

Nordural Grundartangi ehf.

Financial Statements

2017

Nordural Grundartangi ehf.

Grundartanga

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and the Shareholders of Norðurál Grundartangi ehf.

Opinion

We have audited the Financial Statements of Norðurál Grundartangi ehf. for the year ended December 31, 2017 which comprise, the Report by the Board of Directors and Managing Director, the Income Statement, the Balance Sheet, the Cash Flow Statement for the year then ended, and the Notes to the Financial Statements, including a summary of significant accounting policies.

In our opinion, the accompanying Financial Statements give a true and fair view of the financial position of Norðurál Grundartangi ehf. as at December 31, 2017, and its financial performance and its cash flows for the year then ended in accordance the Icelandic Financial Statement Act.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of Norðurál Grundartangi ehf. in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and Icelandic Institute of State Authorized Public Accountants, Code of Ethics (FLE Code) and we have fulfilled our ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director are responsible for the preparation and fair presentation of the Financial Statements in accordance with the Icelandic Financial Statement Act, and for such internal control as the Board of Directors and the Managing Director determines is necessary to enable the preparation of Financial Statements that are free from material misstatement, whether due to fraud or error.

In preparing the Financial Statements, the Board of Directors and the Managing Director are responsible for assessing Norðurál Grundartangi ehf.'s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors and the Managing Director either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Financial Statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

INDEPENDENT AUDITOR'S REPORT

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the Financial Statements, including the disclosures, and whether the Financial Statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Kópavogur, April 24, 2018.

Deloitte ehf.

Björn Ingi Victorsson

State Authorized Public Accountant

Report by the Board of Directors and Managing Director

The Financial Statements of Nordural Grundartangi ehf. are prepared in accordance with generally accepted accounting principles in Iceland.

Nordural Grundartangi ehf. operates an aluminum smelter at Grundartangi, Iceland. It is highly dependant on the price of primary aluminum, and on the cost and continuous availability of power, labor, and key raw materials, including alumina and carbon anodes. Labor, taxes, and certain other costs are denominated in Icelandic Krona. These items are all related to the entity's normal course of business. The company is expanding its production capacity and intends to continue those efforts in the coming years.

The Board of Directors is comprised of 1 female Director and 2 male Directors, which is in accordance with the statutory gender ratio of Boards of Directors of Public Limited Companies in Iceland, with more than 50 employees.

Nordural Grundartangi's profit for the year ended December 31, 2017 amounted to USD 29,048,305. According to the Balance Sheet the Company's assets amount to USD 673,698,172, the year's end book value of equity is USD 404,263,166 and the Company's equity ratio is 60.0%. Average number of employee positions in year 2017 were 553.

The sole shareholder of Nordural Grundartangi ehf. is Nordural ehf. like it was at the beginning of the year.

The Board of Directors recommends that dividend will not be paid to the shareholder for the operational year 2017. As regards changes in the equity of the Entity, the board refers to the Notes attached to the Financial Statements.

It is the opinion of the Board of Directors and the Managing Director of Nordural Grundartangi ehf. that these Financial Statements present all the information necessary to show the financial position of the Company as of December 31, 2017 and the operating results and cash flows for the year then ended.

The Board of Directors and Managing Director of Nordural Grundartangi ehf. hereby confirm the Financial Statements for the year 2017 with their signatures.

Reykjavik, April 24, 2018

Board of Directors

Jessy Gary

Ragnar Guðmundsson

Michelle Harrison

Managing Director

Ragnar Guðmundsson

Income Statement 2017

		2017	2016
Operating revenue		658,069,835	515,998,633
Production expenses		(552,993,514)	(449,681,719)
Depreciation and amortization	8	<u>(40,536,450)</u>	<u>(40,269,526)</u>
Gross profit		<u>64,539,871</u>	<u>26,047,388</u>
Selling and administrative expenses		(2,046,630)	(3,349,121)
Operating income		<u>62,493,241</u>	<u>22,698,267</u>
Share of profit of subsidiary	11	64,164	145,820
Interest income	5	826,913	410,803
Net gain on forward and derivative contracts	16	524,070	0
Finance costs	6	(13,548,677)	(14,106,339)
Exchange rate loss		<u>(14,041,109)</u>	<u>(24,895,219)</u>
Profit (loss) before taxes		36,318,602	(15,746,668)
Income tax	7	(7,270,297)	(5,442,870)
Profit (loss) for the year		<u><u>29,048,305</u></u>	<u><u>(21,189,538)</u></u>

Balance Sheet at 31. December 2017

Assets		31.12.2017	31.12.2016
Fixed assets			
Property, plant and equipment	8	490,718,614	519,732,902
Derivative financial assets	16	1,302,541	0
Investment in subsidiary	11	398,886	334,721
		<u>492,420,041</u>	<u>520,067,623</u>
Current assets			
Inventories	9	96,133,412	74,526,173
Trade receivables	10	11,920	2,562
Other receivables	10	5,134,630	6,335,440
Cash and cash equivalents	10	79,998,169	56,893,376
		<u>181,278,131</u>	<u>137,757,550</u>
Assets		<u><u>673,698,172</u></u>	<u><u>657,825,173</u></u>
Equity and liabilities			
Equity			
	12		
Share capital		146,988,000	146,988,000
Share premium		117,963,936	117,963,936
Other reserves		40,907,085	40,842,920
Retained earnings		96,265,275	67,281,134
Accumulated other comprehensive income		2,138,870	2,287,697
Total equity		<u>404,263,166</u>	<u>375,363,688</u>
Long-term liabilities			
Loans due to related party	13	116,880,527	154,076,674
Derivative financial liabilities	16	778,470	0
Deferred tax liabilities	14	78,236,428	83,061,500
		<u>195,895,425</u>	<u>237,138,173</u>
Current liabilities			
Trade and other payables	15	42,917,921	29,616,493
Next year payment of long time liabilities	13	7,069,967	0
Current tax liabilities	7,14	12,109,079	5,360,357
Other current liabilities	15	11,442,613	10,346,462
		<u>73,539,580</u>	<u>45,323,312</u>
Liabilities		<u>269,435,005</u>	<u>282,461,485</u>
Total equity and liabilities		<u><u>673,698,172</u></u>	<u><u>657,825,173</u></u>

Statement of Cash Flows 2017

	Notes	2017	2016
Operating activities			
Profit (loss) for the year		29,048,305	(21,189,538)
Adjustments to reconcile profit for the year to net cash provided by operating activities			
Depreciation and amortization	8	40,536,450	40,269,526
Income tax expense	7	7,270,297	5,442,870
Share of profit of subsidiary	11	(64,164)	(145,820)
Net finance cost		26,238,803	38,590,755
Other changes		(1,029,781)	3,876,786
		<u>101,999,910</u>	<u>66,844,579</u>
Changes in:			
Inventories, increase		(21,607,240)	(5,859,792)
Receivables, decrease (increase)		969,231	(125,527)
Short term liabilities, increase		14,991,898	8,161,175
Payable net to related parties, (decrease) increase		(372,098)	5,862,779
		<u>95,981,701</u>	<u>74,883,213</u>
Cash provided by operating activities			
Interest received		812,444	375,653
Interest paid		(11,633,243)	(8,477,883)
Income tax paid		(5,630,033)	(13,675,046)
		<u>79,530,869</u>	<u>53,105,937</u>
Net cash provided by operating activities			
Investing activities			
Investment in fixed assets	8	(11,776,492)	(10,735,476)
Proceeds from sale of fixed assets	8	68,298	40,138
Dividend received	11	0	132,900
		<u>(11,708,194)</u>	<u>(10,562,438)</u>
Cash used in investing activities			
Financing activities			
Related parties, payments		(44,717,883)	(40,593,371)
		<u>(44,717,883)</u>	<u>(40,593,371)</u>
Cash used in financing activities			
Net increase in cash and cash equivalents		23,104,793	1,950,129
Cash and cash equivalents at the beginning of the year		56,893,376	54,943,247
		<u>79,998,169</u>	<u>56,893,376</u>
Cash and cash equivalents at the end of the year		<u><u>79,998,169</u></u>	<u><u>56,893,376</u></u>

Notes

1. General information

Nordural Grundartangi ehf. ("Company" or "Nordural Grundartangi") is owned by Nordural ehf. The Company operates an aluminum smelter at Grundartangi, Iceland. Nordural ehf is ultimately owned by Century Aluminum Company, a U.S. based holding company. Financial information for Century Aluminum Company are published on its company website.

The Company has an Operating license for the production of up to 350,000 MTPY of aluminum. This license was issued by the National Planning Agency in December 2015. The license expires in December 2031.

The smelter's name plate production capacity is 260,000 metric tons per year ("MTPY"). Production in 2017 was 317,179 MT of hot metal (2016: 313,050 MT), 319,607 MT of casted metal (2016: 314,904 MT).

2. Accounting Policies

Basis of preparation

The Financial Statements of Nordural Grundartangi for the year 2017 are prepared according to generally accepted accounting principles in Iceland. Cost method is used in the Financial Statements and it is prepared according to the same accounting principles as the previous year. The Financial Statements are prepared in United States dollars, which is the Company's functional currency.

The principal accounting policies adopted are set out below.

Estimates and decisions

For the Annual Report, the Management, in accordance with laws on Financial Statements, needs to make decisions, estimates and draw conclusions which affect assets and liabilities at the reporting date, information in the notes and Income Statement. All conclusions and estimates are based on knowledge and experience and other relevant factors. Those factors make up the basis that can not be ascertained by any other means.

Risk management

As a global producer of primary aluminum, our operating results and cash flows from operations are subject to risk of fluctuations in the market prices of primary aluminum, raw materials and power. We may from time to time enter into financial contracts to manage our exposure to such risk. We value our derivative and hedging instruments using quoted market prices and other significant unobservable inputs. We recognize changes in fair value and settlements of derivative instruments in net gain (loss) on forward and derivative contracts in the Income Statement of operations as they occur.

Changes in the fair value of derivative financial instruments that are designated and effective as hedges of future cash flows are recognised directly in equity and the ineffective portion is recognised immediately in profit or loss. Profit or loss is moved from Equity to the Income Statement in the same period(s) as the probable transactions affect the Income Statement.

Revenue recognition

Revenues from production are recognized when earned as required by generally accepted accounting principles. Revenues are recognized when title and ownership of the products passes to customers in accordance with contract terms. Interest income is accrued over time, by reference to the principal amount and at the interest rate applicable.

Notes

2. Accounting Policies (continued)

Foreign currencies

Transactions in foreign currencies are initially recorded at the rates of exchange prevailing on the dates of the transactions. Monetary assets and liabilities denominated in such currencies are retranslated at the rates prevailing on the balance sheet date. Profits and losses arising from currency fluctuations are included in net profit or loss for the period.

Taxation

Income tax is calculated and recognised in the Financial Statements. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other periods and it further excludes items that are never taxable or deductible. The Company's tax rate in 2017 was 20%.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the Financial Statements and the corresponding tax basis used for calculation of taxable profit, and is accounted for using the balance sheet liability method. The difference is due to different assumptions in calculation of income tax.

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 utilized.

Property, plant and equipment

Property, plant and equipment are recognised as an asset when it is probable that future economic benefits associated with the asset will flow to the Company and the cost of the asset can be measured in a reliable manner. Property, plant and equipment which qualifies for recognition as an asset is initially measured at cost. The cost of property, plant and equipment comprises its purchase price and any directly attributable cost of bringing the asset to working condition for its intended use.

The depreciable amount of the asset is allocated on a fixed annual percentage of the historical cost over its useful life, less residual value.

The gain or loss arising from the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Impairment

At each balance sheet date, the Company reviews the carrying amounts of its tangible 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, 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 specified to the asset. Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment losses on cash generating units reduces first goodwill, and after that to reduce other assets. Impairment losses are recognised as an expense immediately.

Notes

2. Accounting Policies (continued)

Impairment (Continued)

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 in prior years. Impairment loss on goodwill is not reversed.

Inventories

Inventories are stated at the lower of cost or net realisable value, after taking obsolete and defective goods into consideration. Cost comprises of direct materials and, where applicable, direct labor costs and those overhead expenses that have been incurred in bringing the inventories to their present location and condition. Net realisable value represents the estimated selling price less all estimated costs to completion and costs to be incurred in marketing, selling and distribution.

Trade receivables

Accounts receivable are valued at nominal value. Accounts receivable in currencies other than USD have been recorded at the exchange rate prevailing at the balance sheet date.

Loans due to related parties and borrowing costs

Loans due to related parties are initially recognised at fair value plus all related transaction costs. After initial recognition are recognised at amortised cost using the effective interest method.

Trade payables

Trade payables are valued at nominal value and accounts payable in other currencies have been recorded at the exchange rates prevailing at the balance sheet date.

Provisions

Provisions are recognised when the Company has a present obligation as a result of a past event, and it is probable that the Company will be required to settle that obligation.

3. Salaries and other employee expenses

Salaries and salary-related expenses paid by the Company are specified as follows:

	2017	2016
Salaries	48,189,295	39,156,976
Pension fund	6,646,074	5,048,648
Salary-related expenses	4,986,938	3,696,357
Other employee expenses	706,449	606,740
	<u>60,528,755</u>	<u>48,508,721</u>
Average number of positions	553	560

Information about management salaries is included in the Notes to the Financial Statements of Nordural ehf.

Notes

4. Fees to Auditors

	2017	2016
Deloitte - audit.....	335,186	295,019
PWC - other services.....	11,350	8,104
KPMG - other services.....	53,055	2,046
	<u>399,591</u>	<u>305,168</u>

5. Interest income

	2017	2016
Interest income.....	826,913	410,803
	<u>826,913</u>	<u>410,803</u>

6. Finance costs

	2017	2016
Interest to related parties	13,222,883	13,882,205
Other finance costs.....	325,794	224,135
	<u>13,548,677</u>	<u>14,106,339</u>

7. Income tax

	2017	2016
Current tax liabilities	12,109,079	5,360,357
Deferred tax	(4,838,782)	82,513
	<u>7,270,297</u>	<u>5,442,870</u>

8. Property, plant and equipment

	Real estate and related rights	Machinery & equipment	Construction in progress	Total
Cost or valuation				
At beginning of the year.....	269,714,587	730,088,604	6,693,750	1,006,496,941
Reclassified.....	411,860	4,253,922	(4,665,782)	0
Additions.....	0	0	11,776,492	11,776,492
Disposals.....	0	(1,982,849)	0	(1,982,849)
At end of the year.....	<u>270,126,446</u>	<u>732,359,678</u>	<u>13,804,460</u>	<u>1,016,290,584</u>
Accumulated depreciation				
At beginning of the year.....	89,082,030	397,682,010	0	486,764,040
Charge for the year.....	7,781,552	32,940,930	0	40,722,482
Disposals.....	0	(1,914,551)	0	(1,914,551)
At end of the year.....	<u>96,863,582</u>	<u>428,708,389</u>	<u>0</u>	<u>525,571,971</u>
Carrying Amount				
Book value at beginning of the year.....	180,632,556	332,406,595	6,693,750	519,732,902
Book value at end of the year.....	<u>173,262,864</u>	<u>303,651,289</u>	<u>13,804,460</u>	<u>490,718,614</u>
Depreciation and amortization:				
			31.12.2017	31.12.2016
Depreciation of property, plant and equipment			40,722,482	40,455,558
Amortization of gain on forward contracts			(186,032)	(186,032)
			<u>40,536,450</u>	<u>40,269,526</u>

Notes

9. Inventories

	31.12.2017	31.12.2016
Aluminum finished goods	11,581,508	7,453,587
Aluminum in pots	14,450,272	9,417,122
Anodes	9,670,443	8,015,729
Alumina	33,466,410	15,150,411
Cathode blocks	1,156,587	3,587,370
Other materials	7,417,305	11,833,984
Operational supplies	18,390,887	19,067,968
	<u>96,133,412</u>	<u>74,526,173</u>

10. Other financial assets

Trade receivables	31.12.2017	31.12.2016
Trade receivables	66	0
Trade receivables from related party	11,854	2,562
	<u>11,920</u>	<u>2,562</u>

Other receivables	31.12.2017	31.12.2016
Value added tax	3,802,467	3,166,476
Prepaid expenses	416,815	1,911,503
Capital income tax	19,105	44,138
Due from related party	533,120	764,632
Other receivables	363,123	448,690
	<u>5,134,630</u>	<u>6,335,440</u>

Cash and cash equivalents

The Company's cash and cash equivalent consist of bank balances.

	31.12.2017	31.12.2016
Bank balances in USD	78,678,286	56,554,575
Bank balances in other currencies	1,319,883	338,801
	<u>79,998,169</u>	<u>56,893,376</u>

11. Investments in subsidiaries

	Proportion of ownership	Book value 31.12.2017	Profit 2017	Profit 2016
Shares in subsidiaries				
Klafi ehf, Grundartanga, Transport Company	50.00%	398,886	64,164	145,820
Balance at January 1			334,721	321,801
Received dividend			0	(132,900)
Profit for the year			64,164	145,820
At December 31			<u>398,886</u>	<u>334,721</u>

Notes

12. Equity

Share capital is specified as follows:

	Shares	Ratio	Amount
Total share capital at year-end	163,320,000	100.0%	163,320,000
Treasury stock at year-end	(16,332,000)	(10.0%)	(16,332,000)
	<u>146,988,000</u>	<u>90.0%</u>	<u>146,988,000</u>

Each share carries one vote.

	Share capital	Share premium	Other reserves	Retained earnings	Accumulated OCI
Equity 1.1.2016	146,988,000	117,963,936	40,830,000	88,483,592	2,497,438
Currency options, net of tax					(209,740)
Dividends paid					
Legal reserve for the share of earnings of affiliates			12,920	(12,920)	
Loss for the year				(21,189,538)	
Equity 1.1.2017	<u>146,988,000</u>	<u>117,963,936</u>	<u>40,842,920</u>	<u>67,281,134</u>	<u>2,287,698</u>
Currency options, net of tax					(148,827)
Legal reserve for the share of earnings of affiliates			64,164	(64,164)	
Profit for the year				29,048,305	
Equity 31.12.2017	<u>146,988,000</u>	<u>117,963,936</u>	<u>40,907,085</u>	<u>96,265,275</u>	<u>2,138,870</u>

Other reserves consist of Statutory reserves 40,830,000 (2016: 40,830,000) and Legal reserves for the share of earnings of affiliates 77,084 (2016: 12,920) which cannot be paid out as dividend to shareholders. According to the Icelandic Companies Act, 25% of nominal value share capital must be held in as Statutory reserves.

Legal reserves for the share of earnings of affiliates is required by Icelandic law. The amount of the legal reserve for the share of earnings of affiliates is reduced by dividends received from those companies.

Accumulated other comprehensive income comprise of a closed hedging activity that is being realized according to the lifetime of the underlying hedged asset.

13. Loans due from related party

	31.12.2017	31.12.2016
Loan from parent company. Fixed interest rate is 7.85%. The loan is in Icelandic kronas.	59,297,720	94,282,981
Loan from parent company. Fixed interest rate is 10.00%. The loan is in Icelandic kronas.	28,397,700	32,802,039
Loan from parent company. Fixed interest rate is 10.00%. The loan is in Icelandic kronas.	29,185,108	26,991,655
	<u>116,880,527</u>	<u>154,076,674</u>

Notes

13. Loans due from related party (continued)

Loans due to parent company in the amount of USD 59,297,720 are due upon demand by written notice. Loan due to parent company in the amount of USD 28,397,700 is due in five even payments and the first payment is due in year 2018 and the last payment is due in year 2022. Payment in year 2018, USD 7,069,967 has been entered as current liabilities. Loan due to parent company in the amount of USD 29,185,108 is due in five even payments and the first payment, USD is due in year 2020 and the last payment is due in year 2024. Interest payment is due each year.

14. Deferred tax liabilities

In the year 2016, Nordural Grundartangi started negotiation with the Icelandic Government of a review of tax arrangements in current Investment Agreement which is authorized according to Article 13 of the agreement. According to the result of that negotiation, Nordural Grundartangi has become subject to general Icelandic tax law and income tax rate from the beginning of year 2017.

The changes in Deferred tax liabilities are as follows:

	2017	2016
At January 1,	83,061,500	82,517,354
Calculated tax for the year	7,270,297	5,442,870
Deferred tax due to currency options	(37,207)	23,706
Exchange rate difference	81,147	415,068
Income tax payable for next year	(12,109,079)	(5,360,357)
Other differences	(30,230)	22,858
At December 31,	78,236,428	83,061,500

The following are the major deferred tax liabilities recognised:

	31.12.2017	31.12.2016
Property, plant and equipment	80,929,247	85,251,492
Other items	(2,692,819)	(2,189,992)
	78,236,428	83,061,500

15. Other financial liabilities

Trade and other payables	31.12.2017	31.12.2016
Functional currency	24,103,138	11,856,052
Other currencies	4,958,436	5,505,605
Accruals	13,856,347	12,254,836
	42,917,921	29,616,493
Other current liabilities	31.12.2017	31.12.2016
Liabilities to affiliated companies	3,200,431	3,794,749
Salaries and related expenses payable	8,242,183	6,551,713
	11,442,613	10,346,462

Notes

16. Derivatives

At December 31, 2017, we had an open position of 3,090 tonnes related to LME forward financial sales contracts, all of which are with Glencore, to fix the forward LME price (the "Forward Financial Sales Contracts"). These Forward Financial Sales Contracts are expected to settle between November 1, 2019 and December 31, 2020. We have also entered into financial contracts to fix the forward price of approximately 4% of Grundartangi's total power requirements for the period November 1, 2019 through December 31, 2020 (the "power price swaps"). The power price swaps are not designated as cash flow hedges. At December 31, 2017 we had an open position of 256,200 MWh related to the power price swaps.

At December 31, 2017, we had a derivative asset and liability of \$1,302,541 and \$778,470, respectively in the balance sheets. In 2017, we recognized a net gain of \$524,070, related to our derivative instruments, in the income statement. All of derivative liability \$778,470 and same amount of loss of derivative instruments are related to transactions with Glencore.

17. Related parties

Related parties are those parties which have considerable influence over the Company, directly or indirectly, including parent company, owners or their families, large investors, key employees and their families and parties that are controlled or dependent on the Company, i.e. affiliates and joint ventures. Business with related parties has been done on a similar basis as business with unrelated parties.

Related parties transactions in the year 2017:	Purchases of goods/services	Sales of goods/services	Assets	Liabilities
Norðurál ehf., parent company	5,819,302	0	0	119,401,901
Century Aluminum Anodes BV	79,293,907	7,122,941	533,120	6,112,031
Century Aluminum Company, ultimate parent	2,911,860	0	0	2,484,906
Glencore, affiliated company	222,751,142	657,940,503	11,854	15,985,070
Baise Haohai, affiliated company	15,762,903	0	0	2,178,688
Klafí ehf., subsidiary	1,493,934	0	0	0
	<u>328,033,048</u>	<u>665,063,444</u>	<u>544,974</u>	<u>146,162,595</u>

Related parties transactions in the year 2016:	Purchases of goods/services	Sales of goods/services	Assets	Liabilities
Norðurál ehf., parent company	4,708,550	0	0	154,607,488
Century Aluminum Anodes BV	85,410,978	8,821,054	764,632	6,549,523
Century Aluminum Company, ultimate parent	4,039,057	0	0	3,263,935
Glencore, affiliated company	133,356,599	515,961,262	2,562	4,396,127
Baise Haohai, affiliated company	10,126,518	0	0	913,583
Klafí ehf., subsidiary	1,326,899	0	0	0
	<u>238,968,601</u>	<u>524,782,316</u>	<u>767,194</u>	<u>169,730,656</u>

18. Insurance

Nordural Grundartangi has purchased commercial property and business interruption insurance intended to compensate for temporary breakdown of operations. The property insurance amount is USD 500,000,000.

Notes

19. Commitments and Contingencies

Power contracts

Nordural Grundartangi has a contracts with Landsvirkjun for supply of electricity up to 1622 GigaWatt hours ("GWH") on a yearly basis, of which 1379 GWH is under a "take or pay" obligation. The contracts are due to expire in 2023 and 2029.

Nordural Grundartangi has a contracts with Orkuveita Reykjavíkur and HS Orka for supply of electricity up to 2558 GWH on yearly basis, of which 2173 GWH is under a "take or pay" obligation. The contracts are due to expire in 2026 to 2028 (subject to extension). Nordural Grundartangi has a contract with Orkuveita Reykjavíkur for supply of electricity up to 416 GWH on a yearly basis, of which 354 GWH is under a "take or pay" obligation. The contracts are due to expire in 2036 (subject to extension).

Sale and Raw Material Contracts

Nordural Grundartangi has a contract with Glencore for aluminum sales, extended in 2018, to be delivered through the years 2018 to 2019. Under this contract Nordural Grundartangi receives price based on the LME primary aluminum plus an applicable premium.

Nordural Grundartangi has a contract with Glencore for alumina purchases required for its aluminum production, extended in 2018 for the years 2018 to 2019.

Nordural Grundartangi has a contract for the supply of anodes 20 - 24,000 MTPY with Baise Hao Hai in China. The term of this contract is through December 31, 2018 (subject to extension).

Nordural Grundartangi has a contract for the supply of anodes with Century Aluminum Vlissingen B.V. The contract is effective through 2018 and can be extended. During the term of the agreement, Century Aluminum Vlissingen B.V. shall supply to Nordural the annual quantity of anodes in accordance with the written production schedule agreed to by the parties.

Other

Nordural Grundartangi ehf., entered into Guaranty, dated as of March 21, 2014 in favor of Pension Benefit Corporation, a United states government coporation, as part of settlement agreement regarding an alleged "cessation of operations" at parent company, Ravenswood facility. The remaining contributions under this agreement in end of 2017 are approximately USD 9.6 million.

Nordural Grundartangi ehf., as borrower, and Landsbankinn hf., as lender, entered into a three-year USD 50,000,000 committed revolving credit facility agreement, dated November 27, 2013 which was extended in December 2017 to November 2020. The company's inventory and accounts receivable are pledged as a collateral to the financial institution. As of December 31, 2017, there were no outstanding borrowings under this credit facility.

The Company, in the regular course of business, is involved in investigations and claims by various regulatory agencies none of which the Company believes will have material effect on financial results.