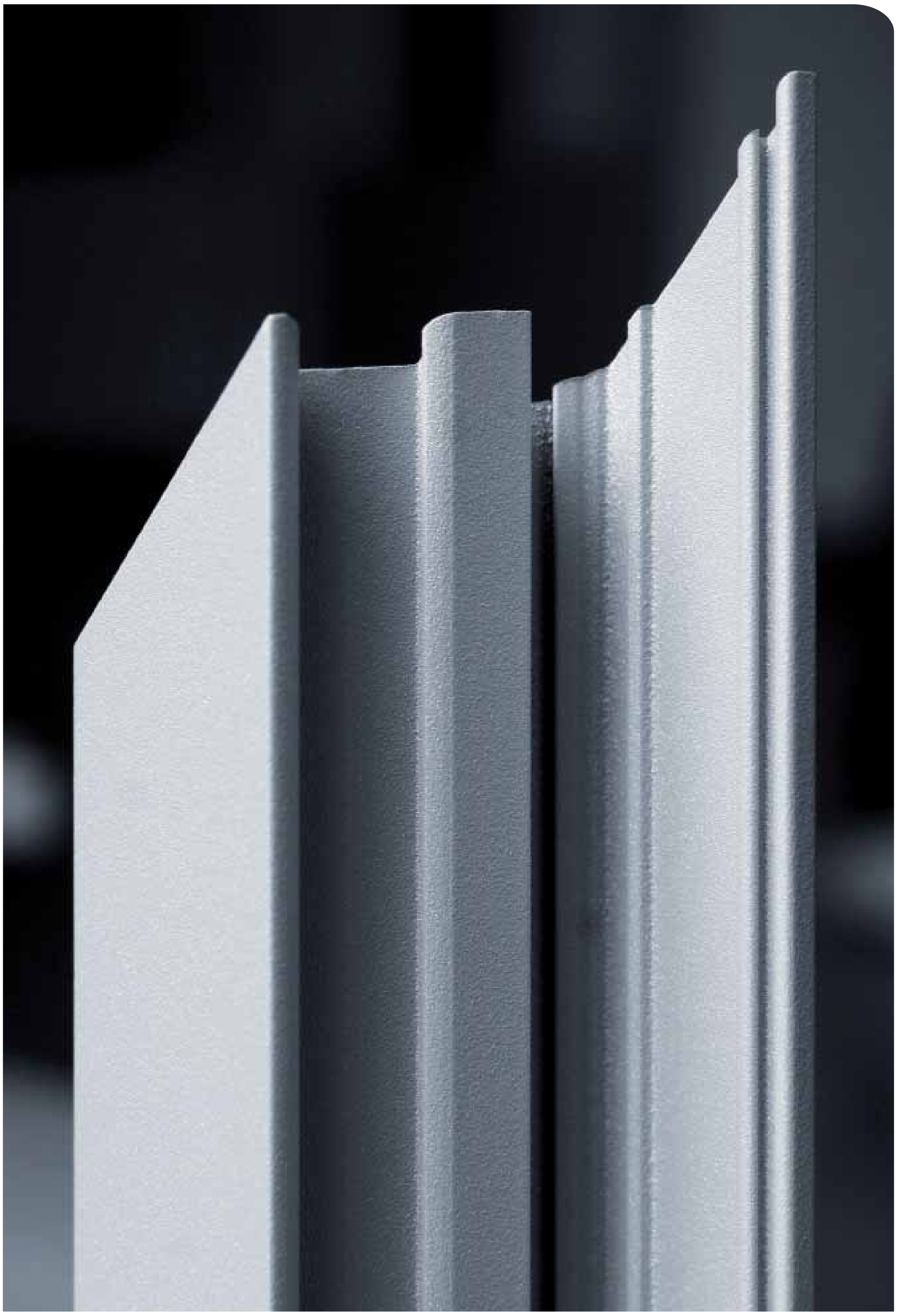
Greenhouse gas emissions

Vimetco is pursuing its development strategy and investing in state of the art technology, thus indirectly reducing the impact of CO2 emissions and footprint.
The Company is continuously assessing and evaluating the environmental footprint associated with greenhouse gas emissions. Its investments support efficient operation in aluminium production, helping to deal with climate change.

Energy efficiency

Being part of an energy intensive industry, Vimetco is constantly seeking solutions to reduce its specific consumptions.
Its Romanian unit, Alro, invested over USD 77 million during the last six years to ensure energy efficiency. The strong investment programme for increasing the energy efficiency allowed the Company to increase its output from 240,000 tonnes

of primary aluminium in 2005, to the peak of 288,000 tonnes of primary aluminium in 2008, without significant increase in energy consumption. Vimetco's Chinese operations also achieved high efficiency with industrial scale operation of the most advanced 400 kA electrolyses, and low-temperature 500 kA electrolyses. Following a complex R&D project, Zhongfu Industry Co., Ltd. was successful in the research project "low-temperature low-voltage aluminium smelting technology", the result indicating that the DC (direct current) consumption decreases to 11,819 kWh/tonne of aluminium, down by 10.7% from 13,235 kWh/tone, which means that Vimetco's aluminium technology has reached the world's most advanced level.



Employees

At the end of 2011 Vimetco employed 17,000 people in three parts of the world: Asia, Europe and Africa. Vimetco believes that its employees are the most important asset and their safety is the Company's main priority. In all its units, Vimetco is constantly investing in work protection and training programs, protection equipments, sanitary materials, and work safety materials. The Company is conducting regular occupational safety audits to determine the compliance with the occupational safety and security standards. The Company constantly seeks to ensure best working conditions for all employees in compliance with the international standards.

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

Social Responsibility

Vimetco understands its role in the local communities where it operates, and believes that the well-being of the people influences the success of business. Thus, the Group is actively involved in the life of the local communities, and supports their developments through direct projects or through specific foundations, for strategic projects, including education, health and infrastructure.

Alro is actively participating in community life through its corporate responsibility programs, from rebuilding homes destroyed by natural disasters, to education and health initiatives.

In Sierra Leone, the Group contributes to the Agricultural Development Fund, and to a Foundation focusing on community development projects in the mining area.

In China, the Group invested in a local fund set up with the purpose of financing the construction of the Art Centre and the Central Library in Gongyi.

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Business Review

In 2011, Vimetco continued to pursue its strategy to focus on higher added value products, while securing the necessary raw materials throughout the entire production chain. Simultaneously, the Company pursued its programme of cost efficiency and predictability.

By benefiting from a strong aluminium market during the first half of 2011, Vimetco increased its overall sales to USD 2.7 billion last year, from USD 2.3 billion in 2010. Besides the effect of the increase in aluminium price, the Group was also able to capitalize on its long term strategy to increase high added value products output. At the same time, Vimetco increased the production of primary aluminium from 876,000 tonnes to 992,000 tonnes, and the production of processed aluminium from 138,000 tonnes to 150,000 tonnes during the current year.

In line with the increase in production of aluminium, Vimetco also expanded the production of bauxite and alumina. The Group achieved an overall bauxite production level of 1.3 million tonnes, up from 1.05 million tonnes in 2010 and was also able to increase alumina production to 484,000 tonnes, up from 414,000 tonnes in 2010.

Vimetco also continued its investment programme both in Romania and China aimed at increasing the manufacture of more sophisticated products and at further securing sources of raw materials. In 2011, Alum Tulcea the Group's alumina refinery in Romania took over the bauxite mining operations in Sierra Leone, thus ensuring a constant and predictable supply of raw materials. In China, Vimetco focused further on its investments in production capacities and product quality, as well as on reducing energy consumption at its units.

Financial results

The sales increased by approximately 18% compared to 2010, while the cost of sales followed the same trend. In 2011, the prices for raw materials and utilities continued to increase, resulting in overall costs of goods sold of 2.36 billion in 2011, from USD 2 billion in the previous year. Thus, the Group posted a gross profit of USD 358 million for 2011, compared to USD 295 million (restated) in 2010.

After considering the impairment losses of some old power plants in China amounting to USD 87 million (please see more details in note 9 to the annual accounts), the Group's consolidated net loss for 2011 amounted to USD 75 million.

In 2011, the Company continued its strategy to increase its revenue from products with higher margins, and improved the sales of high added-value products by 11% in volume to 122,000 mt and by 33% in value to USD 416 million (i.e. by USD 100 million more than in 2010).

Financial position

During the last two years Vimetco spent USD 570 million on capital expenditure programmes (USD 343 million in 2011 and USD 227 million in 2010). Major investments took place in China for the smelters in Gongyi and Linzhou and for the rolling mill in Gongyi. As a result, the Group's total assets increased by USD 413 million in 2011, reaching USD 5.1 billion.

The efforts Vimetco made in China during the last 5 years to expand its activity (investing in new aluminium production capacities, investing in power assets, acquiring coal mines) reflected themselves in a high leverage that slightly increased compared to 2010 (i.e.: consolidated gearing ratio for 2011 is 64.2% (2010: 63.2%)).

In 2011 Zhongfu Industry (Vimetco's major subsidiary in China) successfully attracted USD 156 million from its minority shareholders. Subsequently, in August 2011, Zhongfu Industry also successfully completed an 8-year fixed-interest bond issue of USD 235 million (100% subscribed), this being another step in the Group's strategy to restructure its financing in China.

China segment

Vimetco is among the top producers in China, supplying its aluminium products almost entirely to the local market. Vimetco's Chinese holdings include a smelter in Gongyi with 490,000 tpa capacity and 400 kA cells, a cast house producing 300,000 tpa of added value products (wire rod, billets, slabs), 3 x 300 MW coal-fired power stations and an anodes plant producing 150,000 tpa of green anodes.

The Company also owns facilities in Linzhou, including smelting facilities with a total capacity of 325,000 tpa, casting facilities with capacities of 30,000 tpa in wire rod and 120,000 tpa in billets and rolling mill of 40,000 tpa of coils. Henan Zhongfu Industry Co., Ltd and Chalco Henan Aluminium Fabrication Co., Ltd run a joint company Henan Zhongfu Specialized Aluminium Products Co, in Zhenzhou, to produce aluminium rolled products, with 120,000 tpa capacity.

In China, the Company produced approximately 731,000 tonnes of primary aluminium in 2011, up from 635,000 tonnes, in 2010, and 79,000 tonnes of processed aluminium, the same level of output as in 2010. In 2011, the Research and Development Department at Zhongfu Industry, one of China's top 10 aluminium producers, successfully finalized the project "low-temperature low-voltage aluminum smelting technology". As a result, the Company was able to reduce the DC (direct current) consumption to 11,819 kWh/tonne of aluminium, down by 10.7% from 13,235kWh/tonne.

Romania segment

Vimetco's operations in Romania are deployed in four areas, covering almost the entire production chain: an alumina refinery at Alum, in Tulcea, primary and processed production facilities at Alro, in Slatina, and extruded products at Vimetco Extrusion, in Slatina. The Group focuses on increasing high added value production, both in the primary and in the processed areas, with the slabs processed by Alro's rolling mill being turned into flat rolled products: coils, sheets and plates, which are supplied to customers all over the world.

The billets produced by Alro are further extruded to make profiles by Vimetco Extrusion. In order to ensure the long-term viability of its business, Vimetco integrated the Sierra Leone mining operations under the structure and direct management responsibility of the Romanian entities by moving the 100% Vimetco NV owned entity to Alum. In 2011, Alro continued its programme

of increasing the wire rod production capacity, reducing consumption of utilities, and streamlining its efficiency.

The results of the investment programme and improved market conditions had a positive impact during the first three quarters of 2011 and the Company was therefore able to record good results. Unfortunately, the uncertain international context, combined with some local factors (mainly related to the electricity supply), negatively affected the results for the last quarter of the year. Besides facing a decreasing aluminium market price during the second half of the year, Alro also had to deal with severe draught in Romania that led Hidroelectrica the Company's main electricity supplier to invoke the force majeure clause in the supply contract.

As a consequence, the smelter received less than 50% of the required electricity from the power producer and the Company was forced to secure the remaining electricity supply needs from the more expensive spot energy market. In order to ensure long-term viability of its business, Vimetco continues its efforts to become energy independent in Romania. At the end of 2011, Vimetco Power Romania finalized the first step of the bidding process for the general contractor for its own power plant in Tulcea.

The European Bank for Reconstruction and Development (EBRD) is considering financing the project for the cogeneration power plant of 250 MW at Alum Tulcea. Alum, the alumina refinery, produced 484,000 tonnes of alumina in 2011, which is 70,000 tonnes more than in 2010. In 2010, Alum also completed the ecological closing of the red mud pond in Tulcea, thus complying with the environmental requirements. Starting January 2011, the red mud waste is deposited in solid form, and all the measures were taken to limit the risk of hazards.

Alro produced 261,000 tonnes of primary aluminium, up from 241,000 tonnes in 2010 and 70,000 tonnes of processed products in 2011, up from 59,000 tonnes in 2010). Due to the adverse market conditions that prevailed in 2011, Vimetco decided to postpone the planned secondary public offering of the ordinary shares of Alro on the Bucharest Stock Exchange. The Company believed it was not in the best interests of Alro or its shareholders to proceed with the SPO at that point in time.

Sierra Leone segment

Bought in 2008, the bauxite mine in Sierra Leone, with a resource base of

approximately 31 million tonnes of bauxite, produced over 1.3 million tonnes last year, compared to 1 million tonnes in 2010. The bauxite mine ensures the necessary raw material for the alumina refinery in Romania. In order to make the organization leaner and the operations more efficient, the Group decided to sell the bauxite mine in Sierra Leone to Alum in 2011.

Thus, Alro now controls the entire production chain, from bauxite to alumina in its refinery in Tulcea, and to the aluminium production in Slatina. In 2011, the Company obtained two additional exploration licenses for bauxite in Kambia District (Sierra Leone) and launched the exploration programme.

Ghana segment

In 2011 Vimetco also received licenses for the exploration of bauxite fields in Kibi and Nyinahin, in the Republic of Ghana, which, on a preliminary assessment basis, are estimated to provide raw material for Ghana's aluminium industry for the period of more than 50 years and thereby potentially suitable conditions for the creation of a vertically integrated aluminium industry in Ghana.

After it received the environmental permit, the exploration activity is in progress. Its performance will be accomplished in accordance with high international standards in environmental protection. Vimetco believes that further activity has a good perspective and is expecting confirmation of sufficient reserves of bauxites. Depending on the outcome of the exploration process, Vimetco is contemplating further development of its aluminium business in Ghana, based on its vertical integration long-term strategy.

Outlook

Vimetco will continue to develop its international business, based on the long term strategy of full vertical integration. The Company will also work towards further consolidation of its position on the international market. Despite the significant decrease in LME quotation, registered by the end of 2011, with the aluminium price going below 2,000 USD/tonne, at the beginning of 2012 it showed signs of slight improvement. The LME price increased to as much as 2,300 USD/tonne in the first three months of 2012, rendering slight optimism in a potential recovery of the demand. The Group will continue to work towards improving profitability and quality of its products, with a focus on high added value items.

In Romania, Vimetco's subsidiary Alro has an investment programme of USD 25 million for 2012, mainly aimed at improving production and quality of high added-value products. In China, the Group will continue its investment programme in increase efficiency of operations and products range, as well. Moreover, the Group will continue to place a strong emphasis on its R&D programmes, that already show results, with Henan Zhongfu Industry Co., Ltd., decreasing its energy consumption to the lowest level worldwide, following a commercial test of new technology.

Although it does not foresee a strong impact on the headcount, the Group will take all necessary measures to ensure long-term viability and sustainability of business. Vimetco will also continue to pursue its programme of making the organization leaner and more efficient, while monitoring the international market and taking most appropriate decisions in line with the Group's strategy.

Corporate Governance

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

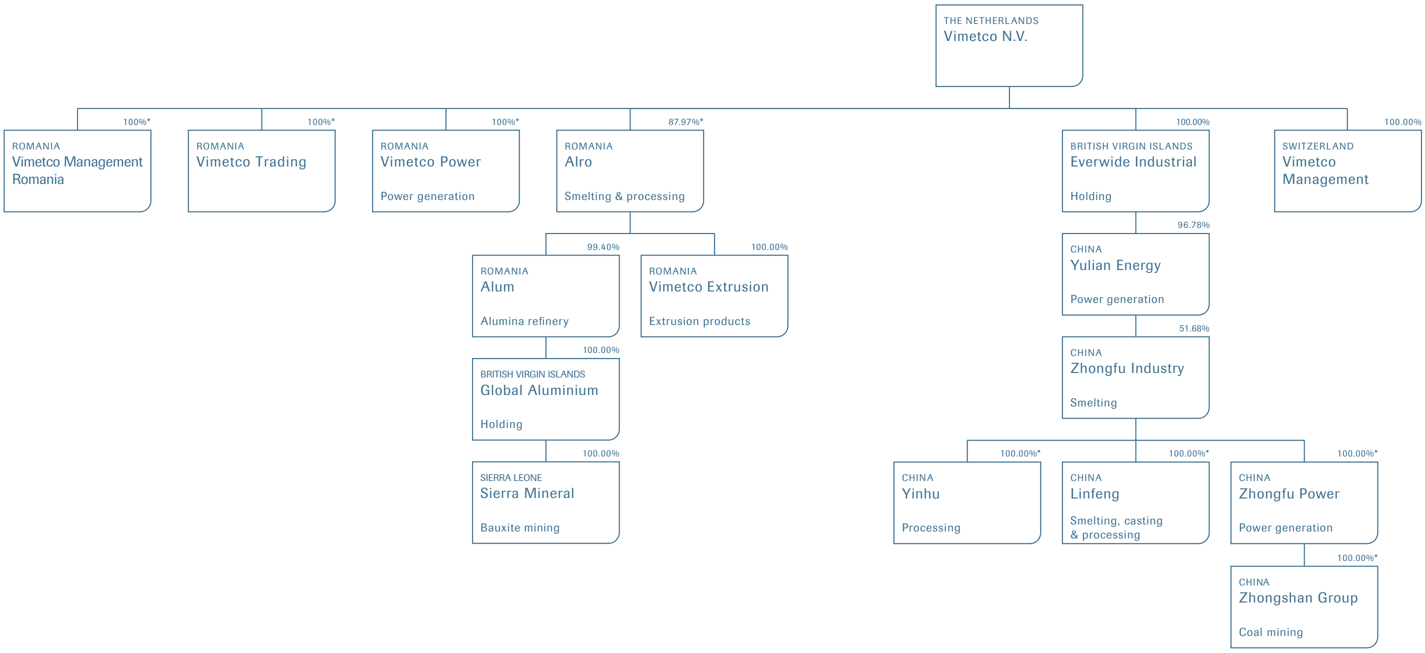
Share Capital

Vimetco's issued share capital on 31 December 2011 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. As a result of the Initial Public Offering in 2007 ("the Offering"), the GDR Depository, J.P. Morgan Chase Bank, N.A., issued global depository receipts ("GDRs") 58,192,034 of which (26.51% of total number of the Company's shares) are currently listed on the LSE. A GDR holder may instruct the Depositary how to exercise the voting rights for the shares which underlie the GDRs. The Depositary will not itself exercise any voting discretion. The General Meeting of Shareholders is competent to adopt a resolution for the issue of shares and to fix the issue price and any additional conditions of issue. Vimetco's Articles of Association provide that the General Meeting of Shareholders may designate the Board of Directors as the body competent to adopt such resolutions for the issue of shares, to fix the issue price and additional conditions and to restrict or exclude statutory pre-emption rights for a fixed period not exceeding five (5) years. 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

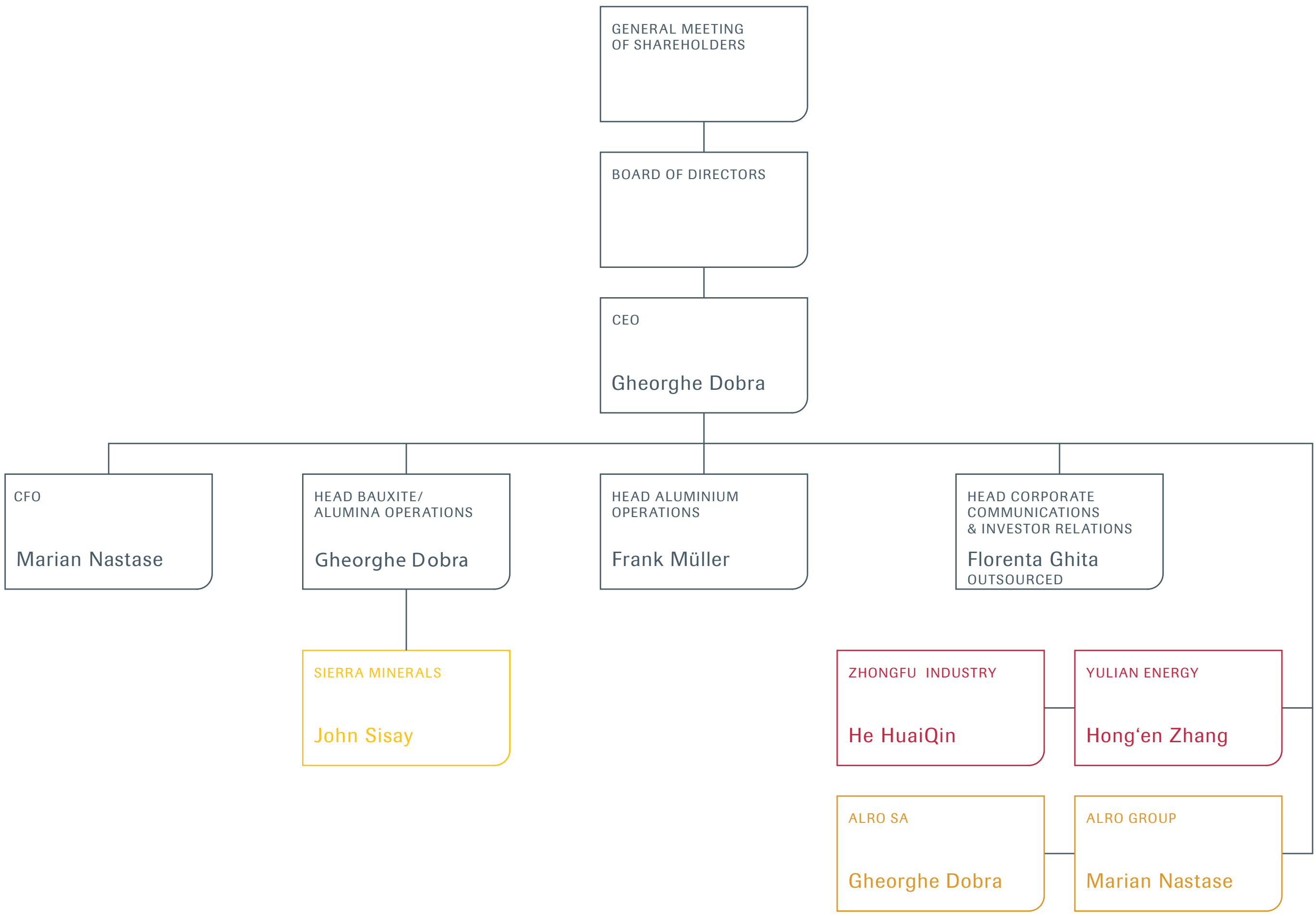
Significant shareholders in 2011 were Maxon Limited through Vi Holding N.V. (59.4%) and Zhi Ping Zhang through Willast Investments Limited (10%). Vimetco's shareholders exercise their rights through the Annual and Extraordinary General Meetings of Shareholders. These meetings must be held in the Netherlands, and specifically in the municipalities of Amsterdam or Haarlemmermeer (Airport Schiphol). The General Meeting is convened at least once a year, within six months following the end of the financial year. The Shareholders' Meetings are chaired by the Chairman of the Board. In case of absence of the Chairman of the Board, the General Meeting will be presided over by the Vice Chairman. In case of absence of the Vice Chairman, the General Meeting itself will appoint its chairman. Minutes of the

Simplified Group structure (as of 31 December 2011)



* held directly and indirectly

Organisational chart (as of 31 December 2011)



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

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, adoption of the Annual Accounts, determination of the appropriation of profits, discharging the responsibilities of the members of the Board and, on a relative proposal of the Board of Directors, amendments of the Articles of Association. They also include the appointment of the Auditor. Should the General Meeting not appoint the Auditor, then this power accrues to the Board. Resolutions are adopted by a simple majority of the votes cast in a meeting at which at least 50% of the issued capital is represented, unless the law or the Articles of Association prescribe a larger majority or quorum. If less than 50% of the issued capital is represented, a new meeting may be convened at which the resolution may be passed irrespective of the part of the capital represented at such meeting. There are no shareholders that hold shares with special control rights. 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 General Meeting held on 22 June 2011 adopted the proposal of the Board of Directors to distribute out of the share premium an amount of USD 0.08 per share in the capital of Vimetco N.V. . Furthermore, the Annual Report 2010 was reviewed at the 2011 Annual General Meeting of Shareholders and the 2010 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 2011:

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 lockup 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 pre-emptive rights;
- Vimetco and its subsidiary Alro are part of 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


Gheorghe Dobra


Marian Nastase


Pavel Machitski


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 2012. Date of initial appointment as a member of Vimetco's Board of Directors: June 20, 2007. Board committee membership: Audit Committee (member), Remuneration Committee (member).

Israeli national; age: 57

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: none.

Marian Nastase

Executive Director (not independent within the meaning of Dutch Corporate Governance Code). Elected until: Annual General Meeting of 2012. Date of initial appointment as a member of Vimetco's Board of Directors: June 22, 2011.

Romanian national; age: 40

Mr. Marian Nastase has served as Alro Vice President and Country Manager Romania since 2002 before he was appointed as acting CFO of Vimetco on 20 March 2009. 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.

Current directorship positions in other companies: Alro SA, Vimetco Management Romania SRL, Vimetco Trading SRL, Everwide Ltd.. Directorship positions in other companies within the past five years: TM Power.

Pavel Machitski

Executive Director (not independent within the meaning of Dutch Corporate Governance Code). Elected until: Annual General Meeting of 2012. Date of initial appointment as a member of Vimetco's Board of Directors: June 22, 2011.

British national; age: 29

Pavel Machitski has joined Vimetco N.V. as Deputy Chief Financial Officer in 2009 and in 2010 was appointed as Deputy General Manager of Vimetco Management Romania, a subsidiary company offering consulting services to Alro and its subsidiaries in Romania.

Mr. Machitski's role includes, among other responsibilities, business development, strategy, financial planning, M&A, financing, budgeting, controlling & reporting, investor relations and risk management. Mr. Machitski has broad-based business & finance experience and has joined Vimetco from Morgan Stanley where he acted as an advisor in numerous transactions in EMEA region focusing on debt capital markets and M&A advisory. Mr. Machitski holds a diploma in Finance and International Business from New York University, Stern School of Business.

Current directorship positions in other

companies: Alum SA, Vimetco Management Romania SRL, Vimetco Trading SRL, Vimetco Power Romania SRL, Sierra Minerals. Directorship positions in other companies within the past five years: none.

Gaobo Zhang

Non-Executive Director (not independent within the meaning of Dutch Corporate Governance Code). Elected until: Annual General Meeting of 2012. Date of initial appointment as a member of Vimetco's Board of Directors: June 20, 2007.
Chinese national; age: 47
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, OP Financial Group Limited, Glory Yield Holdings Limited, Meichen Finance Group Limited, OPFI (GP1) Limited, Ontrack Investments Limited, Bone Messis Holdings Limited, Kazakhstan Development Limited, Perfect Field Holdings 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, Oriental Patron Investment Management (Tianjin) Limited, Choice Even Investments Limited, OPS Education Consulting Limited, Oriental Patron Investment Consulting (Shenzhen) Limited, Partnerfield Investments Limited, Plansmart Investments Limited, Entrepreneur Investments Limited.

Bernard Zonneveld

Non-Executive Director (independent within the meaning of the Dutch Corporate Governance Code). Elected until: Annual General Meeting of 2012. 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: 55
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 2012. Date of initial appointment as a member of Vimetco's Board of Directors: June 20, 2007.
Russian national; age: 68
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.Ș., Bosphorus Gas Corporation A.Ș.

James Currie

Non-Executive Director (Independent within the meaning of Dutch Corporate Governance Code). Elected until: Annual General Meeting of 2012. Date of initial appointment as a member of Vimetco's Board of Directors: June 20, 2007. Board committee membership: Audit Committee (Chairman), Remuneration Committee (member).
British national; age: 70
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 2012. Date of initial appointment as a member of Vimetco's Board of Directors: June 20, 2007.
Russian national; age: 62
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).
Directorship positions in other companies within the past five years: Vi Holding, LLC.

Denis Sedyshev

Non-Executive Director (not independent within the meaning of Dutch Corporate Governance Code). Elected until: Annual General Meeting of 2012. Date of initial appointment as a member of Vimetco's Board of Directors: June 16, 2009.
Russian national; age: 37
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 2012. Date of initial appointment as a member of Vimetco's Board of Directors: June 16, 2009.
Russian national; age: 40
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, OJSC "Torgovy Komplex".
Directorship positions in other companies within the past five years: none.

Appointment

Vimetco has a one-tier board, consisting of both Executive and, as a majority, Non-Executive Directors. The General Meeting of Shareholders appoints, suspends or dismisses a member of the Board of Directors by a simple majority of the votes cast in a Shareholders' Meeting at which at least 50% of the issued capital is represented. If less than 50% of the issued capital is represented, a new meeting may be convened at which the resolution may be passed irrespective of the part of the capital represented at such meeting. A member of the Board of Directors is appointed for a one-year term and is eligible for reappointment. An Executive member of the Board may hold a maximum of two supervisory board memberships in listed companies. An Executive member of the Board may not act as chairman of a supervisory board or the board of directors of another listed company.
On 16 January 2012, the Company held an Extraordinary General Meeting of Shareholders. The EGMS adopted unanimously the proposal to fix the number of members of the Board of Directors to eleven.

It also adopted unanimously the proposal to appoint Mr. Gheorghe Dobra as executive member of the Board of Directors and Chief Executive Officer of the Company for the period starting on the day of the Meeting and ending on the date of the annual general meeting of the shareholders of the Company, to be held in 2012. Pursuant to the resolution adopted, the Board of Directors currently consists of three executive members, and eight non-executive members.

Group Management and its responsibilities

Gheorghe Dobra

Chief Executive Officer of Vimetco N.V. and General Manager of Alro S.A.
Appointed as Acting CEO of the Company on 29 June 2011, and as CEO of the Company on 16 January 2012. Mr. Gheorghe Dobra has served as Alro General Manager since 1993. He is also member of the BoD in SMHL and VGB. He has been a member of the Board of Directors of Alro S.A. since 1993. Mr. Dobra has 26 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.

Marian Nastase

Chief Financial Officer of Vimetco N.V. (starting from 29 June, 2009), Alro Vice President and Country Manager Romania. Mr. Marian Nastase has served as Alro Vice President and Country Manager Romania since 2002 before he was appointed as acting CFO of Vimetco on 20 March 2009. 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.

Frank Mueller

On 22 June 2011 Mr. Frank Mueller's authorities as the Chief Executive Officer of the Company expired and on 29 June 2011 by the resolution of the Board he was appointed Managing director for production and development of value-added products of the Company.

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.

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 2011. 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 at the Annual General Meeting of Shareholders in 2011 and their nomination for new terms at the Annual General Meeting of Shareholders in 2012. 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 2011 to review and discuss half year and annual financial reports of Vimetco with participation of Vimetco's external auditors - Deloitte Accountants B.V. Having periodically reviewed the need for an internal auditor, the Audit Committee confirms its position, which is supported by the Board of Directors, that there is no need for an internal auditor to date.

Remuneration Committee

Vimetco's Remuneration Committee consists of Mr. 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 2011, the members of the Remuneration Committee met during the meetings of the Board to discuss issues on how the remuneration policy was implemented in the past financial year. The remuneration committee also discussed the relationship base pay versus variable pay for the staff of Vimetco group.

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

Vimetco's remuneration policy intends to facilitate that the 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 2011, 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 2011 was of USD 1,099,000 in salary and pension contributions. In 2011 bonuses amounting USD 500,000 were paid under the Vimetco Group Incentive Compensation Scheme for two of the directors (please see also Note 19 from the annual accounts).
In 2010, the total compensation amounted to USD 645,500 in salary, and pension contributions. No bonuses were paid to the members of the Board of Directors during 2010. 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. A company in which Mr. James Currie is affiliated is advising Vimetco's subsidiary Alro SA, but Mr. Currie does not receive any incentive, payment or remuneration for this work.

'000 USD

Directors	Gross periodical remuneration (salary and directors' fee)	Bonus	Pension contributions	Total
B. Zonneveld	139	-	-	139
J. Currie	139	-	-	139
V. Machitski	-	-	-	-
G. Zhang	-	-	-	-
V. Agapkin	17	250	-	267
V. Krasnov	17	250	-	267
D. Sedyshev	-	-	-	-
I. Sventski	-	-	-	-
P. Machitski	229	-	48	277
M. Nastase	281	-	58	339
F. Mueller	151	-	20	171
Total	973	500	126	1,599

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.

Taking into account that by the resolution of the Board made on 12 July 2007 it was approved that each of Mr. Valery Krasnov and Mr. Vyacheslav Agapkin should receive free of charge RSUs representing 82 079 GDRs during a period of 5 years (2008-2012) and that it was further decided that the Company should pay to each of Mr. Krasnov and Mr. Agapkin a cash equivalent of the GDRs to be allocated under ICS, in March 2009 Mr. Krasnov and Mr. Agapkin received the 1st tranche of cash compensation for GDRs vested in 2008 and by the resolution made on 14 June 2011 the Board has approved payment to each of Mr. Krasnov and Mr. Agapkin of the 2nd-5th tranches of cash compensation for GDRs vested/to be vested in 2009-2012 years accordingly, in total equivalent to 65 663 GDRs of the Company based on the GDR listing price valid at that date. During 2011 no RSUs or options to purchase GDRs were granted by the Company under the ICS. The package of awards is linked to the performance of 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 2011:

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]
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 98, Note 19 and pages 144 and 145, Note 14).

Dutch Corporate Governance Code

Dutch companies listed on a government recognized 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 and its Board of Directors has taken and will take any further steps it considers appropriate to implement the Code. Thus, to comply with the best practice provisions of the Code the following internal documents recommended by the Code have been adopted by the Board of Directors in 2009-2010:
Whistleblower Rules - to ensure that employees have the possibility of reporting alleged irregularities of a general, operational and financial nature within the company to the chairman of the Board of Directors or to an official designated by him, without jeopardizing 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 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. Having periodically reviewed the need for an internal auditor, the Audit Committee confirms its position, which is supported by the Board of Directors, that there is no need for an internal auditor to date.
- Positions 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 aluminum, 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 aluminum 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 27 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 an 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.

Energy prices

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. Moreover, Vimetco Power Romania started the process of building a power plant on gas at the premises of its alumina refinery in Tulcea.

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 internal production of alumina from bauxite mined in Sierra Leone could remove some concerns about cost and availability of alumina. In 2011, Vimetco Ghana (Bauxite) Ltd. was granted several licenses to prospect for bauxite in Ghana.

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 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 2011 by 26% to USD 2,293 million (2010: USD 1,821 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 73% 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 2011 would have decreased/ increased by USD 18 million (2010: USD 16 million). 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 912 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 products. 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 2011;
- there are no indications that the risk management and control systems in relation to the financial reporting will not work properly in 2012;
- 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 2011:

• 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

- in 2008 the Company and Vi Holding N.V. (the major shareholder of the Company) reached an agreement according to which Vi Holding would provide to the Company on an arm's length basis certain services related to the development of a bauxite and alumina project in the Republic of Ghana and the Company would reimburse to Vi Holding reasonable costs and expenses related to such services. Services have been provided by Vi Holding on an arm's length basis to the Company's full satisfaction. Costs and expenses of Vi Holding with respect of the Services amounted to EUR 1,307,144. In 2011 a respective agreement at arm's length and under customary market terms was executed between the Company and Vi Holding for reimbursement of costs and expenses related to the Services.
- in 2011, Vimetco entered into a number of non-material related party transactions. These transactions were entered into at arm's length and under customary market terms. For more information about related party transactions please refer to Note 25 "Related party transactions" to the consolidated financial statements of the Company.

Vimetco supports the Dutch Corporate Governance Code and makes the declaration that the best practice provisions III.6.4 has been observed.

Auditors

Deloitte Accountants B.V. was the appointed auditor of Vimetco N.V. In 2011 and 2010, the following amounts were paid to Deloitte for audit services and non-audit services (thousand USD):

2011	Dutch audit firm 2: 382a Dutch Civil Code	Other network firm	Total network firm
Statutory audit annual	1,471	548	2,019
Non-audit services	-	393	393
Total	1,471	941	2,412

2010	Dutch audit firm 2: 382a Dutch Civil Code	Other network firm	Total network firm
Statutory audit annual	1,306	351	1,657
Non-audit services	-	115	115
Total	1,306	466	1,772

Annual Report 2011

This Annual Report and the 2011 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 recommends that the Annual General Meeting of Shareholders adopts the 2011 financial statements included in this Annual Report. This Annual Report is signed by all members of the Board of Directors.

Shareholder Information

Shareholder Information

2011 is the fifth 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, signs of improvement were registered in 2011.

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.

Last year, Vimetco's GDR's fluctuated between USD 4.1 (high) and USD 1 (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 99.40% 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 2011 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.

Financial calendar

Full year report 2011: 26 April 2012
Annual General Meeting: 21 June 2012
Half-year report 2011: 27 August 2012

Exchange rates

Average 2011
RON per USD 3.047
CNY per USD 6.459

Average 2010
RON per USD 3.180
CNY per USD 6.770

For further information please contact:
Florenta Ghita Premium Communication 0040740063116

Consolidated Financial Statements 2011
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	2011	2010 Restated*
Sales	3	2,717,082	2,293,644
Cost of goods sold		-2,358,729	-1,998,426
Gross profit		**358,353**	**295,218**
General and administrative expenses	4	-127,411	-114,508
Restructuring charge		-	-137
Impairment of property, plant and equipment	9	-87,292	-865
Share of result of associates	14	3,387	-838
Other income	5	72,797	32,464
Other expenses	5	-42,413	-28,972
Operating profit		**177,421**	**182,362**
Finance costs, net	6	-205,756	-121,519
Foreign exchange (loss) / gain		-13,237	-15,768
Profit / (loss) before income taxes		**-41,572**	**45,075**
Income tax expense	7	-33,207	-59,315
Loss for the year		**-74.779**	**-14,240**

* The financial statements for the year ended 31 December 2010 have been restated in accordance with IFRS 3 "Business Combinations" (Revised). Refer to Note 2 and Note 26.
The accompanying Notes are an integral part of these Consolidated Financial Statements.

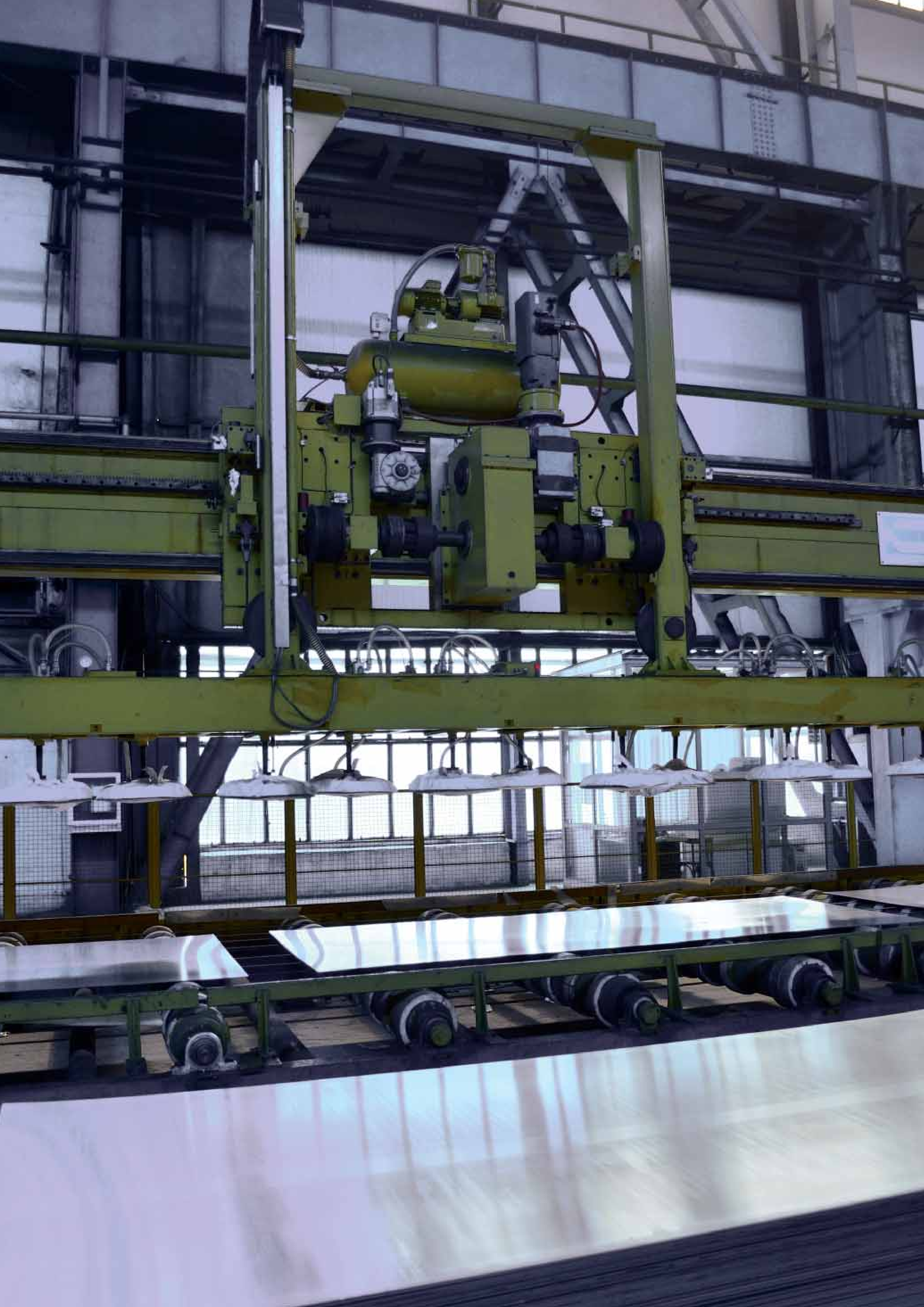
Consolidated Statement of Comprehensive Income

Consolidated Statement of Comprehensive Income
for the year ended 31 December

in USD '000, except per share data

	Note	2011	2010 Restated*
Other comprehensive income / (expense):			
Translation adjustment		10,470	-11,395
Gain / (loss) on cash flow hedges		179,502	-20,441
Related income tax		-28,720	3,271
Amounts of cash flow hedges recycled in income statement		9,329	17,300
Related income tax		-1,493	-2,768
Other comprehensive income / (expense) for the period, net of tax		**169,088**	**-14,033**
Total comprehensive income / (expense) for the period		**94,309**	**-28,273**
Profit / (loss) attributable to:			
Shareholders of Vimetco N.V.		**-104,234**	**-37,455**
Non-controlling interest		**29,455**	**23,215**
		-74,779	-14,240
Total comprehensive income / (expense) attributable to:			
Shareholders of Vimetco N.V.		**21,297**	**-59,351**
Non-controlling interest		**73,012**	**31,078**
		94,309	-28,273
Earnings per share			
Basic and diluted (USD)	8	-0.475	-0.171

* The financial statements for the year ended 31 December 2010 have been restated in accordance with IFRS 3 "Business Combinations" (Revised). Refer to Note 2 and Note 26.
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	2011	2010 Restated*
Non-current assets			
Property, plant and equipment	9	2,435,105	2,268,849
Intangible assets	10	8,484	10,344
Goodwill	11	191,509	184,645
Mineral rights	12	516,582	501,638
Land use rights	13	56,831	58,579
Investments	14	37,591	27,749
Derivative financial instruments asset, non-current	27	73,429	5,276
Deferred tax asset	23	9,049	14,959
Other non-current assets		1,885	1,001
Total non-current assets		**3,330,465**	**3,073,040**
Current assets			
Inventories	15	412,698	371,599
Trade receivables, net	16	221,238	238,710
Accounts receivable from related parties	25	41,463	37,550
Current income tax receivable		2,297	1,796
Other current assets	17	308,338	213,815
Derivative financial instruments asset, current	27	65,548	39
Restricted cash	18	588,656	591,799
Cash and cash equivalents	18	157,438	186,993
Total current assets		**1,797,676**	**1,642,301**
Total assets		**5,128,141**	**4,715,341**

Consolidated Statement of Financial Position

Consolidated Statement of Financial Position as at 31 December

in USD '000

Shareholders' Equity and Liabilities	Note	2011	2010 Restated*
Shareholders' equity			
Share capital	19	27,917	27,917
Share premium		348,568	366,126
Other reserves		141,433	15,902
Retained earnings		174,400	212,224
Loss for the year		-104,234	-37,455
Equity attributable to shareholders of Vimetco N.V.		**588,084**	**584,714**
Non-controlling interest		693,075	474,301
Total equity		**1,281,159**	**1,059,015**
Non-current liabilities			
Bank and other loans	20	1,364,821	980,264
Loans from related parties, non-current	20, 25	172,981	172,981
Finance leases, non-current	20	760	1,631
Provisions, non-current	21	12,875	12,659
Post-employment benefit obligations	22	7,764	7,106
Other non-current liabilities		459	331
Derivative financial instruments liability, non-current	27	-	22,089
Deferred tax liabilities	23	162,048	146,718
Total non-current liabilities		**1,721,708**	**1,343,779**
Current liabilities			
Bank loans, overdrafts and other loans	20	896,244	836,883
Loans from related parties, current	20, 25	14,349	14,324
Finance leases, current	20	918	1,711
Trade and other payables	24	1,181,888	1,417,917
Trade and other payables to related parties	25	465	1,215
Provisions, current	21	2,564	3,492
Current income taxes payable		17,682	8,107
Derivative financial instruments	27	11,164	28,898
Total current liabilities		**2,125,274**	**2,312,547**
Total liabilities		**3,846,982**	**3,656,326**
Total shareholders' equity and liabilities		**5,128,141**	**4,715,341**

* The financial statements for the year ended 31 December 2010 have been restated in accordance with IFRS 3 "Business Combinations" (Revised). Refer to Note 2 and Note 26.
The accompanying Notes are an integral part of these Consolidated Financial Statements.

Consolidated Statements of Changes in Total Equity

Consolidated Statement of Changes in Total Equity

in USD '000

	Share capital	Share premium	Revaluation reserve	Hedging reserve	Hedging reserve - deferred tax
Balance at 1 January 2010	**27,917**	**366,126**	**47,721**	**-40,638**	**6,502**
Profit / (loss) for the year	**-**	**-**	**-**	**-**	**-**
Total other comprehensive income / (expense)	**-**	**-**	**-**	**677**	**-109**
Total comprehensive income / (expense)	**-**	**-**	**-**	**677**	**-109**
Non-controlling interests acquired in Zhongfu Aluminum Product	-	-	-	-	-
Non-controlling interests acquired in Zhongshan Investment Holdings Co., Ltd	-	-	-	-	-
Non-controlling interests acquired in Fanda Group	-	-	-	-	-
Non-controlling interests acquired in Dengcao Group	-	-	-	-	-
Dividend distribution	-	-	-	-	-
Appropriation of prior year profit	-	-	-	-	-
Balance at 31 December 2010 restated*	**27,917**	**366,126**	**47,721**	**-39,961**	**6,393**
Profit / (loss) for the year	**-**	**-**	**-**	**-**	**-**
Total other comprehensive income / (expense)	**-**	**-**	**-**	**152,396**	**-24,383**
Total comprehensive income / (expense)	**-**	**-**	**-**	**152,396**	**-24,383**
Non-controlling interests acquired in Global Aluminum Ltd.	-	-	-	-	-
Non-controlling interests acquired in Zhongfu Power Co., Ltd.	-	-	-	-	-
Non-controlling interests acquired in Zhongfu Anodes Carbon Co., Ltd.	-	-	-	-	-
Non-controlling interests acquired in Henan Zhongshan Investment Holdings Co. Ltd.	-	-	-	-	-
Non-controlling interests acquired in Henan Zhongfu Industry Co., Ltd.	-	-	-	-	-
Dividend distribution	-	-17,558	-	-	-
Appropriation of prior year loss	-	-	-	-	-
Balance at 31 December 2011	**27,917**	**348,568**	**47,721**	**112,435**	**-17,990**

* The financial statements for the year ended 31 December 2010 have been restated in accordance with IFRS 3 "Business Combinations" (Revised). Refer to Note 2 and Note 26.

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 non-controlling 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 non-controlling interests.

in USD '000

Translation reserve	Total other reserves	Retained earnings	Profit/(loss) for the year	Attributable to shareholders of Vimetco N.V.	Non-controlling interests	Total equity
24,213	**37,798**	**183,864**	**28,360**	**644,065**	**273,583**	**917,648**
-	**-**	**-**	**-37,455**	**-37,455**	**23,215**	**-14,240**
-22,464	**-21,896**	**-**	**-**	**-21,896**	**7,863**	**-14,033**
-22,464	**-21,896**	**-**	**-37,455**	**-59,351**	**31,078**	**-28,273**
-	-	-	-	-	29,544	29,544
-	-	-	-	-	11,079	11,079
-	-	-	-	-	28,193	28,193
-	-	-	-	-	108,805	108,805
-	-	-	-	-	-7,981	-7,981
-	-	28,360	-28,360	-	-	-
1,749	**15,902**	**212,224**	**-37,455**	**584,714**	**474,301**	**1,059,015**
-	**-**	**-**	**-104,234**	**-104,234**	**29,455**	**-74,779**
-2,482	**125,531**	**-**	**-**	**125,531**	**43,557**	**169,088**
-2,482	**125,531**	**-**	**-104,234**	**21,297**	**73,012**	**94,309**
-	-	1,484	-	1,484	-1,484	-
-	-	5,012	-	5,012	-5,012	-
-	-	-111	-	-111	111	-
-	-	20	-	20	-12,406	-12,386
-	-	-6,774	-	-6,774	176,537	169,763
-	-	-	-	-17,558	-11,984	-29,542
-	-	-37,455	37,455	-	-	-
-733	**141,433**	**174,400**	**-104,234**	**588,084**	**693,075**	**1,281,159**

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

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

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

Consolidated Statement of Cash Flows

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

	Note	2011	2010 Restated*
Cash flow from operating activities			
Profit / (loss) before income taxes		-41,572	45,075
Adjustments for:			
Depreciation and amortisation		161,008	132,660
Interest and guarantee income	6	-25,989	-14,820
Net foreign exchange losses / (gains)		13	-15,318
(Gain) / loss on disposal of property, plant and equipment	5	27,321	-1,619
(Gain) on disposal of land use rights		-10,294	-
Impairment of property, plant and equipment	9	87,292	865
Charge / (Release) of provisions	21	-1,245	-1,921
Interest and guarantee expense	6	217,673	124,823
Share of result of associates	14	-3,387	838
Effect of derivative financial instruments		754	24
Changes in working capital:			
(Increase) / decrease in inventories		-33,512	-61,279
(Increase) / decrease in trade receivables and other assets		-57,911	-75,830
Increase / (decrease) in trade and other payables		-327,378	252,353
Income taxes paid		-39,682	-31,737
Interest paid		-206,355	-137,886
Net cash generated / (used) by operating activities		**-253,264**	**216,228**

* The financial statements for the year ended 31 December 2010 have been restated in accordance with IFRS 3 "Business Combinations" (Revised). Refer to Note 2 and Note 26.

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	2011	2010 Restated*
Cash flow from investing activities			
Purchase of property, plant and equipment and intangible assets, net		-342,914	-226,665
Proceeds from sale of property, plant and equipment		34,229	10,086
Proceeds from sale of land use rights		13,537	-
Acquisition of associates	14	-4,832	-9,771
Acquisition of subsidiary, net of cash acquired	26	-7,606	-160,908
Sale / (acquisition) of available-for-sale financial assets		-	-5,909
(Increase) / decrease in restricted cash		31,101	-41,101
Interest received		20,462	9,907
Net cash used in investing activities		**-256,023**	**-424,361**
Cash flow from financing activities			
Proceeds from loans		1,605,656	1,400,158
Repayment of loans		-1,255,927	-1,158,416
Proceeds from transactions with non-controlling interest		157,377	-
Dividends paid		-29,547	-7,705
Net cash provided by financing activities		**447,559**	**234,037**
Net increase / (decrease) in cash and cash equivalents		**-31,728**	**25,904**
Cash and cash equivalents at beginning of year		**186,993**	**167,498**
Effect of exchange rate differences on cash and cash equivalents		2,173	-6,409
Cash and cash equivalents at end of year		**157,438**	**186,993**

* The financial statements for the year ended 31 December 2010 have been restated in accordance with IFRS 3 "Business Combinations" (Revised). Refer to Note 2 and Note 26.

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. Everwide was acquired fully in June 2007.

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

In 2010 the Group acquired several coal mines in China, in this way assuring partially the raw material for the energy production.

The Group's administrative and managerial offices are located in The Netherlands and Romania.
A list of the principal companies in the Group is shown in Note 30. Details of changes in the Group structure are reported in Note 26.

The Group's main shareholder is Vi Holding N.V. which owns 59.40% of the shares of the Company and its registered office is at Landhuis Joonchi, Kaya Richard J. Beaujon Z/N, Curaçao. The other major shareholder is Willast Investments Limited, British Virgin Islands, which owns 10.00%. 26.51% are free floating on the London Stock Exchange and 4.09% are spread among other shareholders. The ultimate controlling entity in respect of 59.40% of the shares in the Company is Maxon Limited (Bermuda).

These Consolidated Financial Statements were authorised for issue by the Board of Directors on 24 April 2012.

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

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

2.1.1 Going concern

During 2011, the Groups' business has been significantly impacted by the worldwide financial crisis and the downturn in the aluminium market. These events have caused a rapid deterioration of demand towards the end of the third quarter. This downturn has impacted and will likely continue to impact, the Group's future development, performance and financial position and the Group's financial results, its cash flows, liquidity requirements and borrowing facilities.

The financial statements for the year ended 31 December 2011 show that the Group generated a loss for the year of USD 74,779 with cash outflows from operations of USD 253,264. The 2011 loss for the year includes an amount of USD 87,292 related impairment charges for property, plant and equipment (see Note 9). The effects of the downturn have lead to lower demand in all segments. At an early stage, the Group has initiated a restructuring program to cope with this weakening economic environment.

The Group has developed forecasts and projections of cash flows and liquidity needs for the upcoming year taking into account the current market conditions, reasonably possible changes in trading performance based on such conditions, and its ability to modify its cost structure as a result of changing economic conditions and sales levels that the Group has already started with the implementation of an improvement and restructuring program. It has also considered in the forecasts its cash balances, its available borrowings under its revolving credit facility, the impact of the initiated debt-for-debt exchange, its ability to access additional indebtedness and whether or not it will maintain compliance with its financial covenants.

The Group is satisfied that based on these forecasts and ability to modify its cash flows when necessary it will have adequate cash flow and that it is appropriate to prepare these financial statements on the going concern basis.

2.1.2 Restatement of prior year figures

At 31 December 2010, the Group consolidated provisional fair values relating to acquisition of certain coal mines (for details see Note 26). The fair values continued to be reviewed and were finalised in 2011, 12 months after the effective date of acquisition in accordance with the requirements of IFRS 3 (revised) Business combinations.

in USD '000, except share and per share data

	As reported at 31 December 2010	Revaluation	Restated at 31 December 2010
Property, plant and equipment	2,283,538	-14,689	2,268,849
Goodwill	292,264	-107,619	184,645
Mineral rights	268,513	233,125	501,638
Land use rights	58,265	314	58,579
Deferred tax asset	13,562	1,397	14,959
Other current assets	212,443	1,372	213,815
		113,900	
Retained earnings / Profit (loss) for the year	176,762	-1,993	174,769
Non-controlling interest	430,905	43,396	474,301
Provisions, non-current	3,137	9,522	12,659
Deferred tax liabilities	96,857	49,861	146,718
Trade and other payables	1,408,249	9,668	1,417,917
Provisions, current	46	3,446	3,492
		113,900	

The following table summarises the adjustments made to the statement of comprehensive income following the finalisation of fair value measurement, including also reclassifications as detailed in Note 6.

	As reported at 31 December 2010	Revaluation	Restated at 31 December 2010
Sales (see Note 6)	2,295,333	-1,689	2,293,644
Cost of goods sold	-1,992,292	-6,134	-1,998,426
General and administrative expenses	-115,106	598	-114,508
Finance costs, net (see Note 6)	-122,608	1,089	-121,519
Income tax expense	-60,816	1,501	-59,315
Loss attributable to non-controlling interest		2,642	
		-1,993	

2.1.3 Standards and interpretations effective in 2011 that the Group has applied to these financial statements:

There are no IFRSs or IFRIC interpretations that are effective for the first time for the financial year beginning on or after 1 January 2011 that would be expected to have a material impact on the Group.

The impact of the adoption of these standards or interpretations is described below.

- IAS 24 Related Party Disclosures (as revised in 2009), adopted by the EU on 19 July 2010, has been revised on the following two aspects: (a) IAS 24 (as revised in 2009) has changed the definition of a related party and (b) IAS 24 (as revised in 2009) introduces a partial exemption from the disclosure requirements for government-related entities. While the adoption of the amendment did not have any current impact on the financial position or performance, or disclosures of the Group, as all required information is currently being appropriately captured and disclosed, it is relevant to the application of the Group's accounting policy in identifying future potential related party relationships.

- Amendments to IAS 32 titled Classification of Rights Issues, adopted by the EU on 23 December 2009, address the classification of certain rights issues denominated in a foreign currency as either an equity instrument or as a financial liability. The application of the amendments has had no effect on the amounts reported in the current and prior years because the Group has not issued instruments of this nature.

- Amendments to IFRIC 14 Prepayments of a minimum funding requirement, adopted by the EU on 19 July 2010. The amendments correct an unintended consequence of IFRIC 14 IAS 19 The limit on a defined benefit asset, minimum funding requirements and their interaction. The application of the amendments has not had material effect on the Group's consolidated financial statements.

- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments, adopted by the EU on 23 July 2010, provides guidance regarding the accounting for the extinguishment of a financial liability by the issue of equity instruments. The application of IFRIC 19 has had no effect on the amounts reported in the current and prior years because the Group has not entered into any transactions of this nature.

- Improvements to IFRSs (2010), adopted by the EU on 18 February 2011. The application of Improvements to IFRSs issued in 2010 has not had any material effect on amounts reported in the consolidated financial statements.

2.1.4 Standards and Interpretations in issue not yet adopted

- Amendments to IFRS 1 titled Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters (effective for annual periods beginning on or after 1 July 2011), not yet adopted by the EU. The Amendments introduce a new exemption in the scope of IFRS 1 First-time Adoption of International Reporting Standards. Entities that had been subject to severe hyperinflation are allowed to use fair value as the deemed cost of its assets and liabilities in its opening IFRS statement of financial position. The Group does not expect the amendments to have material impact on the financial statements.

- Amendments to IFRS 1 titled Government Loans (effective for annual periods beginning on or after 1 January 2013), not yet adopted by the EU. The amendments, dealing with loans received from governments at a below market rate of interest, give first-time adopters of IFRSs relief from full retrospective application of IFRSs when accounting for these loans on transition. The Group does not expect the amendments to have material impact on the financial statements.

- Amendments to IFRS 7 titled Disclosures – Transfers of Financial Assets (effective for annual periods beginning on or after 1 July 2011), adopted by the EU on 22 November 2011, increase the disclosure requirements for transactions involving transfers of financial assets. These amendments are intended to provide greater transparency around risk exposures when a financial asset is transferred but the transferor retains some level of continuing exposure in the asset. The amendments also require disclosures where transfers of financial assets are not evenly distributed throughout the period. The Group does not expect the amendment to IFRS 7 to have material impact on the financial statements, because of the nature of the Group's operations and the types of financial assets that it holds. However, if the Group enters into other types of transfers of financial assets in the future, disclosures regarding those transfers may be affected.

- Amendments to IFRS 7 Disclosures – Amendments enhancing disclosures about offsetting of financial assets and financial liabilities (effective from 1 January 2013), not yet adopted by the EU. The ammendment introduces additional disclosures that will enable users of an entity's financial statements to evaluate the effect or potential effect of netting arrangements, including rights of set-off associated with the entity's recognised financial assets and recognised financial liabilities, on the entity's financial position. The Group does not expect the amendment to IFRS 7 to have material impact on the financial statements.

- IFRS 9, Financial instruments, issued in November 2009, not yet adopted by the EU. This standard introduces new requirements for the classification and measurement of financial assets. IFRS 9 amended in October 2010 includes the requirements for the classification and measurement of financial liabilities and for derecognition. The standard is not applicable until 1 January 2015 but is available for early adoption. However, the standard has not yet been adopted by the EU. The Group is not able to prepare an analysis of the impact this will have on the financial statements until the date of initial application. The Group has not yet decided on the date that it will initially apply the new Standard.

- IFRS 10, Consolidated Financial Statements (effective from 1 January 2013), not yet adopted by the EU, replaces the parts of IAS 27 Consolidated and Separate Financial Statements that deal with consolidated financial statements. SIC-12 Consolidation – Special Purpose Entities has been withdrawn upon the issuance of IFRS 10. Under IFRS 10, there is only one basis for consolidation, that is control. In addition, IFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in IFRS 10 to deal with complex scenarios. The Group is yet to assess IFRS 10's full impact and intends to adopt IFRS 10 no later than the accounting period beginning on or after 1 January 2013.

- IFRS 11, Joint Arrangements (effective from 1 January 2013), not yet adopted by the EU, replaces IAS 31 Interests in Joint Ventures. IFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. SIC-13 Jointly Controlled Entities – Non-monetary Contributions by Venturers has been withdrawn upon the issuance of IFRS 11. Under IFRS 11, joint arrangements are classified as joint operations or joint ventures, depending on the rights and obligations of the parties to the arrangements. In contrast, under IAS 31, there are three types of joint arrangements: jointly controlled entities, jointly controlled assets and jointly controlled operations. In addition, joint ventures under IFRS 11 are required to be accounted for using the equity method of accounting, whereas jointly controlled entities under IAS 31 can be accounted for using the equity method of accounting or proportionate accounting. The Group does not expect IFRS 11 to have material impact on the financial statements since it is not a party to any joint arrangements.

- IFRS 12 Disclosure of Interests in Other Entities (effective from 1 January 2013), not yet adopted by the EU, requires additional disclosures relating to significant judgements and assumptions made in determining the nature of interests in an entity or arrangement, interests in subsidiaries, joint arrangements and associates and unconsolidated structured entities. The group is yet to assess IFRS 12's full impact and intends to adopt IFRS 12 no later than the accounting period beginning on or after 1 January 2013.

- IFRS 13 Fair Value Measurement (effective from 1 January 2013), not yet adopted by the EU, establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The Standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of IFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other IFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in IFRS 13 are more extensive than those required in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under IFRS 7 Financial Instruments: Disclosures will be extended by IFRS 13 to cover all assets and liabilities within its scope. The directors anticipate that IFRS 13 will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2013 and that the application of the new Standard may affect the amounts reported in the financial statements and result in more extensive disclosures in the financial statements.

- Amendments to IAS 1 Presentation of Financial Statements: Presentation of Items of Other Comprehensive Income (effective for annual periods beginning on or after 1 July 2012), not yet adopted by the EU. The amendments to IAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to IAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that will be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis.

- Amendments to IAS 12 Income taxes - Deferred Tax: Recovery of Underlying Assets (effective from 1 January 2012), not yet adopted by the EU. The amendments provide an exception to the general principles in IAS 12 that the measurement of deferred tax assets and deferred tax liabilities should reflect the tax consequences that would follow from the manner in which the entity expects to recover the carrying amount of an asset. Specifically, under the amendments, investment properties that are measured using the fair value model in accordance with IAS 40 Investment Property are presumed to be recovered through sale for the purposes of measuring deferred taxes, unless the presumption is rebutted in certain circumstances. The Group does not expect the amendments to have any impact on the financial statements, since the Group does not have any investment properties measured using the fair value model in IAS 40.

- IAS 19 Employee Benefits, (as revised in 2011), effective from 1 January 2013, not yet adopted by the EU. The amendments to IAS 19 change the accounting for defined benefit plans and termination benefits. The most significant change relates to the accounting for changes in defined benefit obligations and plan assets. The amendments require the recognition of changes in defined benefit obligations and in fair value of plan assets when they occur, and hence eliminate the 'corridor approach' permitted under the previous version of IAS 19 and accelerate the recognition of past service costs. The amendments require all actuarial gains and losses to be recognised immediately through other comprehensive income in order for the net pension asset or liability recognised in the consolidated statement of financial position to reflect the full value of the plan deficit or surplus. The amendments to IAS 19 are effective for annual periods beginning on or after 1 January 2013 and require retrospective application with certain exceptions. The directors anticipate that the amendments to IAS 19 will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2013 and that the application of the amendments to IAS 19 may have impact on amounts reported in respect of the Groups' defined benefit plans. However, the directors have not yet performed a detailed analysis of the impact of the application of the amendments and hence have not yet quantified the extent of the impact.

- IAS 27 Separate Financial Statements (as revised in 2011), effective from 1 January 2013, not yet adopted by the EU. The standard carries forward the existing accounting and disclosure requirements of IAS 27 (2008) for separate financial statements, with some minor clarifications. As well, the existing requirements of IAS 28 (2008) and IAS 31 for separate financial statements have been incorporated into IAS 27 (2011). The Standard no longer addresses the principle of control and requirements relating to the preparation of consolidated financial statements, which have been carried over into IFRS 10 Consolidated Financial Statements. The Group does not expect the amendments to have material impact on consolidated financial statements.

- IAS 28 Investments in Associates and Joint Ventures (as revised in 2011), effective from 1 January 2013, not yet adopted by the EU. There are limited amendments made to IAS 28 (2008): a) IFRS 5 Non-current Assets Held for Sale and Discontinued Operations applies to an investment, or a portion of an investment, in an associate or a joint venture that meets the criteria to be classified as held for sale. For any retained portion of the investment that has not been classified as held for sale, the equity method is applied until disposal of the portion held for sale. After disposal, any retained interest is accounted for using the equity method if the retained interest continues to be an associate or a joint venture; b) previously, IAS 28 (2008) and IAS 31 specified that the cessation of significant influence or joint control triggered remeasurement of any retained stake in all cases, even if significant influence was succeeded by joint control. IAS 28 (2011) now requires that in such scenarios the retained interest in the investment is not remeasured. The Group does not expect the amendments to have material impact on the financial statements.

- Amendments to IAS 32 Offsetting Financial Assets and Financial Liabilities, effective on or after 1 January 2014, not yet adopted by the EU. The amendments address inconsistencies in current practice when applying the offsetting criteria in IAS 32 Financial Instruments: Presentation. The amendments clarify the meaning of 'currently has a legally enforceable right of set-off' and that some gross settlement systems may be considered equivalent to net settlement.

- IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine, effective for annual periods beginning on or after 1 January 2013, not yet adopted by the EU. The Interpretation sets out requirements relating to the recognition of production stripping costs, initial and subsequent measurement of stripping activity assets. The directors have not yet performed a detailed analysis of the impact of the application of the amendments and hence have not yet quantified the extent of the impact.

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 30. Changes in the Group structure are reported in Note 26.

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 share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 Share-based Payment at the acquisition date; and
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard.

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

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

2.4 Non-controlling interests

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another IFRS. 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 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.

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

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

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

2.6 Goodwill

Goodwill arising on acquisition of subsidiaries represents the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net 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 the relevant cash-generating unit, 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 2.29 below for hedging accounting policies); and

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

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

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

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

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

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 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 consolidated 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 and evaluation assets

Exploration and evaluation activities involve the search for mineral resources, the determination of technical feasibility and the assessment of commercial viability of an identified resource. Types of expenditure that might be included in the measurement of exploration and evaluation assets are as follows:
- acquisition of rights to explore;
- topographical, geological, geochemical and geophysical studies;
- exploratory drilling;
- trenching and sampling; and
- activities involved in evaluating the technical feasibility and commercial viability of extracting mineral resources.

This includes the costs incurred in determining the most appropriate mining/processing methods and developing feasibility studies.

Capitalised exploration and evaluation expenditure is recorded at cost less impairment losses. Once an operating licence has been obtained, the respective exploration assets are amortised over the shorter of the life of the mine and the life of the mining licence. An exploration and evaluation asset shall no longer be classified as such when the technical feasibility and commercial viability of extracting a mineral resource are demonstrable.

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 Mineral rights

Mineral rights are stated at cost less accumulated amortisation and impairment losses and are amortised based on the units of production method utilising only recoverable coal reserves as the depletion base.

2.20 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.

2.21 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.

2.22 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 non-current 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 2.28.

2.23 Cash and cash equivalents

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

2.24 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.

2.25 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 2.28.

2.26 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.

Provisions for close down, restoration and environmental costs of mines

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

The amortisation or 'unwinding' of the discount applied in establishing the net present value of provisions is charged to the statement of comprehensive income in each accounting period. The amortisation of the discount is shown as a financing cost.

The initial closure provision together with other movements in the provisions for close down and restoration costs, including those resulting from new disturbance, updated cost estimates, changes to the estimated lives of operations and revisions to discount rates are capitalised within Mineral Rights. These costs are then depreciated over the estimated economic life of the operation on a units of production basis.

2.27 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.

2.28 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 27.

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

iv) Available-for-sale financial assets (AFS)
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 27. 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.

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

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; or
- the disappearance of an active market for that financial asset because of financial difficulties.

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

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

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

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was 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 and accumulated under the heading of investments revaluation reserve. In respect of AFS debt securities, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

Derecognition of financial assets

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

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

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

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.

Financial guarantee contracts

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

Financial guarantee contracts issued by the Group are initially measured at their fair values and, if not designated as at FVTPL, are subsequently measured at the higher of:
- the amount of the obligation under the contract, as determined in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets; and
- the amount initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the revenue recognition policies.

Derecognition of financial liabilities

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

2.29 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. Further details of derivative financial instruments are disclosed in Note 27.

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 27. 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 swap agreements, option collars transacted in 2011 and forward foreign exchange contracts. 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".

The change in fair value of option collars transacted by the Group in 2011 (sell call options, buy put options) is recognised as follows:
- When the price of the aluminium (LME cash) is above the upper strike price or below the lower strike price:
  - the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognized in other comprehensive income;

- the ineffective portion of the gain or loss on the hedging instrument is recognized in profit or loss;
- the change in the collar's fair value that is due to its time value is entirely recognized in profit or loss;

- When the price of the aluminium is between the lower strike price and the upper strike price, the change in fair value of the collar is reflected in profit or loss (i.e.: no hedge accounting effect – changes in the fair value of the collar being entirely due to its time value).

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.

Embedded derivatives

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

Further details of derivative financial instruments are disclosed in Note 27.

2.30 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 2,443,589 (restated 2010: 2,279,193) after impairment of USD -87,292 recognised during 2011 for property, plant and equipment (2010: USD -865). Details of impairments are disclosed in Note 9.

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 191,509 (restated 2010: USD 184,645). Details of the impairment test calculations are presented in Note 11.

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) Mineral reserves estimates

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

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

v) 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 22.

vi) Environmental and restructuring provisions.

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

vii) Deferred taxes, see Note 23.

viii) Provisions and contingent liabilities, see Notes 21 and 28.

ix) 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 27.

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 30.

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, thermal power generation and coal extraction, all located in Henan Province, for details see Note 26.

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

In Sierra Leone the Group operates a bauxite mine under a mining lease with the Government of Sierra Leone. Until November 2010 the mining had been performed by a third party. Starting November 2010, the mining process was taken over by the Group with the purpose of improving the efficiency of operations.

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 2011 and 2010 were as follows:

in USD '000, except share and per share data

	China	Romania	Sierra Leone	Inter-segment transactions	Reconciliation to Group	Total
2011						
Sales	1,949,660	757,168	34,693	-24,439	-	2,717,082
Cost of goods sold	-1,792,243	-562,133	-30,191	24,439	1,399	-2,358,729
Gross profit / (loss)	**157,417**	**195,035**	**4,502**	**-**	**1,399**	**358,353**
General and administrative expenses	-54,210	-60,335	-4,648	-	-8,218	-127,411
Restructuring charge	-	-	-	-	-	-
(Charge)/Reversal of impairment of property, plant and equipment	-88,349	1,058	-	-	-1	-87,292
Share of result of associates	3,387	-	-	-	-	3,387
Other income / (expenses)	12,332	16,161	-42	-	1,933	30,384
Operating profit / (loss)	**30,577**	**151,919**	**-188**	**-**	**-4,887**	**177,421**
Interest income	16,354	916	16	-	312	17,598
Interest expense	-199,765	-14,402	-598	-	9,243	-205,522
Other financial income / (expense) (net)	10,647	-38,644	65	-	-3,137	-31,069
Profit / (loss) before income taxes	**-142,187**	**99,789**	**-705**	**-**	**1,531**	**-41,572**
Income tax expense	-16,228	-16,882	-	-	-97	-33,207
Profit / (loss) for the year	**-158,415**	**82,907**	**-705**	**-**	**1,434**	**-74,779**
Additional information						
Capital expenditure (incl. intangible assets)	321,406	39,716	5,491	-	229	366,842
Depreciation and amortisation	122,159	33,775	4,953	-	121	161,008
Average number of employees	13,090	3,521	497	-	14	17,122

	China	Romania	Sierra Leone	Inter-segment transactions	Reconciliation to Group	Total
2010 restated						
Sales	1,704,874	587,619	30,273	-29,122	-	2,293,644
Cost of goods sold	-1,582,606	-414,633	-28,910	29,122	-1,399	-1,998,426
Gross profit	**122,268**	**172,986**	**1,363**	**-**	**-1,399**	**295,218**
General and administrative expenses	-50,219	-54,796	-1,159	-	-8,334	-114,508
Restructuring charge	-	-137	-	-	-	-137
Reversal of impairment of property, plant and equipment	-1,477	811	-	-	-199	-865
Share of result of associates	-838	-	-	-	-	-838
Other income / (expenses)	11,373	-6,326	-1,572	-	17	3,492
Operating profit / (loss)	**81,107**	**112,538**	**-1,368**	**-**	**-9,915**	**182,362**
Interest income	8,869	840	-	-	19	9,728
Interest expense	-115,235	-13,011	-1,768	-	7,090	-122,924
Financial income / (expense) (net)	5,599	-24,721	109	-	-5,078	-24,091
Profit / (loss) before income taxes	**-19,660**	**75,646**	**-3,027**	**-**	**-7,884**	**45,075**
Income tax expense	-41,133	-18,179	-	-	-3	-59,315
Profit / (loss) for the year	**-60,793**	**57,467**	**-3,027**	**-**	**-7,887**	**-14,240**
Additional information						
Capital expenditure (incl. intangible assets)	229,997	22,870	13,653	-	49	266,569
Depreciation and amortisation	97,900	32,337	2,269	-	155	132,661
Average number of employees	9,475	3,444	338	-	9	13,266

in USD '000, except share and per share data

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:

	2011	2010 Restated
China	1,851,025	1,628,806
Romania	149,349	122,117
Other European Union countries	637,072	463,207
Other European countries	48,714	37,812
USA	16,203	10,909
Other countries	14,719	30,793
Total	**2,717,082**	**2,293,644**

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

	2011	2010 Restated
Bauxite	10,537	1,151
Primary aluminium	2,021,429	1,781,910
Processed aluminium	418,945	314,016
Coal	83,237	32,389
Other products	182,934	164,178
Total	**2,717,082**	**2,293,644**

Segment assets and liabilities at 31 December 2011 and 2010 are as follows:

	China	Romania	Sierra Leone	Reconciliation to Group	Total
31 December 2011					
Investments in associates	37,591	-	-	-	37,591
Other non-current assets allocated	2,859,424	390,381	41,146	1,923	3,292,874
Total assets	**4,295,321**	**759,856**	**52,777**	**20,187**	**5,128,141**
Total liabilities	**3,671,236**	**327,061**	**-**	**-151,315**	**3,846,982**
31 December 2010 restated					
Investments in associates	27,749	-	-	-	27,749
Other non-current assets allocated	2,664,154	340,604	40,459	74	3,045,291
Total assets	**4,038,614**	**645,406**	**46,257**	**-14,936**	**4,715,341**
Total liabilities	**3,438,325**	**313,290**	**29,414**	**-124,703**	**3,656,326**

Prior year figures have been restated in accordance with IFRS 3 “Business Combinations” (Revised). Refer to Note 2 and Note 26.

4. General and administrative expenses

	2011	2010 Restated
Personnel costs	-50,182	-46,589
Third-party services	-20,139	-24,055
Depreciation and amortisation	-12,393	-10,665
Taxes other than income taxes	-9,242	-7,955
Marketing and public relations	-9,036	-6,356
Provision for doubtful receivables (trade and other)	580	-407
Other general and administrative expenses	-26,999	-18,481
Total	**-127,411**	**-114,508**

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

Prior year figures have been restated in accordance with IFRS 3 “Business Combinations” (Revised) following the finalisation of fair value measurement of assets acquired and liabilities assumed. Depreciation and amortisation expenses reported in 2010 decreased by USD 598 as the result of the reduction of the fair value of property, plant and equipment of acquired subsidiaries. For details refer to Note 2 and Note 26.

in USD '000, except share and per share data

5. Other income and expenses

	2011	2010
Other income		
Government grants	35,764	17,671
Sale of emission rights	17,207	6,095
Net gain on disposal of land use rights	10,294	-
Net gain on disposal of property, plant and equipment	-	1,619
Other income	8,853	6,813
Reimbursements from insurance claims	679	266
Total other income	**72,797**	**32,464**
Other expenses		
Idle plants maintenance expenses	-10,376	-10,816
Net loss on disposal of property, plant and equipment	-27,321	-
Payment resulting from a legal case	-	-16,142
Other expenses	-4,715	-2,014
Total other expenses	**-42,413**	**-28,972**

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.

Other income includes write off of old-aged payables in China, various income from services performed, and from penalties. In 2010, other income included the release of provisions in amount of USD 2,175 of which USD 1,932 represents reduction resulting from utilization of provision for Alum waste dump (see Note 21).

"Idle plants maintenance expenses" include maintenance expenses incurred for the idle plants held by the Group's subsidiaries.

Net loss on disposal of property, plant and equipment in 2011 is mainly related to the disposal of old power plants in China. The gain in 2010 was mostly related to the disposal of machinery and equipment.

Payment resulting from a legal case in 2010 represents the settlement terminating the arbitration commenced by an alumina supplier claiming damages in respect of the repudiation of a contract.

6. Finance costs, net

	2011	2010
Interest income	17,598	9,728
Interest expense	-194,032	-109,979
Interest expense to related parties (Note 25)	-11,490	-12,945
Finance guarantee income	8,391	5,092
Finance guarantee expense	-12,151	-4,832
Bank charges	-5,834	-8,435
Fair value gains (losses) from financial instruments	-6,046	-
Other financial costs (net)	-2,192	-148
Total	**-205,756**	**-121,519**

Interest expense excludes interest capitalised in “property, plant and equipment” amounting to USD 17,662 (2010: USD 20,750) based on average interest rates of 7.91% (2010: 7.2%).

There was no ineffectiveness of cash flow hedges recognised in profit or loss during 2011 and 2010.

Comparative figures have been reclassified to conform to the presentation adopted in 2011. Therefore in 2011 the following reclassification were made:

- the financial discounts granted for early payment related to 2010 in the amount of USD 1,689 were reclassified from “Other financial costs (net)” to “Revenues”;
- financial discounts received for early payment in 2010 in the amount of USD 600 were reclassified from “Other financial costs (net)” to ‘’Cost of sales’’;
- interest expense related to factoring in the amount of USD 2,933 were reclassified from “Bank charges” to “Interest expense”.

in USD '000, except share and per share data

7. Income tax expense

	2011	2010 Restated
Current income tax	-48,832	-30,794
Deferred income tax (Note 23)	15,625	-28,521
Total	**-33,207**	**-59,315**

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

	2011	2010 Restated
Profit / (loss) before income taxes	(41,572)	45,075
Expected weighted average income tax rate for the Group	27.4%	40.8%
Expected income tax expense	11,404	-18,388
Non-taxable income	3,102	6,655
Non-deductible expenses	-4,578	-12,532
Capitalisation of previously unrecognised tax losses	5,181	4,277
Net change in measurement of deferred tax assets	-48,919	-16,543
Utilisation of previously unrecognised tax losses	390	24
Adjustments recognised in relation to the current tax of prior years	-638	-22,852
Other adjustments	851	44
Total income tax expense	**-33,207**	**-59,315**

Prior year figures have been restated in accordance with IFRS 3 “Business Combinations” (Revised). Refer to Note 2 and Note 26.

Comparative figures have been reclassified to conform to the presentation adopted in 2011.

Vimetco’s expected weighted average income tax rate for the Group is affected by the statutory income tax rates and regulations in effect in the various countries in which it operates and on the pre-tax results of its subsidiaries in each of these countries, which can vary year to year. The variance in expected weighted average income tax rate for the Group between 2010 and 2011 is explained by a change in mix of pre-tax profits over the various jurisdictions in which Vimetco operates.

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.

Net change in measurement of deferred tax assets includes unused tax losses of USD 31,521 (2010: USD 16,543) and deductible temporary differences in amount of USD 17,398 (2010: nil) not recognised as deferred tax assets, because it was not assessed as probable that sufficient future taxable profits will be available to utilize the benefits of the tax losses and deductible temporary differences.

Included in 2010 adjustments recognised in relation to the current tax of prior years of USD 22,852, the amount of USD 15,734 represents reversal of unused tax losses recognised as deferred tax assets in prior periods.

8. Earnings per share

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

	2011	2010 Restated
Loss for the year attributable to shareholders of Vimetco N.V.	-104,234	-37,455
Weighted average number of ordinary shares outstanding during the year	219,484,720	219,484,720
Basic and diluted earnings per share in USD	-0.475	-0.171

Basic and diluted per share data are the same as there are no dilutive securities.
Prior year figures have been restated in accordance with IFRS 3 “Business Combinations” (Revised).
Refer to Note 2 and Note 26.

9. Property, plant and equipment

	Land	Buildings and constructions	Plant and machinery	Equipment and vehicles	Assets under construction	Total
Cost						
Balance at 1 January 2010	**28,516**	**538,391**	**1,816,561**	**87,071**	**204,130**	**2,674,669**
Additions	3	2,613	15,676	21,134	226,293	265,719
Acquisition /disposal of subsidiaries	-	124,622	21,800	1,470	14,399	162,291
Disposals	-	-4,622	-40,754	-7,769	-606	-53,751
Transfers between categories	-	118,343	165,125	10,442	-294,827	-917
Translation adjustment	-2,388	-9,012	2,393	-7,305	2,902	-13,410
Balance at 31 December 2010 restated	**26,131**	**770,335**	**1,980,801**	**105,043**	**152,291**	**3,034,601**
Additions	-	1,355	7,784	10,024	346,337	365,500
Acquisition /disposal of subsidiaries	-	5,519	759	57	-	6,335
Disposals	-	-14,330	-103,814	-4,331	-14,364	-136,839
Transfers between categories	-	45,041	41,315	5,968	-92,565	-241
Translation adjustment	-1,055	17,596	59,159	-3,334	11,053	83,419
Balance at 31 December 2011	**25,076**	**825,516**	**1,986,004**	**113,427**	**402,752**	**3,352,775**

in USD '000, except share and per share data

Accumulated depreciation and impairment

	Land	Buildings and constructions	Plant and machinery	Equipment and vehicles	Assets under construction	Total
Balance at 1 January 2010	**-**	**-190,570**	**-466,734**	**-66,329**	**1**	**-723,632**
Additions	-	-26,357	-90,367	-7,353	-	-124,077
Disposals	-	3,438	34,404	2,645	-	40,487
Impairment charge for the period	-	-60	-1,477	-664	-	-2,201
Reversal of impairment	-	243	597	496	-	1,336
Transfers between categories	-	-252	252	-	-	-
Translation adjustment	-	14,078	22,283	5,975	-1	42,335
Balance at 31 December 2010 restated	**-**	**-199,480**	**-501,042**	**-65,230**	**-**	**-765,752**
Additions	-	-36,691	-99,946	-9,873	-	-146,510
Acquisition /disposal of subsidiaries	-	-	-	-	-	-
Disposals	-	11,848	59,648	3,845	-	75,341
Impairment charge for the period	-	-8,373	-79,947	-30	-	-88,350
Reversal of impairment	-	120	938	-	-	1,058
Transfers between categories	-	714	-124	-590	-	-
Translation adjustment	-	4,222	-773	3,094	-	6,543
Balance at 31 December 2011	**-**	**-227,640**	**-621,246**	**-68,784**	**-**	**-917,670**
Net book value						
Balance at 31 December 2010 restated	**26,131**	**570,855**	**1,479,759**	**39,813**	**152,291**	**2,268,849**
Balance at 31 December 2011	**25,076**	**597,876**	**1,364,758**	**44,643**	**402,752**	**2,435,105**

Prior year figures have been restated in accordance with IFRS 3 “Business Combinations” (Revised). Refer to Note 2 and Note 26.

Leased assets included above have a net book value of USD 1,143 and USD 1,673 as at 31 December 2011 and 2010 respectively.

Bank borrowings are secured by “property, plant and equipment” in the amount of USD 764,534 (2010: USD 719,000).

Capital expenditure (additions) includes capitalised interest amounting to USD 17,662 (2010: USD 20,750) based on average interest rates of 7.91% (2010: 7.2%).

Of the total impairment charge of USD 88,350, an amount of USD 83,108 was recognised in respect of the old power plants in China closed down in 2011 due to their inefficiency and high running costs. The impairment charge of USD 83,108 represents the net book values of these power plants and related dismantling costs less estimated proceeds from the selling of equipment and spare parts.

10. Intangible assets

	Software	Customer relationships	Exploration assets	Other intan-gible assets	Total
Cost					
Balance at 1 January 2010	**5,935**	**10,004**	**3,632**	**2,155**	**21,726**
Additions	512	-	-	184	696
Acquisition of subsidiaries	10	-	-	408	418
Disposals	-274	-	-	-5	-279
Transfers between categories	912	-	-	5	917
Translation adjustment	-446	310	-	-173	-309
Balance at 31 December 2010	**6,649**	**10,314**	**3,632**	**2,574**	**23,169**
Additions	430	-	18	645	1,093
Disposals	-	-	-18	-5	-23
Transfers from property, plant and equipment	72	-	-	169	241
Translation adjustment	-216	526	-	-128	182
Balance at 31 December 2011	**6,935**	**10,840**	**3,632**	**3,255**	**24,662**
Amortisation					
Balance at 1 January 2010	**-3,928**	**-3,899**	**-853**	**-1,352**	**-10,032**
Additions	-889	-1,689	-537	-110	-3,225
Disposals	150	-	-	3	153
Transfers between categories	63	-	-	-63	-
Translation adjustment	322	-158	-	115	279
Balance at 31 December 2010	**-4,282**	**-5,746**	**-1,390**	**-1,407**	**-12,825**
Additions	-982	-1,770	-583	-123	-3,458
Disposals	-	-	-	5	5
Transfers between categories	-144	-	-	144	-
Translation adjustment	251	-337	144	42	100
Balance at 31 December 2011	**-5,157**	**-7,853**	**-1,829**	**-1,339**	**-16,178**
Net book value					
Balance at 31 December 2010	**2,367**	**4,568**	**2,242**	**1,167**	**10,344**
Balance at 31 December 2011	**1,778**	**2,987**	**1,803**	**1,916**	**8,484**

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

in USD '000, except share and per share data

11. Goodwill

Cost	
Balance at 1 January 2010	323,294
Additions	100,740
Translation adjustment	5,370
Balance at 31 December 2010 restated	**429,404**
Additions	1,618
Translation adjustment	16,223
Balance at 31 December 2011	**447,245**
Impairment	
Balance at 1 January 2010	-239,159
Additions	-
Translation adjustment	-5,600
Balance at 31 December 2010 restated	**-244,759**
Additions	-
Translation adjustment	-10,977
Balance at 31 December 2011	**-255,736**
Net book value	
Balance at 31 December 2010 restated	**184,645**
Balance at 31 December 2011	**191,509**

Prior year figures have been restated in accordance with IFRS 3 "Business Combinations" (Revised). Refer to Note 2 and Note 26.

Impairment tests for goodwill

The goodwill is allocated to the cash-generating units at 31 December 2011 and 2010 as follows (after additions and impairment):

	2011	2010 Restated
China	138,598	130,283
Romania	48,312	49,763
Sierra Leone	4,599	4,599
Total	**191,509**	**184,645**

China

In 2011 the recoverable amount of goodwill allocated to 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 14% per annum (2010: 13.4%). The cash flows beyond that five-year period have been extrapolated using a steady 3% (2010: 5%) per annum growth rate.

The key assumptions used in the value in use calculations for the cash-generating unit China are as follows: EBITDA margin of 15%, growth rate of 10% per year and 3% growth beyond the five-year period. The directors believe that the planned growth per year for the next five years is reasonably achievable.

The directors believe that there are no reasonably possible changes in key assumptions, which would cause the goodwill allocated to China to be impaired.

Romania

In 2011 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 15.9% per annum (2010: 16.3%). The cash flows beyond that five-year period have been extrapolated using a 3% (2010: 1.5%) per annum growth rate.

The key assumptions used in the value in use calculations for the cash-generating unit Romania are as follows: EBITDA margin of 20%, growth rate of 10% per year and 3% growth beyond the five-year period.

The directors believe that there are no reasonably possible changes in key assumptions, which would cause the goodwill allocated to Romania to be impaired.

Sierra Leone

The recoverable amount of Sierra Leone operations has been 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 discount rate of 22.1% per annum (2010: 17.1% per annum). Cash flows beyond that five-year period have been extrapolated using a steady 3% (2010: 1.6%) per annum growth rate.

The key assumptions used in the value in use calculations for the cash-generating unit Sierra Leone are as follows: EBITDA margin of 40% and growth rate of 3% beyond the five-year period.

The directors believe that a reasonable possible change in key assumptions will not cause the goodwill allocated to Sierra Leone to be impaired.

in USD '000, except share and per share data

12. Mineral rights

Cost	
Balance at 1 January 2010	-
Acquisition of subsidiaries (Note 26)	499,405
Additions	-
Translation adjustment	11,071
Balance at 31 December 2010 restated	**510,476**
Acquisition of subsidiaries (Note 26)	4,165
Additions	-
Translation adjustment	26,172
Balance at 31 December 2011	**540,813**
Amortisation	
Balance at 1 January 2010	-
Additions	-8,645
Translation adjustment	-193
Balance at 31 December 2010 restated	**-8,838**
Additions	-14,591
Translation adjustment	-802
Balance at 31 December 2011	**-24,231**
Net book value	
Balance at 31 December 2010 restated	**501,638**
Balance at 31 December 2011	**516,582**

Prior year figures have been restated in accordance with IFRS 3 "Business Combinations" (Revised). Refer to Note 2 and Note 26.

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

13. Land use rights

Cost	
Balance at 1 January 2010	58,427
Acquisition of subsidiaries	2,335
Additions	154
Translation adjustment	1,866
Balance at 31 December 2010 restated	**62,782**
Acquisition of subsidiaries	-
Additions	249
Disposals	-3,629
Translation adjustment	3,121
Balance at 31 December 2011	**62,523**
Amortisation	
Balance at 1 January 2010	-2,776
Acquisition of subsidiaries	-
Additions	-1,314
Translation adjustment	-113
Balance at 31 December 2010 restated	**-4,203**
Acquisition of subsidiaries	-
Additions	-1,646
Disposals	402
Translation adjustment	-245
Balance at 31 December 2011	**-5,692**
Net book value	
Balance at 31 December 2010 restated	**58,579**
Balance at 31 December 2011	**56,831**

Prior year figures have been restated in accordance with IFRS 3 “Business Combinations” (Revised). Refer to Note 2 and Note 26.

During 2011, two companies within the Group sold land use rights recording a gain of USD 10,311 on the sale. The land use rights are for property located in China and are rented over a period of no more than 50 years.

in USD '000, except share and per share data

14. Investments

Details of the carrying values of the Group's investments at 31 December 2011 and 2010 are set out below:

Company	Type of investment	2011	2010
Henan Yonglian Coal Industry Co., Ltd	Associate - equity method	20,211	14,291
Datang Gongyi Power Generation Co., Ltd.	Associate - equity method	2,250	2,220
Datang Linzhou Thermal Power Co., Ltd (i)	Associate - equity method	14,292	10,397
Henan Yellow River Heluo Water Supply Co., Ltd	Associate - equity method	838	797
Henan Zhongfu Thermal Power Co., Ltd	Associate - equity method	-	44
Total associated companies		**37,591**	**27,749**

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

Company	2011	2010
Henan Yonglian Coal Industry Co., Ltd	4,982	-78
Datang Gongyi Power Generation Co., Ltd.	-	-
Datang Linzhou Thermal Power Co., Ltd	-1,550	-
Henan Yellow River Heluo Water Supply Co., Ltd	-	-
Henan Zhongfu Thermal Power Co., Ltd	-45	-760
Total share of the results of associates	**3,387**	**-838**

(i) In 2011 the Group increased its contribution in Datang Linzhou Thermal Power Co., Ltd by USD 4,832 slightly increasing its shareholding in the entity from 20% to 20.16%.

Summarised financial data for the associated companies at 31 December 2011 and 2010 and for the years then ended is set out below:

	2011	2010
Total assets	612,746	338,876
Total liabilities	-490,606	-248,724
Net assets	**122,140**	**90,152**
Group's share of net assets of associates	**37,591**	**27,749**
Total sales	81,332	2,126
Result for the period	3,624	-1,724
Group's share of result of associates	**3,387**	**-838**

Cash consideration paid for the acquisition and increase of investments in associates amounted to USD 4,832 (2010: USD 9,771).

15. Inventories

	31 December	
	2011	2010
Raw and auxiliary materials	180,937	174,676
Work in progress	165,997	133,549
Finished goods	77,444	65,997
Less: Provision for obsolescence	-11,680	-2,623
Total	**412,698**	**371,599**

in USD '000, except share and per share data

The movements in the provision for obsolescence are as follows:	2011	2010
Balance at 1 January	-2,623	-5,007
(Charge) / reversal to cost of goods sold	-9,677	1,981
Translation adjustment	620	403
Balance at 31 December	**-11,680**	**-2,623**

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

Charge to cost of goods sold in amount of USD -9,677 (reversal in 2010: USD 1,981) is related to write-downs of inventory to net realisable value.

The cost of inventories recognized as expense and included in ''Cost of goods sold'' amounted to USD 1,032,421 (2010: USD 1,138,422).

16. Trade receivables, net

	31 December	
	2011	2010
Trade accounts receivable	70,976	73,950
Bills of exchange	151,410	166,467
Provision for doubtful receivables	-1,148	-1,707
Total	**221,238**	**238,710**

The Group exposure to concentration of credit risk did not increase at the end of 2011 compared to 2010. As at 31 December 2011, the highest 4 trade receivables accounted for roughly 41% (2010: 41%) of the net trade receivable balance (excluding bills of exchange). The total balance for these four debtors is USD 29,000 (2010: USD 30,349).

Bills of exchange include USD 87,408 (2010: 120,434) representing bills receivable discounted with recourse.

In 2011 two clients individually accounted for more than 5% of the Group's sales, i.e. 6.6% and 5.7% respectively (in 2010: two clients: 11.5% and 7.0%).

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 2011 was approximately USD 142,000 (2010: USD 73,000) of which approximately USD 59,000 (2010: USD 39,000) was utilised.

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

Movements in the provision for doubtful receivables are as follows:	2011	2010
Balance at 1 January	-1,707	-1,477
(Charge) / credit to general and administrative expenses	580	-407
Utilisations and other movements	9	150
Translation adjustment	-30	27
Balance at 31 December	**-1,148**	**-1,707**

	31 December	
Trade receivables past due but not impaired at 31 December are as follows:	2011	2010
Up to 3 months	8,326	45,486
3 to 6 months	1,755	542
Over 6 months	4,710	3,032
Total	**14,791**	**49,060**

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

	31 December	
Ageing of impaired trade receivables:	2011	2010
Up to 3 months	-	-
3 to 6 months	-	8
Over 6 months	1,148	1,699
Total	**1,148**	**1,707**

in USD '000, except share and per share data

17. Other current assets

	31 December 2011	31 December 2010 Restated
Advances to suppliers	129,517	73,398
VAT receivable	56,227	52,607
Prepayments	7,270	271
Other debtors	104,947	81,165
Provision for doubtful debtors	-4,487	-2,289
Receivable in connection with LME aluminium swaps	32	32
Available for sale financial assets	7,546	7,180
Other current assets	7,285	1,451
Total	**308,338**	**213,815**

Prior year figures have been restated in accordance with IFRS 3 "Business Combinations" (Revised). Refer to Note 2 and Note 26.

Advances to suppliers primarily relate to investment deposits and amounts prepaid to suppliers for raw materials such as alumina, petroleum coke, coal and other production materials (at 31 December 2010, they related mainly to advances to suppliers for raw materials such as alumina, coal and other production materials).

18. Cash and cash equivalents

	31 December 2011	31 December 2010
Cash at banks and in-hand	157,438	177,862
Cash equivalents	-	9,131
Cash and cash equivalents	**157,438**	**186,993**

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. The guarantee represents estimated interest expenses to be paid by the Company within the following 15 months.

19. 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:

	2011	2010
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.

Dividends in amount of USD 0.08 per share were distributed by Vimetco NV in July 2011 from the share premium account, totalling USD 17,558. No dividends were declared and paid by Vimetco NV in 2010.

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 an equal number of GDRs. The Group can elect to settle the respective amounts in cash.

In 2011 the Group decided to settle in cash all the outstanding GDRs granted in 2007 under the incentive compensation scheme to two of its directors. As a consequence the amount of USD 250 was paid to each of the directors, representing the cash equivalent of 65,662 GDRs of the Company for each at a market price of USD 3.80 per GDR.

No RSUs were granted in 2011 (2010: 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

	2011	2010
Balance of RSUs at 1 January	65,662	98,494
Granted during the period	-	-
Vested during the period	-65,662	-32,832
Lapsed during the period	-	-
Balance of RSUs at 31 December	-	65,662
Expected number of RSUs to vest over the remaining vesting period	-	65,662
Weighted average fair value of an unvested RSU for which service has been received (in USD)	-	0.07
Liability recognised for unvested RSUs for which service has been received	-	0.4

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 share and per share data

20. Borrowings

	31 December 2011	31 December 2010
Long-term borrowings		
Long-term bank loans	981,328	857,002
Less: Short-term portion of long-term bank loans	-63,687	-67,907
Bank loans	**917,641**	**789,095**
Other loans	447,180	191,169
Bank and other loans	**1,364,821**	**980,264**
Loans from related parties (Note 25)	172,981	172,981
Finance leases	760	1,631
Total long-term borrowings	**1,538,562**	**1,154,876**
Short-term borrowings		
Short-term bank loans and overdrafts	619,677	596,244
Short-term portion of long-term bank loans	63,687	67,907
Bank loans and overdrafts	**683,364**	**664,151**
Other loans	212,880	172,732
Bank loans, overdrafts and other loans	**896,244**	**836,883**
Loans from related parties (Note 25)	14,349	14,324
Finance leases	918	1,711
Total short-term borrowings	**911,511**	**852,918**
Total borrowings	**2,450,073**	**2,007,794**

Short-term bank loans and overdrafts include amounts received for the bills of exchange discounted at banks in amount of USD 87,408 (2010: 120,434), for details see Note 16.

Bank borrowings mature until 2023 and have born interest at annual interest rates between 1.921% and 13.01% (2010: between 0.97% and 14.93%).

At 31 December 2011, 51% of the Company's shares in Alro (2010: 51% of the Company's shares in Alro) are pledged as collateral for the Group's borrowings.

In August 2010 the Company signed a loan agreement with Raiffeisen Bank for a total long term financing in amount of USD 75,000. The loan was used for refinancing current facilities and has a maturity period of 5 years.

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

In August 2010 one of the Group's subsidiaries signed a syndicated loan agreement in amount of USD 180,000 with European Bank for Reconstruction and Development ("EBRD") that refinanced most of the subsidiary's existing debt. The EBRD retained USD 75,000 on its account, with USD 105,000 syndicated to commercial banks.

In August 2011 one of the Group's subsidiary in China issued corporate bonds in amount of USD 234,863 for a period of 8 years. The bonds are denominated in CNY, the total face value being CNY 1,500,000,000 (CNY 100 each). The issue is at par and bears a fixed interest rate of 7.3% in the first 5 years, subsequently the Group having the option of increasing the coupon rate for the remaining three years and the investors having the option of redeeming the bond at par value (subsequent to and independent of the change in coupon rate by the Group). The bonds are listed on the Shanghai Stock Exchange with an AA rating, the market price as of 31 December 2011 being USD 15.52 per bond.

The Group was not in breach of covenants as at 31 December 2011 and as at 31 December 2010.

Bank and other borrowings include secured liabilities of USD 563,538 (2010: USD 345,463). These borrowings are secured by property, plant and equipment of the Group in the amount of USD 764,534 (2010: USD 719,000) (Note 9), by inventory amounting to USD 146,977 (2010: 114,605), by 98.7% (2010: 30.5%) of the shares of Zhongfu Industry, by current accounts opened with several banks and by future accounts receivable. For the Zhongfu share pledge the loan contracts specify that the Group has to compensate for any shortfall in the share price below a certain level. The share price as at 31 December 2011 was lower than the trigger price in the loan contracts and appropriate actions have been taken. The share price at 31 December 2010 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 27.

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	
	2011	**2010**
USD denominated floating rate (USD '000)		
Expiring within 1 year	-	-
Expiring beyond 1 year	-	10,000
Until further notice	-	-
Total	**-**	**10,000**
CNY denominated floating rate (CNY '000)		
Expiring within 1 year	900,000	1,000,000
Total	**900,000**	**1,000,000**

in USD '000, except share and per share data

The minimum lease payments for finance leases are set out below:	2011	2010
Lease installments falling due:		
Within 1 year	991	1,865
1 to 5 years	793	1,729
After 5 years	-	-
Total lease installments	1,784	3,594
Less: Future finance charges	-106	-252
Present value of lease obligations	1,678	3,342
Thereof:		
Short-term finance lease obligations (less than 1 year)	918	1,711
Long-term finance lease obligations (2 to 5 years)	760	1,631

Finance leases relate to leases of equipment and vehicles with lease terms of up to 5 years. The net book value of leased assets was USD 1,143 and USD 1,673 as at 31 December 2011 and 2010 respectively.

21. Provisions

	Provision for Alum waste dump	Provision for litigations	Other provisions	Total
Balance at 1 January 2010	**2,093**	**3,040**	**639**	**5,772**
Acquisition of subsidiaries (Note 26)	-	-	12,434	12,434
Additional provisions recognised	-	23	409	432
Release of provision	-1,932	-290	-	-2,222
Utilisation	-	-	-131	-131
Translation adjustment	-161	-252	279	-134
Balance at 31 December 2010 restated	**-**	**2,521**	**13,630**	**16,151**
Thereof:				
Current	-	23	3,469	3,492
Non-current	-	2,498	10,161	12,659
Acquisition of subsidiaries (Note 26)	-	-	3	3
Additional provisions recognised	-	43	257	300
Release of provision	-	-24	-	-24
Utilisation	-	-	-1,521	-1,521
Translation adjustment	-	-104	634	530
Balance at 31 December 2011	**-**	**2,436**	**13,003**	**15,439**
Thereof:				
Current	-	39	2,525	2,564
Non-current	-	2,397	10,478	12,875

Other provisions mainly relate to subsidiaries acquired and represent rehabilitation and safety works in the mines. Prior year figures have been restated in accordance with IFRS 3 “Business Combinations” (Revised).
For details see also Note 2 and Note 26.

22. 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 12,260 were recognized as expense in the income statement (2010: USD 11,969).

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 2011 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:

	31 December	
	2011	**2010**
Discount rate (%)	8.40	6.87
Expected rate of salary increase (%)	5.00	5.14
Expected inflation rate (%)	3.50	3.50

in USD '000, except share and per share data

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

	2011	2010
Current service cost	-537	-208
Interest cost on obligation	-572	-472
Actuarial gains / (losses) recognised in the year	10	120
Past service cost	-7	-
Total expense	**-1,106**	**-560**

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 administrative expenses, 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	
	2011	2010
Present value of defined benefit obligation	7,382	6,384
Net actuarial gains / (losses) not recognised	382	722
Net liability from defined benefit obligation	**7,764**	**7,106**

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

	2011	2010
Balance at 1 January	7,106	7,225
Current service cost	537	208
Interest cost	572	472
Actuarial losses / (gains) recognised in the year	-10	-120
Past service cost	7	-
Benefits paid	-71	-69
Translation adjustment	-377	-610
Balance at 31 December	**7,764**	**7,106**

	2011	2010
Total actuarial gains / (losses) in the period	-330	-1,163
Thereof experience adjustment	-758	-352

23. Deferred income tax

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

	31 December 2011		31 December 2010 Restated	
	Assets	Liabilities	Assets	Liabilities
Property, plant and equipment	3,107	29,480	3,140	29,592
Intangible assets	25	747	-	1,142
Mineral rights	-	124,347	-	120,547
Land use rights	-	7,931		7,727
Investments	397	-	-	-
Inventories	2,335	-	2,035	31
Trade receivables and other current assets	4,331	23,731	2,037	811
Borrowings	-	576	-	849
Provisions and other liabilities	5,336	-4,442	10,404	-4,217
Gross deferred tax assets / liabilities	**15,531**	**182,370**	**17,616**	**156,482**
Capitalisation of tax loss carryforwards	13,840	-	7,107	-
Offset of deferred tax assets and liabilities	-20,322	-20,322	-9,764	-9,764
Net deferred tax assets and liabilities as disclosed in the statement of financial position	**9,049**	**162,048**	**14,959**	**146,718**
Net deferred (asset) / liability		152,999		131,759

Prior year figures have been restated in accordance with IFRS 3 “Business Combinations” (Revised). Refer to Note 2 and Note 26.

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

	2011	2010 Restated
Balance at 1 January	131,759	-27,654
Charge / (credit) to income statement (Note 7)	-15,625	28,521
Charge / (credit) to equity	30,243	-502
Acquisition of subsidiaries	2,057	127,138
Other	10	-
Translation adjustment	4,555	4,256
Balance at 31 December	**152,999**	**131,759**

in USD '000, except share and per share data

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 utilize the tax losses carried forward in the foreseeable future and the Group does not have tax group relief in these countries:

	31 December	
	2011	**2010**
China	56,715	28,527
Romania	4,417	863
The Netherlands	4,642	6,083
Sierra Leone	3,795	2,575
Total	**69,569**	**38,048**

	31 December	
Tax loss expiring	**2011**	**2010**
Within 1 year	-	-
1 - 2 years	4,717	294
2 - 5 years	63,431	33,107
More than 5 years	1,421	4,647
Total	**69,569**	**38,048**

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

24. Trade and other payables

	31 December	
	2011	**2010 Restated**
Trade accounts payable	170,453	197,530
Bills of exchange	765,084	742,721
Liabilities for capital expenditure	95,591	95,591
Customer deposits	61,436	98,364
Consideration payable for acquisition of subsidiaries	5,096	179,246
Wages and social security, including taxes	13,459	13,509
Sales and other taxes payable	5,959	4,300
Financial guarantees	6,434	2,437
Other accounts payable	58,376	84,219
Total	**1,181,888**	**1,417,917**

Prior year figures have been restated in accordance with IFRS 3 “Business Combinations” (Revised). Refer to Note 2 and Note 26.

25. 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 in the Company and is 100% owned by Meccania Ltd, which in its turn is 100% owned by a trust company Maxon Limited as the ultimate controlling entity.

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 2011 and 2010, 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	**2011**	**2010**
Vi Holding N.V.	187,330	187,305
Total borrowings from related parties	**187,330**	**187,305**
Thereof:		
Short-term portion of borrowings	14,349	14,324
Long-term portion of borrowings	172,981	172,981

The loan payable to Vi Holding N.V. at 31 December 2011 is repayable on 31 May 2013 and is subject to interest at LIBOR plus 5.75% (between September 2009 and 13 May 2010 it was LIBOR plus 7.75%). The loan is subordinated.

Interest expense related to the loan amounted to USD 11,490 thousand (2010: USD 12,945 thousand).

in USD '000, except share and per share data

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

Goods and services provided to related parties	2011	2010
Companies under common control	86	7
Associates	2,129	1,459

Goods and services purchased from related parties	2011	2010
Vi Holding N.V.	-159	-138
Companies under common control	-67,316	-38,591
Associates	-	-
Key management personnel	-92	-80

Furthermore, the following balances were outstanding:

	31 December	
Trade and other accounts receivable	**2011**	**2010**
Vi Holding N.V.	-	-
Companies under common control	877	3,129
Associates	40,586	34,421

	31 December	
Trade and other accounts payable	**2011**	**2010**
Vi Holding N.V.	159	138
Companies under common control	214	997
Associates	-	-
Key management personnel	92	80

Management compensation

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

	2011	2010
Short-term employee benefits	1,473	608
Post-employment benefits	126	37
Total	**1,599**	**645**

For the share-based payments to the Group's key management personnel, please refer to note 19.

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

	2011	2010
Short-term employee benefits	128	322
Post-employment benefits	4	62
Total	**132**	**384**

On 22 June 2011 Mr. Pavel Machitski was appointed as member of the Board of Directors. As a consequence his compensation was disclosed under "Management Compensation" for the period starting 22 June 2011 up to 31 December 2011.

26. Acquisitions and disposals of subsidiaries

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

2010
On 14 April 2010 the Group's subsidiary Henan Zhongfu Industrial Co., Ltd. and Chalco Henan Aluminum Fabrication Co., Ltd. set up a new company Henan Zhongfu Specialized Aluminum Product Co., Ltd.

The company's issued capital is USD 113,597, to which Chalco Henan Aluminum Fabrication Co., Ltd. made a cash contribution of USD 29,544 representing 26% of the registered capital and Henan Zhongfu Industrial Co., Ltd. made a contribution comprising cash, inventory and production facilities of USD 84,053 representing 74% of the registered capital of the subsidiary.

On 15 April 2010 the Group's subsidiary Linzhou Zhenxin Machinery Casting Co., Ltd. merged with its 100% parent company Linzhou Linfeng Aluminium Product Co., Ltd. (former Linzhou Hongfeng Aluminium Co., Ltd.).

On 13 June 2010 the Group's subsidiary Henan Zhongfu Power Co., Ltd. set up a new company Henan Zhongshan Investment Holdings Co. Ltd. The company has a registered capital of USD 73,861 to which Henan Zhongfu Power Co., Ltd. made a cash contribution of USD 62,781 representing 85% of the registered capital. Subsequently to that date, the Group held 85% of the shares in Henan Zhongshan Investment Hodlings Co. Ltd., controlling shareholdings in several coal mines in China. The purpose of establishing the subsidiary was to organise and group the interest in several coal mines as part of the Group strategy to hedge the inflating thermal coal prices which form a substantial part of Group's costs with raw materials. Details of the coal mines acquired by Henan Zhongshan Investment Holdings Co. Ltd. in the period are disclosed below:

Acquisition of Fanda Group
On 23 June 2010 Henan Zhongshan Investment Holdings Co., Ltd. acquired 100% of an investment company Zhengzhou City Fanda Investment Management Co., Ltd. Fanda's assets included a 70% shareholding in a coal mine Zhengzhou City Huixiang Coal Industry Co., Ltd.

In 2011 the Group completed the fair value measurements for the business acquired and the final fair values of assets acquired and liabilities assumed at the date of acquisition were as follows:

in USD '000, except share and per share data

Fanda Group	Book value	Fair value adjustment	Fair value
Property, plant and equipment	28,753	-1,130	27,623
Mineral rights	3,301	130,494	133,795
Intangible assets	9	-	9
Current assets	16,303	-	16,303
Current liabilities	-55,742	-	-55,742
Provisions	-	-528	-528
Deferred tax liability	-	-32,209	-32,209
Net assets	**-7,376**	**96,627**	**89,251**
Non-controlling interest			-28,193
Goodwill arising on acquisition			**24,768**
Consideration:			**85,826**
Net cash acquired with the subsidiary			973
Cash paid			46,443
Cash consideration payable			39,383
Net cash outflow on acquisition of subsidiaries			**45,470**

The differences between the final fair value of assets and liabilities acquired and the resulting goodwill and the values provisionally reported at 31 December 2010 are presented below:

Fanda Group	Final fair values	Provisional fair values	Difference
Property, plant and equipment	27,623	28,755	-1,132
Mineral rights	133,795	71,387	62,408
Intangible assets	9	-	9
Current assets	16,303	16,311	-8
Current liabilities	-55,742	-55,742	-
Provisions	-528	-	-528
Deferred tax liability	-32,209	-17,021	-15,188
Net assets	**89,251**	**43,690**	**45,561**
Non-controlling interest	-28,193	-14,525	-13,668
Goodwill arising on acquisition	**24,768**	**56,661**	**-31,893**

Acquisition of Henan Jiatuo Coal Distribution Co., Ltd.
On 26 July 2010 the Group's subsidiary Henan Zhongshan Investment Holdings Co., Ltd. acquired 100% of a coal distribution company Henan Jiatuo Coal Distribution Co., Ltd.

In 2011 the Group completed the fair value measurements for the business acquired and the final fair values of assets acquired and liabilities assumed at the date of acquisition were as follows:

Henan Jiatuo Coal Distribution Co., Ltd	Book value	Fair value adjustment	Fair value
Non-current assets	1,636	-	1,636
Current assets	77,541	-5,466	72,075
Current liabilities	-76,906	-	-76,906
Deferred tax liability	-	1,366	1,366
Net assets	**2,271**	**-4,100**	**-1,829**
Non-controlling interest			-
Goodwill arising on acquisition			**4,783**
Consideration:			**2,954**
Net cash acquired with the subsidiary			1,857
Cash paid			2,954
Cash consideration payable			-
Net cash outflow on acquisition of subsidiaries			**1,097**

The differences between the final fair value of assets and liabilities acquired and the resulting goodwill and the values provisionally reported at 31 December 2010 are presented below:

Henan Jiatuo Coal Distribution Co., Ltd	Final fair values	Provisional fair values	Difference
Non-current assets	1,636	1,636	-
Current assets	72,075	93,376	-21,301
Current liabilities	-76,906	-92,741	15,835
Deferred tax liability	1,366	-	1,366
Net assets	**-1,829**	**2,271**	**-4,100**
Non-controlling interest	-	-	-
Goodwill arising on acquisition	**4,783**	**683**	**4,100**

in USD '000, except share and per share data

Acquisition of Dengcao Investment Group
On 17 September 2010 the Group's subsidiary Henan Zhongshan Investment Holdings Co., Ltd. acquired 55% of an investment company Zhengzhou City Dengcao Investment Co., Ltd. Dengcao's assets included 2 coal mines: Zhengzhou Dengcao Enterprise Group Jinling Coal Mine Co., Ltd and Dengfeng City Jinxing Coal Mine Co., Ltd.

In 2011 the Group completed the fair value measurements for the business acquired and the final fair values of assets acquired and liabilities assumed at the date of acquisition were as follows:

Dengcao Investment Group	Book value	Fair value adjustment	Fair value
Property, plant and equipment	37,378	50,564	87,942
Mineral rights	12,917	245,447	258,364
Other non-current assets	463	-38	425
Current assets	24,522	-	24,522
Current liabilities	-46,782	-	-46,782
Provisions	-	-11,583	-11,583
Deferred tax liability	-	-71,097	-71,097
Net assets	**28,498**	**213,293**	**241,791**
Non-controlling interest			-108,805
Goodwill arising on acquisition			**36,522**
Consideration:			**169,508**
Net cash acquired with the subsidiary			12,026
Cash paid			113,372
Cash consideration payable			56,136
Net cash outflow on acquisition of subsidiaries			**101,346**

The differences between the final fair value of assets and liabilities acquired and the resulting goodwill and the values provisionally reported at 31 December 2010 are presented below:

Dengcao Investment Group	Final fair values	Provisional fair values	Difference
Property, plant and equipment	87,942	103,560	-15,618
Mineral rights	258,364	138,304	120,060
Other non-current assets	425	425	-
Current assets	24,522	24,522	-
Current liabilities	-46,782	-46,782	-
Provisions	-11,583	-	-11,583
Deferred tax liability	-71,097	-47,883	-23,214
Net assets	**241,791**	**172,146**	**69,645**
Non-controlling interest	-108,805	-77,465	-31,340
Goodwill arising on acquisition	**36,524**	**78,374**	**-41,850**

Acquisition of Zhengzhou Guangxian Industry and Trade Co., Ltd.

On 13 October 2010 the Group's subsidiary Henan Zhongshan Investment Holdings Co., Ltd. acquired 100% of a coal mine Zhengzhou Guangxian Industry and Trade Co., Ltd.

In 2011 the Group completed the fair value measurements for the business acquired and the final fair values of assets acquired and liabilities assumed at the date of acquisition were as follows:

Zhengzhou Guangxian Industry and Trade Co. Ltd	Book value	Fair value adjustment	Fair value
Property, plant and equipment	41,840	3,250	45,090
Mineral rights	3,889	103,357	107,246
Other non-current assets	1,658	707	2,365
Current assets	17,000	-	17,000
Current liabilities	-24,329	-6,197	-30,526
Provisions	-	-323	-323
Non-current liabilities	-11,818	-	-11,818
Deferred tax liability	-	-25,198	-25,198
Net assets	**28,240**	**75,596**	**103,836**
Non-controlling interest			-
Goodwill arising on acquisition			**34,667**
Consideration:			**138,503**
Net cash acquired with the subsidiary			1,782
Cash paid			55,401
Cash consideration payable			83,102
Net cash outflow on acquisition of subsidiaries			**53,619**

The differences between the final fair value of assets and liabilities acquired and the resulting goodwill and the values provisionally reported at 31 December 2010 are presented below:

Zhengzhou Guangxian Industry and Trade Co., Ltd	Final fair values	Provisional fair values	Difference
Property, plant and equipment	45,090	43,649	1,441
Mineral rights	107,246	54,957	52,289
Other non-current assets	2,365	2,056	309
Current assets	17,000	17,000	-
Current liabilities	-30,526	-24,329	-6,197
Provisions	-323	-11,818	11,495
Non-current liabilities	-11,818	-13,319	1,501
Deferred tax liability	-25,198	-	-25,198
Net assets	**103,836**	**68,196**	**35,640**
Non-controlling interest	-	-	-
Goodwill arising on acquisition	**34,667**	**70,307**	**-35,640**

in USD '000, except share and per share data

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

None of the goodwill arising on these acquisitions is expected to be deductible for tax purposes.

Non-controlling interests acquired in Fanda Group and Dengcao Investment Group were measured at proportionate share of the recognised amounts of their identifiable net assets.

The trade receivables comprised gross contractual amounts due of USD 44,735, of which USD 5,466 was expected to be uncollectible at the acquisition date.

The revenue included in the consolidated statement of comprehensive income since acquisitions contributed by coal mines consolidated under Zhonshan Group was USD 75,523. Zhonshan Group also contributed profit of USD 9,769 over the same period.

Had Zhonshan Group been consolidated from 1 January 2010, the consolidated statement of comprehensive income would show revenue of USD 2,335,281 and loss of USD 8,921.

2011

Acquisition of Dengfeng City Chenlou Yisan Coal Mine Co., Ltd.
On 25 January 2011 Zhengzhou City Dengcao Investment Co., Ltd. acquired 100% of a coal mine Dengfeng City Chenlou Yisan Coal Mine Co., Ltd. The acquisition of the mine continued the implementation of the strategy to organise and group the interest in several coal mines in order to hedge the inflating thermal coal prices that form a substantial part of Group's costs with raw materials.

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

Dengfeng City Chenlou Yisan Coal Mine Co., Ltd.	Book value	Fair value adjustment	Fair value
Property, plant and equipment	2,183	4,152	6,335
Mineral rights	50	4,115	4,165
Other non-current assets	36	-36	-
Current assets	8,571	-	8,571
Current liabilities	-3,149	-	-3,149
Non-current liabilities	-	-	-
Deferred tax liability	-	-2,057	-2,057
Net assets	**7,691**	**6,174**	**13,865**
Non-controlling interest			-
Goodwill arising on acquisition			**1,618**
Consideration:			**15,483**
Net cash acquired with the subsidiary			7,877
Cash paid			15,483
Cash consideration payable			-
Net cash outflow on acquisition of subsidiaries			**7,606**

Goodwill arose principally due to the requirement to recognise deferred income tax assets and liabilities for the difference between the assigned fair values and the tax bases of assets acquired and liabilities assumed in a business combination at amounts that do not reflect fair value.

The goodwill arising on this acquisition is not expected to be deductible for tax purposes.

The fair value of the receivables acquired in these transactions amounting to USD 685 (which principally comprised trade receivables) did not differ from their gross contractual amounts. According to the best estimate of the contractual cashflows at acquisition date, there are no receivables expected to be uncollectible.

No revenue and profit is included in the consolidated statement of comprehensive income, since all the sales of the company are made within the group and are eliminated on consolidation.

Transactions with non-controlling interests

On 26 January 2011, the Group subsidiary Henan Yulian Energy Group Co., Ltd. increased its shareholding in the subsidiary Henan Zhongfu Industry Co., Ltd. from 51.28% to 51.68% following the share issue by the subsidiary (see Note 30). No goodwill was recognized on acquisition and the difference between the consideration transferred and the carrying values of net assets of the subsidiary was recognised in Equity as Changes in ownership interests in subsidiaries. The Group recognised an increase in non-controlling interests of USD 6,774 and a decrease in retained earnings of USD -6,774. The share capital contributed by minorities resulted in an additional increase of non-controlling interest in amount of USD 169,763.

On 26 March 2011, Zhongfu Power Co., Ltd., a 100% owned subsidiary through Henan Yulian Energy Group Co., Ltd. (50.9%) and Henan Zhongfu Industry Co., Ltd. (49.1%) issued additional shares which were entirely subscribed only by Henan Zhongfu Industry Co., Ltd. increasing its shareholding to 58.95%. The effective shareholding decreased from 73.63% to 69.43% (see Note 30) and the Group recognised a decrease in non-controlling interests of USD -5,012 and an increase in retained earnings of USD 5,012.

On 3 May 2011, the Group subsidiary Alum S.A. acquired from Vimetco N.V. 100% of Global Aluminum Ltd. and its two 100% owned subsidiaries Sierra Mineral Holdings I Ltd. and Bauxite Marketing Ltd. As a result, the effective shareholding of the Group decreased from 100% to 86.96% (see Note 30). No additional goodwill was recognized on the transfer and the difference between the consideration transferred and the carrying values of net assets of the subsidiary was recognized in Equity as Changes in ownership interests in subsidiaries. The Group recognised a decrease in non-controlling interests of USD -1,484 and an increase in retained earnings of USD 1,484.

On 30 November 2010, the Group subsidiary Henan Zhongfu Power Co., Ltd., entered into a share purchase contract with a third party to sell 45% out of 85% of its shares in Henan Zhongshan Investment Holdings Co., Ltd. for an amount of RMB 225M and at the same time also agreeing that until such purchase price is paid, amongst other, voting rights and dividend rights would remain with the Group. In addition, on 30 November 2010, the Group entered into a call option agreement with the same third party to have the exclusive option to repurchase all or part of the shares of Henan Zhongshan Investment Holdings Co., Ltd. for an exercise price of RMB 225M for 45% of the shares would the third party pay for such shares.

On 1 June 2011 the Group subsidiary Henan Zhongfu Industry Co., Ltd. repurchased 45% of shareholding in Henan Zhongshan Investment Holdings Co. Ltd. and its subsidiaries by exercising the above mentioned option. On 22 December 2011 Henan Zhongfu Industry Co., Ltd. additionally acquired the remaining non-controlling interest of 15% of Zhongshan Investment Holdings Co., Ltd. for a cash consideration of USD 12,386 and the company is now a 100% owned subsidiary of the Group. The effective shareholding in Zhongshan Investment Group decreased from 62.58% to 57.69% (see note 30) and the Group recognised a decrease in non-controlling interests of USD -12,406 and an increase in retained earnings of USD 20.

in USD '000, except share and per share data

On 18 June 2011, the Group subsidiary Shanghai Zhongfu Aluminium Development Co., Ltd. set up a 100% subsidiary Shanghai Xinfu Industry Development Co., Ltd. Its main activity is the provision of aluminium technical services and trading of related products.

On 30 December 2011, the Group subsidiary Henan Yulian Energy Group Co., Ltd. disposed of its 32.51% shareholding in Henan Zhongfu Anodes Carbon Co., Ltd. to another subsidiary of the Group Henan Zhongfu Industry Co., Ltd., which previously held 51.01% in the same company, thus increasing its share to 83.52%. The effective shareholding in Henan Zhongfu Anodes Carbon Co., Ltd. decreased from 56.78% to 41.78% (see note 30) and the Group recognised an increase in non-controlling interests of USD 111 and a decrease in retained earnings of USD -111.

Total net cash outflow on acquisition of subsidiaries:	**2011**	**2010**
Acquisition of Dengfeng City Chenlou Yisan Coal Mine Co., Ltd.	-7,606	-
Acquisition of Zhongshan Investment Holdings Co., Ltd. and its subsidiaries	-	-160,908
Acquisition of 15% non-controlling interest in Zhongshan Investment Holdings Co., Ltd.	-12,386	-
Contribution of non-controlling interest to Henan Zhongfu Industry Co., Ltd.	169,763	-
Net cash outflow on acquisition of subsidiaries	**149,771**	**-160,908**

27. 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 the Group Treasury under policies approved by the Board of Directors. The 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 20, "cash and cash equivalents" as disclosed in Note 18 (i.e. excluding restricted cash) and shareholders' equity.

The Group's management reviews the capital structure on a regular basis. As a part of this review, management considers the cost of capital and the risks associated with each class of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

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 equity" as shown in the consolidated statement of financial position sheet plus net debt.

During 2011, the Group's strategy was to maintain the gearing ratio within 60% to 70%, the same as in 2010. The gearing ratios at 31 December 2011 and 2010 were similar in the two years, as follows:

	2011	2009
Total borrowings (Note 20)	2,450,073	2,007,794
Less: cash and cash equivalents (Note 18)	-157,438	-186,993
Net debt	**2,292,635**	**1,820,801**
Total shareholders' equity	**1,281,159**	**1,059,015**
Total capital	**3,573,794**	**2,879,816**
Gearing ratio	64%	63%

The increase in the gearing ratio during 2011 resulted primarily from the increase of borrowings to finance the expansion in China.

Categories of financial instruments

	31 December	
	2011	2010
Financial assets		
Cash and bank balances	746,094	778,792
Fair value through profit or loss (FVTPL)		
Held for trading	-	-
Designated as at FVTPL	-	-
Derivative instruments in designated hedge accounting relationships	138,977	5,315
Held-to-maturity investments	-	-
Loans and receivables	419,420	370,225
Available-for-sale financial assets	7,546	7,180
Financial liabilities		
Fair value through profit or loss (FVTPL)		
Held for trading	-	-
Designated as at FVTPL	-	-
Derivative instruments in designated hedge accounting relationships	11,164	50,987
Amortised cost	3,632,426	3,426,926
Financial guarantee contracts	6,434	2,437

There were no reclassifications between the categories of financial assets during 2011 and 2010.

It is not expected that the cash flows of the financial liabilities at fair value through profit or loss could occur significantly earlier, or at significantly different amounts.

Financial liabilities designated as at FVTPL	31 December	
	2011	2010
Changes in fair value attributable to changes in credit risk recognised during the year	-	-
Cumulative changes in fair value attributable to changes in credit risk	-	-

The change in fair value attributable to change in credit risk is calculated as the difference between total change in fair value of the financial liabilities designated as at FVTPL and the change in fair value due to change in market risk factors alone. The change in fair value due to market risk factors was calculated using benchmark commodity prices, foreign exchange rates and interest yield curves as at the end of the reporting period holding credit risk margin constant. The fair value of the financial liabilities designated as at FVTPL was estimated by discounting future cash flows using quoted benchmark commodity prices, foreign exchange rates and interest yield curves as at the end of the reporting period and by obtaining counterparties quotes for borrowings of similar maturity to estimate credit risk margin.

Market risk

The 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.
• 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 fluctuations against the reporting currency, primarily with respect to the EUR, RON and CNY. 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 approximately 50% 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 2011					
Total monetary assets *	43,372	45,571	444	1,379,489	**1,468,876**
Total monetary liabilities *	23,089	196,638	400,350	3,245,647	**3,865,724**
31 December 2010					
Total monetary assets *	37,742	81,394	5,859	1,321,260	**1,446,255**
Total monetary liabilities *	34,058	169,845	383,444	2,904,239	**3,491,586**

* They do not include derivative contracts the Group entered into on the purpose to hedge its probable future sales of aluminium.

Foreign currency sensitivity

The Group is mainly exposed to the EUR (in Romania) and the USD (in Romania and China). The following table details the Group's sensitivity as an impact of a 10% decrease in these currencies against the corresponding functional currency. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of a possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% increase in foreign currency rate. The sensitivity analysis includes external loans where the denomination of the loan is in a currency other than the functional currency.

A depreciation (appreciation) by 10% of the USD/EUR, as indicated below, against the RON and CNY at 31 December would increase (decrease) equity and profit or loss by the amounts shown below.

Currency of denomination	EUR	USD	USD
Functional currency	RON	RON	CNY
31 December 2011			
Profit or loss	-2,028 [1]	15,107 [2]	39,991 [4]
Other equity	-	-9,717 [3]	-
31 December 2010			
Profit or loss	-368 [1]	8,845 [2]	37,759 [4]
Other equity	-	13,765 [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, through one of its Romanian subsidiaries, 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 2011 and 2010:

Forward contracts: sell USD / buy RON	Weighted average exchange rate	Contract amounts USD '000	Fair value USD '000
31 December 2011			
Less than 1 year	2.51	41,833	-11,067
Between 1 and 2 years	-	-	-
Total	**2.51**	**41,833**	**-11,067**
31 December 2010			
Less than 1 year	2.51	83,665	-20,584
Between 1 and 2 years	2.51	41,833	-11,499
Total	**2.51**	**125,498**	**-32,083**

The Group 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 2011, the aggregate amount of unrealised losses under forward foreign exchange contracts relating to the exposure on the future sales is USD 11,067 (2010: USD 32,083). The settlement of the hedge transactions will take place twice in 2012, at which stage the amount deferred in equity will be recycled to profit or loss. The realised loss on forward foreign exchange contracts in 2011 included in "foreign exchange (loss) / gain" amounted to USD 15,893 (2010: USD 19,624).

Interest rate risk management

As the Group has no significant interest-bearing assets, the Group's income and operating cash flows are substantially independent of changes in market interest rates.

The Group's interest rate risk arises from borrowings. Borrowings received at floating rates expose the Group to cash flow interest rate risk. Borrowings received at fixed rates expose the Group to fair value interest rate risk. The interest rates on the Group's existing credit facilities are based on the London Interbank Offered Rate ("LIBOR") for USD borrowings, on EURIBOR for borrowings in EUR and on the Chinese Central Bank Interest Rate 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 2011 would decrease/increase by USD 17,843 (2010: USD 15,910). 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. The Group's internal policy is to manage the identified commodity price risk by natural hedge when possible and also for a part of the remaining quantity at risk by entering into swap agreements and ratio-collar transactions (i.e.: buy put options partially financed through selling of call options).

Commodity swap contracts

As of 31 December 2011, 711 tons of highly forecasted sales were hedged against the adverse effect of aluminium price changes through swap agreements for 2012 (31 December 2010: 30,200 tons).

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 2011				
Swap - receive fixed	-	-	-	-
Swap - pay fixed [2]	711	2,144	1,524	-97
Total	**711**	**2,144**	**1,524**	**-97**
31 December 2010				
Swap - receive fixed	30,000	2,438	73,141	-1,280
Swap - pay fixed [2]	200	2,274	455	39
Total	**30,000**	**2,437**	**73,596**	**-1,241**

[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 Group designates all its LME aluminium swap agreements as cash flow hedges. In 2011 the realised gain on the aluminium swap contracts included in "sales" amounts to USD 1,086 (2010: USD 2,324).

Commodity options

During 2010 and 2011, in order to protect its cash flows from sales against the risk of adverse changes in aluminium market prices, the Group entered into several 50% collar transactions, by buying European put options partially financing the premiums by selling European call options for half of the quantity of the put options.

Thus the company bought 50,000 Mt of PUT options (2010: 80,000 Mt) with the averaged floor level of USD 2.350/Mt (2010: USD 2.079/Mt) and sold 25,000 Mt of CALL options (2010: 40,000 Mt) with the average cap level of USD 2.700/Mt (2010: USD 2.456/Mt).

In 2011, for the purpose of protecting the profit from additional production forecast for August 2011 - December 2012, the same entity also entered into several 100% collar transactions, by taking long positions on put European options, which would guarantee a monthly averaged price of minimum 2.600 USD/Mt for 93,000 tons of aluminium (2010: nil). These were partially financed by short positions on call European options, for the entire quantity under the put options, for strike prices ranging between 3.100 USD/ Mt and 3.300 USD/Mt.

The options were over-the-counter (OTC) contracts with first class banks and were settled on a monthly basis. As at December 31, 2011, their fair value amounted to USD 44,520, hedging 78,000 tons (December 31, 2010: nil).

The effective portion of the intrinsic value of the options, which was credited in other comprehensive income was of USD 45,208 (December 31, 2010: nil). The amount recycled to profit or loss under "sales" in 2011 was of USD 10,308 (2010: nil), while the loss related to the change in time value amounted to USD 6,046 (2010: nil). The net loss for the year ended December 31, 2011 of USD 2,334 was recognised in profit or loss within the finance costs, net (2010: net gains of USD 592).

The options are classified within Level 2 of the fair value measurement hierarchy.
There were no transfers between levels of the fair value hierarchy used in measuring the fair value of financial instruments.

In 2011 there were no significant changes in the business or economic circumstances that affect the fair value of the Group's financial assets and financial liabilities, except for the normal volatility of aluminium prices on international markets, and of foreign exchange rates.

Embedded derivatives

In 2010, a Group subsidiary in Romania entered into a long-term electricity supply contract valid until January 2018. The contract sets forth the quantities of electricity to be supplied each year that represent expected volumes to be consumed by the Group. The agreed pricing contains an LME-linked price adjustment. The Management has analysed the contract and concluded that the price adjustment is not clearly and closely related to the host contract and therefore represents an embedded derivative which should be separated from the host contract and accounted for at fair value through profit and loss.

The embedded derivative included in the energy supply contract consists of a series of 97 monthly forward contracts to sell aluminium, each contract commencing at the date when the price adjustment contractual provisions came into effect (1st January 2010) and being settled at the end of each consecutive month over the contract duration. The notional amounts of the forward contracts are determined on the basis of the aluminium quantities specified under the energy supply contract, which represents the Group's management best estimate as of the inception date of the amounts of energy to be acquired under the contract.

Subsequent changes in fair value are determined based on the observable spot and forward prices of High Grade Aluminium on the London Metal Exchange. Due to the length of the contracts, the valuation model also requires the Management to estimate the long-term price of aluminium. The embedded derivatives in the electricity supply contract are classified within Level 2 of the fair value management hierarchy.

The embedded derivatives have been designated as cash flow hedges of future highly probable sales of aluminium. The realized net losses for the year ended December 31, 2011 in amount of USD 4,829 are included in Sales (2010: net gains of USD 6,339).

The fair value of the forward contracts was determined using the "3 month seller" aluminium quotations on LME for each remaining contract term, discounted using LIBOR rates for USD adjusted for the credit spreads of the contract counterparty and the Group. The strike price of the forward contracts was determined as the average "3 months seller" aluminium quotations for the month preceding each contract term as of 1 January 2010, so that the fair value of the contract is zero on initial recognition. The subsequent changes in the fair value of the derivatives between the contract date and the end of the reporting period are recognised in other comprehensive income. The change in fair value of these derivative financial during 2011 amounted to a net of USD 106,805 (2010: -12,348). The change in fair value was driven primarily by the change in the aluminium price.

Summary of the fair value of derivative financial instruments as at 31 December 2011 and 2010:

	Assets	Liabilities
31 December 2011		
Forward foreign exchange contract - cash flow hedges	-	11,067
Aluminium forward swaps - cash flow hedges	-	97
Embedded derivatives	94,457	-
Commodity options	44,520	-
Total	**138,977**	**11,164**
Thereof:		
Non-current	73,429	-
Current	65,548	11,164
31 December 2010		
Forward foreign exchange contract - cash flow hedges	-	32,083
Aluminium forward swaps - cash flow hedges	39	1,280
Embedded derivatives	5,276	17,624
Total	**5,315**	**50,987**
Thereof:		
Non-current	5,276	22,089
Current	39	28,898

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 2011 and 2010.

Commodity price sensitivity

As of December 31, 2011, a parallel upward/downward shift of the aluminium forward curve equal to 10% of the High Grade Aluminium LME Cash price would decrease/increase other components of equity by USD 77,063 (December 31, 2010: USD 102,500) as a result of a decrease/increase in the fair value changes of commodity swaps and embedded derivatives designated as hedges.

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, a significant part of the receivables are immediately sold to banks on a non-recourse basis. For promissory exchange notes (the "Notes") received from customers in China, the Group policy is to accept the Notes issued by banks controlled by the government, banks listed on the stock exchanges of China and other reputable banks. For the Group's concentration risk, refer to Note 16. The maximum exposure to credit risk for derivative assets is their fair value at the reporting date.

Credit risk from balances with banks and financial institutions is managed by 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

The ultimate responsibility for liquidity risk management rests with the Board of Directors, which has set up an appropriate liquidity risk management framework for the management of the Group's short-, medium- and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Included in Note 20 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
2011				
Borrowings (principal and expected future interest payments)	958,832	1,478,543	209,468	2,646,843
Trade and other monetary payables	1,200,035	-	-	1,200,035
Total	**2,158,867**	**1,478,543**	**209,468**	**3,846,878**
2009				
Borrowings (principal and expected future interest payments)	944,160	1,025,122	348,153	2,317,435
Trade and other monetary payables	1,427,239	-	-	1,427,239
Total	**2,371,399**	**1,025,122**	**348,153**	**3,744,674**

Fair value of financial instruments

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 are 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.

in USD '000, except share and per share data

• 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).

	31 December 2011			
	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets				
Unquoted equities	-	-	-	-
Financial assets at FVTPL				
Aluminium swaps	-	-	-	-
Embedded derivatives	-	94,457	-	94,457
Commodity options	-	44,520	-	44,520
Total	**-**	**138,977**	**-**	**138,977**

	31 December 2011			
	Level 1	Level 2	Level 3	Total
Financial liabilities at FVTPL				
Forward foreign exchange contracts	-	11,067	-	11,067
Aluminium swaps	-	97	-	97
Embedded derivatives	-	-	-	-
Financial guarantee contracts	-	-	6,434	6,434
Total	**-**	**11,164**	**6,434**	**17,598**

	31 December 2010			
	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets				
Unquoted equities	-	-	-	-
Financial assets at FVTPL				
Unquoted securities	-	-	-	-
Aluminium swaps	-	39	-	39
Embedded derivatives	-	5,276	-	5,276
Total	**-**	**5,315**	**-**	**5,315**

	31 December 2010			
	Level 1	Level 2	Level 3	Total
Financial liabilities at FVTPL				
Aluminium swaps	-	1,280	-	1,280
Forward foreign exchange contracts	-	32,083	-	32,083
Embedded derivatives	-	17,624	-	17,624
Financial guarantee contracts	-	-	2,437	2,437
Total	**-**	**50,987**	**2,437**	**53,424**

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

	2011			
	Assets		Libilities	
	Unquoted equities	Unquoted securities	Financial guarantee contracts	Derivative financial liabilities
Opening balance	**-**	**6,440**	**2,437**	**-**
Gains/(losses) in profit or loss	-	-	3,760	-
Gains/(losses) in other comprehensive income	-	-	-	-
Purchases	-	-	-	-
Issues	-	-	-	-
Settlements / Sale	-	-	-	-
Transfer out of level 3	-	-	-	-
Translation adjustment	-	-92	237	-
Total	**-**	**6,348**	**6,434**	**-**

in USD '000, except share and per share data

	2010			
		Assets		Libilities
	Unquoted equities	Unquoted securities	Financial guarantee contracts	Derivative financial liabilities
Opening balance	**1,107**	**-**	**2,622**	**-48,445**
Gains/(losses) in profit or loss	-	-60	-260	-19,624
Gains/(losses) in other comprehensive income	-	-	-	12,398
Purchases	-	6,647	-	-
Issues	-	-	-	-
Settlements / Sale	-	-678	-	19,624
Transfer out of level 3	-1,107	-	-	32,083
Translation adjustment	-	531	75	3,964
Total	**-**	**6,440**	**2,437**	**-**

Net losses for the period included in profit or loss of USD 3,760 (2010: net gains of USD 260) related to financial guarantee contracts are included in Note 6 'Finance costs, net'.

In 2010, net gains of USD 12,398 were included in other comprehensive income, related to derivative financial liabilities are reported as 'Gain / (loss) on cash flow hedges', while in 2011 the amount was nil.

On 31 December 2010 forward foreign exchange contracts with a carrying amount of USD 32,083 were transferred from Level 3 to Level 2 because in determining the fair value, management used a valuation technique in which all significant inputs were based on observable market data.

Also on 31 December 2010 unqouted equities with a carrying amount of USD 1,107 were transferred out of Level 3 because their fair value could not be reliably measured and they were measured at cost.

28. Contingencies and commitments

Contingencies

The Group has contingent liabilities in respect of legal claims arising in the ordinary course of business.

It is not anticipated that any material liabilities will arise from the contingent liabilities other than those provided for (Note 21).

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 690,008 as at 31 December 2011 (2010: USD 829,891).

The Group has further investment commitments in China amounting to USD 82,041 (2010: USD 85,100) mainly for power projects with joint ventures. The timing of the cash outflows depends on the progress of the project.

The Group through one of its subsidiaries in Romania has committed to purchase electricity until 2018 under a long-term agreement with an electricity supplier. The estimated value of this commitment is USD 1,010,653 as at 31 December 2011 (2010: USD 1,157,804) and is based on estimates made at inception date of the contract, excluding the impact of embedded derivatives recognised in these consolidated financial statements.

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 135,570 for the year ended 31 December 2011 (2010: USD 131,756).

Operating lease commitments

Operating leases relate to leases of office facilities with lease terms of up to 5 years. The expense for operating leases in 2011 was USD 35 (2010: USD 105). At 31 December 2011, the Group had commitments of USD 84 (2010: USD 123) under non-cancellable operating leases. Of these USD 46 are due within one year (2010: USD 93), and the rest between one and five years.

29. Events after the reporting period

In January 2012 the Group's subsidiary Zhengzhou City Dengcao Investment Co., Ltd. acquired 100% of a coal mine Yichuan County Jinyao Coal Mine Co. Ltd. for a cash consideration of USD 15,000. The acquisition was made in line with the Group strategy of securing own raw materials for the Group's power plants on a long-term basis.

In March 2012 the Group's subsidiary Zhengzhou Guangxian Industry and Trade Co., Ltd. acquired 100% of Dengfeng City Daxin Commercial Ltd. for a cash consideration of USD 2,400. The main business activity of the company is power generation.

in USD '000, except share and per share data

30. Companies in the Vimetco Group

The companies in the Vimetco Group at 31 December 2011 and 2010, classified by segment, are as follows:

	2011		2010	
	shareholding	votes [1]	shareholding	votes [1]
China				
Datang Gongyi Power Generation Co., Ltd.	47.42%	49.00%	47.42%	49.00%
Datang Linzhou Thermal Power Co., Ltd.	10.08%	20.16%	9.93%	20.00%
Dengfeng City Chenlou Yisan Coal Mine Co., Ltd.	31.73%	100.00%	0.00%	0.00%
Dengfeng City Jinxing Coal Mine Co., Ltd.	31.73%	100.00%	34.42%	100.00%
Everwide Industrial Ltd.	100.00%	100.00%	100.00%	100.00%
Henan Jiatuo Coal Distribution Co., Ltd.	57.69%	100.00%	62.58%	100.00%
Henan Yellow River Heluo Branch Water Supply Co., Ltd.	30.45%	44.00%	42.58%	44.00%
Henan Yinhu Aluminium Co., Ltd.	50.01%	100.00%	49.63%	100.00%
Henan Yonglian Coal Industry Co., Ltd.	31.15%	45.00%	43.55%	45.00%
Henan Yulian Energy Group Co., Ltd.	96.78%	96.78%	96.78%	96.78%
Henan Yulian Zhongshan Investment Holdings Co., Ltd.	57.69%	100.00%	62.58%	85.00%
Henan Zhongfu Aluminium Alloy Co., Ltd.	37.01%	100.00%	36.72%	74.00%
Henan Zhongfu Anodes Carbon Co., Ltd.	41.78%	83.53%	56.78%	83.52%
Henan Zhongfu Industry Co., Ltd.	50.01%	51.68%	49.63%	51.28%
Henan Zhongfu Power Co., Ltd.	69.21%	100.00%	73.63%	100.00%
Henan Zhongfu Specialized Aluminium Product Co., Ltd.	37.01%	73.99%	36.72%	74.00%
Henan Zhongfu Thermal Power Co., Ltd.	33.91%	49.00%	36.08%	49.00%
Linzhou Jinhe Electrical Power Equipment Co., Ltd.	25.51%	51.00%	25.31%	51.00%
Linzhou Linfeng Aluminium and Power Co., Ltd.	50.01%	100.00%	49.63%	100.00%
Linzhou Linfeng Aluminium Product Co., Ltd.	50.01%	100.00%	49.63%	100.00%
Shanghai Xinfu Industry Development Co. Ltd.	45.01%	100.00%	0.00%	0.00%
Shanghai Zhongfu Aluminium Development Co., Ltd.	45.01%	90.00%	44.66%	90.00%
Shenzhen OK (OUKAI) Industry Development Co., Ltd.	50.01%	100.00%	49.63%	100.00%
Zhengzhou City Dengcao Investment Co., Ltd.	31.73%	55.00%	34.42%	55.00%
Zhengzhou City Fanda Investment Management Co., Ltd.	57.69%	100.00%	62.58%	100.00%
Zhengzhou City Huixiang Coal Industry Co., Ltd.	40.39%	70.00%	43.81%	70.00%
Zhengzhou Dengcao Enterprise Group Jinling Coal Mine Co., Ltd.	31.73%	100.00%	34.42%	100.00%
Zhengzhou Guangxian Industry and Trade Co., Ltd.	57.69%	100.00%	62.58%	100.00%

	2011		2010	
	shareholding	votes [1]	shareholding	votes [1]
Romania				
Alro S.A.	87.50%	87.97%	87.50%	87.97%
Alum S.A.	86.98%	99.40%	86.96%	99.38%
Conef S.A.	87.47%	99.97%	87.47%	99.97%
Vimetco Extrusion S.r.l.	87.50%	100.00%	87.50%	100.00%
Vimetco Management Romania S.r.l.	100.00%	100.00%	100.00%	100.00%
Vimetco Power Romania S.r.l.	100.00%	100.00%	100.00%	100.00%
Vimetco Trading S.r.l.	100.00%	100.00%	100.00%	100.00%
Sierra Leone				
Bauxite Marketing Ltd.	86.98%	100.00%	100.00%	100.00%
Global Aluminium Ltd.	86.98%	100.00%	100.00%	100.00%
Sierra Mineral Holdings I, Ltd.	86.98%	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%	100.00%	100.00%
Vimetco Ghana (Bauxite) Ltd.	100.00%	100.00%	100.00%	100.00%

[1] For this purpose, the voting rights reported are those of the immediate parent company or companies, where the immediate parent company or companies are, themselves, controlled by 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	Note	2011	2010 Restated*
			in USD 000
Company-only result after tax		738	-4,309
Share of net result of investments	5	-104,972	-33,146
Profit/(loss) for the year		**-104,234**	**-37,455**

* Comparative figures for the year ended 31 December 2010 have been restated after the completion in 2011 of fair value measurements of acquisitions in China. Refer to Note 7 for details.

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	2011	2010 Restated*
Assets			
Non-current assets			
Intangible fixed assets:			
Goodwill	6	46,959	65,787
Other intangible assets		86	139
Other non-current assets		1,743	-
Property, plant and equipment		14	13
Financial fixed assets:			
Investments	7	366,846	406,848
Loans to Group companies	8	299,287	297,912
Total non-current assets		**714,935**	**770,699**
Current assets			
Other receivables	9	8,820	6,970
Prepaid expenses		161	150
Loans to Group companies	8	-	1,479
Accrued income from Group companies		92,861	70,775
Cash and cash equivalents		18,144	2,252
Restricted cash		2,334	2,905
Total current assets		**122,320**	**84,531**
Total assets		**837,255**	**855,230**

* Comparative figures for the year ended 31 December 2010 have been restated after the completion in 2011 of fair value measurements of acquisitions in China. Refer to Note 7 for details.

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	2011	2010 Restated*
Shareholders' equity and liabilities			
Shareholders' equity			
Share capital	10	27,917	27,917
Share premium		348,568	366,126
Legal reserve		453,032	361,016
Retained earnings / (accumulated deficit)		-137,199	-132,890
Profit / (loss) for the year		-104,234	-37,455
Total shareholders' equity		**588,084**	**584,714**
Non-current liabilities			
Loan from credit institutions	11	40,676	58,651
Loan from shareholder	12	172,981	172,981
Total non-current liabilities		**213,657**	**231,632**
Current liabilities			
Current portion of loan from credit institutions	11	13,822	15,005
Interest payable		14,349	14,324
Accrued expenses		1,341	1,738
Deferred income	13	4,825	6,434
Accounts payable	9	771	628
Other payables	9	406	755
Total current liabilities		**35,514**	**38,884**
Total liabilities		**249,171**	**270,516**
Total shareholders' equity and liabilities		**837,255**	**855,230**

* Comparative figures for the year ended 31 December 2010 have been restated after the completion in 2011 of fair value measurements of acquisitions in China. Refer to Note 7 for details.

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 2010	**27,917**	**366,126**
Appropriation of prior year result	-	-
Gains from cash flow hedges	-	-
Net profit for the year	-	-
Translation adjustment	-	-
Balance at 31 December 2010 restated	**27,917**	**366,126**
Appropriation of prior year result	-	-
Change in non-controlling share of net assets	-	-
Gains from cash flow hedges	-	-
Net loss for the year	-	-
Dividend distribution	-	-17,558
Translation adjustment	-	-
Balance at 31 December 2011	**27,917**	**348,568**

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 (net of deferred tax) where the hedged transaction has not yet occurred. The reserve excludes 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).

in USD '000

Other reserves							
Revaluation reserve	**Hedging reserve**	**Translation reserve**	**Other reserves**	**Total other reserves**	**Retained earnings**	**Profit / (loss) for the year**	**Total shareholders' equity**
47,721	**-34,136**	**24,213**	**313,283**	**351,081**	**-129,419**	**28,360**	**644,065**
-	-	-	31,831	31,831	-3,471	-28,360	-
-	568	-	-	568	-	-	568
-	-	-	-	-	-	-37,455	-37,455
-	-	-22,464	-	-22,464	-	-	-22,464
47,721	**-33,568**	**1,749**	**345,114**	**361,016**	**-132,890**	**-37,455**	**584,714**
-	-	-	-33,146	-33,146	-4,309	37,455	-
-	-	-	-369	-369	-	-	-369
-	128,013	-	-	128,013	-	-	128,013
-	-	-	-	-	-	-104,234	-104,234
-	-	-	-	-	-	-	-17,558
-	-	-2,482	-	-2,482	-	-	-2,482
47,721	**94,445**	**-733**	**311,599**	**453,032**	**-137,199**	**-104,234**	**588,084**

The "other reserves" 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.

Equity available for distribution to the shareholders of Vimetco N.V. at 31 December 2011 amounts to USD 106,402 (restated 2010: USD 162,213).

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), except for the accounting principles for subsidiaries and associates. These are accounted for in accordance with principles as disclosed below.

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 excluded from the net equity value of the investment and is shown separately on the face of the statement of financial position.

3. Employees and salaries

6 employees, excluding directors, served the Company during the year ended 31 December 2011 and 7 employees during the year ended 2010. The personnel costs amounted to USD 770 in 2011 (2010: USD 735). 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 1,471 to the statutory auditors in 2011 (2010: USD 1,306) and additionally USD 548 to their network firms in 2011 (2010: USD 351). The Company also incurred expenses for non-audit services (mainly tax and other advisory services) amounting to USD 393 to the statutory auditors' network firms in 2011 (2010: USD 115).

5. Share in the results of investments

	2011	2010 Restated*
Alro S.A. (including shares held by its subsidiary Conef S.A.)	71,695	47,681
Everwide Industrial Ltd.	-177,873	-76,712
Global Aluminium Ltd.	1,928	-3,027
Vimetco Management GmbH	-386	-686
Vimetco Management Romania S.r.l.	72	-228
Vimetco Power Romania S.r.l.	-44	-33
Vimetco Trading S.r.l.	547	-141
Vimetco Ghana (Bauxite) Ltd.	-911	-
Balance at 31 December	**-104,972**	**-33,146**

* In 2011 the Group completed the fair value measurements of net assets for the new subsidiaries acquired in China. The share of loss in Everwide Industrial Ltd. in 2010 has increased by USD 1,993 due to the change in final fair values of assets acquired and liabilities assumed and the resulting increase in depreciation and amortisation expenses. For more details refer to the Note 2 and 26 to the Consolidated Financial Statements.

6. Goodwill

The movements in goodwill are as follows:

	2011	2010
Balance at 1 January	65,787	68,129
Disposal of subsidiary	-18,412	-
Translation adjustment	-416	-2,342
Balance at 31 December	**46,959**	**65,787**

On 3 May 2011, Global Aluminum Ltd. and its two 100% owned subsidiaries Sierra Mineral Holdings I Ltd. and Bauxite Marketing Ltd. were acquired by Alum S.A. - a subsidiary of Alro S.A. in Romania. Thus, Alro Group now controls the entire production chain, from bauxite extraction to primary and processed aluminium production.

in USD 000 except where otherwise mentioned

7. Investments

As of 31 December 2011 and 31 December 2010, 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%
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%
Vimetco Ghana (Bauxite) Ltd.	Ghana	100.00%

The movement in investments in subsidiaries is as follows:

	2011	2010 Restated*
Balance at 1 January	406,848	495,323
Dilution loss from changes in non-controlling share of net assets	-11,944	-
Establishment of Vimetco Ghana (Bauxite) Ltd.	48	-
Hedge accounting at Alro S.A.	128,013	568
Dividend payments	-49,081	-35,775
Translation adjustment	-2,066	-20,122
Share in result of investments	-104,972	-33,146
Balance at 31 December	**366,846**	**406,848**

* The share of loss in Everwide Industrial Ltd. for the year 2010 has increased by USD 1,993 due to the change in final fair values of assets acquired and liabilities assumed after the completion of fair value measurement. For more details refer to the Note 2 and 26 to the Consolidated Financial Statements.

8. Loans to Group companies

Loans to Group companies as at 31 December 2011 comprise two loans to Everwide Industrial Ltd., one to Vimetco Ghana (Bauxite) Ltd. and one to Vimetco Power Romania. The loan granted to Sierra Mineral Holdings I, Ltd, that was in balance as of 31 December 2010 has been fully repaid during 2011. The remaining loans are not secured. The 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.

Until May 2010 the loan to Everwide Industrial Ltd. had an interest rate of London Interbank Offered Rate ("LIBOR") plus 8% (2009: LIBOR plus 8%). Starting May 2010 the interest for this loan is LIBOR plus 6%. The interest rate for the loan to Sierra Mineral Holdings I, Ltd. in 2011 was 15% (2010: 15%).

	31 December	
	2011	**2010**
Loan to Everwide Industrial Ltd.	297,912	297,912
Vimetco Ghana (Bauxite) Ltd.	1,166	-
Vimetco Power Romania S.r.l.	209	-
Loan to Sierra Minerals I Holdings Ltd.	-	1,479
Balance at 31 December	**299,287**	**299,391**

9. Receivables and payables

	31 December	
	2011	**2010**
Other receivables		
Third parties	91	82
Group companies	8,729	6,888
Total	**8,820**	**6,970**
Accounts payable		
Third parties	612	490
Shareholder (Vi Holding N.V.)	159	138
Total	**771**	**628**

in USD 000 except where otherwise mentioned

	31 December 2011	2010
Other payables		
Third parties	13	14
Group companies	252	618
Related parties	141	123
Total	**406**	**755**

10. Share capital and share premium

The authorised share capital consists of 800,000,000 (2010: 800,000,000) common shares. All shares have a par value of EUR 0.10.

As of 31 December 2011 and 2010, 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

In August 2010 the Company signed a loan agreement with Raiffeisen Bank for a total long term financing in amount of USD 75,000. The loan was used for refinancing all existing facilities and has a maturity period of 5 years. The balance is due as follows:

Due date	Repayment installment
31 May 2011	20%
31 May 2012	20%
31 May 2013	20%
31 May 2014	20%
31 May 2015	20%
Total	**100%**

Each repayment installment will be applied against the outstanding loan pro-rata.

Repayments which will mature within 12 months from the end of the reporting period have been classified as a current liability.

In accordance with the current borrowing agreements, 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.

The Raiffeisen Bank agreement limits the dividends distribution to the lower of distributable net profit and 75% of the "Excess cash" computed in accordance with the provisions of the agreement.

In June 2011 Vimetco NV made an advance repayment in amount of USD 4,732, additional to the annual instalment of USD 15,000. This advance repayment was made in accordance with the provisions of the agreement signed with Raiffeisen Bank.

12. Loan from the shareholder

In 2011 and 2010, the loan from the shareholder is related to a credit facility granted by Vi Holding N.V. for a maximum amount of USD 250,000. USD 173,000 were drawn down mainly in connection with the financing of capital expenditure in China and the acquisition of Global Aluminium Ltd. The loan is subject to interest at LIBOR plus 5.75% (between September 2009 and 13 May 2010 it was LIBOR plus 7.75%) and is due for repayment on 31 May 2013. The loan is subordinated. The average interest rate in 2011 was 6.13% (2010: 6.73%).

13. Deferred income

Deferred income refers to fees received amounting to USD 11,929 for services related to the initial public offering during 2007. An amount of USD 1,609 was recognised as revenue in 2011 (2010: USD 1,609). This deferred income will be recognised until the end of 2014.

	2011	2010
Opening balance	6,434	8,043
Revenue recognition	-1,609	-1,609
Balance at 31 December	**4,825**	**6,434**

in USD 000 except where otherwise mentioned

14. Directors' remuneration

The remuneration of the individual members of the Board of Directors for the financial years 2011 and 2010 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 2011					
Independent directors					
B. Zonneveld	139	-	-	-	139
J. Currie	139	-	-	-	139
Executive directors					
M. Nastase	281	-	58	-	339
P. Machitski	229	-	48	-	277
F. Muller	151	-	20	-	171
Non-executive directors					
V. Machitski	-	-	-	-	-
G. Zhang	-	-	-	-	-
V. Agapkin	17	250	-	-	267
V. Krasnov	17	250	-	-	267
D. Sedyshev	-	-	-	-	-
I. Sventski	-	-	-	-	-
Total	**973**	**500**	**126**	**-**	**1,599**
Year ended 31 December 2010					
Independent directors					
B. Zonneveld	132	-	-	-	132
J. Currie	132	-	-	-	132
Executive directors					
F. Muller	312	-	37	-	349

	Gross periodical remuneration (salary and directors' fee)	Bonus [1]	Pension contributions	Distributions made on termination of the employment	Total
Non-executive directors					
V. Machitski	-	-	-	-	-
G. Zhang	-	-	-	-	-
V. Agapkin	16	-	-	-	16
V. Krasnov	16	-	-	-	16
D. Sedyshev	-	-	-	-	-
I. Sventski	-	-	-	-	-
Total	**608**	**-**	**37**	**-**	**645**

[1] including cash payments from incentive compensation scheme.

The above mentioned amounts are remunerations for periods of appointment as directors.

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

The number of granted RSUs under the incentive compensation scheme is as follows (reference is made to Note 19 to the Consolidated Financial Statements):

	Granted in 2011	**Balance of RSUs as of 31 December 2010**	Vested in 2011	Lapsed in 2011	**Balance of RSUs as of 31 December 2011**
Independent directors					
B. Zonneveld	-	-	-	-	-
J. Currie	-	-	-	-	-
Executive directors					
F. Muller	-	-	-	-	-
Non-executive directors					
V. Machitski	-	-	-	-	-
G. Zhang	-	-	-	-	-
V. Agapkin	-	32,831	-32,831	-	-
V. Krasnov	-	32,831	-32,831	-	-
D. Sedyshev	-	-	-	-	-
I. Sventski	-	-	-	-	-
Total	**-**	**65,662**	**-65,662**	**-**	**-**

Other Information

Independent auditor's report

Reference is made to the independent auditor's report as included hereinafter.

Statutory rules concerning profit appropriation

Distribution of profits

1. Profits shall be at the unfettered disposal of the General Meeting.
2. The Company may distribute the profits available for distribution to the shareholders and other persons with a claim to such profits only to the extent that the amount of the equity in the Company's shares exceeds the amount of the sum of the paid-up and called part of the capital plus the reserves that must be maintained by law.
3. Any distribution of profits shall be made after adoption of the Annual Accounts from which it appears that any such distribution is permitted.
4. The Company shall not make an interim distribution of profits unless the provisions of paragraph 2 have been satisfied.

Dividends

1. The dividend paid on shares may be claimed by the shareholder until four weeks after adoption of the Annual Accounts. Such claims shall become prescribed upon expiry of a period of five years. A dividend not claimed within a period of five years from the moment such claim may be entered shall vest in the Company.

Proposed result appropriation for the year

The Board of Directors proposes to allocate the result of the financial year 2011 to the retained earnings and not to pay any dividend.

Subsequent events

Reference is made to the Consolidated Financial Statements, Note 29.

Independent auditor's report

To: the shareholders of Vimetco N.V.

Report on the financial statements

We have audited the accompanying financial statements 2011 of Vimetco N.V., Amsterdam. The financial statements include the consolidated financial statements and the company financial statements. The consolidated financial statements comprise the consolidated statement of financial position as at December 31, 2011, the consolidated statements of comprehensive income, changes in total equity and cash flows for the year then ended, and notes, comprising a summary of the significant accounting policies and other explanatory information. The company financial statements comprise the company balance sheet sheet as at December 31, 2011, the company income statement for the year then ended and the notes, comprising a summary of the accounting policies and other explanatory information.

Management's responsibility

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Dutch Civil Code, and for the preparation of the Report of the Board of Directors in accordance with Part 9 of Book 2 of the Dutch Civil Code. Furthermore management is responsible for such internal control as it determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about 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, 2011 and of its result and its cashflows 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 Dutch 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, 2011 and of its result for the year then ended in accordance with Part 9 of Book 2 of the Dutch Civil Code.

Report on other legal and regulatory requirements

Pursuant to the legal requirement under Section 2:393 sub 5 at e and f of the Dutch Civil Code, we have no deficiencies to report as a result of our examination whether the Report of the Board of Directors, to the extent we can assess, has been prepared in accordance with Part 9 of Book 2 of this Code, and whether the information as required under Section 2:392 sub 1 at b-h has been annexed. Further we report that the Report of the Board of Directors, to the extent we can assess, is consistent with the financial statements as required by Section 2:391 sub 4 of the Dutch Civil Code.

Amsterdam, April 24, 2012

Deloitte Accountants B.V.

Already signed: P.J. Seegers

Statement of Management Responsibilities

To the Shareholders of Vimetco N.V.

Pursuant to the Listing Rules of the United Kingdom Listing Authority (UKLA), the Dutch Act on Financial Supervision ('Wet of het financieel toezicht' or 'Wft') and the Dutch Civil Code, the Company is required to prepare annual financial statements which present fairly, in all material respects, the state of affairs of Vimetco N.V. and its subsidiaries (together referred to as the "Group") at the end of each financial period and of the Group's results and its cash flows for each financial period. Management is responsible for ensuring that the Group keeps accounting records, which disclose, with reasonable accuracy, the financial position and which enable them to ensure that the financial statements comply with International Financial Reporting Standards (IFRS) as endorsed by the 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 44 to 145, 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 44 to 145 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 16 to 21 includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that the Company faces.

Pursuant to the art. 5:25c section 2 paragraph c under 1 and 2 of the Dutch Act on financial supervision ('Wet op het financieel toezicht' or 'Wft'), the management of the Company states that
To the best knowledge of the members of the Board of Directors:
1) the annual financial statements prepared in accordance with the applicable set of accounting standards give a true and fair view of the assets, liabilities, financial position and profit or loss of the issuer and the undertakings included in the consolidation taken as a whole and
2) the annual report includes a fair view of the situation on the position of the company and the undertakings included in the consolidation as a whole on 31 December 2011 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

Gheorghe Dobra
Chief Executive Officer

Marian Nastase
Chief Financial Officer

24 April 2012

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Cautionary notice

This Annual Report contains forward-looking statements, which do not refer to historical facts but refer to expectations based on management's current views and assumptions, and involve known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those included in such statements.

Many of these risks and uncertainties relate to factors that are beyond Vimetco's ability to control or estimate precisely, including but not limited to, Vimetco's ability to implement and complete successfully its plans and strategies and to meet its targets, the benefits from Vimetco's plans and strategies being less than those anticipated, the effect of general economic or political conditions, the actions of Vimetco's shareholders, competitors, customers, and other third parties, increases or changes in competition, Vimetco's ability to retain and attract personnel who are integral to the success of the business, Vimetco's IT outsourcing and information security, Vimetco's ability to address corporate social responsibility issues, fluctuations in exchange rates or interest rates, Vimetco's liquidity needs exceeding expected levels, compliance and regulatory risks and other factors discussed in this Annual Report, Risk management and internal control, Risk factors and in Vimetco's other public filings.

Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this Annual Report. Vimetco does not assume any obligation to update any public information or forward-looking statement in this Annual Report to reflect events or circumstances after the date of this Annual Report, except as may be required by applicable securities laws.

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