Annual Report 2012

vimetco

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

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Report of the Board of Directors

Financial Highlights

Consolidated Financial Statements		2012	2011
Sales	USD million	2,353	2,717
EBITDA[1]	USD million	314	426
EBITDA margin		13.4%	15.7%
Net (loss)/profit	USD million	-152	-75
Total assets	USD million	5,346	5,128
Shareholders' equity	USD million	1,073	1,281
Net debt[2]	USD million	2,440	2,293
Earnings per share	USD	-0.645	-0.475
Equity per share	USD	1.85	2.68
P/E[3]	**USD**	**(0.2)**	**(2.1)**
Share price at year-end	**USD**	**0.16**	**1.00**
Production			
Electrolytic aluminium production	metric tonnes	925,000	974,000
Processed aluminium production	metric tonnes	171,000	150,000
Alumina production	metric tonnes	414,000	484,000
Bauxite production	metric tonnes	776,000	1,321,000
Coal production	metric tonnes	744,000	1,482,000
Energy production	MWh	7,090,000	6,844,000
Average number of employees		17,006	17,122

[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

Letter from the Chairman

Dear Shareholders,

In my fourth letter to you I will write about the way Vimetco has managed to pass through the crisis. The last four years were characterized by a deep crisis followed by a sluggish global economy and afterwards by a slight recovery in some markets. These market trends, alongside with a production overcapacity inherited from better times, have impacted the aluminium prices in a manner which has put all companies in the sector under enormous operating pressures. The raw materials prices have continuously been increasing and especially the energy costs in the EU countries; in case of the financing costs the situation was the same and all of these were added to the companies' total burden.

Vimetco could not avoid these negative factors; however, the measures taken at the beginning of the crisis helped the Company to mitigate some of the effects of these negative impacts on our business. Despite the increase in the overall efficiency, we have witnessed a weak aluminium market that led to a decrease in sales to levels similar to 2010, of USD 2.35 billion, down from USD 2.7 billion, registered in 2011. The cost of sales decreased to USD 2.1 billion in 2012 from USD 2.4 billion as of 2011, leading to a gross profit of USD 234 million, down from USD 358 million in 2011. The aluminium quotation on the London Metal Exchange (LME) fell to an average of 2,018 USD/tonne in 2012, compared to a level of 2,398 USD/tonne in 2011.

Energy costs – the biggest challenge for 2012 and beyond

The factor that had the greatest impact in 2012 remained the raw material costs. The alumina market remained stable throughout the year, with prices varying from 303 USD/tonne to 333 USD/tonne, with an average of around 320 USD/tonne. As expected, we witnessed a significant increase in the imports in China, up to 5 million tonnes, mainly due to a robust demand.
Compared to the relatively stable alumina market, the energy costs increase was significant, especially for our Romanian segment. Energy efficiency investments implemented over the last six years in our Romanian operations helped us face a major disruption due to a prolonged drought in the summer of 2012. The drought forced our main hydropower supplier, Hidroelectrica, to reduce the energy supply up to 40% for several months during 2012 forcing us to rely on purchasing the needed energy on the spot market at inflated prices. The drought also forced Hidroelectrica into insolvency, a process that involved the re-negotiation of all its energy supply contracts, including the 3 TWh/year contract with Alro. The final agreement secured the energy supply for Alro until 2018, but has also led to a significant increase of the energy costs. The two parties agreed to a new formula for calculating the cost, which is linked to the aluminium prices quoted on the London Metal Exchange while specifying a clear floor and cap.

However, the improvements of the hydrological conditions towards the end of the year, coupled with the disappearance of some major consumers on the local market, generated a sharp decrease in the spot market prices, albeit in the absence of significant quantities available for trading on the energy exchange platform. As a consequence, currently Alro is paying higher prices compared to the spot market due to the new price formula as the LME volatility was lower than the volatility of the Romanian energy prices. We are currently analyzing further ways to reduce the energy costs. However, the combined effect of the energy costs increase, various energy-related taxes – including a co-generation tax as well as an overly generous renewable-energy subsidy in the form of 'green certificates' paid by all energy consumers in Romania – have led to Alro reporting its first loss in the last 20 years. The Romanian government, as an answer to the warnings raised by the major industrial players is currently reviewing the subsidy scheme with a view of offering a balanced support to renewable energy suppliers while ensuring the continual operation of the Romanian industry.

Our strategic focus – increasing value-added production while securing raw material sources

Along with ensuring the vertical integration of Vimetco operations by securing the raw material sources, we remain committed to our main objective - to increase the value-added products output.

Having concluded the agreement with the Sierra Leone government by which Vimetco's mining operations lease agreement is extended for another 20 years, we have also proceeded to restructure our bauxite mining operations. Starting the end of 2012, Vimetco-owned Sierra Mineral Holdings has a new management formed by experienced South African mining managers who have replaced the former Romanian management. While our mining operations were adversely impacted by the weather conditions last summer as well as by the operational issues related especially to the equipment adequacy to African climate, the bauxite flow to our Romanian refinery

significantly covered the operational needs of the smelter in Alro.
Another major objective of Vimetco is to reduce its environmental footprint and to remain in compliance with the tightest emissions limits following the best available techniques. As a member of European Aluminium Association Alro follows closely the development of the European environmental protection legislation and CO2 emission legislation which entered in the third phase of EU-ETS starting on 2013 with stricter requirements based on benchmarks.

One of the main highlights of Vimetco's 2012 results was the successful strategy of increasing the added-value products output. By the end of 2012, Vimetco has successfully produced the first hot rolled coil at its new Chinese hot rolling mill owned by Henan Zhongfu Industry. This hot line will enable all metal produced by the Company to be utilized and processed into high-added value end products.
Following the commissioning of its mill for the production of high added value rolled products, Henan Zhongfu Industry will be able to respond to the increasing demand on the Chinese market for aluminium drink cans and other products. The completion of the mill is another step towards fulfilling Henan Zhongfu Industry's long-term strategy of consolidating its position as an integrated aluminium producer. Overall, in China, Vimetco's production of processed aluminium has increased by around 6.3%, to 84,000 tonns.

Similar results were achieved in Romania, as Alro has increased its output of processed aluminium by 23%, to 86,000 tonnes.

State-of-the-art technology

Reducing specific consumption and increasing the efficiency represent, as always, the two main objectives of the Vimetco Research and Development teams both in China and Romania.

I am extremely pleased to announce that last year Henan Zhongfu decreased its smelters' energy consumption to the lowest level worldwide, following a commercial test of its new technology. The Research and Development Department at Henan Zhongfu Industry has successfully achieved "low-temperature low-voltage aluminum smelting technology." The project was co-financed by the Ministry of Science and Technology of the PRC and has secured the company's role as a leading innovation-oriented company, which pioneered the use of 400 kA new generation effective electrolyzers on an industrial scale in 2008. The R&D department in Henan Zhongfu is currently working towards developing the 500 kA electrolyzers for industrial scale use.
Implementing state of the art technology Vimetco reduced year by year its environmental footprint and remained in compliance with the tightest emissions limits requested by the best available techniques policy.

Uncertain market

The current conditions of the aluminium market reflect the global economy structural imbalances – high volatility, depressed demand in traditional markets such as the European Union, cautious forecasts for Asian markets. Under such circumstances and facing a continuous increase in the raw materials costs, Vimetco will continue to work towards improving efficiency and increasing value-added products output, while at the same time securing other raw material sources.
We fully believe that the key to our success lies in our state-of-the-art technology, as well as in our managers and employees who continue to deliver outstanding results in such difficult times.

Vitaliy Machitski
Chairman of the Board

Letter from the CEO

Dear Shareholders,

It is as always an honor for me to be able to write to you on the evolution of the company and its results.

The year 2012 was a challenging experience for our company as we faced an uphill battle, in order to achieve our operational and financial goals while facing a depressed market and a negative impact of operational costs increase due to higher energy and raw materials costs. The results reflect the difficulties we had to face, especially in our Romanian and Sierra Leone segments.

The Company achieved overall sales of primary aluminium of 785,000 tonnes or USD 1.7 billion, down from 850,000 tonnes in 2011, or USD 2 billion, while the processed aluminium products were down to 112,000 tonnes, or USD 357 million from 122,000 tonnes a year before, or USD 416 million.

We have, however, reasons for being optimistic. Our breakthroughs in increasing the efficiency of our Chinese operations, coupled with the successful launch of the new hot rolling mill at Henan Zhongfu Industry at the end of the last year represent two of such reasons. Another reason is represented by the newly appointed management team in Sierra Leone that brings in a wealth of experience in running mining operations.

I would like to go into some more detail on the success of our research and development team in China, as their results represent two industry firsts. Vimetco is the first company in the world to have been able to achieve “low-temperature low-voltage aluminum smelting technology”, in a commercial test of a new technology. As a result, the direct current consumption has decreased by 10.7% from 13,235 kWh/tonne. We are extremely thankful to the support we received from the Ministry of Science and Technology of the PRC in developing this project.

In order to increase the production of the high value-added products output and in this way to respond better to the demand on the Chinese market, Vimetco has invested in a cast house for slabs with an initial capacity of 380,000 tonnes and a 1 + 4 hot rolling mill with a capacity of 750,000 tonnes. The hot rolling mill has state of the art technology and was supplied by the German machine builder SMS/Siemag while the electrical components and control systems are from Siemens, Germany. The hot line will be able to roll coils close to 2,200 mm wide and a weight of more than 30 tonnes. The testing phase of the mill has started at the end of 2012 and will continue in 2013, prior to reaching full operational capacity. The mill will ensure that all the metal produced by Vimetco in China will be used for high value-added products.

Alongside increasing efficiency and diversifying the product range, one of Vimetco’s constant objectives remained ensuring its raw materials supply. Last year we have successfully concluded the extension of our leasing agreement for the mining fields in Sierra Leone for a 20-year term. This agreement will ensure that our Romanian segment has all the necessary bauxite supplied at predictable costs and required quality. The new Vimetco management in Sierra Leone is currently in the process of improving the operations to better answer to the challenges related to specific African climate and unreliable infrastructure, especially during the rainy season, as these were two of the factors that mostly impacted the reliability of production in the past year.

Absorbing increasing energy and energy-related costs were the biggest challenges for our Romanian operations in 2012. Two major factors – one objective and one subjective – impacted these costs in Romania. The first, the objective one, is represented by the drought. In 2012, Romania witnessed one of the longest dry periods in the last 50 years, with a direct result in the hydropower output, which was reduced by up to 60%. The drought impact forced Hidroelectrica, our main energy supplier in Romania, to file for insolvency in June 2012, to drastically reduce its supply to customers and to re-negotiate the existing supply contracts. As a result, in August, Alro and Hidroelectrica reached an agreement by which Hidroelectrica will continue supplying 3TWh of energy per year until 2018.

However, due to the return to a normal hydrological profile, combined with a reduction of the demand for energy on the Romanian energy exchange platform, the current prices paid by Alro are higher than the average spot market prices. Vimetco will continue to explore the ways to align the price with the market tendencies.

The second factor, the subjective one, is represented by the energy-related costs deriving from various taxes that the Romanian industrial consumers have to pay. Two major components – the co-generation tax and the “green certificates” over generous subsidy scheme – combined with a relative weak aluminium price has had a serious impact on our margins. As a result of these factors, Alro has reported its first loss in over two decades for the fiscal year 2012.
The operational and strategic measures we took to offset the negative impact of the energy costs as well as the market

conditions were focused on two main areas – increase efficiency and increase the high-value added production.

As a result, the overall production of the primary aluminum was lower for 2012, compared to 2011, both in China and Romania. In China, Vimetco produced approximately 665,000 tonnes of primary aluminium, in 2012, down from 731,000 tonnes of primary aluminium in 2011, and 84,000 tonnes of processed aluminium, up from 79,000 tonnes in 2011.

In Romania, the output of processed aluminium increased to 86,000 tonnes, from 70,000 tonnes, the previous year. The production of primary aluminium was slightly down to 248,000 tonnes, from 261,000 tonnes, in 2011. Alum, the alumina refinery in Romania, produced 414,000 tonnes of alumina, down from 484,000 tonnes in 2011.

We will continue to focus on improving our efficiency as well as on increasing the production levels of our high added-value products. We will also continue our investments in the R&D efforts, especially in China, in order to develop the 500 kA electrolyzers for industrial scale use.
We are confident that this strategy will consolidate our position as a major player in the international aluminium market and that we will be able to benefit from the future re-bound in the global economy.

Gheorghe Dobra
Chief Executive Officer

Sustainable development

Vimetco is constantly pursuing its long-term development strategy implemented by the Group in all its units in China, Romania and Sierra Leone. The Company focuses on consolidating its position as a vertically integrated aluminium producer, by securing the necessary raw materials for current and future activity, and delivering high added value products. Vimetco is acting responsibly towards preserving the environment and supporting the communities where it operates and the local economies.

Operating in a highly competitive international market, Vimetco focuses on identifying the best solutions for cost savings and for increasing the efficiency of the production processes, while safeguarding the environment.

Business sustainability

Vimetco is a vertically integrated international Group with its own production of bauxite, alumina, coal, power and aluminium. The Company developed its own raw material production units, operating its own energy plants in China, holding a bauxite mine in Sierra Leone and an alumina refinery in Romania. Vimetco focuses its production activity on delivering high value-added products, both in primary and processed sectors. The Company is constantly improving the quality of products and services, having a wide range of aluminium products in the primary sector, including billets, wire rod, slabs and in the processed sector, such as plates, sheets, coils and extrusions.

With a favourable geographic positioning, with long standing expertise in high added value products and with a vertically integrated business model, Vimetco is able to offer increased value to its stakeholders (customers, employees, shareholders and local communities).

International presence

Vimetco has production assets in China, Romania and Sierra Leone, a holding company in The Netherlands, being well positioned to cover the demand of its international customers. Having 17,000 employees, Vimetco NV controls annual production capacities of up to 1.1 million tons of electrolytic aluminium, 340,000 tons of processed aluminium products, 600,000 tons of alumina, 1.7 million tons of bauxite, 2.25 million tons of coal, 7.9 million MWh of electricity and 318,000 tonnes of baked anodes per year.

The Company pursues the corporate governance principles and it does business in a fair manner, 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 five 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 coalmines, 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, 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, Tulcea. In 2012, Vimetco finalized the short list of contractors for the construction of the gas-fired power plant in Tulcea, Romania. Three companies were selected. However, due to the deterioration of the international aluminium market, the project did not advance during 2012; nevertheless, at the moment this project is in process of re-evaluation.

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

The overall objective of the EAA is to actively engage with EU decision-makers and the wider policy community to promote the outstanding properties of aluminium and optimise the contribution our metal can make to meeting Europe's sustainability challenges.

Long-term strategy

Vimetco is committed to continue its focus on becoming a fully integrated aluminium producer, with the goal to achieve full integration and ensure all necessary raw materials for its operations.

In 2012, the Company further consolidated its production capacities, worked towards diversifying its products portfolio and towards identifying opportunities for further securing the necessary raw materials, both bauxite and electricity.

Thus, in 2012, the Company's bauxite producing subsidiary, Sierra Mineral Holdings I Ltd. (SMHL), signed an updated Mining Lease Agreement with the Government of Sierra Leone. Under this agreement the Company's Mining Lease, of 321 square km in the Mokanji area of Sierra Leone, will be granted for a period of 20 years from the effective date, while the perimeters remain the same. The updated lease brings SMHL up to date with the latest legislation in the mining and minerals field in Sierra Leone.

Vimetco also supports the local community, via SMHL Foundation, and takes part in building the infrastructure,

community halls, water wells and other facilities in the regions where the Company operates.
In Romania, the Company concluded, last year, the negotiations with Hidroelectrica for the electricity supply of three TWh/ year until 2018 and signed the addendum to the contract with the electricity producer, thus ensuring the electricity supply for the aluminium production.
In line with its strategy to expand the high added value production Vimetco commissioned a state of the art aluminium mill that began the production of hot rolled coils by the end of 2012.

Research and development

The research and development programme implemented by Vimetco has two major components: continuous improvement of the product range, quality and services, on the one hand, and on the other hand, reducing specific consumption and increasing energy efficiency of the operations.
Vimetco's units in China and in Romania are qualified to deliver a wide range of aluminium products that meet the requirements of the most demanding customers, in terms of quality, and services. Vimetco is investing in the diversification of the product range, placing a strong emphasis on research and development. Vimetco's products hold the quality certifications from the most prestigious institutes in the respective fields, such as NADCAP certificate for aerospace industry or ISO 9001.
The Romanian unit, Alro is a member of Aluminim REACH Consortium, an organisation that assists 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).
In terms of efficiency of the operations, Alro has constantly tried to reduce the electricity and gas consumption per tonne of aluminium. Over the past years, the Company invested in increasing electric power intensity to the active electrolysis pot room series up to 120 kA, with the support of the Research and Development Department. This led to higher production efficiency with a direct impact on reduction of the unit's energy consumption.
In its turn, Vimetco's Henan Zhongfu reached the most advanced level in energy efficiency. The Research and Development Department at Vimetco's Henan Zhongfu Industry has successfully achieved 'low-temperature low-voltage aluminum smelting technology'. As a result, the DC (direct current) consumption has decreased to 11,819 kWh/tonne of aluminium, down by 10.7% from 13,235 kWh/tonne. The project was co-financed by the Ministry of Science and Technology of the PRC and passed the exam and appraisal of an expert team organized by the China Nonferrous Metals Industry Association (CNIA).

Health and safety

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

Quality

Vimetco places a strong emphasis on the quality of all its products, implementing a complex control policy programme for its units.
The Group's teams achieved significant results in improving quality throughout the production chain from raw material to finished products and services.
In Romania, Alro'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 ISO 14001 certified.

Environment

Vimetco is constantly working towards maintaining a low impact on the environment, as it is aware of its responsibility towards the communities where it operates. All its units work in compliance with the respective rules and regulations and implemented self-monitoring techniques in order to maintain compliance.
Its Romanian unit, Alro, developed programs for the self-monitoring of the environmental impact factors and of the work related noxious emissions in cooperation with the Local Environmental Protection Agency and Local Public Health Authority. Alro has the Integrated Environmental Permits, representing the acknowledgment of the company's complex long-term investment plan.
Alro also holds the ISO 14001 certification for the environmental protection management. Alro is also involved in global environmental-related activities by cooperating actively with international organizations, which are in charge of reduction of greenhouse gas emissions and of the entire range of pollutants generated by the company facilities.
Moreover, Vimetco's Romanian operation implemented a programme to increase processing of scrap aluminium, in Slatina, to over 100,000 MT/year.
Vimetco's Chinese operations implemented state of the art technology, that is in full compliance with the environment requirements and place the units among the most advanced in respect to environment protection in the country. Henan Zhongfu Industry is ISO 14001 certified for environmental management system.
In Sierra Leone, the Company works in full compliance with international standards applicable in this field. Using best available mining methods, Vimetco ensures its operations are conducted under strict

environmental controls. The Company does re-greening of mined land and participates in the social development of local communities.
The SMHL Foundation is financing the development of the communities around the mining facilities, including infrastructure, social facilities etc.

Greenhouse gas emissions

Vimetco has invested in state of the art technology that indirectly has a positive impact on environment protection, by reducing the impact of 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

As part of its development strategy, Vimetco is continuously investing in reducing energy consumption and in increasing energy efficiency of its operations. Both its Chinese and its Romanian units invested in reducing the energy consumption per tonne of aluminium, in order to reduce production costs and to maintain their competiveness on the international market.
Vimetco's Chinese operations continued the investment projects in production capacities and product quality, and made a significant step towards reducing electricity consumption, to 11,819 kWh/tonne of aluminium, down by 10.7% from 13,235 kWh/tonne.
In their turn, the Romanian units reduced significantly the electricity and gas consumption, over the past years, Moreover, Alro has increased electric power intensity to the active electrolysis pot room series up to 120 kA.

Employees

At the end of 2012, Vimetco employed 17,000 people in Asia, Europe and Africa. Vimetco places all its employees on the top of its priorities, constantly investing in work safety and security, in protection equipment, safety materials and health and safety training programmes. Beside the protection programmes, the Company is conducting regular internal safety audits to determine the compliance with the safety and security standards. The Company is committed to ensuring the best working conditions for all employees in compliance with the international standards.
Moreover, the Company has complex training programmes that ensure all employees are trained to work with best available equipment and latest techniques available.
Vimetco is also committed to ensuring inter-generation equity and prohibits forced labour, does not employ persons under the age of 15, does not discriminate on the grounds of age, colour, gender, origin, marital status, sexual orientation etc., protects against physical, mental and emotional abuse amongst employees (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 considers the local communities where it operates as the Company's partners and is committed to work towards improving the life of the people living in the areas where the Group operates.
The well-being of the people reflects the success of our business, and Vimetco is actively involved in the lives of the local communities, supporting their development, implementing the specific projects, including education, health and infrastructure.
In Romania, the Company is constantly involved in the lives of the communities where it operates, focusing its corporate social responsibility programme on major programmes, from rebuilding homes destroyed by natural disasters, to education and health initiatives.
In Sierra Leone, the Company contributes to the Agricultural Development Fund, and to a Foundation focusing on community development projects in the mining area.
In China, the Group invested in a local fund set up with the purpose of financing the construction of the Art Centre and the Central Library in Gongyi.

Business Review

In 2012, Vimetco continued to implement its long-term strategy of focusing on expanding the range of processed products, while further securing the necessary raw materials and taking the necessary measures to reduce the operating costs. The Company placed a strong emphasis on research and development, managing to cut the specific consumptions per tonne of aluminium.

Despite the increase in overall efficiency, Vimetco witnessed a weak aluminium market that led to a decrease in sales to levels similar to 2010, of USD 2.35 billion, down from USD 2.7 billion, recorded in 2011. Consequently, the cost of sales decreased to USD 2.1 billion, in 2012, from USD 2.4 billion, the previous year, leading to a gross profit of USD 234 million, down from USD 358 million in 2011. The aluminium quotation on the London Metal Exchange (LME) fell to an average of 2,018 USD/tone, in 2012, compared to a level of 2,398 USD/tone, in 2011.

The Company achieved overall sales of primary aluminium of 785,000 tonnes, or USD 1.7 billion, down from 850,000 tonnes in 2011, or USD 2 billion, while the processed aluminium products were down to 112,000 tonnes, or USD 357 million from 122,000 tonnes a year before, or USD 416 million.

Last year, Vimetco further addressed the difficult aluminium market conditions by investing in developing its technological capabilities in order to achieve the best specific consumptions, translated into lower production costs. The Company reached an engineering breakthrough at its Chinese unit, leading to lower electricity consumption and improved energy efficiency in its Romanian units as well.

Besides the higher energy efficiency, Vimetco further consolidated its supply of bauxite, signing the updated mining lease agreement in Sierra Leone for the next 20 years. As a result, the Company secured a significant part of the bauxite supply for the Romanian unit.

Financial results

Vimetco' sales have decreased by approximately 13% in 2012, to USD 2.35 billion, with the cost of sales decreasing as well by 10%, compared to 2011. As a result, the Group's gross profit stood at USD 234 million, down from USD 358 million, in 2011. The cut in costs and improvement of efficiency in operations led to an EBIT at the same level as in 2011 (USD 171 million, compared to USD 177 million), while the EBITDA stood at USD 314 million in 2012.

However, the finance costs increased to USD 392 million from USD 256 million in the previous year, resulting in a net loss of USD 152 million in 2012. A negative impact in the financial result came from the change in fair value of the derivatives embedded in the energy supply contract concluded by Alro with its main electricity supplier.

In 2012, Vimetco continued its strategy of focusing on products with higher margins, both in primary and processed sectors. This translated into an increased price per tonne, for this specific segment of products, generating better income. However, the slowdown in demand was translated into lower output and sales in 2012. The production of primary aluminium reached 913,000 tonnes in 2012, down from 992,000 tonnes in 2011, while the production of processed aluminium increased to 171,000 tonnes, from 150,000 tonnes in 2011. As a reaction to the depressed market, the alumina production decreased to a level of 414,000 tonnes from 484,000 tonnes in 2011, covering the Romanian segment needs, while the bauxite production decreased to 776,000 tonnes, from 1,321,000 tonnes.

Financial position

The Group's total assets increased by 4% or USD 218 million, to USD 5.3 billion in 2012, from USD 5.1 billion in the previous year, with the total cash staying at USD 912 million, from USD 746 million in 2011.

In 2012, Vimetco's Chinese subsidiary Henan Zhongfu Industry successfully closed its RMB 1 billion (USD 159 million) bond issue, (five year, 7.50%), with a 100% subscription. The company completed the issue through an online public offering for public investors and an offline coupon rate inquiry with institutional investors. The issue was part of the Chinese unit strategy to strengthen its financial position.
Last year, the Group's total equity stood at USD 1.08 billion, down 16% from 2011, when it reached USD 1.28 billion, while total liabilities increased 11%, to USD 4.27 billion, from USD 3.85 billion.

China segment

Vimetco's Chinese unit, Henan Zhongfu Industry is among the 500 biggest companies in China and is one of the biggest local aluminium producers controlling a production capacity of 815,000 tonnes of electrolytic aluminium. The Group has smelting plants in Gongyi and Linzhou and processing facilities in Zhengzhou, with a capacity of 150,000 tonnes cold rolled products and casting facilities. Vimetco also controls mining facilities with a capacity of 2.25 million tonnes p.a. of coal, 3 x 300 MW coal-fired power stations in Gongyi, and an anodes plant producing 150,000 tpa of green anodes. It also has significant shareholding in 2 x 300 MW coal-fired power stations in Linzhou (jointly held with Datang).
Henan Zhongfu Industry Co and Chalco Henan Aluminium Fabrication Co run a joint company Henan Zhongfu Specialized Aluminium Products Co, in Zhenzhou, to produce aluminium rolled products, with 120,000 tpa capacity.
For the past six years, Vimetco has

implemented its investment programme in China focusing on increasing the product range and quality, particularly in the high added value segment. The Group focused on the construction of a new rolling mill with 750,000 tonnes of hot rolling capacity and 450,000 tonnes of cold rolling capacity. The installation of the 450,000 tonnes of cold rolling capacity and finishing equipment is due for completion at the end of 2014.

In China, Vimetco produced approximately 665,000 tonnes of primary aluminium, in 2012 down from 731,000 tonnes of primary aluminium in 2011, and 84,000 tonnes of processed aluminium up from 79,000 tonnes in 2011.

Last year, Henan Zhongfu decreased its energy consumption to the lowest level worldwide, following a commercial test of new technology. The Research and Development Department at Henan Zhongfu Industry has successfully achieved “low-temperature low-voltage aluminum smelting technology”. As a result, the direct current consumption has decreased to 11,819 kWh/tonne of aluminium, down by 10.7% from 13,235 kWh/tonne.
The project was co-financed by the Ministry of Science and Technology of the PRC and passed the exam and appraisal of an expert team organized by the China Nonferrous Metals Industry Association (CNIA). This achievement also secured the company’s role as a leading innovation-oriented company, which was a pioneer in using 400 kA new generation effective electrolyzers on an industrial scale in 2008. The R&D department in Henan Zhongfu is currently working towards developing the 500 kA electrolyzers for industrial scale use.

By the end of 2012, Vimetco successfully produced the first hot rolled coil at its new hot rolling mill at its Chinese unit, Henan Zhongfu Industry. The company has invested in the cast house for slabs with an initial capacity of 380,000 tonnes and a 1 + 4 hot rolling mill, with a capacity of 750,000 tonnes. The hot rolling mill has state of the art technology, supplied by German machine builder SMS/Siemag and the electrical components and control systems from Siemens, Germany.
The hot line will be able to roll coils close to 2,200 mm wide and weighing more than 30 tonnes. The hot line will enable all metal produced by the Company to be utilised and processed into high-added value end products.
Following the commissioning of its mill for the production of high added value rolled products, Henan Zhongfu Industry will be able to serve the Chinese market for aluminium drink cans and other products. The completion of the mill is another step towards fulfilling Henan Zhongfu Industry’s long-term strategy of consolidating its position as an integrated aluminium producer.

Romania and Sierra Leone (Romanian segment)

Vimetco’s operations in Romania cover most of the aluminium production chain. The Group owns an alumina refinery at Alum, in Tulcea, primary and processed production facilities at Alro, in Slatina, and extruded products at Vimetco Extrusion, in Slatina.
In order to ensure the long-term viability and predictability of its business, and also to achieve a tighter cost control, Vimetco integrated the Sierra Leone mining operations under the structure of the Romanian entities, in 2011. Bought in 2008, the bauxite mine in Sierra Leone, with a resource base of approximately 31 million tonnes of bauxite, produced approximately 776,000 tonnes last year, compared to 1.3 million tonnes in 2011. The bauxite mine ensures the necessary raw material for the alumina refinery in Romania.
Last year, Sierra Minerals signed an updated Mining Lease Agreement (MLA) with the Government of Sierra Leone. Under this agreement the Company’s Mining Lease, of 321 square km in the Mokanji area of Sierra Leone, will be granted for a period of 20 years from the effective date, while the perimeters remain the same.
Focusing on increasing efficiency of the operations, the Group hired a new management team for the mining operations in Sierra Leone, comprised of experienced personnel, with a successful track record of working in this field in the region.

In 2012, the Romanian aluminium producer, Alro capitalized on its significant investments made in Romania, and was able to meet its operational targets, despite the challenging international market conditions. The unit improved the product portfolio and services, increasing the output of processed aluminium to 86,000 tonnes, from 70,000 tonnes, the previous year. The production of primary aluminium was slightly down to 249,000 tonnes, from 261,000 tonnes in 2011. Alum, the alumina refinery in Romania, produced 414,000 tonnes of alumina, down from 484,000 tonnes in 2011. Besides the improvement of the product portfolio and increase of production for high added value, Alro continued its programme of reducing the energy consumption. The improvement efforts will continue, including plans to optimize production and performance in the Company’s operations.
However, unforeseeable external factors, such as those linked to the energy supply and taxes, influenced our overall costs, impacting the final result. The severe drought that affected Romania during the first half of 2012 forced the Company to purchase a significant quantity of energy on the Day Ahead Market and from the Balancing Market at higher costs. Alro and its main electricity supplier renegotiated the contractual clauses and reached an agreement for 3 TWh/year of green energy until 2018.
The green energy incentives schemes, as well as other taxes on electricity became a significant issue, which added to the total costs of the utilities.
In order to ensure long-term viability of its business, Vimetco continues its efforts to become energy independent in Romania. Although the Company temporarily idled its plans to build its own power plant in Tulcea, the Group is now analyzing the project for the power cogeneration plant of 250 MW at Alum Tulcea.

Ghana segment

In 2012, due to unsatisfactory evolution of the business, the Group decided to stop the current activity in Ghana.

Outlook

Despite the severe deterioration of the international aluminium market, witnessed in 2012, Vimetco remains faithful to its long-term strategy of vertical integration and consolidation of business. The Company directs its efforts towards improving technology through research and development and is committed to remaining a pioneer in the high efficiency aluminium production.

This will further consolidate its position on the international aluminium market, while reducing costs and improving overall efficiency of the operations. This is expected to offer the Company a more solid basis, given the current market conditions, with the LME quotations for aluminium reaching new lows of USD 1,850/tonne, in March 2013.

The Group will continue to work towards improving efficiency and quality of its products, while making the organization leaner. Thus, Vimetco is preparing to take the most appropriate measures in line with the Group's strategy, depending on the international aluminium market evolution.

Corporate Governance

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

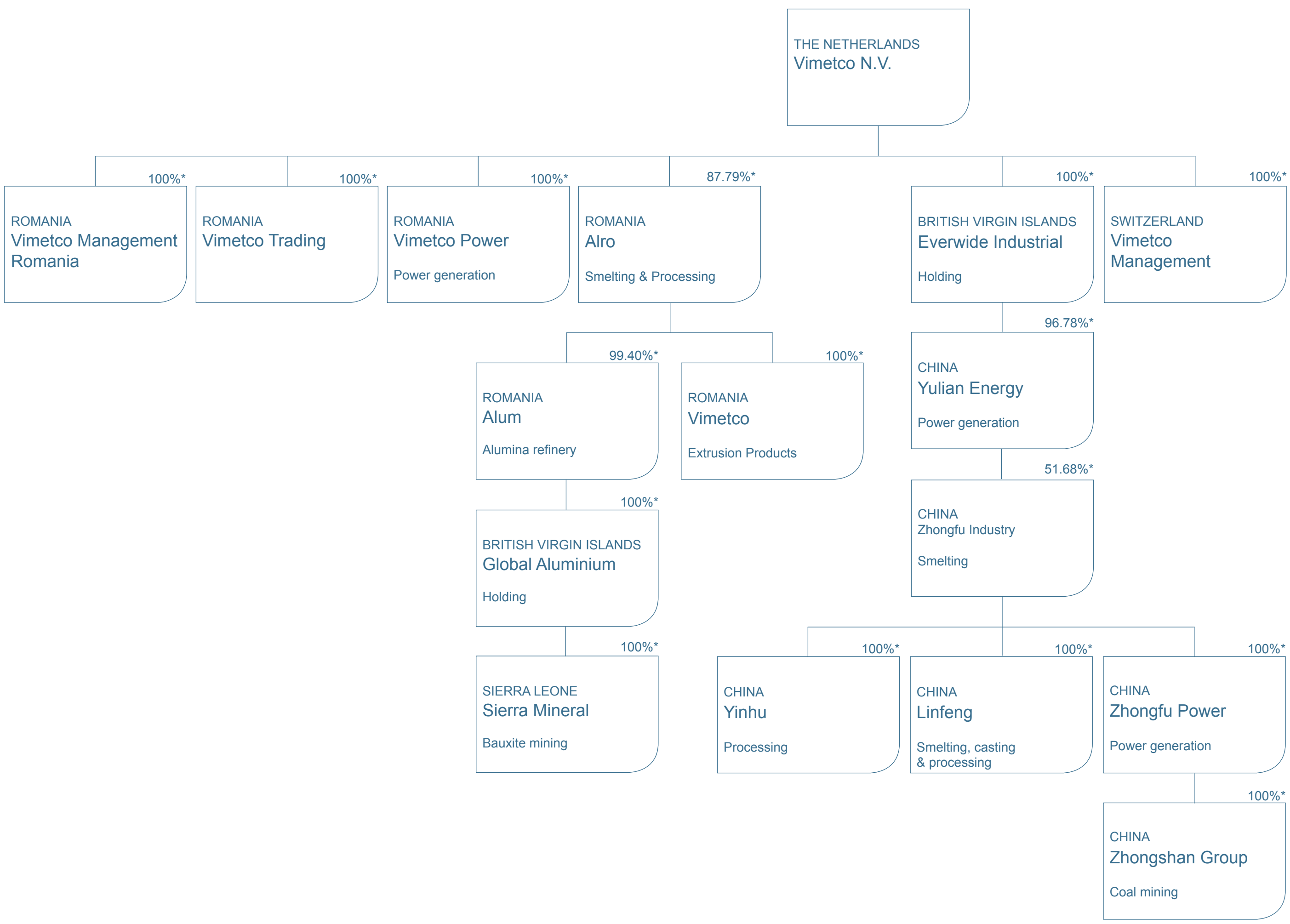
Share Capital

Vimetco's issued share capital on 31 December 2012 amounted to EUR 21,948,472, split into 219,484,720 common shares of EUR 0.10 each. Each share gives the right to cast one vote. Pre-emptive rights accrue to shareholders upon the issue of shares against payments in cash. As a result of the Initial Public Offering in 2007 ("the Offering"), the GDR Depository, J.P. Morgan Chase Bank, N.A., issued global depository receipts ("GDRs") 58,192,034 out of which (26.5% 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.

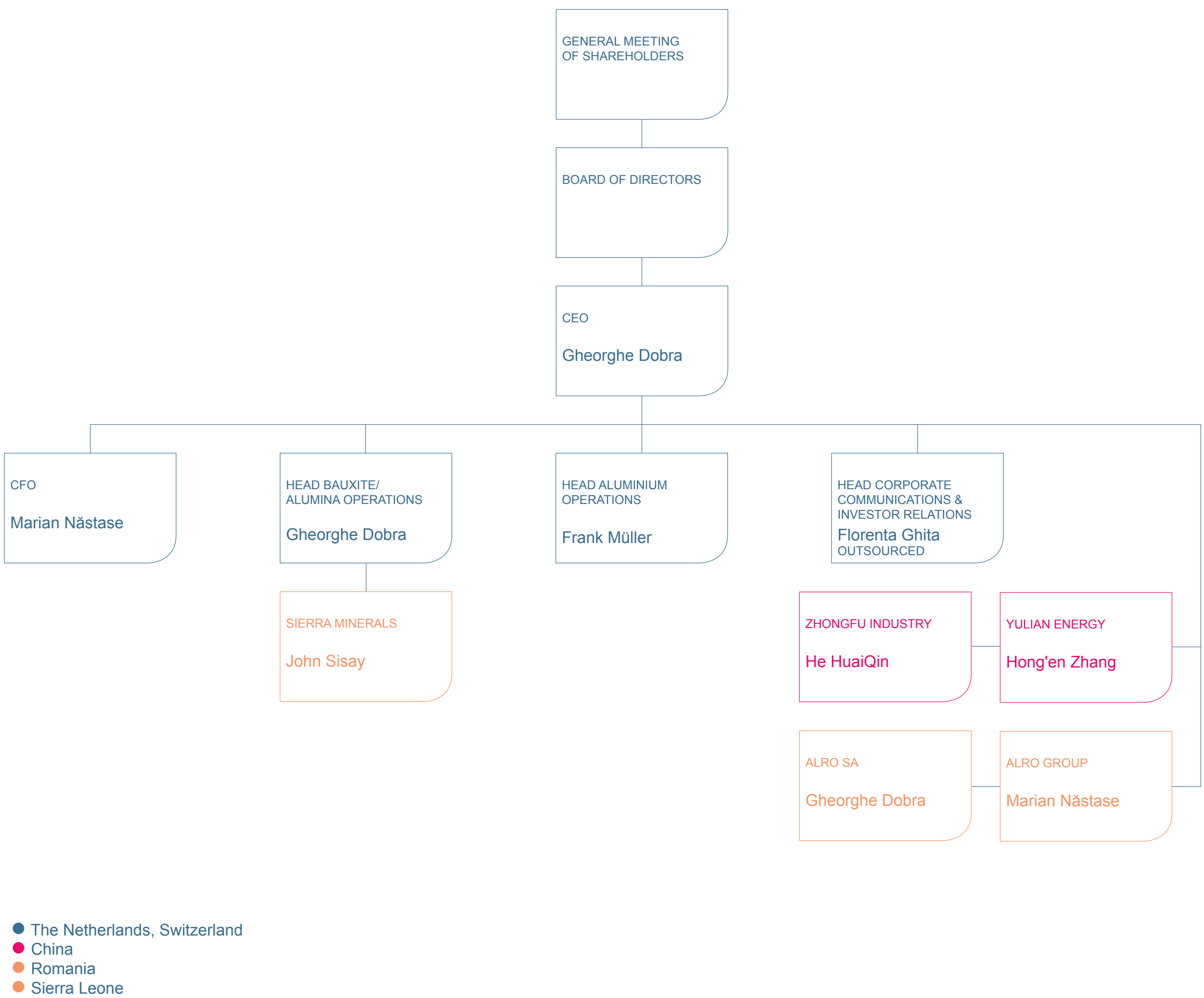
Shareholders

Significant shareholders in 2012 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 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. 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

Simplified Group structure (as of 31 December 2012)



Organisational chart (as of 31 December 2012)



acquisitions, and any other factors the Board of Directors considers relevant. Due to the nature of Vimetco's strategy, focus on growth and the structure of earnings, dividend distributions may vary from year to year.

The Annual General Meeting held on 21 June 2012 reviewed the Annual Report 2011 and adopted the 2011 Annual Accounts of Vimetco NV. Although the general intention of the Group is to distribute approximately 20% of the consolidated income of the Group on average over the aluminium price cycle to shareholders, in deviation from the dividend policy, due to absence of profits in 2011 Vimetco N.V. did not make any appropriation of profits to the shareholders and holders of depository receipts for shares of Vimetco N.V. At the mentioned Annual General Meeting, the Company fixed the number of the members of the Board of Directors at 11 and reappointed the existing members of the Board for the new term of one year with preservation of their titles. The remuneration policy was also amended as it was proposed by the Remuneration Committee of the Board of Directors to make it possible for the Board of Directors to indemnify a member of the Board of Directors. It also authorised the Board of Directors to purchase and maintain insurance, on behalf of any member of the Board of Directors, against any liability asserted against such member of the Board of Directors and incurred by him or arising out of his capacity as member of the Board of Directors.

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 2012:

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.
According to this agreement any of Vimetco's shares transferred by either Willast Investments Limited or Vi Holding N.V. are subject to mutual pre-emptive rights;
– Vimetco and its subsidiary Alro are a 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.

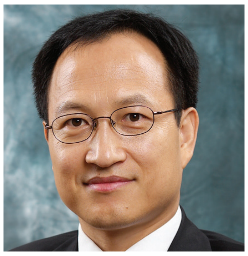
Board of Directors


Vitaliy Machitski


Gheorghe Dobra


Marian Năstase


Pavel Machitski


Gaobo Zhang


Bernard Zonneveld


Valery Krasnov


James Currie


Vyacheslav Agapkin


Denis Sedyshev


Igor Sventski

Vitaliy Machitski

Chairman, Non-Executive Director (not independent within the meaning of Dutch Corporate Governance Code).
Elected until: Annual General Meeting of 2013.
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: 58
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.

Gheorghe Dobra

Executive Director (not independent within the meaning of Dutch Corporate Governance Code).
Elected until: Annual General Meeting of 2013.
Date of initial appointment as a member of Vimetco's Board of Directors: January 16, 2012.
Romanian nationality; age: 54
Mr. Dobra is the Chief Executive Officer of Vimetco N.V. and the General Manager of Alro S.A. He was appointed as Acting CEO of the Company on 29 June 2011, and as CEO of the Company on 16 January 2012. Mr. Gheorghe Dobra has served as Alro General Manager since 1993.
He has been a member of the Board of Directors of Alro S.A. since 1993.
Mr. Dobra has 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.
Current directorship positions in other companies: Alro SA, Alum SA (chairman), Vimetco Ghana Bauxite (chairman), Vimetco Power Romania (chairman).
Directorship positions in other companies within the past five years: Sierra Mineral Holdings 1 Ltd.

Marian Nastase

Executive Director (not independent within the meaning of Dutch Corporate Governance Code).
Elected until: Annual General Meeting of 2013
Date of initial appointment as a member of Vimetco's Board of Directors: June 22, 2011
Romanian national; age: 41
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 (chairman), Vimetco Management Romania SRL, Vimetco Trading SRL, Everwide Industrial 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 2013
Date of initial appointment as a member of Vimetco's Board of Directors: June 22, 2011
British national; age: 30

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 the Group companies.
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: Alro SA, Alum SA, Vimetco Management Romania SRL, Vimetco Trading SRL, Vimetco Power Romania SRL, Sierra Mineral Holdings 1 Ltd.
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 2013.
Date of initial appointment as a member of Vimetco's Board of Directors: June 20, 2007.
Chinese national; age: 48
From November 2003 to June 2007, Mr. Zhang served as the Chairman of Henan Yulian Energy Group Co., Ltd .
He previously served as Deputy Chief of the Policy Division of Hainan Province, Deputy Chief of the Financial Markets Administration Committee of the Hainan

Branch of the People's Bank of China and Chairman of the Hainan Stock Exchange Centre. Mr. Zhang holds a degree in science from Henan University and a master's degree in economics from Peking University.
Current directorship positions in other companies as at 31 December 2012:
CCA Chile inversion y Desarrollo Minero S.A., Panlink Investments Limited, Oriental Patron Development HK Limited, Oriental Patron Development Limited, Everwide Industrial Limited, Crown Honor Holdings Limited, OP Capital Investments Limited, Oriental Patron Management Services Limited, OP Investment Service 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), Oriental Patron Resources Investment Limited, Willast Investments Limited, Ottness Investments 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.
Additional Directorship positions in other companies after 31 December 2012:
Prosper Gain Holdings Limited, River King Investments Limited.
Directorship positions in other companies within the past five years: Oriental Patron Select (OPS) 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, Entrepeneur Investments Limited, Excel Perfect Investments Limited, Valueworth Ventures Limited.

Bernard Zonneveld

Non-Executive Director (independent within the meaning of the Dutch Corporate Governance Code).
Elected until: Annual General Meeting of 2013.
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: 56
Since May 2007, Mr. Zonneveld has served as Managing Director/ Global Head of Structured Metals & Energy Finance at ING Bank's Commercial banking division in Amsterdam. Mr. Zonneveld joined ING Group in 1993 and since then he has 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 2013.
Date of initial appointment as a member of Vimetco's Board of Directors: June 20, 2007.
Russian national; age: 69
Mr. Krasnov serves as CEO of Rinco Holding Management Company, LLC and is Chairman of the Board of Vi Holding, LLC, Russia. Previously he held senior positions at a number of Russian companies, including OJSC Rosinvestneft, where he served as First Vice President and General Director. From 1991 to 1993, Mr. Krasnov was Chief of Secretariat of the Vice-President under the Russian Federation Presidential Administration. He also held several senior diplomatic positions in the Ministry of Foreign Affairs and Russian Embassies around the world. He finished his diplomatic career as Minister-Counsellor, Extraordinary and Plenipotentiary. Mr. Krasnov holds a degree in international economics from Moscow State University and a diploma from the Diplomatic Academy under the Ministry of Foreign Affairs. He is the author of a number of books and publications on political studies.
Current directorship positions in other companies: Vi Holding, LLC; Rinco Holding Management Company, LLC.
Directorship positions in other companies within the past five years: Tur Energy A.Ş ., Bosphorus Gas Corporation A.Ş.

James Currie

Non-Executive Director (Independent within the meaning of Dutch Corporate Governance Code).
Elected until: Annual General Meeting of 2013.
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: 71.
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 Chairman and Senior Adviser at Burson-Marsteller, Brussels. Mr. Currie holds a master's degree from Glasgow University.
Current directorship positions in other companies: Total Holdings UK, Davaar

Associates, James Currie SCS Belgium. Directorship positions in other companies within the past five years: UK MetOffice, 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 2013.
Date of initial appointment as a member of Vimetco's Board of Directors: June 20, 2007.
Russian national; age: 63
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 2013.
Date of initial appointment as a member of Vimetco's Board of Directors: June 16, 2009.
Russian national; age: 38
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 2013.
Date of initial appointment as a member of Vimetco's Board of Directors: June 16, 2009.
Russian national; age: 41
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 are related to the metallurgical and energy sector. Mr. Sventski also holds a diploma from the Moscow Aviation Institute (1994) and a master's degree in economics from the Financial and Economic Institute in Moscow, Russia (1997). Current directorship positions in other companies: Vi Holding LLC, OJSC 'Torgovy Komplex', Format LLC.
Directorship positions in other companies within the past five years: none.

Appointment

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

Group Management and its Responsibilities

Gheorghe Dobra

Chief Executive Officer of Vimetco N.V., an Executive Member of the Board of Vimetco N.V. and General Manager of Alro S.A. Appointed as Acting CEO of the Company on 29 June 2011, and as CEO of the Company on 16 January 2012. Mr. Gheorghe Dobra has served as Alro General Manager since 1993.
He has been a member of the Board of Directors of Alro S.A. since 1993. Mr. Dobra has 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., an Executive Member of the Board of Vimetco N.V., Alro's President of the Board and Country Manager Romania.

Mr. Marian Nastase was appointed Alro's President of the Board on 7 December 2012, after serving as Alro Vice President and Country Manager Romania since 2002. He is the CFO of Vimetco since March 2009. Mr. Nastase is responsible for the Group's operations in Romania and focuses on capital raising and restructuring issues. Prior to joining Alro, he served as Director and Managing Partner at Deloitte

& Touche, Romania. He holds a degree in economics from the Academy of Economic Studies in Bucharest. Mr. Nastase is a member of several professional societies in Romania, including the National Association of Experts in Corporate Recovery, the National Association of Authorised Valuators and the Romanian Association for Energy Policies.

Pavel Machitski

Deputy Chief Financial Officer, an Executive Member of the Board.

Pavel Machitski has joined Vimetco N.V. as Deputy Chief Financial Officer in 2009 and in 2010 was appointed as Deputy General Manager of Vimetco Management Romania, a subsidiary company offering consulting services to Alro and its subsidiaries in Romania. He holds directorship positions in Alro, Alum, Vimetco Management Romania SRL, Vimetco Trading SRL, Vimetco Power Romania SRL, Sierra Mineral Holdings 1 Ltd.
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.

Frank Mueller

Mr. Frank Mueller is the Managing Director for production and development of value-added products of the Company since June 2011. Mr. Frank Mueller was appointed Alro's Vice President of the Board on 7 December 2012.

Hong'en Zhang

Chairman of the Board of directors at Henan Yulian Energy Group Co., Ltd

Hong'en Zhang has served as Chairman of the Board of directors at 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. Mr. Zhang is a deputy Head of Nonferrous Metals Society of China. 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. 2013 Mr. Zhang has been elected to represent Henan province as a deputy to the 22-nd National People's Congress (NPC).
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., 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. from September 2000 to December 2003. He served as Deputy General Manager of Zhongfu Industrial Co. Ltd. and Secretary Commission for Discipline Inspection at Yulian from December 2003 to November 2007. He served as Director, General Manager and Yulian Party Committee Member of Zhongfu Industrial Co. Ltd. from November 2007 to October 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 2012. 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 2012 and nomination of candidates to the Board for new terms at the Annual General Meeting of Shareholders in 2013. 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 2012 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 2012, 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 attracts, motivates and retains qualified and expert individuals who possess both the necessary background and the experience in the areas of the Company's activity and who will hold senior positions within 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 2012, 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 2012 was of USD 1,660,000 in salary and pension contributions. No bonuses were paid to the members of the Boad of Directors during 2012. In 2011, the total compensation amounted at USD 1,099,000 in salary and pension contributions. In 2011, bonuses amounting at USD 500,000 were paid to the members of the Board of Directors. No member of the Board of Directors is entitled to any benefits upon termination of his employment. Vimetco does not provide loans either to members of the Board of Directors or to members of the Group Management. There are no loans outstanding. 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	Distributions made on termination of the employment	Total
B. Zonneveld	129	-	-	-	129
J. Currie	129	-	-	-	129
V. Machitski	-	-	-	-	-
G. Zhang	-	-	-	-	-
V. Agapkin	15	-	-	-	15
V. Krasnov	15	-	-	-	15
D. Sedyshev	-	-	-	-	-
I. Sventski	-	-	-	-	-
P. Machitski	432	-	45	-	477
M. Nastase	487	-	47	-	534
Gh. Dobra	301	-	60	-	361
Total	1,508	-	152	-	1,660

Equity incentive compensation scheme

In connection with its Initial Public Offering in 2007, Vimetco established an equity incentive compensation scheme ("ICS".) which enables certain directors and key employees to be granted a package of awards which may comprise restricted stock units ("RSUs".), representing the unsecured right to receive global depository receipts ("GDRs".) free of charge at a pre-determined future point in time, as well as cash and purchase options on GDRs.

During 2012 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 2012

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 have been granted as a part of the incentive compensation scheme (For further details please see page 76, Note 19 and page 115, Note 14).

Dutch Corporate Governance Code

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

However, Vimetco is not applying the Code's provisions in the following areas:
– Board remuneration: Vimetco is of the opinion that the Board remuneration is best determined by the Board of Directors itself. The Company's Articles of Association stipulate that the remuneration of the Board of Directors be based on a proposal from the Remuneration Committee and that it be in line with the remuneration policy adopted by the General Meeting of Shareholders.

– Selection and Appointment Committee: while the Code recommends the establishment of a separate selection and Appointment Committee, Vimetco is of the opinion that such activities can efficiently be dealt with by the Remuneration Committee, as well as by the Board of Directors as a whole.

– Independent Board members: while the Code recommends that a majority of the members of the Board of Directors should be independent, the majority of Vimetco's Board members do not currently fulfil this criterion. Nevertheless Vimetco is convinced that its Board of Directors meets the highest standards in terms of strong and effective leadership of the Company.

- allocation of seats between men and women in the Board of Directors and the Supervisory Board: while the Code recommends an equal distribution by gender of at least 30% of the seats to be allocated to women and at least 30% to men, insofar such seats are allocated to natural persons. However, Vimetco took notice of an equal distribution as much as possible and will strive to comply with the legislation in view of its further appointments and nominations of directors.

– 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 in other companies: the Dutch Corporate Governance Code limits the number of supervisory board positions that management board members and supervisory board members may hold at other listed companies. Unfortunately, the Code does not provide any guidance in respect of non-executive board members of one-tier boards. Nonetheless, in line with the spirit of best practice provision II.1.8, Vimetco hereby declares that Mr. Gaobo Zhang in addition to being a non-executive director of Vimetco holds directorship positions in the following listed companies:
• Beijing Enterprises Water Group Limited (Listed on the Main Board of the Stock Exchange of Hong Kong); and
• OP Financial Investments Limited (Listed on the Main Board of the Stock Exchange of Hong Kong).
Vimetco is of the opinion that Mr. Zhang's long-standing experience, expertise and reputation make him an important addition to the Board, being in the best interests of Vimetco, notwithstanding that Mr. Zhang holds directorship positions at other listed companies as indicated above.

LSE Model Code

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

Risks & Risk Management

Vimetco's operations are power - and raw material-intensive and depend upon ensured supplies of energy – especially electricity – and alumina. International commodities markets set the prices paid for aluminium, which means that producers cannot necessarily pass on to customers any increases in the prices they pay for raw materials. Consequently, the availability of electricity and raw materials at commercially viable prices has a direct impact on profitability. The Group developed its strategy of vertical integration to secure future profitability and to reduce the major risks. In accordance with its corporate strategy, Vimetco is integrating key aluminium assets throughout the entire value - creation chain into its business, including production facilities for power generation and raw materials. The Company also uses sophisticated risk management techniques to control its raw material and energy costs. The following are the main risks related to the Company's business and strategy and should be read carefully when evaluating Vimetco's business, its prospects and the forward looking statements set out in the annual report. The following risks are not the only risks to Vimetco's business and strategy. Other risks which the Board of Directors currently deems immaterial or of which the Board of Directors is currently unaware may adversely affect Vimetco's business in the future. Reference is also made to Note 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, continued to exert in 2012 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. In Romania, the energy price has increased significantly and may continue to increase due to a taxation system related to green certificates costs. All these 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 is assessing the project to build a gas fired power plant on 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 potential internal production of alumina from bauxite mined in Sierra Leone could remove some concerns about cost and availability of alumina. In 2012, Sierra Mineral Holdings 1 Ltd. (SMHL) has signed an updated

Mining Lease Agreement (MLA) with the Government of Sierra Leone. Under this agreement the Company's Mining Lease of 321 square km in the Mokanji area of Sierra Leone was granted for a period of 20 years from the effective date, while the perimeters remain the same.

Emerging markets – potential and risks

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 a long term basis, used for financing the Group's investments; others are on short term for working capital needs. The Group's net debt increased in 2012 by 6% to USD 2,440 million (2011: USD 2,293 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 65% 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 2012 would have decreased/ increased by USD 17 million (2011: USD 18 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 1,157 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 factored clients), banks (in case of bank guarantees and LCs) and reviewed and approved by local management.

Cash flow

Vimetco's business is dependent on demand for its product. Reduced demand due to adverse economic conditions could adversely impact Vimetco's cash flow, turnover and profits.

Annual declaration on risk management and control systems

The Board of Directors is responsible for establishing and maintaining adequate internal risk management and control systems. Such systems are designed to manage rather than eliminate the risks and can only provide reasonable but not absolute assurance that assets are safeguarded, the risks facing the business are being addressed and all information required to be disclosed is reported to the Board of Directors within the required time frame. Vimetco's procedures cover financial, operational, strategic and environmental risks. The Board of Directors has also established a clear organisational structure, including delegation of appropriate authorities. The Board of Directors has overall responsibility for establishing key procedures designed to achieve systems of internal control, disclosure control and for reviewing and evaluating their effectiveness. The day-to-day responsibility for implementation of these procedures and ongoing monitoring of risk and the effectiveness of controls rests with the Group Management. Vimetco's local controllers play a key role in providing an objective view and continuous reassurance of the effectiveness of the risk management and related control systems throughout Vimetco's subsidiaries. Vimetco has an independent Audit Committee, comprised entirely of Non-Executive Directors. Vimetco has an appropriate budgeting system with an annual budget approved by the Board of Directors, which is regularly reviewed and updated. The Board of Directors has assessed and considered the Company's internal risk management and control systems, and deem such systems adequate, effective and sufficient in light of the Company and its operations.

Vimetco supports the Dutch Corporate Governance Code and makes the following declaration in accordance with best practice provision II.1.5:
In view of the foregoing, the Board of Directors believes that:
– the internal risk management and control

systems in respect of financial reporting provide a reasonable assurance that the financial reporting does not contain any material inaccuracies;
– the risk management and control systems in relation to the financial reporting have worked properly in 2012;
– there are no indications that the risk management and control systems in relation to the financial reporting will not work properly in 2013;
– 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 2012:
• 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 2012, 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 provision III.6.4 has been observed.

Auditors

Deloitte Accountants B.V. was the appointed auditor of Vimetco N.V. In 2012 and 2011, the following amounts were paid to Deloitte for audit services and non-audit services (thousand USD):

2012	Dutch audit firm 2: 382a Dutch Civil Code	Other network firm	Total
Statutory audit annual	1,339	-	1,339
Other audit services	-	317	317
Non-audit services	-	100	100
Total	1,339	417	1,756

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

Annual Report 2012

This Annual Report and the 2012 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 2012 financial statements included in this Annual Report. This Annual Report is signed by all members of the Board of Directors.

Shareholder Information

2012 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.

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 0.75 (high) and USD 0.15 (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 2012 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 2012: 25 April 2013
Annual General Meeting: 21 June 2013
Half-year report 2013: 27 August 2013

Exchange rates
Average 2012
RON per USD 3.470
CNY per USD 6.313

Average 2011
RON per USD 3.047
CNY per USD 6.459

For further information please contact: Florenta Ghita Premium Communication 0040740063116

Consolidated Financial Statements 2012
Vimetco NV

Consolidated Statement of Profit or Loss and Other Comprehensive Income

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

in USD '000, except per share data

	Note	2012	2011
Sales	3	2,352,891	2,717,082
Cost of goods sold		-2,118,720	-2,358,729
Gross profit		**234,171**	**358,353**
General and administrative expenses	4	-132,530	-127,411
Impairment of property, plant and equipment	9	448	-87,292
Share of result of associates	14	-945	3,387
Other income	5	82,099	72,797
Other expenses	5	-11,295	-42,413
Operating profit		**171,948**	**177,421**
Finance costs, net	6	-236,205	-199,710
Fair value losses from financial instruments	27	-110,754	-6,046
Foreign exchange loss		-15,775	-13,237
Loss before income taxes		**-190,786**	**-41,572**
Income tax credit / (expense)	7	38,438	-33,207
Loss for the year		**-152,348**	**-74,779**

Consolidated Statement of Profit or Loss and Other Comprehensive Income

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

in USD '000, except per share data

	Note	2012	2011
Other comprehensive income / (expense):			
Items that may be reclassified subsequently to profit or loss:			
Translation adjustment		-3,771	10,470
Gain / (loss) on cash flow hedges		452	179,502
Related income tax		-72	-28,720
Amounts of cash flow hedges recycled in income statement		-53,448	9,329
Related income tax		8,552	-1,493
Other comprehensive income / (expense) for the year, net of tax		**-48,287**	**169,088**
Total comprehensive income / (expense) for the year		**-200,635**	**94,309**
Loss attributable to:			
Shareholders of Vimetco N.V.		**-141,498**	**-104,234**
Non-controlling interest		**-10,850**	**29,455**
		-152,348	-74,779
Total comprehensive income / (expense) attributable to:			
Shareholders of Vimetco N.V.		**-184,744**	**21,297**
Non-controlling interest		**-15,891**	**73,012**
		-200,635	94,309
Earnings per share			
Basic and diluted (USD)	8	-0.645	-0.475

Consolidated Statement of Financial Position

Consolidated Statement of Financial Position as at 31 December in USD '000

Assets	Note	2012	2011
Non-current assets			
Property, plant and equipment	9	2,591,411	2,435,105
Intangible assets	10	7,337	8,484
Goodwill	11	195,611	191,509
Mineral rights	12	521,680	516,582
Land use rights	13	55,137	56,831
Investments	14	37,598	37,591
Derivative financial instruments asset, non-current	27	-	73,429
Deferred tax asset	23	38,787	9,049
Long-term loans to related parties	25	37,848	-
Other non-current assets		13,741	1,885
Total non-current assets		**3,499,150**	**3,330,465**
Current assets			
Inventories	15	441,153	412,698
Trade receivables, net	16	178,174	221,238
Accounts receivable from related parties	25	5,695	41,463
Current income tax receivable		7,708	2,297
Other current assets	17	302,118	308,338
Derivative financial instruments asset, current	27	-	65,548
Restricted cash	18	734,254	588,656
Cash and cash equivalents	18	177,774	157,438
Total current assets		**1,846,876**	**1,797,676**
Total assets		**5,346,026**	**5,128,141**

Consolidated Statement of Financial Position

Consolidated Statement of Financial Position as at 31 December — in USD '000

Shareholders' Equity and Liabilities	Note	**2012**	**2011**
Shareholders' equity			
Share capital	19	27,917	27,917
Share premium		348,568	348,568
Other reserves		98,187	141,433
Retained earnings		73,767	174,400
Loss for the year		-141,498	-104,234
Equity attributable to shareholders of Vimetco N.V.		**406,941**	**588,084**
Non-controlling interest		665,665	693,075
Total equity		**1,072,606**	**1,281,159**
Non-current liabilities			
Bank and other loans	20	1,460,840	1,364,821
Loans from related parties, non-current	20, 25	-	172,981
Finance leases, non-current	20	183	760
Provisions, non-current	21	9,265	12,875
Post-employment benefit obligations	22	8,522	7,764
Other non-current liabilities		1,856	459
Derivative financial instruments liability, non-current	27	12,812	-
Deferred tax liabilities	23	137,269	162,048
Total non-current liabilities		**1,630,747**	**1,721,708**
Current liabilities			
Bank loans, overdrafts and other loans	20	970,822	896,244
Loans from related parties, current	20, 25	185,120	14,349
Finance leases, current	20	622	918
Trade and other payables	24	1,456,967	1,181,888
Trade and other payables to related parties	25	1,020	465
Provisions, current	21	7,464	2,564
Current income taxes payable		13,645	17,682
Derivative financial instruments liability, current	27	7,013	11,164
Total current liabilities		**2,642,673**	**2,125,274**
Total liabilities		**4,273,420**	**3,846,982**
Total shareholders' equity and liabilities		**5,346,026**	**5,128,141**

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

Consolidated Statement of Changes in Equity

Consolidated Statement of Changes in Equity in USD '000

	Share capital	Share premium	Revaluation reserve	Hedging reserve	Hedging reserve - deferred tax
Balance at 1 January 2011	**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**
Profit / (loss) for the year	**-**	**-**	**-**	**-**	**-**
Total other comprehensive income / (expense)	**-**	**-**	**-**	**-48,538**	**7,766**
Total comprehensive income / (expense)	**-**	**-**	**-**	**-48,538**	**7,766**
Non-controlling interests acquired in Dengfeng City Daxin Commercial Ltd.	-	-	-	-	-
Dividends distribution	-	-	-	-	-
Appropriation of prior year loss	-	-	-	-	-
Balance at 31 December 2012	**27,917**	**348,568**	**47,721**	**63,897**	**-10,224**

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 minority 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
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**
-	**-**	**-**	**-141,498**	**-141,498**	**-10,850**	**-152,348**
-2,474	**-43,246**	**-**	**-**	**-43,246**	**-5,041**	**-48,287**
-2,474	**-43,246**	**-**	**-141,498**	**-184,744**	**-15,891**	**-200,635**
-	-	3,601	-	3,601	-3,601	-
-	-	-	-	-	-7,918	-7,918
-	-	-104,234	104,234	-	-	-
-3,207	**98,187**	**73,767**	**-141,498**	**406,941**	**665,665**	**1,072,606**

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

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

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

Consolidated Statement of Cash Flows

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

	Note	2012	2011
Cash flow from operating activities			
Profit / (loss) before income taxes		-190,786	-41,572
Adjustments for:			
Depreciation and amortisation		142,867	161,008
Interest and guarantee income	6	-40,195	-25,989
Net foreign exchange losses		1,802	13
(Gain) / loss on disposal of property, plant and equipment	5	-2,434	27,321
(Gain) on disposal of land use rights	5	-18,568	-10,294
Loss on disposal of intangible assets	11	79	-
Impairment of property, plant and equipment	9	-448	87,292
Charge / (Release) of provisions	21	1,261	-1,245
Interest and guarantee expense	6	272,223	217,673
Share of result of associates	14	945	-3,387
Effect of derivative financial instruments		89,170	754
Changes in working capital:			
(Increase) / decrease in inventories		-18,269	-33,512
(Increase) / decrease in trade receivables and other assets		39,605	-57,911
Increase / (decrease) in trade and other payables		245,614	-327,378
Income taxes paid		-20,095	-39,682
Interest paid		-248,576	-206,355
Net cash generated / (used) by operating activities		**254,195**	**-253,264**

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	2012	2011
Cash flow from investing activities			
Purchase of property, plant and equipment and intangible assets, net		-257,063	-342,914
Proceeds from sale of property, plant and equipment		987	34,229
Proceeds from sale of land use rights		20,977	13,537
Acquisition of associates	14	-860	-4,832
Acquisition of subsidiary, net of cash acquired	26	-15,898	-7,606
Sale / (acquisition) of available-for-sale financial assets		-1,521	-
(Increase) / decrease in restricted cash		-143,924	31,101
Interest received		26,906	20,462
Net cash used in investing activities		**-370,396**	**-256,023**
Cash flow from financing activities			
Proceeds from loans		1,243,177	1,605,656
Repayment of loans		-1,098,267	-1,255,927
Proceeds from transactions with non-controlling interest		-	157,377
Dividends paid		-8,193	-29,547
Net cash provided by financing activities		**136,717**	**477,559**
Net increase / (decrease) in cash and cash equivalents		**20,516**	**-31,728**
Cash and cash equivalents at beginning of year		**157,438**	**186,993**
Effect of exchange rate differences on cash and cash equivalents		-180	2,173
Cash and cash equivalents at end of year		**177,774**	**157,438**

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, as well as in the coal mining activity. Everwide was acquired fully in June 2007.

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

In 2010 the Group acquired several coal mines in China, in this way assuring partially the raw material for the energy production of the Chinese segment. During 2011 and 2012 the Group further expanded due to acquisitions of several coal mines in China. As a result of these acquisitions the Group continued the implementation of 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 the Group's costs with raw materials.

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 23 April 2013.

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 that are measured at fair values, as explained in the accounting policies below.

The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of 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

The Groups' business continued to be significantly impacted by the worldwide financial crisis and the downturn in the aluminium market. The current economic conditions create uncertainty particularly over the level of demand for the Group's products and will likely continue to impact the Group's future development, performance and financial position and financial results, its cash flows, liquidity requirements and borrowing facilities.

The consolidated financial statements for the year ended 31 December 2012 show that the Group generated a loss for the year of USD 152,348 with the current liabilities exceeding the current assets by USD 795,797. The Group has developed forecasts and projections of cash flows and liquidity needs for the upcoming year taking into account the current market conditions and reasonably possible changes in trading performance based on such conditions. 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 Standards and interpretations effective in 2012 that the Group has applied to these financial statements:

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

- Amendments to IFRS 7 Disclosures - Transfers of Financial Assets, adopted by the EU on 22 November 2011. The amendments increase the disclosure requirements for transactions involving the transfer of financial assets in order to provide greater transparency around risk exposures when financial assets are transferred. The Group discounted certain trade receivables to banks for cash. If the trade receivables are not paid at maturity, banks have the right to request the Group to pay the unsettled balance. As the Group has not transferred substantially all the risks and rewards relating to these trade receivables, it continues to recognise the full carrying amount of the receivables and has recognised the cash received on the transfer as short-term bank loans (see Note 20). The relevant disclosures have been made regarding the transfer of these trade receivables on application of the amendments to IFRS 7 (see Note 16).

- Amendments to IAS 1 Presentation of Items of Other Comprehensive Income adopted by the EU on 5 June 2012. The Group has applied these amendments in advance of the effective date (annual periods beginning on or after 1 July 2012). The amendments introduce new terminology for the statement of comprehensive income and income statement. Under the amendments to IAS 1, the "Statement of comprehensive income" is renamed the "Statement of profit or loss and other comprehensive income" and the "Income statement" is renamed the "Statement of profit or loss". 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 items of other comprehensive income to be grouped into two categories in the other comprehensive income section: (a) items that will not be reclassified subsequently to profit or loss and (b) items that may 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 - the amendments do not change the option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes. Other than the above mentioned presentation changes, the application of the amendments to IAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

- 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), adopted by the EU on 11 December 2012. 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 application of the amendments has had no effect on the amounts reported in the current and prior years.

- Amendments to IAS 12 Income taxes - Deferred Tax: Recovery of Underlying Assets (effective from 1 January 2012), adopted by the EU on 11 December 2012. 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 application of the amendments has had no effect on the amounts reported in the current and prior years because the Group does not have any investment properties measured using the fair value model in IAS 40.

2.1.3 Standards and Interpretations in issue not yet adopted

- Amendments to IFRS 1 titled Government Loans (effective for annual periods beginning on or after 1 January 2013), adopted by the EU on 4 March 2013. 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 Disclosures – Amendments enhancing disclosures about offsetting of financial assets and financial liabilities (effective from 1 January 2013), adopted by the EU on 13 December 2012. The amendment 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 directors anticipate that the application of these amendments to IFRS 7 may result in more disclosures being made with regard to offsetting financial assets and financial liabilities in the future.

- IFRS 9 Financial instruments, issued in November 2009 (effective from 1 January 2015), 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. 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.
- Amendments to IFRS 9 and IFRS 7 Mandatory Effective Date of IFRS 9 and Transition Disclosures (effective from 1 January 2015) which amended the effective date of IFRS 9 to annual periods beginning on or after 1 January 2015, and modified the relief from restating comparative periods and the associated disclosures in IFRS 7.

- IFRS 10 Consolidated Financial Statements (effective from 1 January 2013), adopted by the EU on 11 December 2012, 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 does not expect IFRS 10 to have material impact on the financial statements.

- IFRS 11 Joint Arrangements (effective from 1 January 2013), adopted by the EU on 11 December 2012, 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), adopted by the EU on 11 December 2012, 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 does not expect IFRS 12 to have material impact on the financial statements.

- Amendments to IFRS 10, IFRS 11 and IFRS 12 Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance, not yet adopted by the EU. The amendments clarify certain transition guidance on the application of IFRS 10, IFRS 11 and IFRS 12 for the first time.

- IFRS 13 Fair Value Measurement (effective from 1 January 2013), adopted by the EU on 11 December 2012, 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 the application of the new Standard may affect certain amounts reported in the financial statements and result in more extensive disclosures in the financial statements.

- IAS 19 Employee Benefits, (as revised in 2011), effective from 1 January 2013, adopted by the EU on 5 June 2012. 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 will increase other comprehensive income after income tax for the year ended 31 December 2012 by USD 468, being net actuarial gains not recognised of USD 557 net of income tax of 16% applicable in Romania (see Note 22).

- IAS 27 Separate Financial Statements (as revised in 2011), effective from 1 January 2013, adopted by the EU on 11 December 2012. 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, adopted by the EU on 11 December 2012. 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, adopted by the EU on 13 December 2012. 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. The directors anticipate that the application of these amendments to IAS 32 may result in more disclosures being made with regard to offsetting financial assets and financial liabilities in the future.

- IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine, effective for annual periods beginning on or after 1 January 2013, adopted by the EU on 11 December 2012. 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 Interpretation and hence have not yet quantified the extent of the impact.

- Annual Improvements to IFRSs 2009 - 2011 Cycle issued in May 2012. The Annual Improvements to IFRSs 2009 - 2011 Cycle include a number of amendments to 5 IFRSs. The amendments are effective for annual periods beginning on or after 1 January 2013.

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 the power to govern 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 profit or loss and other comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate.

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

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

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

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

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

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

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

2.6 Goodwill

Goodwill arising on acquisition of subsidiaries represents the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net 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 functional currency of the Group is the US dollar (USD). 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. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity (attributed to non-controlling interests as appropriate).

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 profit or loss and other 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 profit or loss.

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 ‘Fair value gains / (losses) from financial instruments’ line item in the statement of profit or loss and other 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 contracted 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 contracted 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 2,598,748 (2011: USD 2,443,589).

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 195,611 (2011: USD 191,509). 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 and Romania. A list of the principal companies included in each segment is shown in Note 30.

The Chinese operations are located in Gongyi, Zhengzhou 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.

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

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

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 2012 and 2011 were as follows:

	China	Romania	Reconciliation to Group	Total
2012				
Sales	1,676,044	676,847	-	2,352,891
Cost of goods sold	-1,552,541	-566,179	-	-2,118,720
Gross profit / (loss)	**123,503**	**110,668**	**-**	**234,171**
General and administrative expenses	-68,075	-57,279	-7,176	-132,530
(Charge)/Reversal of impairment of property, plant and equipment	426	22	-	448
Share of result of associates	-945	-	-	-945
Other income / (expenses)	61,728	7,910	1,166	70,804
Operating profit / (loss)	**116,637**	**61,321**	**-6,010**	**171,948**
Interest income	27,218	486	161	27,865
Interest expense	-222,345	-15,660	11,878	-226,127
Other financial income / (expense) (net)	-38,105	-123,650	-2,717	-164,472
Profit / (loss) before income taxes	**-116,595**	**-77,503**	**3,312**	**-190,786**
Income tax	29,193	9,262	-17	38,438
Profit / (loss) for the year	**-87,402**	**-68,241**	**3,295**	**-152,348**
Additional information				
Capital expenditure (incl. intangible assets)	255,529	29,135	108	284,772
Depreciation and amortisation	108,345	34,335	187	142,867
Average number of employees	12,930	4,063	13	17,006

in USD '000, except share and per share data

	China	Romania	Reconciliation to Group	Total
2011				
Sales	1,949,660	767,422	-	2,717,082
Cost of goods sold	-1,792,243	-567,885	1,399	-2,358,729
Gross profit	**157,417**	**199,537**	**1,399**	**358,353**
General and administrative expenses	-54,210	-64,983	-8,218	-127,411
(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	16,119	1,933	30,384
Operating profit / (loss)	**30,577**	**151,731**	**-4,887**	**177,421**
Interest income	16,354	932	312	17,598
Interest expense	-199,765	-15,000	9,243	-205,522
Financial income / (expense) (net)	10,647	-38,579	-3,137	-31,069
Profit / (loss) before income taxes	**-142,187**	**99,084**	**1,531**	**-41,572**
Income tax	-16,228	-16,882	-97	-33,207
Profit / (loss) for the year	**-158,415**	**82,202**	**1,434**	**-74,779**
Additional information				
Capital expenditure (incl. intangible assets)	321,406	45,207	229	366,842
Depreciation and amortisation	122,159	38,728	121	161,008
Average number of employees	13,090	4,018	14	17,122

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:

	2012	2011
China	1,657,892	1,851,025
Romania	142,925	149,349
Other European Union countries	428,654	637,072
Other European countries	65,101	48,714
USA	36,969	16,203
Other countries	21,350	14,719
Total	**2,352,891**	**2,717,082**

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

	2012	2011
Bauxite	5,620	10,537
Primary aluminium	1,749,457	2,021,429
Processed aluminium	359,228	418,945
Coal	46,033	83,237
Other products	192,553	182,934
Total	**2,352,891**	**2,717,082**

Segment assets and liabilities at 31 December 2012 and 2011 are as follows:

	China	Romania	Reconciliation to Group	Total
31 December 2012				
Investments in associates	37,598	-	-	37,598
Other non-current assets allocated	3,111,855	349,812	-115	3,461,552
Total assets	**4,678,944**	**633,785**	**33,297**	**5,346,026**
Total liabilities	**4,141,200**	**362,159**	**-229,939**	**4,273,420**
31 December 2011				
Investments in associates	37,591	-	-	37,591
Other non-current assets allocated	2,859,424	431,527	1,923	3,292,874
Total assets	**4,295,321**	**810,575**	**22,245**	**5,128,141**
Total liabilities	**3,671,236**	**326,434**	**-150,688**	**3,846,982**

in USD '000, except share and per share data

4. General and administrative expenses

	2012	2011
Personnel costs	-47,600	-50,182
Third-party services	-22,424	-20,139
Depreciation and amortisation	-11,802	-12,393
Taxes other than income taxes	-9,287	-9,242
Marketing and public relations	-7,856	-9,036
Impairment of doubtful receivables (trade and other)	-1,089	580
Other general and administrative expenses	-32,472	-26,999
Total	**-132,530**	**-127,411**

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

5. Other income and expenses

Other income	**2012**	**2011**
Investment consideration recovered	30,967	-
Government grants	14,395	35,764
Sale of emission rights	7,387	17,207
Net gain on disposal of land use rights	18,568	10,294
Net gain on disposal of property, plant and equipment	2,434	-
Reimbursements from insurance claims	380	679
Other income	7,968	8,853
Total other income	**82,099**	**72,797**
Other expenses		
Idle plants maintenance expenses	-1,370	-10,376
Net loss on disposal of property, plant and equipment	-	-27,321
Net loss on disposal of intangible assets	-79	-
Other expenses	-9,846	-4,716
Total other expenses	**-11,295**	**-42,413**

Investment consideration recovered represents the receipt of a partial repayment of the consideration that was paid for the coal mines acquired in China during 2010.

Government grants represent mainly subsidies for supporting Aluminum Industry, incentives for improvement of energy savings and advanced technology in aluminium and power plants and incentives for production of slabs from the government of China.

Other income includes penalties, write off of old-aged payables in China, and various income from services performed.

Net gain on disposal of land use rights is mainly related to gains on disposal of land use rights in China.

Other expenses include mainly compensation expenses to loss of assets in a company in China and various expenses such as penalties, compensations paid to injured workers.

6. Finance costs, net

	2012	2011
Interest income	27,865	17,598
Interest expense	-214,462	-194,032
Interest expense to related parties (Note 25)	-11,665	-11,490
Finance guarantee income	12,330	8,391
Finance guarantee expense	-46,096	-12,151
Bank charges	-5,253	-5,834
Other financial income / (expense), net	1,076	-2,192
Total	**-236,205**	**-199,710**

Interest income increased mainly on the background of higher amounts of cash pledged in China resulting mainly from the liquidity raised through issue of corporate bonds.

Interest expense excludes interest capitalised in "property, plant and equipment" amounting to USD 26,744 (2011: USD 17,662) based on average interest rates of 7.62% (2011: 7.91%). Interest expense increase is related to the issuance of corporate bonds in China during the late 2011 and then again in 2012 and contracting of new borrowings to finance the Group's investments.

At 31 December 2012 one of the Group's subsidiaries had committed itself to financial guarantees granted in favour of one of its business partners. As the guaranteed company is facing financial difficulties, having delays in paying its debts, the Group's management considered that it was more probable than not that the financial guarantees would be executed by the banks, the Group's subsidiary having no other choice, but to meet its obligation. Should the financial guarantees be executed, the maximum amount to be paid by our Group is USD 35,001, out of which USD 33,201 was recognized as "Finance guarantee expense" for the year ended 31 December 2012.

Certain items have been reclassified in order to conform to the current year presentation. The fair value loss on financial instruments is presented as a separate line on the face of the Consolidated Statement of Profit or Loss and Other Comprehensive Income, and details are provided in note 27.

in USD '000, except share and per share data

7. Income tax expense

	2012	2011
Current income tax	-10,881	-48,832
Deferred income tax (Note 23)	49,319	15,625
Total	**38,438**	**-33,207**

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

	2012	2011
Loss before income tax	(190,786)	(41,572)
Expected weighted average income tax rate for the Group	17.7%	27.4%
Expected income tax expense	33,832	11,404
Non-taxable income	10,464	3,102
Non-deductible expenses	-4,509	-4,578
Capitalisation of previously unrecognised tax losses	25,857	5,181
Net change in measurement of deferred tax assets	-52,095	-48,919
Utilisation of previously unrecognised tax losses	692	390
Adjustments recognised in relation to the current tax of prior years	23,413	-638
Other adjustments	784	851
Total income tax credit / (expense)	**38,438**	**-33,207**

The 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 2012 and 2011 is explained by a change in mix of pre-tax profits over the various jurisdictions in which the Group 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 tax.

Net change in measurement of deferred tax assets includes unused tax losses of USD 48,178 (2011: USD 31,521) and deductible temporary differences in amount of USD 3,917 (2011: USD 17,398) 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.

Under the "Adjustments recognised in relation to the current tax of prior years", the amount of USD 25,647 relates to the change of the tax base of certain assets and liabilities in Romania following the new legislation adopted that requires companies listed on the Bucharest Stock Exchange to apply IFRS's.

8. Earnings per share

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

	2012	2011
Loss for the year attributable to shareholders of Vimetco N.V.	-141,498	-104,234
Weighted average number of ordinary shares outstanding during the year	219,484,720	219,484,720
Basic and diluted earnings per share in USD	-0.645	-0.475

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

9. Property, plant and equipment

	Land	Buildings and constructions	Plant and machinery	Equipment and vehicles	Assets under construction	Total
Cost						
Balance at 1 January 2011	**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 (Note 26)	-	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**
Additions	-	6,539	11,648	8,734	253,288	280,209
Acquisition /disposal of subsidiaries (Note 26)	-	8,053	944	134	2,211	11,342
Disposals	-	-17,163	-8,444	-2,178	-	-27,785
Transfers between categories	-	-2,220	64,414	4,150	-66,344	-
Translation adjustment	-135	73	2,351	-393	1,473	3,369
Balance at 31 December 2012	**24,941**	**820,798**	**2,056,917**	**123,874**	**593,380**	**3,619,910**

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 2011	**-**	**-199,480**	**-501,042**	**-65,230**	**-**	**-765,752**
Additions	-	-36,691	-99,946	-9,873	-	-146,510
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**
Additions	-	-38,008	-92,673	-10,621	-	-141,302
Disposals	-	13,257	14,274	1,701	-	29,232
Impairment charge for the period	-	-	-	-	-	-
Reversal of impairment	-	21	426	1	-	448
Transfers between categories	-	3,017	-1,456	-1,561	-	-
Translation adjustment	-	585	-34	242	-	793
Balance at 31 December 2012	**-**	**-248,768**	**-700,709**	**-79,022**	**-**	**-1,028,499**
Net book value						
Balance at 31 December 2011	**25,076**	**597,876**	**1,364,758**	**44,643**	**402,752**	**2,435,105**
Balance at 31 December 2012	**24,941**	**572,030**	**1,356,208**	**44,852**	**593,380**	**2,591,411**

Leased assets included above have a net book value of USD 631 and USD 1,143 as at 31 December 2012 and 2011 respectively.

Bank borrowings are secured by "property, plant and equipment" in the amount of USD 636,314 (2011: USD 764,534).

Capital expenditure (additions) includes capitalised interest amounting to USD 26,744 (2011: USD 17,662) based on average interest rates of 7.62% (2011: 7.91%).

10. Intangible assets

	Software	Customer relationships	Exploration assets	Other intangible assets	Total
Cost					
Balance at 1 January 2011	**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**
Additions	273	-	15	1,219	1,507
Disposals	-	-	-	-316	-316
Transfers between categories	595	-	-	-595	-
Translation adjustment	2	27	-	-40	-11
Balance at 31 December 2012	**7,805**	**10,867**	**3,647**	**3,523**	**25,842**
Amortisation					
Balance at 1 January 2011	**-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**
Additions	-589	-1,193	-439	-160	-2,381
Disposals	-	-	-	142	142
Transfers between categories	-	-	-	-	-
Translation adjustment	7	-24	-	-71	-88
Balance at 31 December 2012	**-5,739**	**-9,070**	**-2,268**	**-1,428**	**-18,505**
Net book value					
Balance at 31 December 2011	**1,778**	**2,987**	**1,803**	**1,916**	**8,484**
Balance at 31 December 2012	**2,066**	**1,797**	**1,379**	**2,095**	**7,337**

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 2011	429,404
Additions (Note 26)	1,618
Translation adjustment	16,223
Balance at 31 December 2011	**447,245**
Additions (Note 26)	3,932
Translation adjustment	683
Balance at 31 December 2012	**451,860**
Impairment	
Balance at 1 January 2011	-244,759
Translation adjustment	-10,977
Balance at 31 December 2011	**-255,736**
Translation adjustment	-513
Balance at 31 December 2012	**-256,249**
Net book value	
Balance at 31 December 2011	**191,509**
Balance at 31 December 2012	**195,611**

Impairment tests for goodwill

The goodwill is allocated to the cash-generating units at 31 December 2012 and 2011 as follows (after additions and impairment):

	2012	2011
China	142,887	138,598
Romania	48,125	48,312
Sierra Leone	4,599	4,599
Total	**195,611**	**191,509**

China

In 2012 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 11% per annum (2011: 11.4%). The cash flows beyond that five-year period have been extrapolated using a steady 1.9% (2011: 3%) per annum growth rate.

The key assumptions used in the value in use calculations for the cash-generating unit China are as follows: average EBITDA margin of 17%, average growth rate of 23% per year and 1.9% growth beyond the five-year period in line with projected inflation. The directors believe that the planned growth per year for the next five years is reasonably achievable, being the result of significant capital investments made by the Group in China.

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 2012 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 14.6% per annum (2011: 13.9%). The cash flows beyond that five-year period have been extrapolated using a 3% (2011: 3%) 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 1.9% 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 the fair value less cost of disposal calculation which uses discounted cash flow techniques, applying a market-based measurement. Cash flow projections were based on financial budgets approved by the directors covering a six-year period, and a discount rate of 13.7% per annum (2011: 14.5% per annum). Cash flows beyond that six-year period have been extrapolated until the year 2032 when the current mining lycense expires and a steady 4% (2011: 3%) 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 30% and growth rate of 4% beyond the six-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 2011	510,476
Additions	4,165
Translation adjustment	26,172
Balance at 31 December 2011	**540,813**
Acquisition of subsidiaries (Note 26)	10,265
Additions	1,105
Translation adjustment	1,377
Balance at 31 December 2012	**553,560**
Amortisation	
Balance at 1 January 2011	-8,838
Additions	-14,591
Translation adjustment	-802
Balance at 31 December 2011	**-24,231**
Additions	-7,556
Translation adjustment	-93
Balance at 31 December 2012	**-31,880**
Net book value	
Balance at 31 December 2011	**516,582**
Balance at 31 December 2012	**521,680**

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

13. Land use rights

Cost	
Balance at 1 January 2011	**62,782**
Additions	249
Disposals	-3,629
Translation adjustment	3,121
Balance at 31 December 2011	**62,523**
Additions	1,951
Disposals	-2,780
Translation adjustment	-411
Balance at 31 December 2012	**61,283**
Amortisation	
Balance at 1 January 2011	-4,203
Additions	-1,646
Disposals	402
Translation adjustment	-245
Balance at 31 December 2011	**-5,692**
Additions	-1,464
Disposals	371
Translation adjustment	639
Balance at 31 December 2012	**-6,146**
Net book value	
Balance at 31 December 2011	**56,831**
Balance at 31 December 2012	**55,137**

During 2012, two companies within the Group sold land use rights recording a gain of USD 18,568 on the sale (2011: USD 10,294).

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 2012 and 2011 are set out below:

Company	Type of investment	2012	2011
Henan Yonglian Coal Industry Co., Ltd.	Associate - equity method	20,365	20,211
Datang Gongyi Power Generation Co., Ltd. (i)	Associate - equity method	3,203	2,250
Datang Linzhou Thermal Power Co., Ltd.	Associate - equity method	12,254	14,292
Henan Yellow River Heluo Water Supply Co., Ltd.	Associate - equity method	838	838
Henan Zhongfu Thermal Power Co., Ltd.	Associate - equity method	938	-
Total associated companies		**37,598**	**37,591**

(i) In 2012 the Group increased its contribution in Datang Gongyi Power Generation Co., Ltd. by USD 860 maintaining its shareholding in the entity of 49%.

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

Company	2012	2011
Henan Yonglian Coal Industry Co., Ltd	175	4,982
Datang Gongyi Power Generation Co., Ltd.	-	-
Datang Linzhou Thermal Power Co., Ltd	-2,052	-1,550
Henan Yellow River Heluo Water Supply Co., Ltd	-2	-
Henan Zhongfu Thermal Power Co., Ltd	934	-45
Total share of the results of associates	**-945**	**3,387**

Summarised financial data for the associated companies at 31 December 2012 and 2011 and for the years then ended is set out below:

	2012	2011
Total assets	644,011	612,746
Total liabilities	-524,675	-490,606
Net assets	**119,336**	**122,140**
Group's share of net assets of associates	**37,598**	**37,591**
Total sales	184,511	81,332
Result for the period	-8,743	3,624
Group's share of result of associates	**-945**	**3,387**

Cash consideration paid for the acquisition and increase of investments in associates amounted to USD 860 (2011: USD 4,832).

15. Inventories

	31 December	
	2012	**2011**
Raw and auxiliary materials	190,304	180,937
Work in progress	187,948	165,997
Finished goods	73,833	77,444
Less: Provision for obsolescence	-10,932	-11,680
Total	**441,153**	**412,698**

The movements in the provision for obsolescence are as follows:

	2012	**2011**
Balance at 1 January	-11,680	-2,623
(Charge) / reversal to cost of goods sold	834	-9,677
Translation adjustment	-86	620
Balance at 31 December	**-10,932**	**-11,680**

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

Charge to cost of goods sold in the amount of USD 834 (reversal in 2011: USD -9,677) 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 999,677 (2011: USD 1,032,421).

16. Trade receivables, net

	31 December	
	2012	**2011**
Trade accounts receivable	72,162	70,976
Bills of exchange	108,080	151,410
Provision for doubtful receivables	-2,068	-1,148
Total	**178,174**	**221,238**

The Group exposure to concentration of credit risk slightly decreased at the end of 2012 compared to 2011. As at 31 December 2012, the highest 4 trade receivables accounted for roughly 35% (2011: 41%) of the net trade receivable balance (excluding bills of exchange). The total balance for these four debtors is USD 24,300 (2011: USD 29,000).

Bills of exchange include USD 61,433 (2011: 87,408) representing bills receivable discounted with recourse.

in USD '000, except share and per share data

In 2012 one client individually accounted for more than 5% of the Group's sales, i.e. 8% (in 2011: two clients: 6.6% and 5.7%, respectively).

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

The amount available to factor under the agreements at 31 December 2012 was approximately USD 137,000 (2011: USD 142,000) of which approximately USD 79,000 (2011: USD 59,000) was utilised.

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

Movements in the impairment of doubtful receivables are as follows:

	2012	2011
Balance at 1 January	-1,148	-1,707
(Charge) / credit to general and administrative expenses	-1,089	580
Utilisations and other movements	172	9
Translation adjustment	-3	-30
Balance at 31 December	**-2,068**	**-1,148**

		31 December
Trade receivables past due but not impaired at 31 December are as follows:	**2012**	**2011**
Up to 3 months	34,742	8,326
3 to 6 months	19,360	1,755
Over 6 months	5,700	4,710
Total	**59,802**	**14,791**

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

		31 December
Ageing of impaired trade receivables:	**2012**	**2011**
Up to 3 months	80	-
3 to 6 months	-	-
Over 6 months	1,918	1,148
Total	**1,998**	**1,148**

17. Other current assets

	31 December	
	2012	**2011**
Advances to suppliers	145,222	129,517
VAT receivable	68,548	56,227
Prepayments	3,118	7,270
Other debtors	77,212	104,947
Impairment of doubtful debtors	-3,844	-4,487
Available for sale financial assets	5,091	7,546
Other current assets	6,771	7,318
Total	**302,118**	**308,338**

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 2011, they related mainly to advances to suppliers for raw materials such as alumina, coal and other production materials).

The amount of USD 32 presented as 'Receivable in connection with LME aluminium swaps' in 2011 was reclassified as 'Other current assets' to confirm to the current year presentation.

18. Cash and cash equivalents

	31 December	
	2012	**2011**
Cash at banks and in-hand	177,774	157,438
Cash equivalents	-	-
Cash and cash equivalents	**177,774**	**157,438**

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 loan agreements to several companies in the Group. The guarantee represents estimated interest expenses to be paid by the Companies within a period of up to 15 months.

in USD '000, except share and per share data

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:

	2012	2011
Number at 1 January	219,484,720	219,484,720
Number at 31 December	**219,484,720**	**219,484,720**

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

No dividends were declared and paid by Vimetco NV in 2012 (2011: dividends in amount of USD 0.08 per share were distributed by Vimetco NV from the share premium account, totalling USD 17,558).

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 2008 up until 2012. Accordingly, the Group did not have any outstanding RSU's as per 31 December 2011 as well as per 31 December 2012.

20. Borrowings

	31 December	
	2012	**2011**
Long-term borrowings		
Long-term bank loans	1,038,185	981,328
Less: Short-term portion of long-term bank loans	-86,775	-63,687
Bank loans	*951,410*	*917,641*
Other loans	107,782	212,928
Corporate bonds	401,648	234,252
Bank and other loans	*1,460,840*	*1,364,821*
Loans from related parties (Note 25)	-	172,981
Finance leases	183	760
Total long-term borrowings	**1,461,023**	**1,538,562**
Short-term borrowings		
Short-term bank loans and overdrafts	636,979	619,677
Short-term portion of long-term bank loans	86,775	63,687
Bank loans and overdrafts	*723,754*	*683,364*
Other loans	247,068	212,880
Bank loans, overdrafts and other loans	*970,822*	*896,244*
Loans from related parties (Note 25)	185,120	14,349
Finance leases	622	918
Total short-term borrowings	**1,156,564**	**911,511**
Total borrowings	**2,617,587**	**2,450,073**

Short-term bank loans and overdrafts include amounts received for the bills of exchange discounted at banks in amount of USD 61,433 (2011: 87,408); for other details please see also Note 16.

Bank borrowings mature until 2023 and have born interest at annual interest rates between 1.46% and 12.43% (2011: between 1.92% and 13.01%).

At 31 December 2012, 51% of the Company's shares in Alro (2011: 51% of the Company's shares in Alro) are pledged as collateral for the Group's borrowings.

In December 2012, the Company signed an addendum to the existing loan agreement with Raiffeisen Bank whereby it was rescheduled and the final maturity extended by one year, up to May 2016.

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.

As at 31 December 2012, one of the Group companies was in breach of covenants in respect of its loan. The subsidiary discussed the situation with the bank and received a waiver before the end of the year for the breach. A breach of covenant in respect of a liability that entitles the creditor to require repayment at a future date within one year of the reporting date is unlikely, and therefore the amounts that are not expected to be paid within one year are classified as long-term liabilities. The Group was not in breach of covenants as at 31 December 2011.

In August 2012, one of the Group subsidiaries in China made its second corporate bond issue amounting to USD 157,701 (denominated in CNY, with a total face value of CNY 1,000,000,000, CNY 100 each), for a period of 5 years, mainly for the repayment of short-term borrowings. The issue is at par and bears a fixed interest rate of 7.5% in the first 3 years, subsequently the Group having the option of increasing the coupon rate for the remaining two 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 2012 being USD 16.36 per bond.

In August 2011 the same subsidiary in China had issued corporate bonds in amount of USD 234,863 for a period of 8 years. The bonds were denominated in CNY, the total face value being CNY 1,500,000,000 (CNY 100 each). The issue was 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 3 years, 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 which were issued in 2011 are listed on the Shanghai Stock Exchange with an AA rating, the market price as of 31 December 2012 being USD 16.04 per bond (31 December 2011 being USD 15.52 per bond).

In 2011, the bonds had been included in "long-term loan payable, 3rd". The item has been reclassified into a separate category in order to conform to the presentation adopted in 2012.

Bank and other borrowings include secured liabilities of USD 1,194,480 (2011: USD 563,538). These borrowings are secured by property, plant and equipment of the Group in the amount of USD 636,314 (2011: USD 764,534) (Note 9), by inventory amounting to USD 147,334 (2011:146,977), by 98.7% (2011: 98.7%) 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 prices as at 31 December 2012 and 31 December 2011 were lower than the trigger price in the loan contracts and appropriate actions have been taken.

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

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. For the long-term borrowings bearing fixed interest rate the fair value is not significantly different than their carrying amounts.

The Group has the following undrawn borrowing facilities:

	31 December	
	2012	**2011**
CNY denominated floating rate (CNY '000)		
Expiring within 1 year	-	900,000
Total	**-**	**900,000**

In the end of the year 2012, the Group through one of its subsidiaries in Romania signed a contract with a bank for a revolving facility meant for issuing letters of credit and letters of guarantee, with the ceiling of USD 11,000. The facility is valid for 2 years. At 31 December 2012, USD 3,858 were unused from this facility.

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

	31 December	
	2012	**2011**
Lease installments falling due:		
Within 1 year	649	991
1 to 5 years	187	793
After 5 years	-	-
Total lease installments	836	1,784
Less: Future finance charges	-31	-106
Present value of lease obligations	805	1,678
Thereof:		
Short-term finance lease obligations (less than 1 year)	622	918
Long-term finance lease obligations (1 to 5 years)	183	760

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 631 as at 31 December 2012 and USD 1,143 at 31 December 2011.

in USD '000, except share and per share data

21. Provisions

	Provision for litigations	Other provisions	Total
Balance at 1 January 2011	**2,521**	**13,630**	**16,151**
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
Acquisition of subsidiaries (Note 26)	-	8	8
Additional provisions recognised	-	7,499	7,499
Release of provision	-12	-2,631	-2,643
Utilisation	-6	-3,589	-3,595
Translation adjustment	-14	35	21
Balance at 31 December 2012	**2,404**	**14,325**	**16,729**
Thereof:			
Current	20	7,444	7,464
Non-current	2,384	6,881	9,265

Other provisions mainly relate to rehabilitation and safety works in the coal mines. Pursuant to local regulations for coal mining companies in China, provisions for production maintenance, safety and other related expenditures are accrued by the Group at fixed rates per tone based on coal production volumes. The provisions could be utilised when expenses or capital expenditures on production maintenance and safety measures are incurred. The purposes of making these provisions are to ensure safety in production in mines, prevent accidents and protect personal safety of workers and staff at mines.

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 11,062 were recognized as expense in the income statement (2011: USD 12,260).

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 2012 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	
	2012	**2011**
Discount rate (%)	8.20	8.40
Expected rate of salary increase (%)	4.50	5.00
Expected inflation rate (%)	3.00	3.50

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

	2012	**2011**
Current service cost	-313	-537
Interest cost on obligation	-636	-572
Actuarial gains / (losses) recognised in the year	44	10
Past service cost	-	-7
Total expense	**-905**	**-1,106**

The expense on current service cost and actuarial gains for the year are included in the statement of profit or loss and other comprehensive income as Cost of goods sold and administrative expenses, and interest cost on obligation as Finance costs, 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	
	2012	**2011**
Present value of defined benefit obligation	7,965	7,382
Net actuarial gains / (losses) not recognised	557	382
Net liability from defined benefit obligation	**8,522**	**7,764**

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

	2012	**2011**
Balance at 1 January	7,764	7,106
Current service cost	313	537
Interest cost	636	572
Actuarial losses / (gains) recognised in the year	-44	-10
Past service cost	-	7
Benefits paid	-131	-71
Translation adjustment	-16	-377
Balance at 31 December	**8,522**	**7,764**

	2012	**2011**
Total actuarial gains / (losses) in the period	220	-330
Thereof experience adjustment	460	-758

in USD '000, except share and per share data

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 2012		31 December 2011	
	Assets	**Liabilities**	**Assets**	**Liabilities**
Property, plant and equipment	6,358	28,012	3,107	29,480
Intangible assets	19	449	25	747
Mineral rights	-	125,511	-	124,347
Land use rights	-	7,620	-	7,931
Investments	-	-	397	-
Inventories	1,443	-18	2,335	-
Trade receivables and other current assets	2,149	145	4,331	23,731
Borrowings	-	24	-	576
Provisions and other liabilities	10,678	12,329	5,336	-4,442
Gross deferred tax assets / liabilities	**20,647**	**174,072**	**15,531**	**182,370**
Capitalisation of tax loss carryforwards	54,943	-	13,840	-
Offset of deferred tax assets and liabilities	-36,803	-36,803	-20,322	-20,322
Net deferred tax assets and liabilities as disclosed in the statement of financial position	**38,787**	**137,269**	**9,049**	**162,048**
Net deferred (asset) / liability		98,482		152,999

The realization of deferred tax assets depends on the expected future profitability of the related entities which is assessed based on the most recent budgets and business plans.

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

	2012	2011
Balance at 1 January	152,999	131,759
Charge / (credit) to income statement (Note 7)	-49,319	-15,625
Charge / (credit) to equity	-8,479	30,243
Acquisition of subsidiaries	3,833	2,057
Other	-	10
Translation adjustment	-552	4,555
Balance at 31 December	**98,482**	**152,999**

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

	31 December	
	2012	2011
China	40,703	56,715
Romania	33,272	4,417
The Netherlands	4,074	4,642
Sierra Leone	10,685	3,795
Ghana	521	
Total	**89,255**	**69,569**

	31 December	
Tax loss expiring	2012	2011
Within 1 year	-	-
1 - 2 years	2,464	4,717
2 - 5 years	31,544	63,431
More than 5 years	55,247	1,421
Total	**89,255**	**69,569**

Additional to non-recognized deferred tax assets for tax losses, the Group has non-recognized deferred tax assets for deductible temporary differences at the level of 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	
	2012	2011
Trade accounts payable	148,119	170,453
Bills of exchange	1,045,338	765,084
Liabilities for capital expenditure	75,860	95,591
Customer deposits	72,228	61,436
Consideration payable for acquisition of subsidiaries	-	5,096
Wages and social security, including taxes	24,044	13,459
Sales and other taxes payable	4,617	5,959
Financial guarantees	40,360	6,434
Other accounts payable	46,401	58,376
Total	**1,456,967**	**1,181,888**

in USD '000, except share and per share data

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 of the Company. The ultimate controlling entity in respect of 59.40% of the shares in the Company is Maxon Limited (Bermuda).

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note.

The primary related party transactions are described below.

Financing
In 2012 and 2011, 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	**2012**	**2011**
Vi Holding N.V.	185,120	187,330
Total borrowings from related parties	**185,120**	**187,330**
Thereof:		
Short-term portion of borrowings	185,120	14,349
Long-term portion of borrowings	-	172,981

The loan payable to Vi Holding N.V. at 31 December 2012 is repayable on 31 May 2013 and is subject to interest at LIBOR plus 5.75%. The loan is subordinated. Negotiations for the restructuring of the shareholder's borrowing have started, but as the Company does not have a signed unconditional commitment to postpone the payment for more than 12 months, it has been classified as short-term.

Interest expense related to the loan amounted to USD 11,665 (2011: USD 11,490).

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

Goods and services provided to related parties	**2012**	**2011**
Companies under common control	83	86
Associates	3,732	2,129

Goods and services purchased from related parties	**2012**	**2011**
Vi Holding N.V.	-276	-159
Companies under common control	-57,564	-67,316
Associates	-	-
Key management personnel	-	-92
Other	-204	-

Furthermore, the following balances were outstanding:

Long-term loans	31 December 2012	31 December 2011
Associates	37,848	-

Long-term loans receivable from associates in amount of USD 37,848 represents the financing provided to the projects related to water supply and heat capture of the power plants owned by the Group in China. Loans are interest bearing, measured at amortised cost and included under the Long-term loans to related parties in the Consolidated Statements of Financial Position.

Trade and other accounts receivable	31 December 2012	31 December 2011
Vi Holding N.V.	-	-
Companies under common control	26	877
Associates, trade receivables	5,669	40,586
Total	**5,695**	**41,463**

Long-term loans receivable from associates in amount of USD 37,848 represents the financing provided to the projects related to water supply and heat capture of the power plants owned by the Group in China. Loans are interest bearing, measured at amortised cost and included under the Long-term loans to related parties in the Consolidated Statements of Financial Position.

Trade and other accounts payable	31 December 2012	31 December 2011
Vi Holding N.V.	276	159
Companies under common control	596	214
Associates	-	-
Key management personnel	-	92
Other	148	-
Total	**1,020**	**465**

Management Compensation

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

	2012	2011
Short-term employee benefits	1,508	1,473
Post-employment benefits	152	126
Total	**1,660**	**1,599**

in USD ‘000, except share and per share data

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:

	2012	2011
Short-term employee benefits	-	128
Post-employment benefits	-	4
Total	**-**	**132**

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 2012.

26. Acquisitions and disposals of subsidiaries

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 receivables acquired in these transactions of USD 685 (which principally comprised trade receivables) did not differ from their gross contractual amounts. According to the best estimate at acquisition date of the contractual cash flows 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 new shares issued 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 the 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 CNY 225 m 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 CNY 225 m 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.

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.

in USD '000, except share and per share data

2012

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

Yichuan County Jinyao Coal Mine Co. Ltd.	Book value	Fair value adjustment	Fair value
Property, plant and equipment	5,343	5,999	11,342
Mineral rights	934	9,331	10,265
Current assets	1,843	-	1,843
Current liabilities	-7,642	-	-7,642
Deferred tax liabilities	-	-3,833	-3,833
Net assets	**478**	**11,497**	**11,975**
Non-controlling interest			-
Goodwill arising on acquisition			3,932
Consideration:			**15,907**
Net cash acquired with the subsidiary			9
Cash paid			15,907
Cash consideration payable			-
Net cash outflow on acquisition of subsidiaries			**15,898**

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

The mine is under a modernisation process and no revenue is included in consolidated statement of profit or loss and other comprehensive income. Since acquisition, Jinyao Coal Mine generated net losses in amount of USD 2,314.

Acquisition of entities under common control

On 29 February 2012, the Group subsidiary Henan Yulian Energy Group Co., Ltd. set up a new company Dengfeng City Daxin Commercial Ltd., 100% owned. The company's issued capital was USD 2,400 and the main business activity is power generation. As part of an asset reorganization scheme, Henan Yulian Energy Group Co., Ltd. transferred its power generation plants and related liabilities to Dengfeng City Daxin Commercial Ltd. Subsequently, on 31 March 2012 the newly created company was sold to another subsidiary of the Group, Zhengzhou Guangxian Industry and Trade Co. On 15 October 2012 in order to optimise the Group structure in China, Dengfeng City Daxin Commercial Ltd., was acquired by the Group company Henan Zhongfu Power Co., Ltd. for a cash consideration of USD 2,376. As a result, the effective shareholding of the Group in Dengfeng City Daxin Commercial Ltd. decreased from 96.78% to 57.69%. No gain from a bargain purchase 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 -3,601 and an increase in retained earnings of USD 3,601. On 20 November 2012 Dengfeng City Daxin Commercial Ltd. merged with Henan Zhongfu Power Co., Ltd.

Total net cash inflow/(outflow) on acquisition of subsidiaries:	2012	2011
Acquisition of Yichuan County Jinyao Coal Mine Co. Ltd.	-15,898	-
Acquisition of Dengfeng City Chenlou Yisan Coal Mine Co., Ltd.	-	-7,606
Acquisition of Zhongshan Investment Holdings Co., Ltd. and its subsidiaries	-	-12,386
Contribution of non-controlling interest to Henan Zhongfu Industry Co., Ltd.	-	169,763
Net cash outflow on acquisition of subsidiaries	**-15,898**	**149,771**

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 2012, the Group's strategy was to maintain the gearing ratio within 60% to 70%, the same as in 2011.

	2012	2011
Total borrowings (Note 20)	2,617,587	2,450,073
Less: cash and cash equivalents (Note 18)	-177,774	-157,438
Net debt	**2,439,813**	**2,292,635**
Total shareholders' equity	**1,072,606**	**1,281,159**
Total capital	**3,512,419**	**3,573,794**
Gearing ratio	69%	64%

The increase in the gearing ratio during 2012 resulted primarily from the decrease in equity at the group level, given the volatility of the derivative financial instruments. The gearing ratio is significantly affected by the China segment, where the banking sector permits higher indebtness than in the other countries in which the Group develops its business.

in USD '000, except share and per share data

Categories of financial instruments

	31 December 2012	31 December 2011
Financial assets		
Cash and bank balances	912,028	746,094
Fair value through profit or loss (FVTPL)		
Held for trading	-	-
Designated as at FVTPL	-	-
Derivative instruments in designated hedge accounting relationships	-	138,977
Held-to-maturity investments	-	-
Loans and receivables	363,633	419,420
Available-for-sale financial assets	9,093	7,546

	31 December 2012	31 December 2011
Financial liabilities		
Fair value through profit or loss (FVTPL)		
Held for trading	19,820	-
Designated as at FVTPL	-	-
Derivative instruments in designated hedge accounting relationships	4	11,164
Amortised cost	4,075,574	3,632,426
Financial guarantee contracts	40,360	6,434

There were no reclassifications between the categories of financial assets during 2012 and 2011, except for the derivatives for which the hedge accounting treatment was terminated.

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 2012	31 December 2011
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 commodity prices, foreign currency exchange rates and interest rates. The Group enters into a variety of contracts for derivative financial instruments to manage its exposure to foreign currency risk and market prices, including:
• 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 has been 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 2012					
Total monetary assets *	15,523	99,907	192	1,602,023	**1,717,645**
Total monetary liabilities *	19,532	213,330	418,416	3,744,281	**4,395,559**
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**

* They do not include derivative contracts the Group entered into.

Foreign currency sensitivity

The Group is mainly exposed to the EUR (in Romania) and the USD (in Romania and China). The following table details the Group's sensitivity as an impact of a 10% decrease in these currencies against the corresponding functional currency. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of a possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% increase in foreign currency rate. The sensitivity analysis includes 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 and 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 2012			
Profit or loss	401 [1)]	11,342 [2)]	41,822 [4)]
Other equity	-	-	-
31 December 2011			
Profit or loss	-2,028 [1)]	15,107 [2)]	39,991 [4)]
Other equity	-	-9,717 [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 (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.
The last settlement of the hedge transactions took place in 2012, at which stage the amount deferred in equity was recycled to profit or loss. The realised loss on forward foreign exchange contracts included in "foreign exchange (loss) / gain" in 2012 amounted to USD 11,915 (2011: USD 15,893). As at 31 December 2012, no forward foreign exchange contract was outstanding to hedge the exchange rate risk. At 31 December 2011, the aggregate amount of unrealised losses under forward foreign exchange contracts relating to the exposure on the future sales was USD 11,067, the details of which are presented below:

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**

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 the main part 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 2012 would decrease/increase by USD 17,009 (2011: USD 17,843).

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 2012, 462 tons of highly forecasted sales were hedged against the adverse effect of aluminium price changes through swap agreements for 2013 (31 December 2011: 711 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 2012				
Swap - receive fixed	-	-	-	-
Swap - pay fixed [2]	462	2,104	973	-4
Total	**462**	**2,104**	**973**	**-4**
31 December 2011				
Swap - receive fixed	-	-	-	-
Swap - pay fixed [2]	711	2,144	1,524	-97
Total	**711**	**2,144**	**1,524**	**-97**

[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 2012 the realised loss on the aluminium swap contracts included in "sales" amounts to USD 153 (2011: net gain of USD 1,086).

Commodity options

During 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 in 2011 the company bought 50,000 Mt of PUT options with the averaged floor level of USD 2.350/Mt and sold 25,000 Mt of CALL options with the average cap level of USD 2.700/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. 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 in 2011 and 2012, with the last settlement in December 2012, so that as at December 31, 2012, no option contract was outstanding (at December 31, 2011, their fair value amounted to USD 44,520, hedging 78,000 tons).

The effective portion of the intrinsic value of the options, which was credited in other comprehensive income was nil at December 31, 2012, and USD 45,208 at December 31, 2011. The amount recycled to profit or loss under "sales" in 2012 was of USD 45,282 (2011: 10,308), while the loss related to the change in fair value (other than in intrinsic value), as well as the loss on options unexercised amounting to USD 688 was recognized in profit or loss within finance costs (in 2011: USD 8,380).

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

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

In 2012 and 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. However, the Group's subsidiaries in Romania were affected by the Government's schemes to support green energy, leading to higher electricity costs.

Due to the low level of aluminium market the Group did not enter into any other hedging relationships in 2012, these not being economicaly efficient. Although the Groups' main activity is to sell its products at prevailing market prices, the Group is closely monitoring the market in order to take advantage of any opportunities that may arise to protect its results against the high volatility of commodity prices.

Embedded derivatives

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

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

For the year 2012, the addendum to the electricity supply contract foresaw fixed acquisition prices, so that there was no derivative embedded that needed separate accounting.

Starting the year 2013 until 2018, the agreed price contains an LME-linked price adjustment (different than the initial one), a floor level, a cap level and another feature that cancels the floor in case some market conditions are cumulatively met (in respect of both aluminium and energy market). As a result, the compounded embedded derivative that needs to be separated from the host contract consists of four parts:

- 2 series of 61 monthly forward contracts to sell aluminium, whose notional amounts are determined on the basis of aluminium quantities specified in the contract; the notional amounts of the forward contracts are determined on the basis of the aluminium quantities specified under the energy supply contract, which represent the Group's management's best estimate, at inception date, and consequently at renegotiation date, of the amounts of energy to be acquired;
- a series of 61 monthly long call options for buying aluminium, corresponding to the maximum energy price set in the addendum;
- a series of 61 monthly short put options for selling aluminium, corresponding to the minimum energy price set in the addendum;
- a series of 61 monthly long put options whereby the underlying is an energy price index.

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

As a consequence of the termination of the cashflow hedge relationship, the cashflow hedging reserve accumulated at 31 December 2011 will remain in other comprehensive income until the forecasted sales occur, at which time the corresponding portion will be recycled to the profit and loss. The portion of the hedging reserve recycled to the profit and loss as a credit to Sales in 2012 amounted to USD 20,233 (2011: losses of USD 4,829), with a corresponding deferred tax amount of USD 3,237 (2011: USD 773).

The change in fair value of the embedded derivative instrument between 31 December 2011 and 31 December 2012, amounting to USD 110,066 was debited to the profit and loss account, being presented under "Fair value losses from financial instruments", of which USD 20,233 represent the realized portion. For the year 2011, the change in fair value of these derivative financial instruments amounted to a net gain of USD 106,805 and was included in equity as a hedging reserve movement.

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

	Assets	Liabilities
31 December 2012		
Aluminium forward swaps - cash flow hedges	-	4
Embedded derivatives	-	19,820
Total	**-**	**19,824**
Thereof:		
Non-current	-	12,812
Current	-	7,012
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

in USD '000, except share and per share data

Summary of the fair value of derivative financial instruments as at 31 December 2012 and 2011:
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 2012 and 2011.

Commodity price sensitivity

As of December 31, 2012, 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 nil (December 31, 2011: USD 77,063) 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 concluded transactions is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the Board.

Trade receivables consist of a large number of customers, spread across diverse industries and geographical areas. Ongoing credit evaluation is performed on the financial condition of accounts receivable and, where appropriate, credit 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
2012				
Borrowings (principal and expected future interest payments)	1,210,456	1,358,850	176,450	2,745,756
Trade and other monetary payables	1,471,632	-	-	1,471,632
Total	**2,682,088**	**1,358,850**	**176,450**	**4,217,388**
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**

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 guarantee 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.

• 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 2012			
	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets	**-**	**-**	**-**	**-**
Financial assets at FVTPL	-	-	-	-
Total	**-**	**-**	**-**	**-**

	31 December 2012			
	Level 1	Level 2	Level 3	Total
Financial liabilities at FVTPL				
Aluminium swaps	-	4	-	4
Embedded derivatives	-	19,820	-	19,820
Financial guarantee contracts	-	-	40,360	40,360
Total	**-**	**19,824**	**40,360**	**60,184**

in USD '000, except share and per share data

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

	31 December 2011			
	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets				
Unquoted equities	-	-	-	-
Financial assets at FVTPL				
Unquoted securities	-	-	-	-
Aluminium swaps	-	94,457	-	94,457
Embedded derivatives	-	44,520	-	44,520
Total	**-**	**138,977**	**-**	**38,977**

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

	2012			
	Assets		Liabilities	
	Unquoted equities	Unquoted securities	Financial guarantee contracts	Derivative financial liabilities
Opening balance	**-**	**-**	**-6,434**	**-**
Gains/(losses) in profit or loss	-	-	-33,766	-
Gains/(losses) in other comprehensive income	-	-	-	-
Purchases	-	-	-	-
Issues	-	-	-	-
Settlements / Sale	-	-	-	-
Transfer out of level 3	-	-	-	-
Translation adjustment	-	-	-160	-
Total	**-**	**-**	**-40,360**	**-**

	2011			
	Assets		Liabilities	
	Unquoted equities	Unquoted securities	Financial guarantee contracts	Derivative financial liabilities
Opening balance	**-**	**-**	**-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	-	-	-237	-
Total	**-**	**-**	**-6,434**	**-**

Net losses for the period included in profit or loss of USD 33,766 (2011: USD 3,760) related to financial guarantee contracts are included in Note 6 'Finance costs, net'.

28. Contingencies and commitments

Contingencies

Litigations

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

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

European Commission investigation

In April 2012, the European Commission commenced a formal investigation in respect of the long term electricity supply agreement concluded between one of Group's subsidiary. As at 31 December 2012, the investigation was not completed and the management considers that there is not possible to assess the potential outcome. As a result, no provision was recorded in these consolidated financial statements in this respect.

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 480,313 as at 31 December 2012 (2011: USD 690,008).

The Group has further investment commitments in China amounting to USD 79,846 (2011: USD 82,041) 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 contract relates to a yearly quantity of 3 TWh, the price being linked to LME with a certain floor and cap.

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 134,142 for the year ended 31 December 2012 (2011: USD 135,570).

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 2012 was USD 80 (2011: USD 35). At 31 December 2012, the Group had commitments of USD 120 (2011: USD 84) under non-cancellable operating leases. Of these USD 86 are due within one year (2011: USD 46), and the rest between one and five years.

29. Events after the Reporting Period

Disposal of subsidiary Henan Jiatuo Coal Distribution Co., Ltd.

On 20 December 2012, in order to reduce the administrative expenses and maximise the effectiveness of the Group structure, it was decided to dispose the 100% subsidiary Henan Jiatuo Coal Distribution Co., Ltd. to a third party for a cash consideration of USD 3,010. The main activity of the subsidiary was the wholesale of coal. As at 31 December 2012 the Group still had the control over the financial and operating policies of the company, therefore it continued to be consolidated in these financial statements. The disposal of the subsidiary is effective starting with April 2013 and it will have no material effect on consolidated financial position and results of the Group.

Transfer of equity interest in Henan Zhongfu Power Co., Ltd

On 4 January 2013, Henan Zhongfu Industry Co., Ltd. ("Zhongfu"), entered into a share purchase agreement with Henan Yulian Energy Group Co., Ltd. ("Yulian"), pursuant to which, Yulian agreed to transfer its 41.05% equity interest in Henan Zhongfu Power Co., Ltd. ("Zhongfu Power") to Zhongfu at a cash consideration of USD 80,821. Before the share transfer, Zhongfu and Yulian were directly holding 58.95% and 41.05% respectively equity interest in Zhongfu Power; after the acquisition, Zhongfu Power has become a wholly owned subsidiary of Zhongfu, the Company's effective percentage of shareholding in Zhongfu Power decreasing from 69.21% to 50.01%.

Non-public share issue by Henan Zhongfu Industry Co., Ltd

On 18 February 2013, the Board of Zhongfu approved to issue not more than 448 million new shares to Yulian at CNY 4.46 per share (equivalent to approximately USD 0.71 per share). Total gross proceeds will not be more than USD 317,874 to be settled in cash. Yulian committed itself not to transfer these new shares within a period of 36 months after the completion date of the non-public share issue. After the restriction period, the new shares are expected to be listed on the Shanghai Stock Exchange. The issue of new shares to Yulian is valid for 12 months from the date of shareholders' resolution approving this transaction. The new shares will be issued within 6 months after obtaining the approval from the China Securities Regulatory Commission. After the issue, all the new and old shareholders have the same rights towards the undistributed retained earnings and the Company's effective percentage of interest in Zhongfu will increase from 50.01% to 60.69%.

30. Companies in the Vimetco Group

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

	2012		2011	
	shareholding	votes 1)	shareholding	votes 1)
China				
Datang Gongyi Power Generation Co., Ltd.	47.42%	49.00%	47.42%	49.00%
Datang Linzhou Thermal Power Co., Ltd.	9.62%	19.23%	10.08%	20.00%
Dengfeng City Chenlou Yisan Coal Mine Co., Ltd.	31.73%	100.00%	31.73%	0.00%
Dengfeng City Jinxing Coal Mine Co., Ltd.	31.73%	100.00%	31.73%	100.00%
Everwide Industrial Ltd.	100.00%	100.00%	100.00%	100.00%
Henan Jiatuo Coal Distribution Co., Ltd.	57.69%	100.00%	57.69%	100.00%
Henan Yellow River Heluo Branch Water Supply Co., Ltd.	30.45%	44.00%	30.45%	44.00%
Henan Yinhu Aluminium Co., Ltd.	50.01%	100.00%	50.01%	100.00%
Henan Yonglian Coal Industry Co., Ltd.	31.15%	45.00%	31.15%	45.00%
Henan Yulian Energy Group Co., Ltd.	96.78%	96.78%	96.78%	96.78%
Henan Yulian Zhongshan Investment Holdings Co., Ltd.	57.69%	100.00%	57.69%	85.00%
Henan Zhongfu Aluminium Alloy Co., Ltd.	37.01%	100.00%	37.01%	74.00%
Henan Zhongfu Anodes Carbon Co., Ltd.	41.78%	83.53%	41.78%	83.52%
Henan Zhongfu Industry Co., Ltd.	50.01%	51.68%	50.01%	51.28%
Henan Zhongfu Power Co., Ltd.	69.21%	100.00%	69.21%	100.00%
Henan Zhongfu Specialized Aluminium Product Co., Ltd.	37.01%	73.99%	37.01%	74.00%
Henan Zhongfu Thermal Power Co., Ltd.	33.91%	49.00%	33.91%	49.00%
Linzhou Jinhe Electrical Power Equipment Co., Ltd.	25.51%	51.00%	25.51%	51.00%
Linzhou Linfeng Aluminium and Power Co., Ltd.	50.01%	100.00%	50.01%	100.00%
Linzhou Linfeng Aluminium Product Co., Ltd.	50.01%	100.00%	50.01%	100.00%
Shanghai Xinfu Industry Development Co. Ltd.	45.01%	100.00%	45.01%	0.00%
Shanghai Zhongfu Aluminium Development Co., Ltd.	45.01%	90.00%	45.01%	90.00%
Shenzhen OK (OUKAI) Industry Development Co., Ltd.	50.01%	100.00%	50.01%	100.00%
Yichuan County Jinyao Coal Mine Co., Ltd.	31.73%	100.00%	0.00%	0.00%
Zhengzhou City Dengcao Investment Co., Ltd.	31.73%	55.00%	31.73%	55.00%
Zhengzhou City Fanda Investment Management Co., Ltd.	57.69%	100.00%	57.69%	100.00%
Zhengzhou City Huixiang Coal Industry Co., Ltd.	40.39%	70.00%	40.39%	70.00%
Zhengzhou Dengcao Enterprise Group Jinling Coal Mine Co., Ltd.	31.73%	100.00%	31.73%	100.00%
Zhengzhou Guangxian Industry and Trade Co., Ltd.	57.69%	100.00%	57.69%	100.00%

in USD '000, except share and per share data

	2012		2011	
	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%	86.98%	99.40%
Conef S.A.	87.47%	99.97%	87.47%	99.97%
Vimetco Extrusion S.r.l.	87.50%	100.00%	87.50%	100.00%
Vimetco Management Romania S.r.l.	100.00%	100.00%	100.00%	100.00%
Vimetco Power Romania S.r.l.	100.00%	100.00%	100.00%	100.00%
Vimetco Trading S.r.l.	100.00%	100.00%	100.00%	100.00%
Sierra Leone				
Bauxite Marketing Ltd.	86.98%	100.00%	86.98%	100.00%
Global Aluminium Ltd.	86.98%	100.00%	86.98%	100.00%
Sierra Mineral Holdings I, Ltd.	86.98%	100.00%	86.98%	100.00%
Corporate and other				
Vimetco N.V.	n/a	n/a	n/a	n/a
Vimetco Management GmbH	100.00%	100.00%	100.00%	100.00%
Vimetco Ghana (Bauxite) Ltd.	100.00%	100.00%	100.00%	100.00%

[1)] For this purpose, the voting rights reported are those of the immediate parent company or companies, where the immediate parent company or companies are, themselves, controlled by the Vimetco Group. Consequently, the voting rights reported above may differ significantly from the effective shareholding. Companies in which the voting rights as reported above are greater than 50% are fully consolidated, even if the effective shareholding is less than 50%, since the Vimetco Group is deemed to have control over them.

Company-only Financial Statements
Vimetco NV

Condensed Company-only Income Statement

Condensed Company-only Income Statement for the year ended 31 December			in USD '000
	Note	2012	2011
Company-only result after tax		2,516	738
Share of net result of investments	5	-144,014	-104,972
Profit/(loss) for the year		**-141,498**	**-104,234**

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	2012	2011
Assets			
Non-current assets			
Intangible fixed assets:			
Goodwill	6	46,840	46,959
Other intangible assets		14	86
Other non-current assets		-	1,743
Property, plant and equipment		7	14
Financial fixed assets:			
Investments	7	125,806	366,846
Loans to Group companies	8	12,716	299,287
Total non-current assets		**185,383**	**714,935**
Current assets			
Other receivables	9	29,897	8,820
Prepaid expenses		159	161
Loans to Group companies	8	297,912	-
Accrued income from Group companies		121,081	92,861
Cash and cash equivalents		1,964	18,144
Restricted cash		1,875	2,334
Total current assets		**452,888**	**122,320**
Total assets		**638,271**	**837,255**

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	2012	2011
Shareholders' equity and liabilities			
Shareholders' equity			
Share capital	10	27,917	27,917
Share premium		348,568	348,568
Other reserves		308,415	453,032
Retained earnings / (accumulated deficit)		-136,461	-137,199
Profit / (loss) for the year		-141,498	-104,234
Total shareholders' equity		**406,941**	**588,084**
Non-current liabilities			
Loan from credit institutions	11	32,526	40,676
Loan from shareholder	12	-	172,981
Total non-current liabilities		**32,526**	**213,657**
Current liabilities			
Current portion of loan from credit institutions	11	7,344	13,822
Loan from shareholder	12	172,981	-
Interest payable		12,371	14,349
Accrued expenses		1,632	1,341
Deferred income	13	3,216	4,825
Accounts payable	9	790	771
Other payables	9	470	406
Total current liabilities		**198,804**	**35,514**
Total liabilities		**231,330**	**249,171**
Total shareholders' equity and liabilities		**638,271**	**837,255**

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 2011	**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**
Appropriation of prior year result	-	-
Change in non-controlling share of net assets	-	-
Gains from cash flow hedges	-	-
Net loss for the year	-	-
Translation adjustment	-	-
Balance at 31 December 2012	**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	**-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**
-	-	-	-104,972	-104,972	738	104,234	-
-	-	-	3,601	3,601	-	-	3,601
-	-40,772	-	-	-40,772	-	-	-40,772
-	-	-	-	-	-	-141,498	-141,498
-	-	-2,474	-	-2,474	-	-	-2,474
47,721	**53,673**	**-3,207**	**210,228**	**308,415**	**-136,461**	**-141,498**	**406,941**

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 2012 amounts to USD 67,402 (2011: USD 106,402).

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

5 employees, excluding directors, served the Company during the year ended 31 December 2012 and 6 employees during the year ended 2011. The personnel costs amounted to USD 948 in 2012 (2011: USD 770). 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 1,339 to the statutory auditors in 2012 (2011: USD 1,471) and additionally USD 317 to their network firms in 2012 (2011: USD 548). The Company also incurred expenses for non-audit services (mainly tax and other advisory services) amounting to USD 100 to the statutory auditors' network firms in 2012 (2011: USD 393).

5. Share in the results of investments

	2012	2011
Alro S.A. (including shares held by its subsidiary Conef S.A.)	-60,186	71,695
Everwide Industrial Ltd.	-85,341	-177,873
Global Aluminium Ltd.	-	1,928
Vimetco Management GmbH	-131	-386
Vimetco Management Romania S.r.l.	594	72
Vimetco Power Romania S.r.l.	-35	-44
Vimetco Trading S.r.l.	433	547
Vimetco Ghana (Bauxite) Ltd.	652	-911
Balance at 31 December	**-144,014**	**-104,972**

6. Goodwill

The movements in goodwill are as follows:

	2012	2011
Balance at 1 January	46,959	65,787
Disposal of subsidiary	-	-18,412
Translation adjustment	-119	-416
Balance at 31 December	**46,840**	**46,959**

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 2012 and 31 December 2011, 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:	**2012**	**2011**
Balance at 1 January	366,846	406,848
Dilution loss from changes in non-controlling share of net assets	3,601	-11,944
Establishment of Vimetco Ghana (Bauxite) Ltd.	-	48
Hedge accounting at Alro S.A.	-40,772	128,013
Dividend payments	-57,500	-49,081
Translation adjustment	-2,355	-2,066
Share in result of investments	-144,014	-104,972
Balance at 31 December	**125,806**	**366,846**

8. Loans to Group companies

	31 December	
	2012	**2011**
Long-term loans		
Loan to Everwide Industrial Ltd.	2,572	297,912
Loan to Global Aluminium Ltd.	3,408	-
Loan to Vimetco Ghana (Bauxite) Ltd.	1,835	1,166
Loan to Vimetco Power Romania S.R.L.	736	209
Loan to Alro S.A.	6,000	-
Impairment recognised on loan to Vimetco Ghana (Bauxite) Ltd.	(1,835)	-
Total long-term loans	**12,716**	**299,287**
Short-term loans		
Loan to Everwide Industrial Ltd.	297,912	-
Total short-term loans	**297,912**	**-**

Long-term loans include two loans granted to Everwide Industrial Ltd. (one in USD and one in EUR), two loans granted to Global Aluminium Ltd. (one in EUR and one in USD), one loan in USD granted to Vimetco Ghana (Bauxite) Ltd. and one loan granted in USD to Vimetco Power Romania S.R.L. All these loans are not secured and bear a fix interest rate of 5% in case of the loans granted to Everwide Industrial Ltd., Global Aluminium Ltd. and Vimetco Ghana (Bauxite), while the interest for the loan granted to Vimetco Power Romania S.R.L is LIBOR plus 5%.

In December 2012 a loan was granted to Alro S.A. of USD 6,000. The interest rate for this loan is LIBOR plus 4.75%.
The initial repayment date of the short-loan to Everwide Industrial Ltd. was 8 June 2009 with the right to postpone the repayment and was subsequently rolled over for another 4 years. The loan matures on 8 June 2013, is unsecured and bears interest rate of LIBOR plus 6%.

Vimetco N.V. recognised an impairment on the loan granted to Vimetco Ghana (Bauxite) Ltd. in amount of USD 1,940 comprising principal of USD 1,835 and accrued interest of USD 105 due to the uncertainty related to the future development of the project in Ghana.

9. Receivables and payables

	31 December	
	2012	**2011**
Other receivables		
Third parties	71	91
Group companies	29,826	8,729
Shareholder (Vi Holding N.V.)	-	-
Total	**29,897**	**8,820**
Accounts payable		
Third parties	514	612
Shareholder (Vi Holding N.V.)	276	159
Total	**790**	**771**
Other payables		
Third parties	11	13
Group companies	311	252
Related parties	148	141
Total	**470**	**406**

Included in Other receivables - Group companies are USD 28,069 being dividends receivable from Alro S.A. distributed in 2012.

10. Share capital and share premium

The authorised share capital consists of 800,000,000 (2011: 800,000,000) common shares. All shares have a par value of EUR 0.10.

As of 31 December 2012 and 2011, 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.

in USD '000 except where otherwise mentioned

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. This loan was used for refinancing all existing facilities. In December 2012 an amendment to this agreement was signed and the margin for this loan was increased to 6.25% (2011: 6%) and the maturity date was extended until 2016. The balance is due as follows:

Due date	Repayment installment
31 August 2013	3,500
22 December 2013	3,951
30 May 2014	13,500
29 May 2015	13,500
31 May 2016	6,000
Total	**40,451**

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 2012 Vimetco NV made an advance repayment in amount of USD 1,000, additional to the annual instalment of USD 13,817. This advance repayment was made in accordance with the provisions of the agreement signed with Raiffeisen Bank.

12. Loan from shareholder

In 2012 and 2011, 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. The loan is subject to interest at LIBOR plus 5.75 and is due for repayment on 31 May 2013. The loan is subordinated. The average interest rate in 2012 was 6.21% (2011: 6.13%).

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 2012 (2011: USD 1,609). This deferred income will be recognised until the end of 2014.

	2012	2011
Opening balance	4,825	6,434
Revenue recognition	-1,609	-1,609
Balance at 31 December	**3,216**	**4,825**

14. Directors' remuneration

The remuneration of the individual members of the Board of Directors for the financial years 2012 and 2011 is as follows:

	Gross periodical remuneration (salary and directors' fee)	Bonus [1]	Pension contributions	"Distributions made on termination of the employment"	Total
Year ended 31 December 2012					
Independent directors					
B. Zonneveld	129	-	-	-	129
J. Currie	129	-	-	-	129
Executive directors					
G. Dobra	301	-	60	-	361
M. Nastase	487	-	47	-	534
P. Machitski	432	-	45	-	477
Non-executive directors					
V. Machitski	-	-	-	-	-
G. Zhang	-	-	-	-	-
V. Agapkin	15	-	-	-	15
V. Krasnov	15	-	-	-	15
D. Sedyshev	-	-	-	-	-
I. Sventski	-	-	-	-	-
Total	**1,508**	**-**	**152**	**-**	**1,660**
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		-	20	-	171
V. Machitski	-	-	-	-	-
G.Zhang	-	-	-	-	-
V. Agapkin	17	250	-	-	267
V. Krasnov	17	250	-	-	267
D. Sedyshev	-	-	-	-	-
I. Sventski	-	-	-	-	-
Total	**973**	**500**	**126**	**-**	**1,599**

[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.

Other information

Independent auditors' report

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

Statutory rules concerning profit appropriation

Distribution of profits

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

Dividends

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

Proposed result appropriation for the year

The Board of Directors proposes to allocate the result of the financial year 2012 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 2012 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 per December 31, 2012, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of 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-only statement of financial position as per December 31, 2012, the condensed company-only 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 per December 31, 2012 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 per December 31, 2012 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, 23 April 2013
Deloitte Accountants B.V.
was signed on the original
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 31 to 115, 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 31 to 115 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 13 to 15 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 2012 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

23 April 2013

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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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