

Half-year Report  
**2008**

# Contents

<b>03</b>	Overview
<b>03</b>	Financial Review
<b>04</b>	Operational Update
<b>05</b>	Post Period Update
<b>05</b>	Outlook
<b>06</b>	Half-year Accounts Condensed Consolidated Interim Financial Statements
<b>13</b>	Notes to the Condensed Consolidated Interim Financial Statements

# Financial and Operational Update

**Vimetco has demonstrated continued progress towards its strategy of global expansion and vertical integration with the development of operations in both China and Romania, and a new project in West Africa.**

## Overview

During the first half of the year, Vimetco continued to pursue its ambitious strategy of global expansion supported by significant increases in aluminium production and revenue generation.

Aluminium pricing developed favourably in the first half 2008. However, the rising costs of raw materials such as coal, electricity and alumina combined with higher inventories of primary aluminium, driven by a slowdown in demand, have impacted operating results.

We continued to pursue our planned expansion of production capacity and increased strategic focus on vertical integration and security of raw material supply. In the year to date we have clearly demonstrated our ability to execute on this strategy in both up and downstream activities, with the acquisition of a bauxite mine in West Africa and a coal mine in China and the further expansion and modernization of our facilities in both China and Romania.

## Financial Review\*

Revenues for the period were USD 948.6 million (H1 2007: USD 482.2 million), up 97% compared to the previous period. The increase was due primarily to the contribution of the Chinese operations which accounts for 56% of total revenues, which were fully consolidated in the first half 2008.

The cost of revenues grew by 121% to USD 738.1 million (H1 2007: USD 333.8 million) mainly due to rising raw material and energy costs. First cost cutting measures across the group have been implemented. Between January and June 2008 the head count at our Romanian operation has been reduced by 641 employees.

Operating profit increased by 46% to USD 168.1 million (H1 2007: USD 115.5 million) and net profit was up 43% to USD 127.0 million (H1 2007: USD 88.9 million).

Net cash from operating activities grew to USD 243.4 million (H1 2007: USD 74.9). Net cash used in investing activities increased to USD 433.7 million (H1 2007: USD 7.2 million) primarily as a result of cash used for the purchase of property, plant and equipment in China. Net cash from financing activities was USD 183.2 million (H1 2007: USD 51.1 million)

primarily as a result of net cash inflows from loan facilities. Cash and cash equivalents as at 30 June 2008 were USD 137.0 million (31 December 2007: 137.1 million).

On 30 June 2008 net debts stood at USD 935 millions, up from USD 673 millions at the end of 2007. We successfully secured a long term loan of USD 270 million in February in China.

In June 2008, Vimetco entered into a shareholder loan for up to USD 250 million with its controlling shareholder, Vi Holding N.V. (formally Romal Holdings), as lender. The shareholder loan is to support the financing of potential projects enhancing the Group's vertical integration strategy as well as its expansion programme in China. The loan is repayable by Vimetco on May 31, 2013 or before that date voluntarily from time to time. As at 30 June 2008, no funds had been drawn down from this loan.

\* H1 2007: full consolidation of Chinese operations for 9 days

## Operational Update

### Romania

Primary aluminium production in Romania was 144,000 tonnes (H1 2007: 139,000 tonnes) while processed aluminium production was 18,000 tonnes (H1 2007: 13,000 tonnes). Sales of primary aluminium amounted to 106,000 tonnes (H1 2007: 118,000 tonnes) while sales of processed aluminium were 19,000 tonnes (H1 2007: 14,000 tonnes).

Revenues amounted to USD 418.3 million (H1 2007: USD 445.4 million). The decrease in revenue was primarily due to lower sales volumes and the cold rolling mill upgrade.

Earlier this year, the Group successfully completed the modernization of the cold rolling mill following a USD 4.8 million investment to double the mill's processing capacity to 36,000 tpa and improve the quality of flat rolled products such as sheets and coils. As a consequence, the cold rolling mill was closed for two months during the period which in turn affected sheet and coil production and sales. With commissioning now complete, the mill is

operating once again and we are beginning to see the benefits of the upgrade. The performance of the facility now ranks amongst the highest of modern mills in operation.

Early in the period we announced the formation of a joint venture with Interagro, TM Power SA, for the construction of a power plant to support the local operation of Alro's aluminium smelter in Slatina. Feasibility studies are currently ongoing with the most appropriate and economical option likely to be two 660 MW turbines.

### China

Primary aluminium production in China was 212,000 tonnes (H1 2007: 155,000 tonnes) while processed aluminium production reached 32,000 tonnes (H1 2007: 6,500 tonnes). Sales of primary aluminium amounted to 179,000 tonnes (H1 2007: 158,000 tonnes) while sales of processed aluminium was 30,000 tonnes (H1 2007: 6,000 tonnes).

Revenues reached USD 529.4 million (H1 2007: USD 37.0 million, as the Chinese operations were only consolidated from 21 June 2007), including revenues by Linfeng and first revenues of the newly added casted band capacity of 60,000 tpa at Yinhu.

In April, Vimetco announced an expansion programme in China to increase smelting capacity by 480,000 tpa using the latest technology available (400kA pots) and to construct a new cast house capable of producing an additional 300,000 tpa of primary aluminium such as billets, slabs and wire rods. These investments are being funded in part by the shareholder loan, and the first phase of the programme is on track to complete by the end of 2008.

Plans to increase power generating capacity are also on track with an additional 300 MW expected to come on stream in Q1 2009. This additional capacity will bring total operating capacity in China up to 1,300 MW.

### Post Period Update

#### Bauxite mining

As part of our efforts to achieve vertical integration across the supply chain, in July 2008, Vimetco acquired rights to an operating bauxite mine under a mining lease with the Government of Sierra Leone.

The acquisition enables Vimetco to bring bauxite supply in-house and control costs against a backdrop of rising commodity prices. In addition, it provides a platform from which to capitalise on further resource and alumina refinery development opportunities in West Africa, which are currently under consideration. Production of 1.2 million tonnes is currently sold via off-take agreements which run until Q3 2009.

#### Processed products

In a demonstration of our commitment to the production of value-added products, Alro recently attained the National Aerospace and Defense Contractor Accreditation Program (NADCAP) certificate entitling the Company to supply to the aerospace industry. The accreditation was granted in recognition of the Company's conformity with international requirements with regard to its heat treatment and laboratory testing processes and was achieved thanks to the considerable efforts of the Alro team.

#### Energy supply

In another key step towards achieving Vimetco's goal to become a self-sufficient producer, in October 2008 we announced the acquisition of the Yaoling Coalmine in Henan Province, China, via a joint venture with the current mine operator and the Gongyi city government. Vimetco's acquisition of the coal mine ensures a guaranteed supply of raw material and strengthens the integrated power generation for our smelting plants.

#### Outlook

In spite of achieving record production, revenue and profit in the first half of 2008, in recent months, we have seen a marked deterioration in aluminium pricing combined with continued pressure from high raw materials and energy prices. While we are confident that the aluminium price will recover in the course of 2009, we are currently taking action to mitigate the impact of these factors, including cutting production and delaying capital expenditures on new projects. To this end, we closed down in October 80,000 tpa of older pots in China, originally planned for 2009. We additionally envisage delaying the commissioning of new capacities in Gongyi and Linzhou until mid or end of 2009. Whilst we evaluate these options, we are also benefiting from the earlier-than-anticipated commissioning of a new, state-of-the-art smelter in China, which runs at greater efficiency and thus at lower cost than most existing facilities in China. Therefore, we remain confident in our expectations of achieving total production of around 675,000 tonnes for the full year.

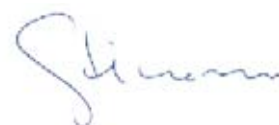
We believe that the current environment will result in a shake-out of marginal producers with older technologies, particularly in China. And with Vimetco bearing the fruits of our investments in state-of-the-art technologies and operating at the lower end of the cost curve in China, we believe we are well placed to benefit when demand picks up and prices recover in what remains a large industry with compelling growth opportunities.

In common with many businesses in the metals industry we are experiencing the effects of the global economic and financial turmoil. We are pleased to report that in spite of this, we have not experienced any impact on our own credit and debt facilities. We are currently sufficiently financed and are continuing to grow the top line, with the flexibility of approach to adapt to changing industry dynamics.

Amsterdam, 16 October 2008



Christian Wüst  
Chief Executive Officer



Rolf Steinemann  
Chief Financial Officer

# Half-year Accounts

## Condensed Consolidated Interim Financial Statements Vimetco NV

For the six months ended 30 June 2008

# Condensed Consolidated Balance Sheet

<b>Assets</b>		in thousands of US Dollars	
Non-current assets	Notes	30 June 2008	31 December 2007
Property, plant and equipment	5	1,690,301	1,306,574
Intangible assets		10,663	11,335
Goodwill	4	292,878	265,934
Land use rights	6	54,560	52,137
Investments		38,073	20,825
Derivative financial instruments		-	347
Deferred tax asset		11,179	2,246
<b>Total non-current assets</b>		<b>2,097,654</b>	<b>1,659,398</b>
<b>Current assets</b>			
Inventories	7	367,310	265,883
Trade receivables, net		55,217	36,572
Other assets		163,076	144,238
Derivative financial instruments		3,910	10,659
Cash and cash equivalents		137,029	137,081
Restricted cash	8	287,436	126,525
<b>Total current assets</b>		<b>1,013,978</b>	<b>720,958</b>
<b>Total assets</b>		<b>3,111,632</b>	<b>2,380,356</b>

The accompanying notes are an integral part of these Condensed Consolidated Interim Financial Statements.

## Shareholder's equity and liabilities

in thousands of US Dollars

Shareholder's equity	Notes	30 June 2008	31 December 2007
Share capital		27,917	27,917
Share premium		366,126	366,126
Translation reserve		119,210	68,204
Other reserves		531	42,387
Retained earnings		324,753	166,521
Profit for the period		99,122	160,936
<b>Equity attributable to equity holder of the parent</b>		<b>937,659</b>	<b>832,091</b>
Minority interests		321,805	303,178
<b>Total shareholder's equity</b>		<b>1,259,464</b>	<b>1,135,269</b>
<b>Non-current liabilities</b>			
Bank loans	9	479,095	265,922
Loans from related parties		-	168
Provisions and other liabilities		9,048	9,926
Post-employment benefit obligations		9,913	8,575
Lease obligations		5,170	4,940
Derivative financial instruments		38,278	16,546
Deferred tax liabilities		16,153	12,865
<b>Total non-current liabilities</b>		<b>557,657</b>	<b>318,942</b>
<b>Current liabilities</b>			
Short-term bank loans and current portion of long-term bank loans	9	584,846	536,935
Short-term loans from related parties		-	36
Trade and other payables		639,883	368,778
Income taxes payable		37,106	17,530
Derivative financial instruments		29,776	480
Lease obligations		2,900	2,386
<b>Total current liabilities</b>		<b>1,294,511</b>	<b>926,145</b>
<b>Total liabilities</b>		<b>1,852,168</b>	<b>1,245,087</b>
<b>Total shareholders' equity and liabilities</b>		<b>3,111,632</b>	<b>2,380,356</b>

The accompanying notes are an integral part of these Condensed Consolidated Interim Financial Statements.

# Condensed Consolidated Income Statement

## Condensed Consolidated Income Statement

in thousands of US Dollars, except per share data

	Notes	Six months ended 30 June 2008	Six months ended 30 June 2007
Revenues		948,550	482,288
Cost of revenues	11	-738,083	-333,840
<b>Gross profits</b>		<b>210,467</b>	<b>148,448</b>
General and administrative expenses		-40,108	-32,857
Restructuring charge	12	-4,745	-9,876
Impairment of property plant and equipment		510	-
Gain on disposal of subsidiaries	14	-	1,263
Share of profit of equity method investments		2,026	8,508
<b>Operating profit</b>		<b>168,150</b>	<b>115,486</b>
Finance costs, net		-34,025	-15,163
Profit/(loss) on derivative financial instruments		5,616	1,096
Foreign exchange gain		17,753	9,911
<b>Profit before income taxes</b>		<b>157,494</b>	<b>111,330</b>
Income tax expense		-30,576	-22,503
<b>Profit for the period</b>		<b>126,918</b>	<b>88,827</b>
Attributable to:			
<b>Equity holders of the parent</b>		<b>99,122</b>	<b>78,190</b>
<b>Minority interest</b>		<b>27,796</b>	<b>10,637</b>
<b>Earnings per share</b>			
Basic and diluted	15	<b>0.452</b>	<b>0.436</b>

The accompanying notes are an integral part of these Condensed Consolidated Interim Financial Statements.

# Condensed Consolidated Statement of Changes in Shareholder's Equity

## Condensed Consolidated Statement of Changes in Shareholder's Equity

in thousands of US Dollars

Notes	Share capital	Share premium	Profit / (loss) for the period	Translation reserve	Hedge reserve
<b>Balance at 31 December 2006</b>	<b>22,288</b>	-	<b>113,395</b>	<b>57,740</b>	-
Translation adjustment	-	-	-	4,693	-
Net income recognised directly in Equity	-	-	-	4,693	-
Net profit	-	-	78,190	-	-
Total recognised income and expense	-	-	78,190	4,693	-
Issuance of shares	4,209	278,285	-	-	-
Minority interest assumed					
in acquisition of Everwide	3	-	-	-	-
Dividends	10	-	-	-	-
Appropriation of last period result	-	-	-113,395	-	-
<b>Balance at 30 June 2007</b>	<b>26,497</b>	<b>278,285</b>	<b>78,190</b>	<b>62,433</b>	-
<b>Balance at 1 January 2008</b>	<b>27,917</b>	<b>366,126</b>	<b>160,936</b>	<b>68,204</b>	<b>-5,334</b>
Translation adjustment	-	-	-	51,006	-1,709
Gain/(loss) on cash flow hedges	-	-	-	-	-49,066
Related income tax	-	-	-	-	8,919
Net income recognised directly in Equity	-	-	-	51,006	-41,856
Net profit	-	-	99,122	-	-
Total recognised income and expense	-	-	99,122	51,006	-41,856
Adjustment of minorities					
upon capital increase in Yulian	-	-	-	-	-
Minority interest assumed					
in acquisition of Linfeng	3	-	-	-	-
Dividends	10	-	-	-	-
Appropriation of last period result	-	-	-160,936	-	-
<b>Balance at 30 June 2008</b>	<b>27,917</b>	<b>366,126</b>	<b>99,122</b>	<b>119,210</b>	<b>-47,190</b>

The accompanying notes are an integral part of these Condensed Consolidated Interim Financial Statements.

in thousands of US Dollars

Notes	Revaluation reserve	Retained earnings	Attributable to equity holders of the parent	Minority interest	Total Equity
<b>Balance at 31 December 2006</b>	<b>47,721</b>	<b>146,149</b>	<b>387,293</b>	<b>58,180</b>	<b>445,473</b>
Translation adjustment	-	-	4,693	3,576	8,269
Net income recognised directly in Equity	-	-	4,693	3,576	8,269
Net profit	-	-	78,190	10,637	88,827
Total recognised income and expense	-	-	82,883	14,213	97,096
Issuance of shares	-	-	282,494	-	282,494
Minority interest assumed					
in acquisition of Everwide	3	-	-	198,925	198,925
Dividends	10	-	-96,400	-13,807	-110,207
Appropriation of last period result		-	113,395	-	-
<b>Balance at 30 June 2007</b>	<b>47,721</b>	<b>163,144</b>	<b>656,270</b>	<b>257,511</b>	<b>913,781</b>
<b>Balance at 1 January 2008</b>	<b>47,721</b>	<b>166,521</b>	<b>832,091</b>	<b>303,178</b>	<b>1,135,269</b>
Translation adjustment	-	-	49,297	18,442	67,739
Gain/(loss) on cash flow hedges	-	-	-49,066	-6,716	-55,782
Related income tax	-	-	8,919	1,221	10,140
Net income recognised directly in Equity	-	-	9,150	12,947	22,097
Net profit	-	-	99,122	27,796	126,918
Total recognised income and expense	-	-	108,272	40,743	149,015
Adjustment of minorities					
upon capital increase in Yulian		-	-2,704	2,704	-
Minority interest assumed					
in acquisition of Linfeng	3	-	-	692	692
Dividends	10	-	-	-25,512	-25,512
Appropriation of last period result		-	160,936	-	-
<b>Balance at 30 June 2008</b>	<b>47,721</b>	<b>324,753</b>	<b>937,659</b>	<b>321,805</b>	<b>1,259,464</b>

The accompanying notes are an integral part of these Condensed Consolidated Interim Financial Statements.

# Condensed Consolidated Statement of Cash Flow

## Condensed Consolidated Statement of Cash Flow

in thousands of US Dollars

Cash flow from operating activities	Notes	Six months ended 30 June 2008	Six months ended 30 June 2007
Profit before income taxes		<b>157,494</b>	<b>111,330</b>
Adjustments for:			
Depreciation of property, plant and equipment		46,065	20,748
Interest and guarantee income		-5,693	-2,991
Net foreign exchange (gain)/loss and other non cash items		-10,049	-9,911
Loss on disposal of property, plant, and equipment		1,729	554
Gain on disposal of subsidiaries		-	-1,263
Impairment of property, plant and equipment		-510	4,641
Provisions		102	-3,001
Interest and guarantee expense		40,345	18,153
Share of profit of equity method investments		-2,026	-8,508
(Gain)/loss on derivative financial instruments		-5,668	-1,096
<b>Changes in working capital:</b>			
(Increase)/decrease in inventories		-53,959	14,279
(Increase) in trade receivables and other assets		-7,121	-27,536
Increase/(decrease) in trade and other payables		154,916	-12,541
Income taxes paid		-34,465	-9,726
Interest paid		-37,769	-18,305
<b>Net cash generated by operating activities</b>		<b>243,391</b>	<b>74,827</b>
<b>Cash flow from investing activities</b>			
Interest received		5,469	3,004
Purchase of property, plant and equipment, net		-284,916	-30,321
(Increase)/decrease in restricted cash		-148,587	-7,585
Proceeds from sales of property, plant and equipment		165	2,085
Proceeds from sales of subsidiaries	14	-	3,650
Proceeds from sales of available for sale investments		1,890	-
Settlement of derivative instruments		5,616	-
Acquisition of Everwide		-	21,961
Acquisition of investments (net of cash acquired)		-13,271	-
<b>Net cash used in investing activities</b>		<b>-433,634</b>	<b>-7,206</b>
<b>Cash flow from financing activities</b>			
Proceeds from loans		687,163	222,265
Repayments of loans		-499,326	-69,456
Dividends paid		-4,632	-101,634
<b>Net cash provided by financing activities</b>		<b>183,205</b>	<b>51,175</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>-7,038</b>	<b>118,796</b>
<b>Cash and cash equivalents at beginning of period</b>		<b>137,081</b>	<b>72,066</b>
Effect of exchange rate differences on cash and cash equivalents		6,986	1,677
<b>Cash and cash equivalents at end of period</b>		<b>137,029</b>	<b>192,539</b>

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

# Notes to the Condensed Consolidated Interim Financial Statements

in thousands of US Dollars, except share and per share data

## 1. Organization and Nature of Business

Vimetco N.V. (formerly Vimetco B.V., previously named Marco Industries B.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. The Company, together with its subsidiaries (collectively referred to as "the Group"), is an aluminium manufacturer with operations in Romania and customers primarily based in Central and Eastern Europe. In addition, since October 2006 the Group has a significant investment in Everwide Industrial Limited ("Everwide"), which is involved in the production of aluminium and energy in China. Everwide was acquired fully in June 2007. The Group's administrative and managerial offices are located in Switzerland.

Vi Holding N.V. (former Romal Holdings N.V.) is the main shareholder which owns 62% shares of the Company and its registered office at Landhui Joonchi, Kaya Richard J. Beaujon Z/N, Curacao, Netherlands Antilles. The other major shareholder is Willast Investments Limited, British Virgin Islands which owns 10%. 26.5% are free floating at the London Stock exchange and 1.5% are spread among other shareholders.

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

## a) Basis of preparation

The consolidated interim financial statements included in this report are unaudited and have been prepared in accordance with IAS 34 'Interim financial reporting' as adopted by the European Union ('EU').

## b) Significant accounting policies

The EU IFRS consolidated interim financial statements have been drawn up on the basis of accounting policies, methods of computation and presentation consistent with those applied in the financial statements for the year to 31 December 2007 except for the following interpretation and early adoption:

The interpretation is mandatory for the first time for the financial year beginning 1 January 2008.

### - IFRIC 11 (IFRS 2) - Group and treasury share transactions

The effect of the above interpretation is not material to Group earnings or to shareholders' funds in the current or prior periods. Therefore, prior periods have not been restated.

### - IFRS 8 Operating Segments (effective for accounting periods beginning on or after 1 January 2009, early adopted as of 1 January 2008);

IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance. In contrast, the predecessor Standard (IAS 14 Segment Reporting) required an entity to identify two sets of segments (business and geographical), using a risks and rewards approach. The Group's internal reporting now disclosed as the operating segments is the same as the primary segment previously identified under IAS 14 Segment Reporting. Additional disclosures about each of these segments are shown in Note 2, including revised comparative information.

Notes to the Condensed Consolidated  
Interim Financial Statements

in thousands of US Dollars, except share and per share data

c) Subsidiaries

The following are the principal subsidiaries of the Group, which are consolidated as at 30 June 2008 and 31 December 2007:

	Location	Nature of business	% held and voting rights 2008	% held and voting rights 2007
<b>Direct subsidiaries</b>				
ALRO S.A. ("Alro") (iii)	Romania	Aluminum smelter and aluminum products	87.96%	87.96%
Vimetco Management Romania Srl (iv)	Romania	Management company	99.90%	-
Vimetco Power Romania Srl (v)	Romania	Power generation	99.90%	-
Vimetco Trading Srl (vi)	Romania	Trading company	99.90%	-
Vimetco Management GmbH	Switzerland	Management company	90.00%	90.00%
Everwide Industrial Ltd. (ii)	British Virgin Islands	Holding company	100.00%	100.00%
<b>Indirect subsidiaries (subsidiaries of Alro)</b>				
ALUM S.A. ("Alum") (i)	Romania	Alumina refinery	99.38%	99.38%
Vimetco (formerly Alro) Extrusion Srl	Romania	Extrusion plant	100.00%	100.00%
CONEF S.A. ("Conef")	Romania	Management company	99.97%	99.97%
<b>Indirect subsidiaries (subsidiaries of Everwide)</b>				
Henan Yulian Energy Group Co., Ltd ("Yulian") (ii) + (ix)	China	Power generation	96.05%	94.93%
<b>Indirect subsidiaries (subsidiaries of Yulian)</b>				
Henan Zhongfu Industry Co., Ltd ("Zhongfu") (ii)	China	Aluminium smelter	51.28%	51.28%
Henan Zhongfu Power Co., Ltd ("Zhongfu Power") (ii)	China	Power generation	31.81%	31.81%
Henan Zhongfu Anodes Carbon Co., Ltd ("Zhongfu Anodes") (ii)	China	Anode production	32.51%	32.51%
<b>Indirect subsidiaries (subsidiaries of Zhongfu)</b>				
Shenzhen OK (OUKAI) Industry Development Co., Ltd (ii)	China	Trading company	100.00%	60.00%
Henan Zhongfu Anodes Carbon Co., Ltd (ii)	China	Anode production	51.01%	51.01%
Henan Yinhu Aluminum Co., Ltd (ii)	China	Aluminium products	100.00%	100.00%
Henan Zhongfu Power Co., Ltd ("Zhongfu Power") (ii)	China	Power generation	45.97%	45.97%
Henan Zhongfu Heat and Power (ii)	China	Heat and power supply	100.00%	100.00%
Linzhou Linfeng Aluminium and Power Co. Ltd ("Linfeng") (vii)	China	Aluminium smelter	100.00%	-
<b>Indirect subsidiaries (subsidiaries of Linfeng)</b>				
Linzhou Youchuang Thermal Power Co. Ltd (vii)	China	Power generation	100.00%	-
Jinhe Electrical Power Equipment Co. Ltd (vii)	China	Aluminium products	51.00%	-
Linzhou Hongfeng Alu Ltd ("Hongfeng") (viii)	China	Aluminium products	100.00%	-

Notes to the Condensed Consolidated  
Interim Financial Statements

in thousands of US Dollars, except share and per share data

- (i) Alum share issue. In January 2007 the Group, through Alro, made an additional investment of USD 118,900 in Alum as a result of a share issuance by Alum. Certain minority interest shareholders did not participate in the share capital offering; as a result, the Group's ownership interest increased from 98.21% to 99.38%.
- (ii) Until 20 June 2007, Everwide and its subsidiaries were a joint venture owned 51%. On 21 June 2007, the remaining 49% was acquired by way of a share swap agreement and from that point in time the Everwide Group is consolidated line by line. For details please refer to Note 3.
- (iii) In October 2007 the Group, through Conef, acquired a further 0.22% interest in Alro from Marco Acquisitions Ltd.
- (iv) Vimetco Management Romania Srl was incorporated on 13 February 2008 in Bucharest and was established to manage and consult the Group's operations in Romania.
- (v) Vimetco Power Romania Srl was incorporated on 13 February 2008 in Bucharest and was established to build a power plant for production and distribution of electricity and steam.
- (vi) Vimetco Trading Srl was incorporated on 9 June 2008 in Bucharest and was established for marketing activities.
- (vii) On 3 January 2008 the Group, through Zhongfu, acquired 100% of the shares of Linfeng and its subsidiaries. For details, please refer to Note 3.
- (viii) On 16 May 2008 the Group, through Linfeng, acquired 100% of the shares of Hongfeng. For details, please refer to Note 3.
- (ix) In June 2008, a USD 98 million loan was converted into share capital at Yulian. Since the minority shareholder did not participate in such capital increase, the share of the Group increased from 94.93% to 96.05%.

**2.**

**Segment Information**

For management purposes, the Group is organized into geographic segments based on the location of its production sites. The Group's geographic segments are: China and Romania which are the location of the corporate management bodies.

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

The Group's operations in Romania are based in Slatina and Tulcea. The revenue is generated by selling primary aluminium and processed aluminium. The captive alumina plant is currently undergoing a modernisation programme and is idle.

Reconciliation to total group includes corporate activities, intercompany eliminations and non allocatable items.

Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

Notes to the Condensed Consolidated  
Interim Financial Statements

in thousands of US Dollars, except share and per share data

Segment revenues and results for the six months ended 30 June 2008 were as follows:

	China	Romania	Reconciliation to total group	Total
<b>Total segment revenues</b>	<b>529,413</b>	<b>418,325</b>	<b>812</b>	<b>948,550</b>
<b>Segment results (operating profit)</b>	<b>72,458</b>	<b>101,555</b>	<b>-5,863</b>	<b>168,150</b>
Group finance cost, net				-34,025
Group result on derivative instruments				5,616
Group foreign exchange gain				17,753
<b>Group profit before income taxes</b>				<b>157,494</b>

Segment revenues and results for the six months ended 30 June 2007 were as follows:

	China	Romania	Reconciliation to total group	Total
<b>Total segment revenues</b>	<b>36,929</b>	<b>445,359</b>	<b>-</b>	<b>482,288</b>
<b>Segment results (operating profit)</b>	<b>5,552</b>	<b>103,434</b>	<b>6,500</b>	<b>115,486</b>
Group finance cost, net				-15,163
Group result on derivative instruments				1,096
Group foreign exchange gain				9,911
<b>Group profit before income taxes</b>				<b>111,330</b>

Segment assets at 30 June 2008 and 31 December 2007, respectively, were as follows:

	30 June 2008	31 December 2007
<b>Segment assets</b>		
China	2,215,014	1,491,889
Romania	882,541	833,780
Reconciliation to total group	14,077	54,687
<b>Total consolidated assets</b>	<b>3,111,632</b>	<b>2,380,356</b>

### 3. Acquisitions

January – December 2007

**Acquisition of Everwide.** Until 20 June 2007, Everwide and its subsidiaries were a joint venture owned 51%. On 21 June 2007 the remaining 49% of Everwide was acquired by way of a share swap agreement. Everwide's assets consisted of, in June 2007, a 92.45% shareholding in Yulian, which owned and operated power generators located in Gongyi. Yulian, in turn, owned, at such time, a 51.28% shareholding in Zhongfu, a Shanghai Stock Exchange listed company that owns Chinese aluminium production assets. Zhongfu owns 100% of Yinhu Aluminum, a processed aluminium production company. Together with Yulian, Zhongfu further owned at that point in time, 53.05% in Zhongfu Power - a power company selling over 90% of its power production to Zhongfu's aluminium production - and 83.52% of Zhongfu Anodes - an anode production company selling its anode production to Zhongfu.

The acquired business contributed revenues of USD 37,438 and net profit of USD 2,672 to the Group for the period from 21 June 2007 to 30 June 2007. If the acquisition had occurred on 1 January 2007, Group revenue would have been USD 806,189 and profit before allocations would have been USD 131,111. The amounts have been calculated using the Group's accounting policies and by adjusting the results of the sub group to reflect the additional depreciation and amortisation that would have been charged assuming the fair value adjustments to property, plant and equipment and intangible assets had applied from 1 January 2007, together with the consequential tax effect.

Details of the 49% net assets acquired and goodwill are as follows:

Fair value of shares issued	282,195
Direct costs relating to the acquisition	475
<b>Total purchase consideration</b>	<b>282,670</b>
Fair value of net assets acquired (49%)	81,860
<b>Goodwill (Note 4)</b>	<b>200,810</b>

The goodwill is attributable to the workforce of the acquired business and the significant growth potential of the China group.

The value of the ordinary shares used as the aggregate purchase price for the acquisition amounts to USD 9 and equals the issuing stock market price.

Everwide Group	Book Value	Fair Value Adjustment	Fair Value
Current assets	312,382	-	312,382
Property plant and equipment	714,535	18,478	733,013
Land use rights	22,386	28,062	50,448
Customer relationships	-	6,909	6,909
Current liabilities	-666,507	-13,285	-679,792
Non-current liabilities	-38,665	-	-38,665
<b>Net assets of Everwide</b>	<b>344,131</b>	<b>40,164</b>	<b>384,295</b>
Minority Interests	-197,713	-19,521	-217,234
<b>Net assets acquired</b>	<b>146,418</b>	<b>20,643</b>	<b>167,061</b>
<b>49% thereof</b>			<b>81,860</b>

Cash and cash equivalents in the group acquired were USD 21,883.

**Increase in shareholdings of Alro.** In October 2007 the Group, through Conef, acquired a further 0.22% interest in Alro from Marco Acquisitions Ltd. The price of the shares acquired was determined according to the actual share price on the Bucharest Stock Exchange. The total acquisition price was USD 7,474. Goodwill of USD 6,345 has been recognised.

Notes to the Condensed Consolidated  
Interim Financial Statements

in thousands of US Dollars, except share and per share data

January – June 2008

**Acquisition of Linfeng and Hongfeng.** Linfeng is a aluminium smelting company located in Linzhou. On 3 January 2008, Linfeng's further assets consisted of a 100% shareholding in Linzhou Youchuang Thermal Power Co. Ltd, which owned and operated power generators located in Linzhou and a 51% shareholding in Jinhe Electrical Power Equipment Co. Ltd, an aluminium casting company. Hongfeng is an aluminium casting company located in Linzhou and was acquired by Linfeng on 16 May 2008.

The acquired business contributed revenues of USD 151,051 and net profit of USD 12,795 to the Group for the period from 3 January 2008 to 30 June 2008. Group revenue and profit before allocations would have been unchanged since no significant transactions relevant for the income statement took place during the first 2 days of the year.

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

Total purchase considerations	37,553
Preliminary fair value of net assets acquired	27,253
Goodwill (Note 4)	<b>10,300</b>

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

Linfeng Group	Book Value	Fair Value Adjustment	Fair Value
Current assets	85,535	-	85,535
Property plant and equipment	50,816	9,266	60,082
Land use rights	702	317	1,019
Other non-current assets	76	-	76
Current liabilities	-111,372	-	-111,372
Non-current liabilities	-5,018	-2,396	-7,414
<b>Net assets of Linfeng</b>	<b>20,739</b>	<b>7,187</b>	<b>27,926</b>
Minority Interest	-673	-	-673
<b>Net assets acquired (100%) (preliminary)</b>	<b>20,066</b>	<b>7,187</b>	<b>27,253</b>

Fair value measurements for the above initial accounting for the businesses acquired are currently being verified, hence the net assets acquired are reported on a preliminary basis only.

Cash and cash equivalents in subsidiaries acquired were USD 20,678.

Notes to the Condensed Consolidated  
Interim Financial Statements

in thousands of US Dollars, except share and per share data

**4. Goodwill**

	Six months ended 30 June 2008	Six months ended 30 June 2007
Beginning Balance 1 January	265,934	36,274
Acquired on acquisitions	10,300	210,750
Reclassification from equity investment	-	6,789
Translation adjustment	16,644	2,002
<b>Ending Balance 30 June</b>	<b>292,878</b>	<b>255,815</b>

The goodwill is allocated to the cash generating units as follows:

	30 June 2008	31 December 2007
Romania	49,523	46,962
China	243,355	218,972
<b>Total</b>	<b>292,878</b>	<b>265,934</b>

**5. Additions and disposals of property, plant and equipment**

The Group acquired property, plant and equipment in the amount of USD 340,768 (2007: USD 788,020) in the period of January to June. Thereof, USD 60,082 (2007: USD 733,013) were upon acquisition of subsidiaries.

From January to June, the group disposed property, plant and equipment in the amount of USD 5,504 (2007: USD 35,506).

**6. Land use rights**

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

	Six months ended 30 June 2008	Six months ended 30 June 2007
Beginning Balance 1 January	52,137	-
Acquired on acquisitions	1,019	22,420
Amortisation	-333	-
Translation adjustment	1,737	-
<b>Ending Balance 30 June</b>	<b>54,560</b>	<b>22,420</b>

Notes to the Condensed Consolidated  
Interim Financial Statements

in thousands of US Dollars, except share and per share data

**7. Inventories**

	30 June 2008	31 December 2007
Raw materials	189,634	132,120
Work in progress	109,872	96,284
Finished goods	74,127	46,280
Less provision for obsolescence	-6,323	-8,801
<b>Total</b>	<b>367,310</b>	<b>265,883</b>

Movements in provision for obsolescence are as follows:

	Six months ended 30 June 2008	Six months ended 30 June 2007
Balance at 1 January	-8,801	-10,263
Recorded in cost of sales	-696	-2,544
Utilisations and other movements	3,606	161
Translation adjustment	-432	-962
<b>Balance at 30 June</b>	<b>-6,323</b>	<b>-13,608</b>

There is no pledged inventory.

**8. Restricted cash**

Restricted cash represents amounts:

- (i) Held in escrow and is classified as restricted cash as a guarantee under provisions of a loan agreement with a syndicate of banks. The guarantee represents estimated interest expenses to be paid by the Company within the following 15 months.
- (ii) Pledged to banks to guarantee repayments of bills of exchange issued by the Group.

**9. Bank Loans**

Long term bank loans	30 June 2008	31 December 2007
Bank borrowings	517,095	358,013
Less: Current portion of long-term loans	-38,000	-92,091
<b>Total long term bank loans</b>	<b>479,095</b>	<b>265,922</b>

Short term bank loans, including current portion of long term bank loans

Bank borrowings	546,828	444,844
Current portion of long-term loans	38,000	92,091
<b>Total short term bank loans</b>	<b>584,846</b>	<b>536,935</b>

Bank borrowings mature until 2023 and bear average coupons of 6.8% annually (2007: 8% annually).

Notes to the Condensed Consolidated  
Interim Financial Statements

in thousands of US Dollars, except share and per share data

At 30 June 2008, 51% of the Company's shares in Alro and Everwide are pledged as collateral for the Company's borrowings from a syndicate of banks. 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.

Current and future receivables from certain customers are assigned in favor of another syndicate of banks.

Bank borrowings include secured liabilities. Such borrowings are secured by land and buildings of the group in the amount of USD 360,403 (2007: 204,170) and by 16.5% of the shares of Zhongfu Industry.

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 fact the borrowings bear interest at floating interest rates.

## 10. Dividends

On 19 June 2007 the Company declared dividends for 2006 of USD 96,400 which were paid in June 2007. No dividend was declared for 2007.

## 11. Cost of Revenues

	Six months ended 30 June 2008	Six months ended 30 June 2007
Raw materials	349,711	150,253
Electricity, water and gas	256,444	109,891
Wages	35,807	30,259
Consumables	35,817	14,594
Depreciation and amortisation	36,591	20,551
Provision for obsolete stocks	696	2,544
Other direct costs	23,017	5,748
<b>Total</b>	<b>738,083</b>	<b>333,840</b>

## 12. Restructuring

**Alum.** On 25 January 2007, the Board of Directors of the Group approved a restructuring plan, ("the Plan") that resulted in the shut down of the Alum production facility in February 2007 for a technological overhaul. The Plan objectives are to reduce the production costs of the facility and increase efficiency while ensuring compliance with certain new environmental regulations. As part of the Plan, the Group will dispose of certain assets and offer voluntary redundancy to certain employees during the technical overhaul.

During 2007, 673 employees were made redundant and the Group recorded an expense of USD 5,818 during the period. In the first 6 months of 2008, the headcount was further reduced by 207 employees at a cost of USD 2,571. During February 2007 operations at the facility ceased and the Group identified assets that it would dispose of that had no future economic benefit. As a result, the Group has recorded an impairment of USD 4,641 during the six months ended 30 June 2007.

Detailed evaluations of modernisation plans are currently being performed.

**Alro.** A restructuring program was launched for Alro under which the Group recorded restructuring costs in the amount of USD 2,174 for the period of January to June 2008.

### 13. Related Party Transactions

The Group enters under normal terms of business into certain transactions with the shareholder, companies under common control, directors and management. The transactions between the related parties are based on mutual agreements and management considers such transactions to be on an arm's length basis. Except as disclosed below, no material related party transactions have been entered into during the period which might reasonably affect any decisions made by users of these interim condensed consolidated financial statements.

The following are the primary related party transactions:

Financing	30 June 2008	31 December 2007
Vi Holding N.V. (former Romal Holdings N.V.)	-	187
Ringas Invest N.V.	-	17
<b>Total borrowings from related parties</b>	<b>-</b>	<b>204</b>
<b>Current portion of borrowings</b>	<b>-</b>	<b>36</b>
<b>Non-current portion of borrowings</b>	<b>-</b>	<b>168</b>

**Loan with Vi Holding N.V. (former Romal Holdings N.V.)** On 9 June 2008, the Group entered into a loan agreement with Vi Holding of up to USD 250 million. The loan is repayable on May 31, 2013 or before that date voluntarily from time to time. The conditions are on arm's length terms. As of 30 June 2008, no draw down has been made.

**Other services.** For the six months ended 30 June 2007, Conef SA, a group subsidiary rendered consulting services to Imex Oil Ltd, a company controlled by the Group's beneficial shareholder, in the amount of USD 92. Such consulting services were suspended as of July 2007.

### 14. Disposal of Subsidiaries to a Related Party

In connection with the Group's long-term strategy to focus its operating activities in the aluminium production industry, the Group disposed of three subsidiaries, Centrul Rivergate Srl, Conef Gaz Srl and Conef Energy Srl on 29 March 2007, to RRA Oil BV. The aggregate cash proceeds for the three disposals were USD 3,650. RRA Oil BV is an entity ultimately controlled by the Group's beneficial shareholder. Management has recorded a gain on disposal of USD 1,263. The selling price of Centrul Rivergate Srl was established based on the fair market value as determined by an independent appraiser.

Details of the assets and liabilities disposed of are disclosed below:

Book value of net assets sold	Centrul Rivergate	Conef Gaz Srl	Conef Energy Srl	Total
Current assets	5,831	1,889	98	7,818
Non-current assets	52	-	358	410
Current liabilities	-595	-1,634	-	-2,229
Non-current liabilities	-3,529	-83	-	-3,612
Net assets disposed of	1,759	172	456	2,387
<b>Consideration</b>				
Cash received	2,890	309	451	3,650
<b>Gain / (Loss) on disposals</b>	<b>1,132</b>	<b>137</b>	<b>-5</b>	<b>1,263</b>

Notes to the Condensed Consolidated  
Interim Financial Statements

in thousands of US Dollars, except share and per share data

**15. Earnings Per Share**

The calculation of the basic and diluted earnings per share is as follows:

	Six months ended 30 June 2008	Six months ended 30 June 2007
Profit for the period attributable to equity holders of the parent	99,122	78,190
Weighted average number of ordinary shares for the purposes of basic and diluted earnings per share	219,484,720	179,237,196
<b>Basic and diluted earnings per share in USD</b>	<b>0.452</b>	<b>0.436</b>

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

**16. 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 429,396 at 30 June 2008 and USD 400,256 at 31 December 2007

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

**17. Subsequent Events**

**Sierra Leone Transaction.** On 25 July 2008, the Group legally acquired 100% of the equity interest of Global Aluminium Limited and its subsidiaries by way of a total consideration of USD 29,7 million paid in cash. Global Aluminium's main subsidiary, Sierra Mineral Holdings I, Ltd (SML), owns an operating bauxite mine under a mining lease with the Government of Sierra Leone.

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

Total purchase considerations	29,687
Preliminary fair value of net assets acquired	1,149
Preliminary goodwill	28,538

The goodwill is attributable to the workforce of the acquired business and bauxite reserves.

Global Aluminium Ltd Group	Fair Value
Current assets	12,426
Property plant and equipment	7,723
Other non-current assets	302
Current liabilities	-7,615
Non-current liabilities	-11,687
<b>Preliminary net assets</b>	<b>1,149</b>

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

**New loan facility with Vi Holding N.V.** Within the loan facility with Vi Holding N.V. (see also note 13), an amount of USD 172,981 has been drawn down at the date of issuance of these condensed interim financial statements.

## Aluminium – simply essential

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