Annual Report 2017

vimetco alro

Contents

Financial and operational highlights for the year 2017

Alro Group

Indicator	2017	2016
Primary aluminium production (tonnes)	282,074	272,507
Processed aluminium production (tonnes)	108,972	103,367
Alumina production (tonnes)	472,606	467,031
Bauxite production (tonnes)	1,787,716	1,368,531
Sales (thousand RON)	2,726,272	2,302,803
EBITDA[1] (thousand RON)	566,456	291,593
EBITDA margin (%)	20.8%	12.7%
Adjusted net profit[2] (thousand RON)	402,626	100,325
Net profit/ (loss) (thousand RON)	391,106	71,496

Alro S.A.

Indicator	2017	2016
Primary aluminium production (tonnes)	282,074	272,507
Processed aluminium production (tonnes)	83,742	79,114
Primary aluminium sales (tonnes)	150,988	153,720
Processed aluminium sales (tonnes)	82,393	76,552
Sales (thousand RON)	2,466,032	2,127,064
EBITDA[1] (thousand RON)	455,611	246,627
EBITDA margin (%)	18.5%	11.6%
Adjusted net profit[2] (thousand RON)	355,069	100,820
Net profit (thousand RON)	317,686	67,220
Adjusted net earnings[2] per share (RON)	*0.497*	*0.141*
Net earnings per share (RON)	*0.445*	*0.094*

[1] EBITDA: Earnings before tax, other financial gains and losses, amortisation and impairment;

[2] Adjusted Net Result: Company's net result plus/(minus) non-current assets impairment expense/(income), plus/(minus) the loss/(gain) from derivative financial instruments that do not qualify for hedge accounting, plus/(minus) deferred tax expense/(income).

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Certain statements included within this report contain forward-looking information, including, without limitation, those relating to (a) forecasts, projections and estimates, (b) statements of management's plans, objectives and strategies for Alro Group/ Alro, such as planned expansions, investments or other projects, (c) budgeted production volumes and costs, capacities or consumptions, start-up costs, cost reductions and profit objectives, (d) various expectations about future developments on Alro Group's/ Alro's markets, particularly regarding prices, supply and demand and competition, (e) results of operations, (f) margins, (g) growth rates, (h) risk management, as well as (i) statements in a predictive form preceded by "expected", "scheduled", "targeted", "planned", "proposed", "intended" or similar statements.

Although we believe that the expectations reflected in such forward-looking statements are reasonable, these forward-looking statements are based on a number of assumptions and forecasts that, by their nature, involve risk and uncertainty. These risk factors could cause our actual results to differ materially from the preliminary ones previously reported or affect the extent to which a particular forecast is realised. Factors that could cause these differences include, but are not limited to: our continued ability to reposition and restructure our upstream and downstream aluminium business; changes in availability and cost of energy and raw materials; global supply and demand for aluminium and aluminium products; world economic growth, including rates of inflation and industrial production; changes in the relative value of currencies and the value of commodity contracts; trends on Alro Group's/ Alro's key markets and competition; and changes in the legislative, regulatory and political factors.

No assurance can be given that such expectations will prove to have been correct. Alro Group/ Alro disclaims any obligation to update or revise any forward-looking statements/forecasts, whether as a result of new market information, future events or otherwise.

Note 1: In this report, the terms "Alro Group" and "the Group" are sometimes used for convenience where references are made to Alro S.A. and its subsidiaries, in general, and the terms "Company" and "Parent-company" are sometimes used for convenience where references are made to Alro S.A.

The financial statements included in this report are audited and present the individual and consolidated results of Alro and Alro Group, respectively, prepared in accordance with the Order of the Minister of Finance no. 2844/2016, which is in accordance with the Financial Reporting Standards (IFRS), as adopted by European Union except for IAS 21 The effects of changes in foreign exchange rates regarding the functional currency. All the indicators and figures mentioned in this report refer to Alro Group, unless otherwise stated.
The indicators/ figures may be rounded to the nearest whole number and therefore minor differences may result when summing up and comparing with the exact figures mentioned in the financial statements.

Note 2: A list of all abbreviations and definitions used in this report can be found on page 48.

Letter from the Chairman

Dear Shareholders,

It is the first year after a long time when I present myself to you with very good results from all points of view. Alro Group recorded a **net profit** of RON 391 million in 2017, the best result in the last ten years, as a result of a solid operating activity that generated an EBITDA of RON 566 million. Consolidated sales of RON 2.7 billion is also the best in the last ten years, being the result of the sustained efforts of the entire Alro team, certainly, also on the background of a recovering aluminium industry.

At the same time, I am pleased to see in the capital market a higher interest in Alro shares, which had an upward trend throughout the year, almost tripling their value since the beginning of the year, with market capitalisation reaching at 31 December 2017 more than RON 2.3 billion. As a result, Alro was included in the list of the most profitable companies traded on the Bucharest Stock Exchange.

The positive trend of Alro shares in 2017 was even more enjoyable for us as in October 2017 when we celebrated two decades since Alro listed on the BSE. We have marked this historical moment with an ascending trend of our shares, in line with our expectations and with the material and human efforts that we have made in recent years and from which we hope will benefit not only **our investors and shareholders** but also the Romanian capital market. 2017 was even more relevant for us, as Alro was nominated and won several awards in the galas of the Romanian industry that recognised the Company's ability to reinvent itself, thus returning in the top of the most attractive and powerful companies in Romania. Also in 2017, we initiated and implemented a new communication strategy with investors, analysts and other stakeholders, **with the view to have an easier and more transparent communication with stakeholders.** Thus, we resumed the conferences with analysts and investors for the presentation of half-yearly and annual results, and we intend to intensify this type of communication with wide participation also in 2018, by organising conferences to present all the reported financial results, including the quarterly ones.

2017 was the year when we started several activities in the area of **Corporate Social Responsibility** because we want our activity to have a positive impact on the society and the communities in which we operate. We therefore constantly invest and support both local and national actions targeting socially less favoured classes, but we also contribute to educational initiatives that are an investment in the future of all of us.

With regards to **financial achievements**, I would like to mention that in November 2017 we successfully completed the extension of a USD 137 million loan facility; moreover, at the same time with the extended period, the limit of this facility was increased by a new non-cash financing facility in amount of USD 30 million, this being needed for opening letters of credit and letters of guarantee which allow us to obtain improved commercial terms from some of our raw materials and/or equipment suppliers.

As for Alro, the net profit was of RON 318 million, compared to RON 67 million in 2016.

Both us, the Board of Directors and the entire organisation will continue **our long-term strategy,** and we will take all necessary measures to bring added value to our shareholders as well as to all our business partners.

Last but not least, I have the honour to announce that, in 2018, we want to propose to our shareholders for approval in the GSM to be held on 27 April 2018, the **distribution of a dividend** of RON 382 million out of the distributable profit, representing 0,53523 RON/share. We have a tradition of distributing dividends to our shareholders whenever the result allowed us to do so, while, of course, maintaining a solid financial position for the Company. At the same time, this is the way I want, on behalf of Alro and the people who have built this name, to thank you, our shareholders, for having believed in us during all these difficult years and we want to continue this path of Alro "rebirth", together. And I cannot conclude this message without thanking the people, my colleagues who actually make up Alro - they are the ones who have always contemplated Alro with pride and succeeded in bringing the Company to its prestige and its real value also more than 50 years since its set-up.

Marian Nastase,
President of the Board

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Letter from the CEO

Dear Shareholders,

2017 is **a reference year for Alro** - it is the year when we managed to consolidate our results and take advantage of the opportunities offered by the market, managing to capitalise into profit, for our shareholders, the positive evolution of the aluminium price combined with a good negotiation of our acquisitions and an effective operating activity based on improved specific consumptions. Thus we report with honour for the year 2017 a net profit of RON 318 million and a similar net inflow from the operating activity.

As far as the **market** is concerned, the average aluminium price for 2017 was 23% higher than in 2016, the LME quotation exceeding the level of USD 2,100/tonne, while the exchange rate showed an increased volatility, with the American Dollar depreciating significantly in the second part of the year compared to the EUR and RON. Thus, in 2017, sales revenue increased by 16% and raw material and utility cost optimisation led to an EBITDA margin of more than 18%, compared to 12% in 2016 and a significant improvement in the net profit margin to over 12.9% compared to 3.2% in 2016. Processed product sales increased by almost 18% in 2017 compared to 2016, which is in line with our strategy to increase the weight of high value added products in the Company's portfolio.

With respect to **Alro Group** performance, the same significantly improved results were noticed - the EBITDA margin was 21%, compared to 13% in 2016, while the net profit margin reached 14%, compared to 3% in 2016. Also, the production of bauxite reached a record level in 2017, the level reported for the period under review being of almost 1.8 million tonnes, compared to 1.4 million tonnes in 2016, being the best performance of the African subsidiary since it was purchased by the Group.

In 2017, Alro successfully completed **investments** of over RON 142 million in upgrading and increasing energy efficiency and competitiveness projects, while the other subsidiaries invested in equipment more than RON 75 million.

We, at Alro, have always invested in Research and Development teams and many of our **employees** hold several patents that have later turned into revolutionary measures by whose implementation within the Company we have always managed to improve and optimise the operations, and we have created a competitive advantage in this "heavy" aluminium industry. In this regard, in 2017 we started the first dual education class in Olt County and we will continue expanding this project also in the coming years, because Alro has a strategy of increasing and diversifying the range of products and at the core of this strategy are the specialists who can implement these plans. That is why we consider a priority for us to invest in training the new employees, even starting from school, and thus to be able to prepare future generations of aluminium workers.

I have been working for Alro for almost 35 years now and I have been involved in the formation, the organic growth and the consolidation of this company; I am more than pleased to present myself to you with these exceptional results for the financial year 2017 that prove once again that Alro is a robust company that, although celebrating more than five decades since the production of the first aluminium batch, proves that it is capable of continuously being competitive in a challenging industry, while being a trustworthy partner of the communities in which it activates and a pillar of the Romanian economy.

Gheorghe Dobra,
CEO

Significant events in the financial year 2017

Major events in the financial year 2017

- Alro signed a **credit facility of USD 167 million** over a period of three years. This agreement extends the revolving credit amounting to USD 137 million signed in December of 2015 by a period of two years, to which a new non-cash financing line of credit in the amount of USD 30 million is added. The main objective of this revolving credit is to fund the working capital needed by the Company, while the non-cash financing line of credit will be used to issue letters of credit and letters of guarantee to support its operations and investments. The transaction involved a syndicate of eight banks (OTP Bank Romania, Unicredit Bank, Banca Comerciala Intesa Sanpaolo Romania, Banca Transilvania, Eximbank and Garanti Bank) and was led by RBI Group (Raiffeisen Bank International together with Raiffeisen Bank Romania) as sole coordinator;

- In 2017, several projects from the Company's Investment Plan were completed, from which both the Primary Aluminium segment and the Processed Aluminium segment benefited. Also in 2017, the purchasing procedure for research and development equipment necessary for the project co-financed from EU non-refundable funds was launched, the project being signed off in September 2016 and scheduled to run until September 2018;

- Throughout 2017 the price of aluminium kept growing, which reflected in the annual average of USD 1,969/tonne, as compared to the previous year, when the average price was USD 1,605/tonne. This upward trend also recorded in the first half of 2017 culminated in a price of USD 2,242/tonne towards the end of 2017, as compared to USD 1,714/tonne at the end of 2016;

December

- SMHL, subsidiary of the Group operating in Sierra Leone, reported in 2017 a record bauxite production level of almost 1.8 million tonnes, up by more than 30% compared to the same period last year. The management's efforts during the past years for organising and optimising the Sierra Leone activity, as well as the investments made to upgrade the equipment used for the extraction, washing and drying of bauxite, are now reflected in the reported figures, these being the best since the Group took over the Company's activity;

- Alro successfully completed over USD 3.4 million worth of investments in projects to upgrade and increase energy efficiency and competitiveness, more than USD 2.8 million being assigned for modernising the slab rolling mill, which enables rolling all types of aluminium alloys for the aeronautic industry. At the same time, towards the end of 2017, Alro also completed the tests for the project to install an electromagnetic stirrer in order to increase the efficiency of re-smelting operations and reduce specific consumption rates for natural gas and electricity, which in itself is another step forward towards reaching the ***"Green Factory, Next Generation Factory, Innovating and Sustainable"*** objective and approaching the zero waste and zero emissions target;

- Actively involved in Corporate Social Responsibility projects, Alro founded the first class of dual vocational training in Olt County, in collaboration with the Metallurgical Technical College and with the support of the Slatina City Hall. This pilot project will be continued and expanded over the next years with new classes and specialisations. Through these type of educational projects, the Company invests in the training of new employees, who will actually be tomorrow's specialists and the next generation of aluminium specialists. Having a long-term vision, in general, has always been at the basis of Alro, a company with tradition in Romania, that celebrated the milestone of 50 years since it was founded;

October

- Alro celebrated **20 years** since its listing on the Bucharest Stock Exchange ('BSE'), which was marked by several events. This was another occasion for Alro to prove that it is a solid company that has managed to transform from a simple producer of primary aluminium products to a vertically integrated Company, a provider of aluminium at the highest standards of quality, including for the aeronautic industry, which is one of the most demanding markets. The Company's management wished to emphasize once more that Alro is a company that brings added value to its shareholders, employees, to the communities where it operates and to the Romanian economy in general, as during these 20 years it recorded a turnover of USD 10 billion, a net profit of USD 780 million and total investments of over USD 680 million, of which USD 570 million since it became a private property, namely from 2002. The total production of electrolytic aluminium was of four million tonnes, and that of cast aluminium over 4.5 million tonnes.

  At the same time, Alro is one of the first companies of national importance that has been listed on the Bucharest Stock Exchange since its first years of operation and has had, over time, an impressive evolution that benefited both the investors and shareholders, as well as the Romanian capital market;

Major events in the financial year 2017 (continued)

- ***"Green Factory, Next Generation Factory, Innovating and Sustainable"*** is the key concept on which Alro is counting presently and also in the future; ever since a few years ago, the Company has begun implementing this concept by aiming at zero waste and zero emissions, along with rising high value added aluminium production. Alro is one of the few companies in the industry that has achieved 99% efficiency in the electrolytic processes in electricity consumption due to the continuous upgrading of the equipment that has been provided with state-of-the-art technologies. All these investments aim not only at optimising operations by reducing energy consumption and emissions, but also monitoring and minimising its industrial footprint. At the same time, Alro aims at consolidating and expanding its higher value added products on the most sophisticated and demanding markets, such as the automotive and aeronautic ones.

  In this respect, the Company's business plan predicts for the period 2017-2021 total investments of over USD 190 million, of which over USD 100 million for energy efficiency projects;

September

- As an active member of the communities in which it operates, Alro is also involved in the cultural projects run by Romanian artists. Thus, in September this year, the Company supported the painter and sculptor Alexandra Nechita's effort to create an exhibition of metal sculptures from Romanian materials - 'The Garden with Sculptures'. Therefore, Alro donated to the artist the aluminium materials needed to complete this project. It was not just a project with a strong cultural and educational message, but it also had a social component, because these artworks that were initially exhibited during the Enescu Festival were later donated;

August

- Alro continued its collaboration with the Romanian Red Cross in August also, when a new programme for helping people in distress from the Olt and Tulcea Counties was carried out. The Company supported with equipment the installation programme, in Slatina, of first-aid centres during the peak heat period and was financially involved in the programmes 'We Help Grandparents Smile' and 'With My Grandparents to the Dentist's', which provides dentures for the elders from the elderly people protection centres from the Olt and Tulcea counties.

  Alro is a partner with tradition in terms of its involvement in Corporate Social Responsibility programmes in the regions in which it operates, actively investing also in such projects covering health and improving the quality of life of disadvantaged social categories. The Company contributed, in 2017 also, to numerous actions that support the local community, either by donating firewood during the winter for in need families in the Olt County, or by donating medical equipment to hospitals.

  The Red Cross Partnership is just one of Alro's long-term collaborations which aims at actively involving the Company in activities with a strong social impact in the counties where Alro is operating.

June

- On 27 June 2017, the Ordinary and Extraordinary General Shareholders Meeting took place, during which Mr. Adrian Manaicu was elected as Administrator for another four-year term, namely, from 29 June 2017 until 29 June 2021 and approved the composition of the Board of Directors ('BoD') as a consequence of re-appointing a BoD member;

- During 19-25 June 2017, the Alro team participated in the 52nd edition of the International Aeronautics Salon Le Bourget, France, which is held every two years. This is a tradition and reference fair for the aeronautical industry around the world, benefiting from the presence of the soundest names from companies in the aviation and related fields, as well as official delegations, besides visitors from the general public. At the 2017 edition, out of the seven days of the fair, four were dedicated and open only to companies and business meetings, and the remaining three were open to the general public; during the show, over 150 flying machines were presented and there were dozens of aerial demonstrations. The Alro team also participated this year as part of the Romanian delegation that had its own stand at the Le Bourget salon and actively participated in various meetings with current / potential clients and suppliers;

April

- On 28 April 2017, the Ordinary General Shareholders Meeting ("OGSM") took place, which approved among others: the financial statements, the consolidated report of the directors for the financial year 2016 and the revenue and expenditures budget, Alro's activity programme and investments plan for the financial year 2017. The OGSM also reconfirmed Ernst & Young Assurance Service SRL as the financial auditor of the Company for the financial year 2017;

- At the same OGSM, the Company approved the distribution of the net profit of over RON 67 million earned in 2016 by the Parent-company in the form of dividends, resulting in a gross dividend payment of RON 0.09417 / share, starting with 25 May 2017 (Payment Date). The dividends distribution was made through “Depozitarul Central” of Bucharest, the participants in the clearing-settlement and registry system (Participants) and Banca Transilvania - the Payment Agent.

General information

Alro S.A.

Company's address	Str. Pitesti, nr. 116, Slatina, Olt County
Telephone number	+40 249 431 901
Fax number	+40 249 437 500
Registration number in the Trade Register	J28/8/1991 of 31.01.1991
Fiscal code	RO1515374
Class, type, number and main features of the financial instruments issued by the company	Registered dematerialised and ordinary shares
Subscribed share capital, fully paid up	RON 356,889,567.5
The European Unique Identifier (EUID)	ROONRCJ28/8/1991
Legal Entity Identifier (LEI) Code	5493008G6W6SORM2JG98
Organised market on which shares and stocks are traded	Bucharest Stock Exchange - Regulated Market (market symbol: ALR)
Total market value for each class of shares	Standard Category – 2,334,057,771[1] RON

Alro Group – entities

Company	Parent	Shareholding (%)
Alro S.A.	Vimetco NV	84.19
Alum S.A.	Alro S.A.	99.40
Conef S.A.	Alro S.A.	99.97
Vimetco Extrusion SRL	Alro S.A.	100.00
Global Aluminium Ltd.	Alum S.A.	100.00
Bauxite Marketing Ltd.	Global Aluminium Ltd.	100.00
Sierra Mineral Holdings I Ltd.	Global Aluminium Ltd.	100.00

Alro Group is registered with FSA as per Decision no. A/632/ 26 November 2013.

[1]Calculated based on the BSE quotation available on 29 December 2017 - the last day of 2017 when Alro's shares were traded (713,779,135 shares *RON 3.2700 / share)

Overview

Information about the Group

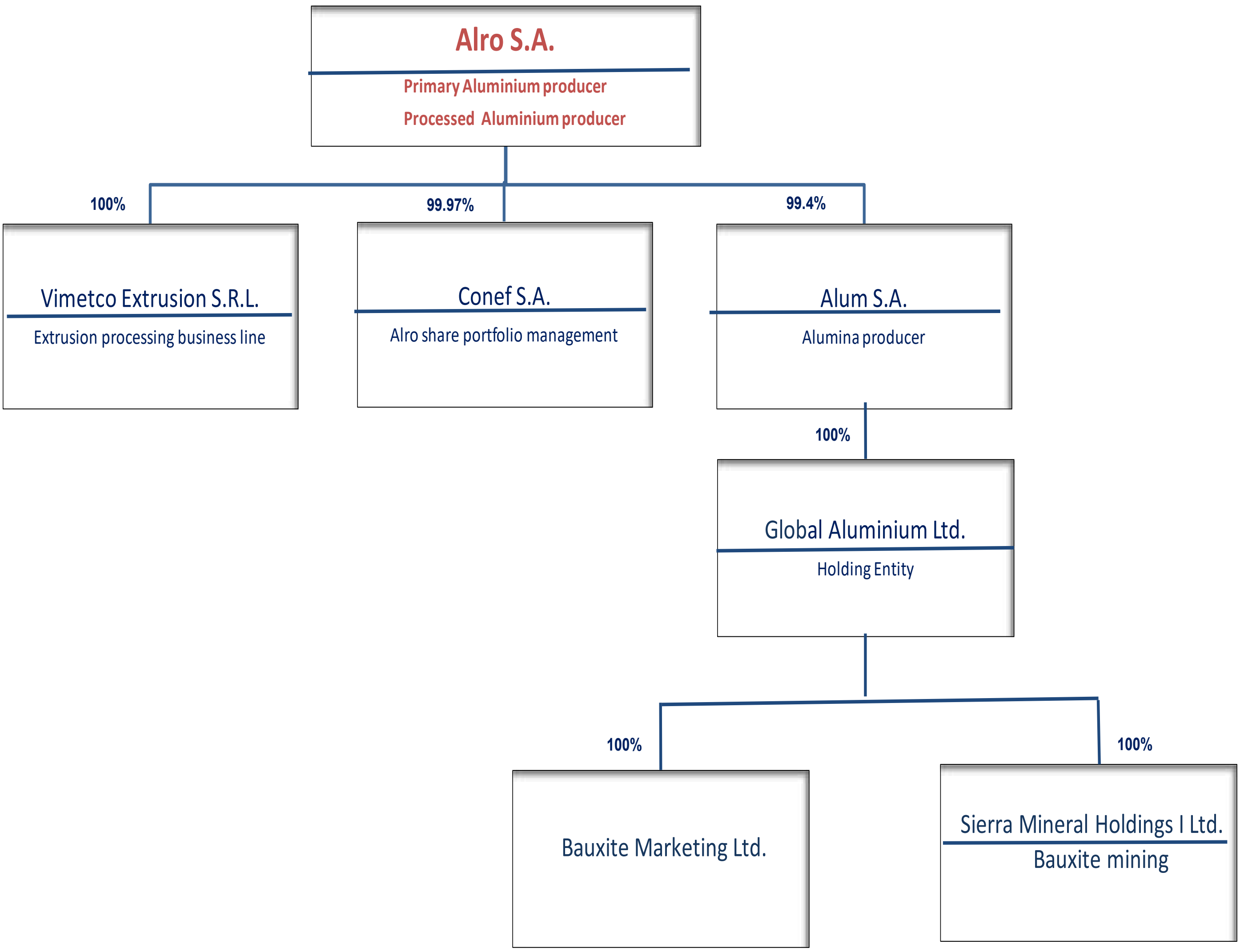
Alro ('the Company' or 'the Parent-company') is a listed joint-stock company established in 1961 in Romania and it is part of an integrated group that produces aluminium, which covers the entire technological process, from bauxite to obtaining processed products. Alro is the largest aluminium producer by capacity according to CRU, in Continental Europe (excluding Russia and Scandinavia). The shares of Alro S.A. are traded on the Bucharest Stock Exchange since October 1997 under the symbol "ALR".

The majority shareholder of Alro S.A. is Vimetco N.V. (the Netherlands), which holds 84.19% of the Company's share capital. Vimetco N.V is a private company and its registered office is at Strawinskylaan 403, World Trade Centre, A Tower, 4th floor, 1077 XX Amsterdam, the Netherlands. The Company's ultimate controlling entity is Maxon Limited (Bermuda).

Alro S.A. and its subsidiaries ('Alro Group' or 'the Group') include the following companies:

- Alro – producer of aluminium (a company listed on the Bucharest Stock Exchange);
- Alum – producer of alumina (a company listed on BSE, ATS segment, AeRo category);
- Sierra Mineral Holdings 1 Ltd. (SMHL) – a bauxite mining company;
- Vimetco Extrusion – aluminium extruded products producer;
- Conef;
- Global Aluminium (GAL), and
- Bauxite Marketing (BML).

In this way, the Group managed to ensure an integrated production chain for itself, securing the raw materials for Alro.



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Information about Alro

The Group is vertically-integrated, being organised on four segments: Bauxite, Alumina, Primary Aluminium and Processed Aluminium. For an efficient resource allocation and to evaluate segments performance, this is the basis on which the Group reports information to its management. The Bauxite segment is operating in Sierra Leone (Africa) and consists of SMHL, GAL and BML. The Alumina segment, which includes Alum, uses bauxite to produce alumina, the main raw material for electrolytic aluminium production. The Primary Aluminium segment, which mainly includes the anodes section, electrolysis section, the Casting House and Aluminium Eco Recycling Facility sections, manufactures and sells products like wire, rod, slabs and occasionally ingots. The Processed Aluminium segment, which includes mainly Alro's Processed Aluminium section and Vimetco Extrusion, produces and sells sheets, coils, plates and extruded products. Both the casting house and processing halls are located in Slatina, while the alumina refinery is located in Tulcea, Romania (Europe).

Alro is organisationally structured in two divisions:

- *Primary Aluminium,* with Anode plant, Aluminium Smelter, Casting House, Aluminium Eco-Recycling Facility, repairs and spare parts production units, road and rail transportation and other additional sections. After investing in upgrading its equipment and in new technology, Alro reached a production capacity of 265,000 tonnes of primary aluminium and 340,000 tonnes of cast aluminium. At the same time, all necessary anodes for the electrolysis of alumina are internally produced;

- *Processed Aluminium* has a processing capacity of 95,000 tonnes of processed aluminium, depending on the production mix. Currently, a capacity increasing programme is being run with a view to reach a capacity up to 120,000 tonnes by 2021.

Alro is ISO 9001 certified for quality management and has NADCAP, as well as EN 9100 certifications for aerospace production units, and also the ISO TS/IATF 16949 certification for automotive production industry, its products meeting the quality standards applicable to primary aluminium as set by the London Metal Exchange (LME) and those applicable to flat rolled products.

Alro produces a diversified range of products, as detailed below:

- rolled aluminium and aluminium alloys wire rod;
- homogenised AlMgSi billets;
- aluminium and aluminium alloy slabs;
- aluminium and aluminium alloy ingots;
- aluminium and aluminium alloy plates (heat treated and not heat treated);
- aluminium and aluminium alloys sheets and coils;
- cladded aluminium alloy sheets and coils.

The Company receives alumina from Alum, its own alumina refinery with a production capacity of 600,000 tonnes per year which is obtained by using the bauxite mined in Sierra Leone. Alro produces high value added primary aluminium products for its customers and the primary aluminium is used as raw material by the Processed Aluminium production facilities. Moreover, the Company sells aluminium alloys billets to its subsidiary, Vimetco Extrusion that further produces extruded products.

The main markets for the aluminium produced by Alro are in the European Union (including Romania), but the Company also sells its products in the USA and Asia.

Alro Group – goals and strategy

The main goals of the medium and long term development strategy implemented by Alro are:

- investments in state-of-the-art technology which allows the Company to expand its range of products, improving the quality and decrease the delivery time and, also to increase the operating efficiency and to decrease the production costs;
- continuous improvement of the Company's activities, processes and products;
- focus on high value added aluminium production, like sheets and coils and the continuous development of the products range for hard alloys and heat treated plates, for the aeronautic and automotive industries;
- increasing energy efficiency across the entire production chain, both through technology investments and investment in research and development;
- reducing costs and shortening production cycles;
- development of the technological production processes to incorporate the latest developments in the field, so that the highest production standards can be achieved in terms of quality and cost of the Company's products;
- vertical integration, thus ensuring the availability of the necessary raw materials, in order to decrease the production costs and to increase the operating efficiency;
- continuous compliance with the environment protection rules, effective waste management in accordance with the economic objectives, but with minimal impact on the environment and natural resources;

- ***Products portfolio***

Expanding the range of products is a strategic direction for Alro that focuses on high and very high value added aluminium production for key-industries, such as:

- *aeronautic industry* – Alro holds the EN 9100 certification (for the aerospace and defence industries) awarded by the German certification organisation DQS GmbH for the Company's quality management system. The Company is NADCAP certified for special processes (heat treatments, lab tests and non-destructive testing) and also for the aerospace and defence industries, awarded by the Performance Review Institute within the Society of Automotive Engineers (USA). Airbus, the leading aircraft manufacturer, selected Alro as a provider for aluminium. The agreement is for a multi-year period, starting 2017. Under the terms of the Contract, Alro will supply Aluminium flat rolled products for aircraft manufacturing;

- *automotive industry* – the Company holds, for the quality management system, the ISO TS/IATF 16949 certification (for automotive industry) awarded by the German certification organisation DQS GmbH. The Company is an accredited supplier for the production and mechanical processing of aluminium and aluminium alloys for the automotive industry;

- *construction industry* - the Company holds the CE certification for its products designed for the construction field, awarded by TUV Rheinland and TUV SUD (Germany) organisations;

- *shipbuilding industry* - Alro’s products designed for shipbuilding industry are certified by organisations such as Det Norske Veritas, Bureau Veritas and Germanische Lloyd.

- ***Energy efficiency***

One of the medium and long-term objectives is the optimisation of the utilities consumed and, therefore, Alro is constantly investing in this direction. Thus, the increase in energy efficiency is constantly monitored, both by reducing energy consumption and by optimising the production processes, an essential role being played by the research and development team within the Company. Alro counts on increasing the efficiency of water, hot air and heating networks, as well as reducing electricity consumption and securing the necessary natural gas resources.

Also in 2017, Alro continued its investment programme in this field, replacing the traditional lighting system with a high efficiency one, of the LED type – a programme running during 2016-2018. At the end of this programme, it is estimated to record a decreased level of electricity consumption for lighting by 60%. In addition, the Company upgraded the G5-G6 burning installations, which further led to gas and electricity savings of 18%, and of 9%, respectively.

Furthermore, Alro started in 2016 the construction project of a water recycling station for the Anode Section, a project that was finalised and put into operation in June 2017. The estimated reduction in energy consumption is 220 MWh/year. Additionally, in April 2017, two electric pumps were replaced with state-of-the-art technology; this upgrade is estimated to bring an additional energy consumption saving of 1,800 MWh/ year.

Moreover, at the end of 2017, a new anode cutting equipment started to be used, which will result in a decreased level of energy consumption during the aluminium production process by approximately 3,000 MWh/year.

Additionally, Alro continued its investments in the Aluminium Recycling section, increasing the weight of the aluminium scrap used for the production of aluminium alloys slabs and billets. In this way, the energy consumption decreases significantly, for the scrap aluminium production, less than 10% of the amount of electricity used for electrolytic aluminium production is being used. Besides a lower electricity consumption level, the CO_2 emissions and the raw materials consumption are reduced, as well.

- ***Research and development activity***

The Company is permanently working on upgrading its production processes, through its own Research Centre established in 2012 and also, through the project management teams, as well. Alro's research and development activity is considered to be an essential activity for the development and improvement of the Company's products and therefore has a large number of specialists. The research and development strategy of Alro mainly aims at supporting both the technical and scientific aspects of the industrial sectors within the Company, with the ultimate goal of improving the technological processes and reducing specific consumptions, increasing product quality and expanding the product range.

Among the initiatives and activities developed and implemented in 2017 by the Research Centre are the following:

- monitoring the technological flow to determine the impact of process parameters and identifying optimisation solutions;
- developing mathematical models to create products based on process parameters and the quality standard concerned;
- topics on industrial research issues arising from production processes needs;
- provide support and technical assistance for the implementation of the measures established by the technical consultation delegations within the Company.

Among the projects completed and successfully implemented in 2017 are:

- monitoring the evolution and performance of the results obtained within the pots equipped with a new cathode model, with the objective of reducing the energy consumption by at least 100 kWh / tonne of electrolytic aluminium;
- reduction of emissions from the used anodes by covering them with alumina, aiming at a significant decrease in the CO_2 emissions that are captured by alumina and subsequently reused;
- reduction of heat losses from the washing equipment by optimising the profile and thermal insulation of these equipment, with good results in reducing gas consumption;
- optimisation of the homogenisation process of the thick plate with commercial purpose;
- reducing the technological waste for aluminium alloys by minimum 20% ;
- reducing energy consumption by installing equipment provided with state-of-the-art technology.

Moreover, in 2017, continued the financing contract signed by Alro in 2016 for implementing the project 'Investments in Alro’s Research and Development Department for the improvement of the research infrastructure for the heat treated aluminium alloy sheets with highly qualified industrial applications'. The total value of this project is more than RON 115 million, out of which approximately RON 36 million represents the amount to be granted as non-refundable financial assistance. This project will be implemented over a period of 24 months having as a main objective the acquisition of research and development equipment.

- ***Modernising the maintenance system***

Alro is using the system 'Total Predictive Maintenance' which involves both operational and technical personnel in the maintenance of the production equipment. The Company uses both the predictive and proactive maintenance policies which allows it to obtain the best results in the equipment maintenance process.

By implementing repairs planning in the SAP system used by the Group, the Company has better cost control, with direct results in enhancing its operating efficiency.

Moreover, Alro continued in 2017 the expansion of its level of automation, installation of sensors, installation of meters, expanding the implementation of the periodic testing system etc.

- ***Investment strategy***

The Company's investment plan for 2017 includes, beside the projects that have as purpose to increase the share of the higher value added products and expanding the production mix, the development projects which focus on implementing new technology for the production of aluminium heat treated plates and for industrial purposes of high qualification standards, as well as for the aeronautic and automotive industries, and also projects for supporting investments aimed at ensuring continuity under maximum safety conditions of day-to-day operations.

The investment programme for the financial year 2018 amounts to almost USD 61 million and consists of 26 investment projects that focus on the following objectives:

- reducing Alro's energy consumption rates by increasing energy efficiency for the existing processes and increasing the processing capacity of the Eco-Recycling Facility, so as to reach a capacity of 90,000 tonnes per year;
- expanding the clients' portfolio by increasing the production capacities in the Processed Aluminium segment (by increasing the quantity of hot-rolled products with higher value added, and by increasing the production of heat-treated plates, respectively);
- improving product quality to meet the most demanding quality requirements of Alro customers, particularly with regard to hot-rolled products;
- continuing the technological upgrading programmes, whose main objective is to improve the efficiency of the existing equipment and their operation under maximum safety conditions;
- increasing the Company's competitiveness by improving the delivery terms for hot- rolled products, a very important indicator that is constantly monitored, which has a positive impact on the satisfaction of Alro's clients;
- ensuring the safety and continuity of the technological processes within the Company in order to achieve the expected production and targeted performance indicators.

Moreover, the investment programme for 2018 aims at ensuring the capacity and technical conditions for day-to-day operations to support Alro's strategy of increasing the weight and quantity of value-added products and reducing energy consumption rates of technological processes, of electricity, by permanently decreasing energy consumption and increasing the use of recycled metal quantities.

In the Primary Aluminium sector, Alro has begun to invest in improving the performance of the electrolysis sector by implementing, starting 2017, a new pot replacement methodology using a new and improved design that will generate a reduction in energy consumption in line with Alro's strategy and commitment to reduce energy consumption and its processes operating efficiency, as well as to increase the waste recycling capacity of the Eco Recycling Facility in order to achieve a total waste processing capacity of about 90,000 tonnes annually.

In the Aluminium Processing sector, Alro will complete in 2018 the implementation of the project co-funded by European funds for the research, technological development and innovation process. This project will enable Alro to expand its customer portfolio as a result of the increase in the weight and amount of higher value added products produced in this division (i.e. hot-rolled products and especially heat-treated plates), which will have positive effects on the Company's turnover.

Marketing and sales

2017 was marked by an increase in demand for primary metal by almost 5%, especially from the automotive and aeronautic industries. Positive signals also emerged from the construction industry. However, in 2017 also, Alro focused on delivering high and very high-value added products both on the primary and processed aluminium segments. If, in 2016, the aluminium market was characterised by low LME quotations, in 2017, the price of aluminium had an upward trend and this industry has become more and more appealing to more and more players. Therefore, Alro has made substantial efforts to maintain the market share and its competitiveness by selling products with high premiums and by improving the services offered to its customers.

In 2017, Alro focused its efforts on consolidating its clients portfolio and its long term partnerships with them, counting on aluminium wire, flat rolled products, and also on aluminium plates with thicknesses between 15 mm and 100 mm. This approach consolidated its high quality aluminium producer position. In addition, Alro has expanded its supplies to sophisticated industries such as automotive and aeronautics, its products and production processes corresponding to the demands imposed by them.

From 2017, the Group has initiated an internal project to intensify marketing activities in order to promote its products as effectively as possible and to increase the visibility of its products that meet the quality standards for primary aluminium demanded by the London Metal Exchange (LME) as well as international standards for flat rolled products.

Production

In 2017 also, Alro continued its competitiveness strengthening programme on international markets, counting on the following strategic directions:

- Continuous improvement of the activities, processes and products;
- Decrease of production costs and of the production time;
- Development of the technological processes, in order to obtain the best available technologies for the products quality and for their costs;
- Waste management measures;
- Optimisation of processes and technologies, aiming at reducing the energy consumption and at using the available opportunities to improve the energy efficiency.

In the direction of its processes efficiency, in 2017 Alro succeeded in achieving the highest average number of pots in use in the past five years, namely 624 pots. Also, the production of the Eco Recycling Facility in 2017 was the largest since its opening. In addition, significantly improved results were achieved both for wire and slabs production, with increases of over 17% and 11%, respectively, in 2017 compared to 2016.

Acquisition and logistics

In 2017, both the raw materials and transportation markets were affected by major changes and a high degree of unpredictability, which made the procurement of raw materials and services required to carry out Alro Group's activities and operations under good conditions to be a challenging process. However, the Group's acquisition and logistics strategy and the positive evolution of aluminium prices on international markets were the key factors that contributed to significantly improved results in 2017 compared to previous years.

Thus in 2017 also, The Company's specialised department made efforts for costs optimisation, with the following results:

- reducing acquisitions prices with coke, aluminium fluoride and coal tar pitch and also by energy acquisitions at competitive prices;
- decreasing the production costs by aluminium scrap acquisitions, thus increasing the liquid aluminium production from scrap;
- using the electronic procurement system for acquiring raw materials and services;
- providing its transportation vehicles with GPS systems with good results in terms of fuel consumption and in maintenance costs reduction.

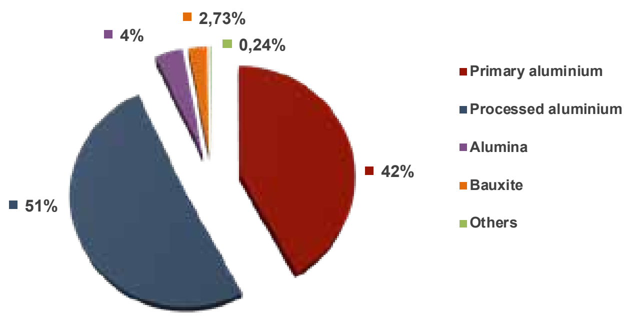
Alro Group - figures

Financial and economic review

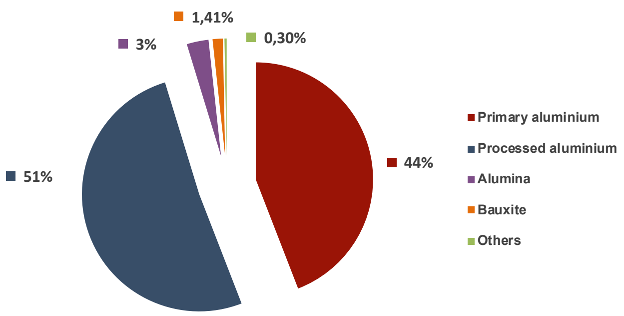
The Group's consolidated sales in 2017 were of RON 2,726,272 thousand, compared to RON 2,302,803 thousand, in 2016.

The contribution of the sales on the Primary Aluminium segment to third parties was RON 1,146,216 thousand and represented 42% of the Group's total revenues (2016: RON 1,016,026 thousand; 44%). Third party sales of Processed Aluminium were of RON 1,390,247 thousand which represented 51% of the Group's total revenues (2016: RON 1,178,094 thousand; 51%).

Alro Group: 2017 sales by segments

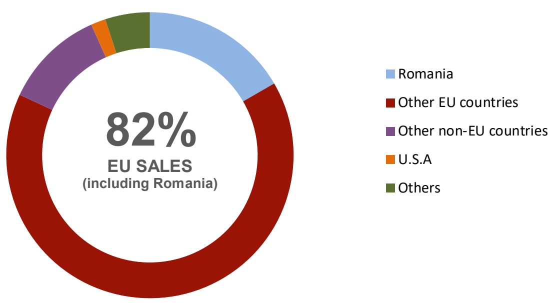


Alro Group: 2016 sales by segments

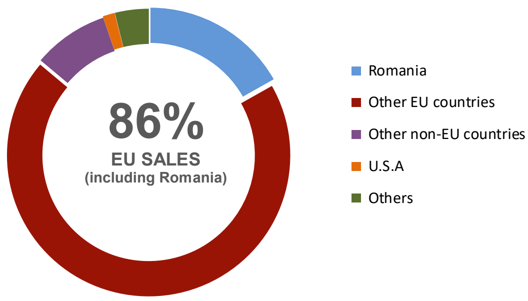


The main market for the products exported by the Group is represented by EU countries, about 65% of Group sales being made on this market; Romania also represents a significant market for Alro's sales, approximately 17% of the Group's total sales performed here.

Alro Group: Sales by region in 2017



Alro Group: Sales by region in 2016

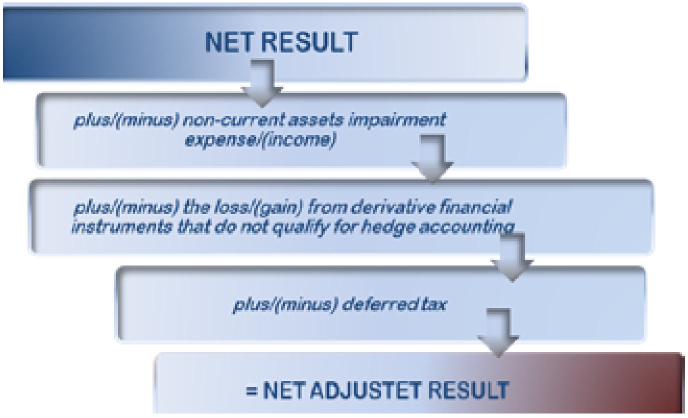


The reduction in the EU sales weight in total sales is due to the measures taken by Alro to increase its presence in the USA and Asia.

The Group net result was of RON 391,106 thousand, compared to a result of RON 71,496 thousand, reported in 2016. In the same period, the Company reported a net profit of RON 317,686 thousand, compared to RON 67,220 thousand, in 2016.

Given the significant volatility of the derivative financial instruments embedded in Alro's energy purchase contract, starting with the first quarter of 2013, Alro's management decided that the Adjusted Net Result represents a more relevant indicator for the Company's and Group's performance. Thus, the Group's adjusted net profit for 2017 was of RON 402,626 thousand, compared to RON 100,325 thousand recorded in 2016. Alro reported for 2017 an adjusted net profit of RON 355,069 thousand, compared to RON 100,820 thousand in 2016. As the energy acquisition contract was reaching its maturity, the impact of the embedded derivative instruments decreased significantly (as it may be seen from the below reconciliation), and, starting with 2017 these embedded derivative instruments do not have an impact anymore.

At 31 December 2017 and 31 December 2016, respectively, both the Group and the Company no longer had embedded derivatives in their balance sheet.



The reconciliations of the Adjusted Net Result at Alro Group level, and for Alro, respectively, for 2017 and 2016 are detailed below:

Alro Group

	2017	2016
NET RESULT	**391,106**	**71,496**
Plus/(minus) non-current assets impairment expense/(income)	184	(733)
Plus/(minus) the loss/(gain) from derivative financial instruments that do not qualify for hedge accounting	1,161	21,377
Plus/(minus) deferred tax expense/(income)	10,175	8,185
ADJUSTED NET RESULT	**402,626**	**100,325**

Alro

	2017	2016
NET RESULT	**317,686**	**67,220**
Plus/(minus) charge/(reversal) of investments impairment expense/(income)	(23,912)	-
Plus/(minus) charge/(reversal) of non-current impairment expense/(income)	-	(844)
Plus/(minus) the loss/(gain) from derivative financial instruments that do not qualify for hedge accounting	1,161	21,377
Plus/(minus) deferred tax expense/(income)	60,134	13,067
ADJUSTED NET RESULT	**355,069**	**100,820**

Alro’s ***cost of goods sold*** was of RON 1,933,679 thousand, a higher level compared to 2016 when it was of RON 1,834,778 thousand; the same increasing trend was noted also at Group level: of RON 2,038,400 thousand in 2017, compared to RON 1,935,103 thousand in 2016. These increases were mainly due to the higher quantity of finished products sold and the increase in purchase prices for some raw materials, in line with the market prices.

The ***gross profit*** also recorded a significant increase, Alro reaching the amount of RON 532,353 thousand in 2017 compared to 2016, when it was of RON 292,286 thousand, the ***gross profit margin*** reaching the level of 22% in 2017 compared to 14% in the similar period of 2016. The same trend was recorded also at the Group level, the ***gross profit*** being almost double in 2017 compared to 2016 and it was of RON 687,872 thousand, while the ***gross profit margin*** reached the level of 25% compared to 16% in 2016.

The Group's ***operating results*** for 2017 also significantly increased, incorporating both the rising quotations of aluminium during the analysed period, as well as the management efforts to optimise its operations, increase the sales of value added products and intensive efforts to enter new markets. Thus, the Group succeeded in obtaining for the financial year 2017 an ***operating result (EBIT)*** almost 3 times higher than in the similar period of 2016. A similar ***operating result*** was also recorded by the Parent-company, which recorded an EBIT of RON 396,799 thousand, compared to an EBIT of RON 169,609 thousand in 2016. The Company continued in 2017 its investment strategy, which has as a main objective its products portfolio diversification and the specific consumption rates reduction. Additionally, Alro managed to expand and consolidate its customer base in key sectors such as automotive and aeronautic industries.

The net interest expenses recorded a slight decrease in 2017 compared to 2016, both for the Group and Parent-company Alro, and represents the transaction costs associated with the borrowings obtained or extended that are recognised during the period as an interest expense using the effective interest method. A significant improvement was recorded in 2017 in terms of ***cash flows generated by operating activities***, with a positive inflow almost 1.5 times higher in 2017, being of RON 424,868 thousand compared to RON 177,397 thousand in 2016. Alro recorded the same favourable trend; the Company reported in 2017 a ***positive cash flow from operating activities*** of RON 314,543 thousand, compared to RON 135,888 thousand reported in 2016. These cash flows primarily reflect the Company's ability to generate significant liquidity from the aluminium production activity and reflect all the Management efforts made over the past few years to optimise as much as possible the operating activity, to keep costs under control and to manage as prudently and efficiently as possible the cash inflows and outflows.

In terms of ***cash flows generated from financing activities,*** these were negative in 2017 primarily due to dividend payments of RON 67,220 thousand related to the 2016 profit, and secondly, due to repayments of loans made during the analysed period by Alro as well as by the Group's subsidiaries. At the same time, during the analysed period, the Group did not record liquidity inflows from loans; during 2017 negotiations have been conducted for the extension of the existing facilities. For more information, see *Note 23 - Loans*.

At 31 December 2017, the Group had ***cash and cash equivalents*** of RON 320,828 thousand (31 December 2016: RON 285,850 thousand) and ***restricted cash*** of RON 67,009 thousand (31 December 2016: RON 45,566 thousand). In respect of Alro, the Company followed the same trend and recorded an increasing level of cash and cash equivalents of RON 309,736 thousand (31 December 2016: RON 282,374 thousand) and restricted cash of RON 60,440 thousand (31 December 2016: RON 45,082 thousand). As at 31 December 2017 the restricted cash in amount of RON 60,440 thousand consisted in cash deposits with banks for letters of credit needed for the acquisition of tangible assets by the Company.

In 2017, Alro's shareholders approved the distribution of the entire net profit reported in 2016 through ***dividends***, namely, RON 0.09417/ share (gross dividend). In 2016, as in the last four years, the Company did not distribute dividends, due to the losses reported during this period. For details on the policy for annual dividend distribution policy or other benefits to shareholders, please see Declaration on compliance with the Code compliance statement, Point D.2.

At the GSM to be held on 27 April 2018, a distribution of a dividend of RON 382 million out of the distributable profit, representing 0,53523 RON/share, will be submitted to the Alro's shareholders for approval.

Group's total assets reported as at 31 December 2017 were in amount of RON 2,541,102 thousand compared to RON 2,301,262 thousand as at 31 December 2016, out of which non-current assets were in amount of RON 1,322,468 thousand (31 December 2016: RON 1,228,280 thousand). Regarding Alro, the Company reported as at 31 December 2017 total assets of RON 2,580,974 thousand, up by 8% compared to 31 December 2016; the same trend was recorded also for non-current assets, which increased by 5% reaching the level of RON 1,325,130 thousand (31 December 2016: RON 1,265,040 thousand).

Group's current assets increased to RON 1,218,634 thousand at 31 December 2017, from RON 1,072,982 thousand at 31 December 2016, mainly due to the increase in inventories, cash and cash equivalents and other current assets. At Alro's level the trend was the same and current assets increased by 11% reaching the level of RON 1,255,844 thousand at 31 December 2017.

Long-term liabilities of the Group significantly increased by more than RON 600,000 thousand at 31 December 2017 (31 December 2016: RON 328,073 thousand), mainly as a result of the extension, in November and December, of the credit facilities expiring in 2017, and which were classified as short-term liabilities as at 31 December 2016. During the financial year 2017 the Parent-company, Alro and its subsidiaries, Alum and SMHL used bank loans to support their investment programme or working capital, while, at the same time, other loans were repaid.

Short-term liabilities of the Group decreased significantly to RON 374,523 thousand at 31 December 2017, compared to RON 1,072,231 thousand at 31 December 2016, mainly due the reasons mentioned above. The same trend was recorded also for Alro, which reported a level of current liabilities amounting to RON 292,867 thousand at 31 December 2017 (31 December 2016: RON 980,660 thousand), mainly due the extension of the revolving financing facilities in the amount of RON 762,636 thousand, which had their maturity in Q4 2017.

During 2017, the Group continued its ***investments*** in energy efficiency, in extending its clients portfolio, but also in ensuring the continuity and safety of its technological processes. These investments are in line with the Group's and Company's investment strategy and were of RON 215,000 thousand, out of which RON 142,000 thousand by the Parent-company Alro alone. Upgrading its operations, whose aim is to increase the unit efficiency and that of the recycling capacity, extending the products portfolio, is necessary for Alro to maintain its competitiveness on international markets, while being fully compliant with the environmental protection regulations, minimising at the same time its environmental footprint.

The ***investments*** made in 2017, aimed at acquiring new equipment and providing the existing ones with the latest technologies in the field, in order to improve and make the operations and technological processes more efficient. At the same time, the acquisition of state-of-the-art technology also aimed at increasing the production of value added products. Another objective of the investments made in 2017 was to ensure the operation under conditions of maximum safety and continuity of the technological processes of the Company.

The management pays a special attention also to the investments which have as a final objective the environmental protection, especially where their activities have a significant environmental footprint (as for example in Sierra Leone).

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Operational analysis

Alro Group recorded, in 2017, a total primary aluminium production of 282,074 tonnes, a slightly higher level than that achieved in the previous year (2016: 272,507 tonnes). The processed aluminium production has the same positive trend, slightly increasing in 2017 to 108,972 tonnes compared to last year (2016: 103,367 tonnes). Alumina production increased in 2017, being of 472,606 tonnes, compared to 467,031 tonnes in 2016. A significant increase was registered for bauxite production that increased by more than 30%, recording in 2017 a record level of 1,787,716 tonnes, compared to 1,368,531 tonnes produced in 2016.

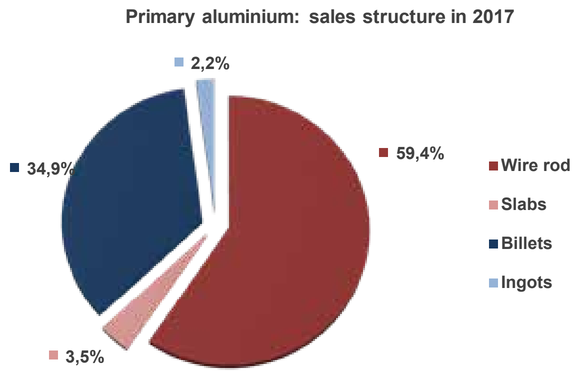
Alro

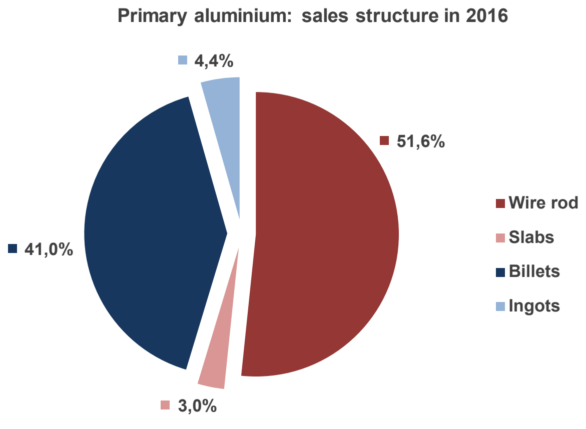
In 2017, the Company reported a slightly increased level of primary aluminium production compared to that reported in 2016, which is higher by 9,600 tonnes compared to the level reported last year (2016: 272,507 tonnes). Processed aluminium production also recorded an increase, being of 83,742 tonnes in 2017, compared to 79,114 tonnes in 2016. Regarding the sales of primary aluminium, in 2017 these decreased slightly and reached the level of 150,988 tonnes, compared to 153,720 tonnes in 2016, and processed aluminium sales increased by 8% in 2017 compared to the similar period last year (2016: 76,552 tonnes), which is in line with the Company's strategy to focus on high value added products.

Primary Aluminium segment

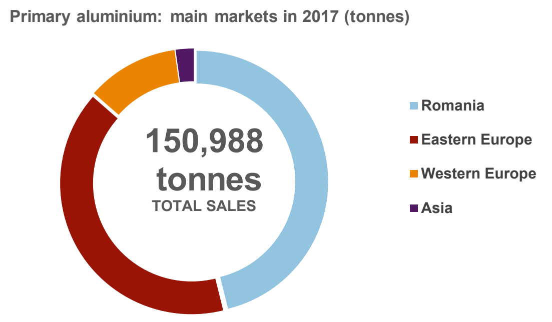
Alro is the only producer of primary aluminium and aluminium alloys in Romania and the largest one in Continental Europe (excluding Russia and Scandinavia).

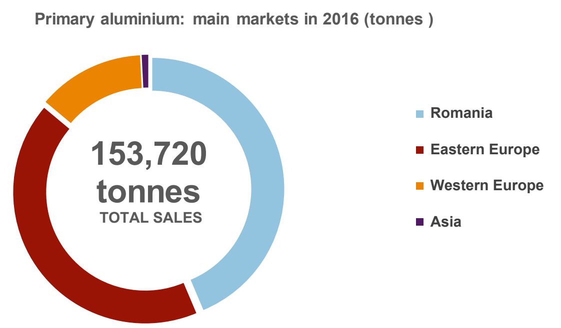
The sales structure for the Primary Aluminium segment by types of products in 2017 compared to 2016 is presented below. The Company has adapted its mix of primary aluminium products in order to meet the market demand which, in 2017 has proved favourable for wire rod's sales.





The main markets for primary aluminium segment for 2017 and 2016 are detailed below:





The main markets for Alro's primary aluminium products continued to be in 2017, besides Romania, the Czech Republic, Italy, Hungary, Bulgaria, Germany, and Greece, Slovenia and Austria.

Competition

The main competitors for Alro on the international aluminium market are: Rio Tinto-Alcan (Canada), Hydro Aluminium (Norway), Alcoa (USA), Dubal (Dubai), Alba (Bahrain), Egyptal (Egypt), Rusal (Russia).

Aluminium market competitiveness is driven by the selling price and the quality of products, and therefore, in order to gain more market share, producers are investing in increasing the operating efficiency and the quality of the aluminium delivered.

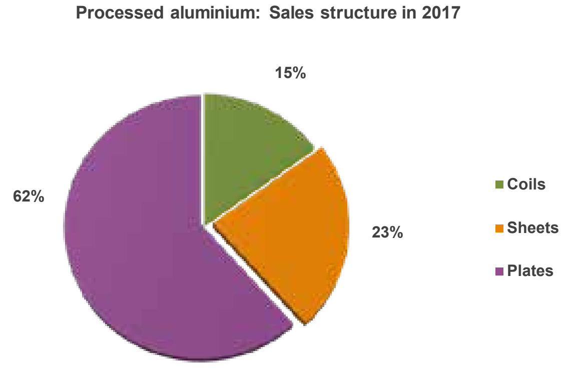
Alro is constantly looking for solutions to reduce costs, improve products quality, products mix, as well as delivery time, in order to be able to maintain its market share, while entering new markets.

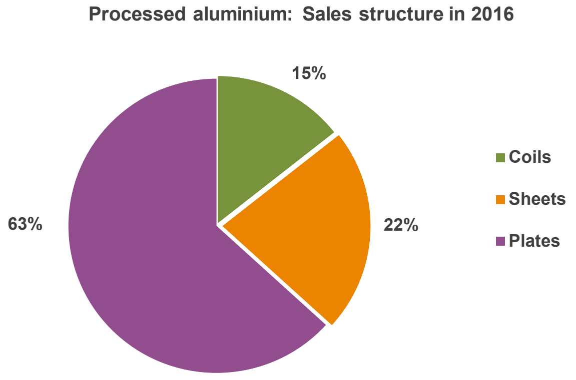
Processed Aluminium segment

Alro processed aluminium products are sold both on the internal and external markets. These products are presented in a diversified range, being high added value products, their sales being made with a superior profit margin compared to the one of the primary aluminium products.

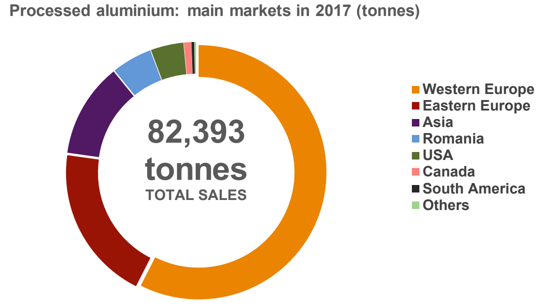
The main markets for Alro's products continued to be in 2017, besides Germany, Poland, Italy, Turkey, Spain, Romania, Czech Republic, and Great Britain, also Singapore or the USA.

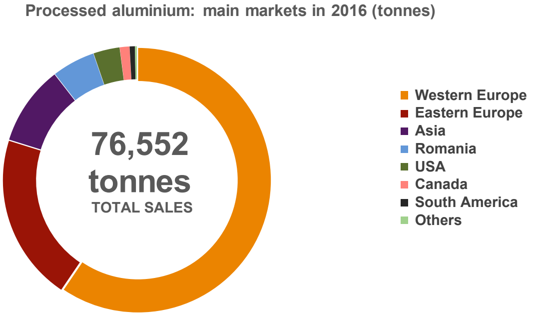
The sales structure of the Processed Aluminium segment by types of products in 2017 compared to 2016 is presented below:





The main markets for processed aluminium segment for 2017 and 2016 are detailed below:





Competition

The market of aluminium rolled products and aluminium alloys has features which completely differentiate it from the primary products market. The elaboration of the products, their quality and their price dictate the hierarchy on this market.

The main competitors for Alro on the international processed aluminium market are, most of them, clients of Alro for many years. These are: Impol, Hulett, Aleris, Amag, Constellium and also the producers from China.

Alro continues to invest in reducing costs and in increasing the level of elaboration of its products, at the same time constantly adjusting its marketing policies and sales to the market conditions.

Other information

Alro

- the Company is not dependent on a particular client or a group of clients due to its diversified portfolio;
- during 2017 Alro did not buy or hold its own shares;
- during the financial year 2017 no mergers or reorganisations occurred;
- there were no increases or decreases in the number of shares held in affiliated entities during 2017;
- the condition of its equipment allows functioning in a safe manner and achieving the targeted objectives; no problems related to the ownership on the Company's tangible assets were identified;
- through the upgrades and provisions made with tools and new production equipment, Alro reached a technical and technological level similar to that of the main aluminium producers on the international market.

Alum

Alum is the sole calcined alumina producer in Romania, having a production capacity of 600,000 tonnes per year. Starting with May 2015, Alum is listed on ATS segment – AeRO category of the Bucharest Stock Exchange (BSE).

Alum is mainly the supplier of raw material for Alro, a part of the integrated production chain, while making sales of alumina and/or hydrate to third parties.

At the date of this report, Alum's executive management is provided by Mr. Gheorghe Dobra - CEO and Mrs. Mihaela Duralia - CFO. Alum's Board of Directors comprises five members, as follows: Gheorghe Dobra (Chairman), Aleksandr Barabanov (Vice-President), Marin Cilianu (Member), Mihaela Duralia (Member) and Ioan Popa (Independent Member).

In 2017, Alum achieved a production of alumina of 472,606 tonnes, a slight increase comparing with the previous year (2016: 467,031 tonnes). Due to a high demand for alumina in the analysed period, the sales of alumina and hydrate to third parties increased to more than 82,000 tonnes, being 49% higher than the estimated quantities budgeted for 2017. Also, in 2017, Alum registered a turnover of RON 635,446 thousand, higher than that reported in the previous year (2016: RON 555,194 thousand), due to an increase in alumina market prices, which were at a high level, especially in the last three months of the year.

At the beginning of 2018, Alum EGSM has approved the contracting of two loan facilities amounting to USD 20 million with Black Sea Trade and Development Bank and USD 5 million with Garanti Bank Romania S.A., respectively. The scope of these loan facilities are mainly investments, and they will be repaid in seven half-yearly instalments after a grace period of two years.

The competition on the alumina market is driven by the selling price and by the quality of the products. Therefore, Alum will continue its cost reduction strategy efforts by making the consumptions effective and developing new environmental technologies, getting favourable prices for raw materials and making investments in technology and human capital.

In the short and medium term, Alum aims at achieving the following goals:

- investments for decreasing production costs and increasing competitiveness, for environmental protection and for strong corporate social responsibility;
- upgrading its equipment to increase economic efficiency;
- providing raw materials and energy resources under the most advantageous economic terms;
- diversifying products ranges and increasing the turnover and production volumes;
- retaining the current external clients and attracting new clients by offering a diversified range of products;
- developing and implementing new research and development projects.

In 2017, Alum continued the implementation of the financing project "Endowment of Alum's Research and Development Department with independent reliable research installations to support the increase in economic competitiveness and business development", co-funded from the European Regional Development Fund through the Competitiveness Operational Programme 2014-2020 – „Investment in Sustainable Development". The purpose of the project is represented by the enhancement of the research, development and innovation capacity, in order to increase the level of innovation and market competitiveness of the company by purchasing and putting into use research and development equipment. The implementation period of this project is of 24 calendar months; the total value of the project is of more than RON 20 million, out of which, more than RON 6 million represents the contribution as non-refundable funds. During 2017, the contracts for all three pieces of equipment included in this project were signed and their commissioning is expected in August 2018. Also, in 2017 Alum received non-refundable funds in amount of RON 1,598 thousand under this project.

Vimetco Extrusion

Vimetco Extrusion, an important supplier of aluminium profiles on the European market, continued in 2017 its strategy to expand its value added products and client portfolio and to extend the existing contracts.

The executive management of Vimetco Extrusion is provided by Mr. Igor Higer – CEO and Stefania Yaksan - CFO. The Board of Directors comprises five members: Igor Higer (Chairman), Aleksandr Barabanov (Vice-President), Arie Shimon Meisel (Member), Per Lyngaa (Member) and Razvan Pop (Member).

In 2017, Vimetco Extrusion reported total sales of 25,078 tonnes, a slight increase compared to last year (2016: 24,038 tonnes) and a turnover of RON 306,921 thousand, up by 17% compared to last year (2016: RON 262,137 thousand), due to an increase in demand and due to the company's efforts to increase both the production volume and exports, and to a continuous diversification of the products range.

Vimetco Extrusion produces a wide range of extruded products that are used in different industries from light constructions to civil and industrial constructions to solar panels and also in the transportation and automotive industries. Currently 95% of Vimetco Extrusion's products are sold outside the country.

The market within which Vimetco Extrusion operates continues to be increasingly demanding; however, the investments made in recent years and the management efforts to increase production and sales will enable the production of a wider range of high quality products at competitive prices, the new technologies used to have as a direct effect the increase in the productivity. Also, the extensive use of technological waste has led to the reduction of raw materials costs.

Vimetco Extrusion main competitors are companies from countries like Bulgaria, Poland, Slovakia, Turkey, Greece, Italy and Spain. Having a client orientated approach, the quality of its products, the high level of services, an excellent communication and partnerships built over the years represent key factors that maintain Vimetco Extrusion as a preferred choice for its customers.

Vimetco Extrusion still relies on achieving the loyalty of its existing customers, while entering new markets and finding new customers, offering quality products with a high level of processing at competitive prices and flexible delivery terms.

Vimetco Extrusion is a company aware of the importance of its products quality, with the ultimate goal of maintaining the satisfaction of its clients at a high level. It is widely recognised that an adequate quality management improves the business, often having a positive effect on investments, market share, sales growth, sales margins, competitive advantage and avoidance of complaints. Since the beginning of its activity, one of Vimetco Extrusion's main objectives was to implement a quality management system, which will lead to a better development of the company, thus providing a clear picture of its evolution. All this was possible by obtaining the quality management system certification according to ISO 9001: 2008. The production development as a consequence of the international trade that characterised Vimetco Extrusion, led to the identification of the need to certify products according to ISO EN 15088 - CE marking. This made possible for Vimetco Extrusion to continue to export its products at international standards.

Vimetco Extrusion Company is also involved in local community life and encourages communication between educational institutions and the private sector, organising every year internships within its production facilities.

Sierra Mineral Holdings I, Ltd. (SMHL)

SMHL represents one component of the Group's technological chain, being at the base of the integrated production system: mining of bauxite. The bauxite obtained by SMHL is sold to Alum to be refined into the production of calcined alumina, to be used for aluminium production within Alro.

The executive management of SMHL consist of Alex Ivanov (CEO) and Abdul Bangura (CFO). The Board of Directors comprises three members, as follows: Pavel Machitski (Member), Steluta Despa (Member) and Roman Bulat (Member).

In 2017, SMHL registered a record production of 1,787,716 tonnes of bauxite compared to 1,368,531 tonnes in 2016. In terms of sales, in 2017, SMHL also achieved significant increase in sales which amounted to 1,687,213 tonnes compared to 1,465,531 tonnes in 2016. Under these circumstances, SMHL managed to take advantage of the market opportunities by selling its bauxite to third parties, the total quantity of sales to third parties being almost four times higher in 2017 compared to the similar period of 2016.

Moreover, the efforts made during the last years through a number of investments made to improve the efficiency of its operations were also reflected in 2017, recording a net profit of over USD 19 million, a level 290% higher than the one reported during the similar period of 2016, while EBITDA increased by 52% compared to 2016, while in 2015 SMHL recorded a negative EBITDA.

Some of the main factors that contributed to the increase in the company's performance in 2017 include:

- a better organisation of the production activity by outsourcing the excavation and transportation activities;
- increasing the operating efficiency through the implementation of a regular programme of repairs and maintenance for the equipment used, which directly resulted in a reduction of production losses;
- making investments for upgrading the equipment used in exploitation, mining and in processing and optimisation operations;
- improving the bauxite quality parameters by performing an optimal blend of mined and processed ores;
- implementing a new reorganisation programme for the company's activities and maintaining the qualified personnel necessary to achieve the quantitative and qualitative production parameters.

The positive results achieved in 2017 followed the same upward line started in 2015 and the management makes efforts to consolidate and maintain them in the coming years, as well. SMHL continues to implement costs reduction measures in all its operating areas – excavation and transportation; optimisation of the number of active mining sites; activity effectiveness through a correct sizing of employees' number and properly training them; making river transportation more effective, such as in terms of the loading rates and of a more effective management of the existing fleet. Moreover, the Group's management is closely monitoring the activity in Sierra Leone also, in order to take necessary measures to improve performance in real time.

Locally, SMHL is an active member within the communities in Sierra Leone, a special attention being paid to the environmental protection, considering the environmental footprint of the mining activity, and to the social projects for local community development.

Conef S.A.

Conef is a joint-stock company established based on GD no. 30/1991. The Company's shares are not traded on a regulated market, Conef being a closed-end company. The share capital is of RON 6,692 thousand, representing 2,676,661 ordinary nominative shares with a nominal value of RON 2.50, fully paid in by the shareholders. The main activity consists in the administration of the shares held in Alro and providing consultancy services for the Group.

The executive management of Conef is provided by Marian Nastase – CEO, Pavel Machitski - Deputy CEO and Constantin Ciobanu – Sole Administrator.

Other information in accordance with the FSA Regulation no. 1/2006 - Financial Instruments and Investments Sector

Analysis of the trends or events that might have an impact over the Company's current activity

Continued in 2017, the Group's vertical integration proved to be once again a successful strategy, in the context of upward trends in raw materials prices (such as alumina). By providing the raw materials needed through the internal supply chain, their costs could be strictly monitored, and with a rising aluminium price in 2017, the Company could benefit from market opportunities and significantly improved operating results. Also, the Eco Recycling Facility is another project that required sustained investments and resources in recent years, but with a significant contribution to the Company's results, which succeeded through this project to further reduce consumptions in 2017. The processing capacity of the Eco Recycling Facility is to be expanded so that to reach a capacity of 90,000 tonnes / year. In 2017, Alro produced 30,700 tonnes of liquid aluminium by recycling waste.

In May 2015, the Company took note of a civil action with the Bucharest Law Court, initiated by Hidroelectrica S.A., concerning material claims of the electricity producer, for alleged unrealised benefits from the bilateral contract with Alro. In December 2015, the court of first instance dismissed a large part of Hidroelectrica's claims as being time-barred, maintaining only claims relating to a short contractual period under two months, which were later dismissed by the court in June 2016. In September 2017, the Bucharest Court of Appeal dismissed as unfounded the appeal made by Hidroelectrica, the latter filling a second appeal. The second appeal is to be judged by the High Court of Cassation and Justice of Romania, updated information about this file being reported by the Company to the investors and the interested public.

At 31 December 2017, the Group and the Company have a number of litigations resulting from the normal conduct of the business. The management believes that these disputes will not have a significant impact on the financial performance and financial position of the Group and / or of the Company.

At the beginning of 2016, Alro took note of the conclusions of the Competition Council's investigation on the contracts concluded with Hidroelectrica and mentioned once again that the Company did not conclude any horizontal or vertical agreement regarding this contract and had a fair trade relationship with Hidroelectrica, in compliance with all the legal provisions of the Romanian energy sector. Alro is a final consumer of electricity, so it has not resold the electricity purchased from Hidroelectrica, but used it exclusively in the aluminium production process within the Group. However, in April 2016, Alro received from the Competition Council a decision sanctioning the Company with over RON 21,000 thousand, representing 1.05% of its 2014 turnover for an alleged violation of the competition law on the market for the production and marketing of electricity. The company continues to maintain its view as it was published in January 2016 and continues to pay high attention to this subject, as both financial and image implications may be significant. The latest trial date of 2017 was on 22 November 2017 when the court adjourned the trial until 7 February 2018, for the parties to take note of the expert report. The next trial date was set for 21 March 2018, when the Court postponed the case for 23 May 2018, to allow the Court expert to respond to the requests to complete the report. The Company committed to informing the public and the investors in due time about the status of this file.

Regarding the LME evolution on international markets, starting with the first half of the year, the aluminium price quotations on the London Metal Exchange continued to raise, with the average of 2017 being 1,969 USD/tonne, compared to the same period of 2016 when it was 1,605 USD/tonne, the maximum value for 2017 being of 2,246 USD/tonne recorded on 28 December 2017. In the first months of 2018, the aluminium quotation was around 2,200 USD/tonne, with the Company taking advantage of this LME level to hedge a significant portion of 2018 sales, so as to reduce the risk of decreasing sales resulting from a decrease in aluminium prices.

At 31 December 2017, the Company complied with all the financial indicators imposed by the agreements signed with the banks. Also, at 31 December 2017, the Company no longer had shares pledged with banks with which it had financing agreements signed (31 December 2016: 10% of Alro's shares owned by the majority shareholder Vimetco N.V. were pledged with banks under the credit contracts).

During 2017, there were no significant changes in the economic environment or in the Company's activity that might affect the fair value of the Company's financial assets and liabilities, except for the normal volatility of the aluminium price on the international markets and of the exchange rates.

Main investments made during the reporting period – strategic projects

In 2017 also, the Group continued its investment programme and allocated a budget of RON 215 million for investments focused on increasing energy and equipment efficiency, for expanding its client portfolio, increasing competitiveness and products quality, as follows:

- investment projects necessary to reduce the energy dependence of the Company by increasing the energy efficiency of the existing processes and optimising the waste recycling technological process in the Eco Recycling Facility. Through this new facility, Alro managed to ensure some of the liquid aluminium from alternative sources, partially replacing the aluminium produced by electrolysis, a process that requires a significant consumption of electricity;

- investment projects needed to expand the client portfolio by increasing the production capacity of the Processed Aluminium segment (for example: to increase the quantity of hot rolled products with high added value: heat treated sheets, cladded products);

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- investment projects needed to increase the quality of Alro products in order to meet the most demanding quality requirements imposed by Alro clients for cast and hot-rolled products;

- investment projects needed to improve the efficiency of the existing equipment, as part of the continuing improvement programmes;

- investment projects needed to increase Alro's competitiveness by improving delivery times for hot-rolled products, with an impact on Alro's customer satisfaction;

- investment projects needed to ensure the safety and continuity of Alro's technological processes in order to achieve the budgeted production.

In 2017, Alro made capital expenditures amounting to RON 142 million in investments for:

- expanding the Company's client portfolio by the acquisition of new equipment needed in the research processes;
- increasing the production capacity of value added products on the Processed Aluminium segment by upgrading the existing equipment and / or acquiring new equipment (such as furnaces and a cooling chamber);
- continuing the projects with impact on the increase of the energy efficiency of the technological processes within the Company;
- the investment projects necessary to improve the quality of products and the efficiency of the existing equipment, in order to increase the Company's competitiveness;
- investment projects needed to ensure the safety and continuity of Alro's technological processes.

A special attention continues to be paid to the impact on environment, considering that the industry in which Alro operates is one with an important environmental footprint, and thus investments were made constantly which led in the past to reduced CO_2 emissions by at least 450,000 tonnes per year and this subject is constantly monitored.

Another important aspect which is closely monitored is represented by the water consumption, and thus, in this area, investments were made to reduce water consumption, by investing in facilities to recirculate water and to upgrade the production equipment. Thus, the wastewater spilled in the sewerage decreased over seven times in the past years.

The other Group companies are also focused on investments and aimed at upgrading the equipment used and to optimise their operations; so annually, each entity in the Group allocates funds for operations efficiency investments and for reducing the impact on the environment and on local communities.

Potential opportunities for the future

Alro will continue to act in the future as well, to improve the performances of the electrolysis sector, as well as to increase the production capacity of the Eco Recycling Facility, for a potential increase of the primary aluminium production, which to support the production increase of the processed aluminium. In 2018, the Company will also focus on developing high and very high value added products.

Also, in the coming years, Alro is committed to continuing its policy of operational reliability, reducing energy consumption and reducing maintenance costs. In this direction, Alro's plans include the implementation of new projects consisting in the replacement of the main units for the hot rolling process and the installation of a profile control system for hot-rolled products, which can also benefit from European funding under the Competitiveness Operational Programme 2014-2020 - "research, technological development and innovation supporting economic competitiveness and the development of business ". The implementation of this investment will bring to the Company many advantages, especially in the Research, Technological Development, Innovation areas, which will be performed after implementation and, subsequently in the following areas, including:

- increasing the operational reliability of the hot rolling mill and eliminating the risk of major malfunctions in the driving system, which may lead to the interruption of the aluminium processing activity for a period of approximately 9 to 12 months;
- increasing speed and rolling forces that will lead to increased plant productivity (for example: reducing rolling / passage time, etc.);
- the ability to run high value added alloys;
- high control of the shape of the product, especially in cross-section, namely the profile of the rolled product, which will have a major impact on the quality of cold rolled products;
- complex control over rolling parameters, including real temperature, reduction per passage and total reduction, so that it active action can be taken for the physical and structural characteristics of the rolled material (recrystallization, controlled hardening, depth of plastic tension, controlled enlargement, etc.);
- large thickness control, with the possibility of halving the dimensional tolerances of standard product specifications.

Future investment projects

The Company will continue its investment for increasing the operating efficiency, upgrading the equipment and diversifying the product range. Additionally, the decrease of specific consumption rates continues to be a priority for Alro.

Research and development – innovations

The research and development activity focuses on reducing consumption rates, increasing the level of the high value added products and improving the products' quality.

The Company will continue to be focused on the following strategic directions:

- reducing the energy and metal consumption;
- improving its technological processes;
- qualification of new products.

In 2016 several projects co-funded by the European Union were started and continued also in 2017, both by Alro and Alum with the main objective of improving the research infrastructure or increasing their levels of innovation and competitiveness on the market by acquiring and commissioning research and development equipment.

Investments for energy efficiency investments projects done by Alro

The main projects carried out in this respect were:

- **Alro Primary Aluminium**
  - upgrading the supply and distribution power stations, and replacing the rectifiers transformer in order to increase the transforming efficiency;
  - replacing the existing air compressors with modern solutions for the production of compressed air;
  - increasing the recirculation rate for industrial water by installing local stations for technological installations industrial water recirculation;
  - optimising the combustion on anodes baking furnaces;
  - improving the energy management system within Alro Primary Aluminium;
  - installing variable-speed drives (VSD) on the motors from the technological process;
  - upgrading the combustion systems for the smelting furnaces;
  - upgrading the burning system for certain furnaces using heat recovery equipment.
- **Alro Processed Aluminium**
  - upgrading the combustion and thermal insulation systems of the furnaces with heat treatment;
  - upgrading the production and distribution systems for compressed air and thermal energy by decentralising production points;
  - improving the energy management system within Alro Processed Segment;
  - installing variable-speed drives (VSD) on the motors from the technological process.
  - installing inverters on the recirculation fan motors in the aging oven.

Changes with impact on share capital an on the Company's management

Changes within the Board of Directors and/or executive management structures

During 2017, no changes took place within the BoD and/or the executive management composition. Mr. Adrian Manaicu's mandate was extended for a period of four years during the OGSM held on 27 June 2017. Mr. Manaicu's mandate is valid for a period of four years, from 29 June 2017 to 29 June 2021, respectively.

On 19 February 2018, the meeting of the Board of Directors was held as a result of Mr. Artem Anikin's resignation starting with 16 February 2018 from the position of Alro's Board of Directors member, due to personal reasons.

Further to this meeting, Mrs. Svetlana Pinzari was appointed as interim member of the Board of Directors, until the Company's General Shareholders' Meeting appoints a new Director and during the GSM held on 23 March 2018, Mrs. Svetlana Pinzari was appointed as a new member of the BoD from 23.03.2018 until 19.12.2018.

Other information regarding Alro in 2017

During 2017, as well as in any other reporting periods, the Company did not face the situation of not being able to meet its financial obligations.

Also, during 2017, there were no amendments in respect of the rights of the owners of Alro shares.

Related parties transactions

The Group enters, under normal terms of business, into certain transactions with its major shareholder, companies under joint control, directors and management.

During 2017, the transactions between the related parties were based on mutual agreements, were not secured and took place under normal terms of business.

Regarding the nature of these transactions, they refer to goods sold and services rendered or acquired by the Group from the affiliated companies, such as: Vimetco N.V., Vimetco Trading, Vimetco Management Romania, Vimetco Power Romania, Conef Gaz, Conef Energy, Centrul Rivergate, Rivergate Rating Group, Rivergate Fire.

For more information, please see ***Note 29 - Related parties transactions*** from the financial statements included in this report.

Other information

Relationship between management and employees and conflicting elements that characterize these relationships

Within the Group, there is a permanent dialogue between trade unions and the management. The key-elements of the framework that shows the relationship between management and employees are the collective labour agreement and available internal regulations. In practice, all the steps or activities started that may have an impact on employees are previously discussed and agreed by both parties.

The average number of employees of the Group in 2017 was 3,932 (2016: 3,852), out of which 2,501 (2016: 2,449) persons are working at Alro, while 98% of them are qualified workers.

The structure of Alro's employees by level of education is detailed in the below table:

Level of education	%
Postgraduate studies	1
Undergraduate studies	17
Post-secondary studies	8
Secondary school	37
Professional schools	26
Gymnasium	11

The level of unionisation of Alro's employees in 2017 was around 94% (2016: 94%). During 2017, the relations between the company's executive management and employees represented by unions were fair, regulated by the Collective Labour Agreement and the current specific legislation. No conflicts were reported that could affect the normal activity or continuity of operations.

Any agreement, understanding or family connection between administrators and others

Alro is administered in a unitary system and the Board members are chosen based on the vote of shareholders under OGSM and by full compliance with the legal requirements in force.
At the date of this report, there were no agreements or understandings that should be declared in this section.

Moreover, there are no agreements between administrators and other persons based on which these persons were elected as administrators.

The participation of board members and executive management to the Company's share capital

At the date of this report, the list of executive management holding shares in the share capital of the Company is as follows:

Name	Title	Number of shares
Gheorghe Dobra	CEO	138 shares
Marin Cilianu	Primary Aluminium Operations Director	1,000 shares
Mircea Popa	Processed Aluminium Operations Director	100 shares
Ioan Sava	Quality, Technical and Investments Director	145 shares

Any agreement, understanding or family connection between Board members and executive management and others, due to which the person was appointed executive management

At the date of this report, Alro has no information indicating the existence of such contracts or agreements.

Any disputes or administrative procedures which involved administrators and executive managers in the past five years

At the date of this report, Alro has no information indicating the existence of disputes or administrative procedures against Board or executive management members, to be directly related to their activities within the Group and/or the Company. Also, there is no information on which to conclude such actives could impact the Company's share price or on their ability to hold the position of a member of the above-mentioned management structures.

Corporate governance statement

Alro is committed to implement and comply with high standards of corporate governance, as the Management believes that a good practice in this regard ensures clarity to relations between shareholders, Board members and Executive Management, and involves a higher level of transparency and thus the communication of Alro's activity to stakeholders is improved. Providing an organised working framework based on firm principles means, on a long term, to maximise the value for both shareholders and the interested public. Therefore, Alro gives a greater importance to permanent improvement of corporate governance rules and uses as a foundation the principles stipulated in the Code of Corporate Governance (the "Code") issued by BSE.

In the context of strategic and specific goals of the Group's activity, the implementation and development of corporate governance principles is a measure to ensure a rigorous framework of functioning.

According to the provisions in article 94 from Title II and in article 4 from Title VI – Book I from BSE Code – market operator, updated edition from August 2016, the Group includes the Statement of Corporate Governance within the Annual Report.

As a support for the Statement of Corporate Governance, the Company is based on the following documents:

- The Company's articles of association, updated in June 2017 approved by the EGSM Resolution no. 577/27.06.2017, published on the website www.alro.ro, in the Investor Relations section, Shareholder Meeting and Corporate Governance sub-sections;
- The Organisation and Operation Rules of the Board approved by SGM Decision no. 535/19.12.2014 containing detailed information about the Board's activity.

Alro has chosen a unitary management system; if a dual system is adopted, the Company will appropriately adapt and apply the provisions of the Code.

Code compliance statement

Status of compliance with the Bucharest Stock Exchange's Corporate Governance Code at 31 December 2017	Compliance	Non-compliance or partial compliance	Reason of non-compliance
Section A - Responsibilities			
A.1. All companies should have internal regulation of the Board which includes terms of reference/responsibilities for Board and key management functions of the company, applying, among others, the General Principles of this Section.	YES		
A.2. Provisions for the management of conflict of interests should be included in Board regulation. In any event, members of the Board should notify the Board of any conflicts of interests which have arisen or may arise, and should refrain from taking part in the discussion (including by not being present where this does not render the meeting non-quorate) and from voting on the adoption of a resolution on the issue which gives rise to such conflict of interests.		PARTIAL	The Company's BoD has approved the procedure for the management of conflict of interests. This procedure is available on the Company's website. As at 31 December 2017, this procedure was not included in the Board of Directors' Regulation; however, the Extraordinary General Shareholders' Meeting held on 23 March 2018 approved by decision no. 588/23.03.2018 the new Regulation of organization and functioning of the BoD, which regulates and stipulates this matter.
A.3. The Board of Directors or the Supervisory Board should have at least five members.	YES		
A.4. The majority of the members of the Board of Directors should be non-executive. Not less than two non-executive members of the Board of Directors should be independent, in the case of Premium Tier Companies. Each independent member of the Board of Directors, should submit a declaration that he/she is independent at the moment of his/her nomination for election or re-election as well as when any change in his/her status arises, by demonstrating the ground on which he/she is considered independent in character and judgement.	YES		
A.5. A Board member's other relatively permanent professional commitments and engagements, including executive and non-executive Board positions in companies and not-for-profit institutions, should be disclosed to shareholders and to potential investors before appointment and during his/her mandate.	YES		
A.6. Any member of the Board should submit to the Board, information on any relationship with a shareholder who holds directly or indirectly, shares representing more than 5% of all voting rights.		NO	As at 31 December 2017, the Company did not comply with this requirement; however, the Extraordinary General Shareholders' Meeting held on 23 March 2018 approved by decision no. 588/23.03.2018 the new Regulation of organization and functioning of the BoD, which regulates and stipulates this matter.
A.7. The company should appoint a Board secretary responsible for supporting the work of the Board.	YES		
A.8. The corporate governance statement should inform on whether an evaluation of the Board has taken place under the leadership of the chairman or the nomination committee and, if it has, summarize key action points and changes resulting from it. The company should have a policy/ guidance regarding the evaluation of the Board containing the purpose, criteria and frequency of the evaluation process.		NO	The Company shall take the adequate measures in order to comply with CGC.
A.9. The corporate governance statement should contain information on the number of meetings of the Board and the committees during the past year, attendance by directors (in person and in absentia) and a report of the Board and committees on their activities.	YES		

Code compliance statement (continued)

Status of compliance with the Bucharest Stock Exchange's Corporate Governance Code at 31 December 2017	Compliance	Non-compliance or partial compliance	Reason of non-compliance
A.10. The corporate governance statement should contain information on the precise number of the independent members of the Board of Directors or of the Supervisory Board.	YES		
A.11. The Board of Premium Tier companies should set up a nomination committee formed of non-executives, which will lead the process for Board appointments and make recommendations to the Board. The majority of the members of the nomination committee should be independent.	The Company is Standard Tier		
Section B - Risk management and internal control system			
B.1. The Board should set up an audit committee, and at least one member should be an independent non-executive. The majority of members, including the chairman, should have proven an adequate qualification relevant to the functions and responsibilities of the committee. At least one member of the audit committee should have proven and adequate auditing or internal control system and the corporate governance practices. In the case of Premium Tier companies, the audit committee should be composed of at least three members and the majority of the audit committee should be independent.		NO	As at 31 December 2017, the Company did not have an Audit Committee; however, it took the measures for being compliant with this requirement, in the sense that the Extraordinary General Shareholders' Meeting held on 23 March 2018 approved by decision no. 584/23.03.2018 the set-up of the Audit Committee and by the decision no. 587/23.03.2018 approved the Regulation of organization and functioning of this Committee.
B.2. The audit committee should be chaired by an independent non-executive member.		NO	As at 31 December 2017, the Company did not have an Audit Committee; however, it took the measures for being compliant with this requirement, in the sense that the Extraordinary General Shareholders' Meeting held on 23 March 2018 approved by decision no. 587/23.03.2018, the Regulation of organization and functioning of the Audit Committee which regulates these matters.
B.3. Among its responsibilities, the audit committee should undertake an annual assessment of the internal control system.		NO	As at 31 December 2017, the Company did not have an Audit Committee; however, it took the measures for being compliant with this requirement, in the sense that the Extraordinary General Shareholders' Meeting held on 23 March 2018 approved by decision no. 587/23.03.2018, the Regulation of organization and functioning of the Audit Committee which regulates these matters.
B.4. The assessment should consider the effectiveness and scope of the internal audit function, the adequacy of risk management and internal control reports to the audit committee of the Board, management's responsiveness and effectiveness in dealing with identified internal control failings or weaknesses and their submission of relevant reports to the Board.		NO	As at 31 December 2017, the Company did not have an Audit Committee; however, it took the measures for being compliant with this requirement, in the sense that the Extraordinary General Shareholders' Meeting held on 23 March 2018 approved by decision no. 587/23.03.2018, the Regulation of organization and functioning of the Audit Committee which regulates these matters.
B.5. The audit committee should review conflicts of interests in transactions of the company and its subsidiaries with related parties.		NO	As at 31 December 2017, the Company did not have an Audit Committee; however, it took the measures for being compliant with this requirement, in the sense that the Extraordinary General Shareholders' Meeting held on 23 March 2018 approved by decision no. 587/23.03.2018, the Regulation of organization and functioning of the Audit Committee which regulates these matters.
B.6. The audit committee should evaluate the efficiency of the internal control system and risk management system.		NO	As at 31 December 2017, the Company did not have an Audit Committee; however, it took the measures for being compliant with this requirement, in the sense that the Extraordinary General Shareholders' Meeting held on 23 March 2018 approved by decision no. 587/23.03.2018, the Regulation of organization and functioning of the Audit Committee which regulates these matters.

Code compliance statement (continued)

Status of compliance with the Bucharest Stock Exchange's Corporate Governance Code at 31 December 2017	Compliance	Non-compliance or partial compliance	Reason of non-compliance
B.7. The audit committee should monitor the application of statutory and generally accepted standards of internal auditing. The audit committee should receive and evaluate the reports of the internal audit team.		NO	As at 31 December 2017, the Company did not have an Audit Committee; however, it took the measures for being compliant with this requirement, in the sense that the Extraordinary General Shareholders' Meeting held on 23 March 2018 approved by decision no. 587/23.03.2018, the Regulation of organization and functioning of the Audit Committee which regulates these matters.
B.8. Whenever the Code mentions reviews or analysis to be exercised by the Audit Committee, these should be followed by cyclical (at least annual), or ad-hoc reports to be submitted to the Board afterwards.		NO	As at 31 December 2017, the Company did not have an Audit Committee; however, it took the measures for being compliant with this requirement, in the sense that the Extraordinary General Shareholders' Meeting held on 23 March 2018 approved by decision no. 587/23.03.2018, the Regulation of organization and functioning of the Audit Committee which regulates these matters.
B.9. No shareholder may be given undue preference over other shareholders with regard to transactions and agreements made by the company with shareholders and their related parties.	YES		
B.10. The Board should adopt a policy ensuring that any transaction of the company with any of the companies with which it has close relations, that is equal to or more than 5% of the net assets of the company (as stated in the latest financial report), should be approved by the Board following an obligatory opinion of the Board's audit committee, and fairly disclosed to the shareholders and potential investors, to the extent that such transactions fall under the category of events subject to disclosure requirements.		PARTIAL	As at 31 December 2017, the Company did not have an Audit Committee; however, it took the measures for being compliant with this requirement, in the sense that the Extraordinary General Shareholders' Meeting held on 23 March 2018 approved by decision no. 587/23.03.2018, the Regulation of organization and functioning of the Audit Committee which regulates these matters.
B.11. The internal audits should be carried out by a separate structural division (internal audit department) within the company or by retaining an independent third-party entity.	YES		
B.12. To ensure the fulfillment of the core functions of the internal audit department, it should report functionally to the Board via the audit committee. For administrative purposes and in the scope related to the obligations of the management to monitor and mitigate risks, it should report directly to the chief executive officer.		PARTIAL	As at 31 December 2017, the Company did not have an Audit Committee; however, it took the measures for being compliant with this requirement, in the sense that the Extraordinary General Shareholders' Meeting held on 23 March 2018 approved by decision no. 587/23.03.2018, the Regulation of organization and functioning of the Audit Committee which regulates these matters.
Section C - Fair rewards and motivation			
C.1. The company should publish a remuneration policy on its website and include in its annual report a remuneration statement on the implementation of this policy during the annual period under review. The remuneration policy should be formulated in such a way that allows stakeholders to understand the principles and rationale behind the remuneration of the members of the Board and the CEO, as well as of the members of the Management Board in two-tier board systems. It should describe the remuneration governance and decision-making process, detail the components of executive remuneration (i.e. salaries, annual bonus, long term stock-linked incentives, benefits in kind, pensions, and others) and describe each component's purpose, principles and assumptions (including the general performance criteria related to any form of variable remuneration). In addition, the remuneration policy should disclose the duration of the executive's contract and their notice period and eventual compensation for revocation without fair cause. The remuneration report should present the implementation of the remuneration policy vis-à-vis the persons identified in the remuneration policy during the annual period under review. Any essential change of the remuneration policy should be published on the corporate website in a timely fashion.		PARTIAL	Currently, the remuneration policy is included in the GC Rules and the Company will take measures to comply with the new CGC regarding the review and completion of the information to be included in the remuneration policy. At the moment, the Company's General Shareholders' Meeting establishes the remuneration due to directors for the current fiscal year and the general limit of the remunerations granted by the Board of Directors to the directors appointed with specific positions and to the managers.

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Code compliance statement (continued)

Status of compliance with the Bucharest Stock Exchange's Corporate Governance Code at 31 December 2017	Compliance	Non-compliance or partial compliance	Reason of non-compliance
Section D - Adding value through investors' relations			
D.1. The company should have an Investor Relations function - indicated, by person (s) responsible or an organizational unit, to the general public. In addition to information required by legal provisions, the company should include on its corporate website a dedicated Investor Relations section, both in Romanian and English, with all relevant information of interest for investors, including: D.1.1. Principal corporate regulations: the articles of association, general shareholders' meeting procedures; D.1.2. Professional CVs of the members of its governing bodies, a Board member's other professional commitments, including executive and non-executive Board positions in companies and not-for-profit institutions; D.1.3. Current reports and periodic reports (quarterly, semi-annual and annual reports); D.1.4. Information related to general meetings of shareholders; D.1.5. Information on corporate events; D.1.6. The name and contact data of a person who should be able to provide knowledgeable information on request; D.1.7. Corporate presentations (e.g. investor presentations, quarterly results presentations, etc.), financial statements (quarterly, semi-annual, annual), auditor reports and annual reports.	YES		
D.2. The company should have an annual cash distribution or dividend policy. The annual cash distribution or dividend policy principles should be published on the corporate website.		NO	The Company has no dividends policy and shall take the adequate measures in order to comply with CGC.
D.3. The company should have adopted a policy with respect to forecasts, whether they are distributed or not. The forecast policy should be published on the corporate website.		NO	The Company has no forecasts policy and shall take the adequate measures in order to comply with CGC.
D.4. The rules of general meetings of shareholders should not restrict the participation of shareholders in general meetings and the exercising of their rights. Amendments of the rules should take effect, at the earliest, as of the next general meeting of shareholders.	YES		
D.5. The external auditors should attend the shareholders' meetings when their reports are presented there.	YES		
D.6. The Board should present to the annual general meeting of shareholders a brief assessment of the internal controls and significant risk management system, as well as opinions on matter subject to general meeting's decision.	YES		
D.7. Any specialist, consultant, expert or financial analyst may participate in the shareholders' meeting upon prior invitation from the Chairman of the Board. Accredited journalists may also participate in the general meeting of shareholders, unless the Chairman of the Board decides otherwise.		NO	Previous CGC did not stipulate this obligation. The Company is working for the amending of the GC Rules in order to comply with the new CGC.
D.8. The quarterly and semi-annual financial reports should include information in both Romanian and English regarding the key drivers influencing the change in sales, operating profit, net profit and other relevant financial indicators, both on quarter-on-quarter and year-on-year terms.	YES		
D.9. A company should organize at least two meetings/ conference calls with analysts and investors each year. The information presented on these occasions should be published in the IR section of the company website at the time of the meetings/conference calls.	YES		
D.10. If a company supports various forms of artistic and cultural expression, sport activities, educational or scientific activities, and considers the resulting impact on the innovativeness and competitiveness of the company part of its business mission and development strategy, it should publish the policy guiding its activity in this area.		NO	The Company shall take the adequate measures in order to comply with CGC.

This is a free translation of the original Romanian binding version

Responsibilities of the Board

General presentation

During the reporting period, the Company had the following corporate governance structures: the Board of Directors and the Executive Management, which keep the public informed about:

- the role and obligations of the Board;
- the Board's structure, mentioning the number of administrators (executive and non-executive, independent members);
- the manner of appointment of the Board members and the procedure of electing them;
- the prerogatives and responsibilities of each corporate governance structure;
- the Board and Executive Management members' remuneration policy.

The structure of the Board ensures that a balance between executive and non-executive members is maintained, the Board of Directors having a number of members that guarantees the efficiency of its ability to oversee, analyse and evaluate the work of directors and the fair treatment of shareholders. Moreover, the Company evaluates the independence of its members, applying the evaluation criteria established by the Corporate Governance Code, and thus, during 2017, Alro's Board had at least one independent member.

However, the decisions-making process remains a collective responsibility of the Board, which will be held responsible for all decisions made while carrying out its competences. The Board is responsible for preparing all the necessary and useful documents to achieve the Company's main scope of business, except the ones required by law and statutory for SGM or for the Company's Directors.

The election of Board members is made through a formal, rigorous and transparent procedure. The Company publishes on its website the CVs of the candidates proposed for being elected as administrators as well as the qualifications they hold. In addition, information on personal and professional qualifications for current members of the Board and Executive Management can be found on the company's website, www.alro.ro.

Every time, when a Board member is nominated, SGM aims to ensure a balanced structure of this management body, in line with the Company's activity. As a principle, the nomination by the Board members takes into consideration the graduation of long-term higher education studies, as well as one or more from the following personal and/ or professional qualifications:

- holding a technical qualification in the field in which the Company activates;
- significant management experience, no matter the field in which it was obtained;
- economic education, specialisation or training classes;
- effective communication skills;
- ability to contribute to the Company's development strategies;
- good moral conduct.

The Board of Directors activates in accordance with the Company's Articles of Association and the Rules of Organisation and Operation of the Board of Directors. The Board meets at least once every three months or whenever the situation requires it, the agenda of these meetings being in compliance with the role and obligations of the Board of Directors, in accordance with the law and the Articles of Association.

The Biography of the Board's members

The Board of Directors represents both the interests of the Company and of its shareholders and is responsible for the overall management of the company.

At 31 December 2017, the Board of Directors of Alro consisted of seven members and its structure is as described below:

Marian Daniel Nastase

Birth year: 1972
Date of first appointment: 11 November 2002
Reappointed: 12 November 2014
Term of office expires at: 12 November 2018
Principal position held within the Company: President of the Board, Non-Executive Member of the Board of Directors

Member in other Committees within the Company

Not applicable (please see Statement of compliance with the BSE Code)

Marian Nastase graduated from the Academy of Economic Studies in Bucharest where he majored in foreign trade. Nastase has extensive experience in financial consulting and auditing. He has worked at Deloitte & Touche in Romania, amongst other accountancy firms. In 2002, he joined Alro as the executive director in charge of all financial affairs of the Company. He was subsequently appointed as Vimetco Country Manager Romania and his current mandate covers all Vimetco Group operations in aluminium, natural gas and electric power in the country.

Marian Nastase is board member within the following companies: Vimetco NV, Vimetco Management Romania SRL, Vimetco Trading SRL, Everwide Industrial Ltd and he is the chairman of Large Industrial Consumers Association.

Also in the last five years, Marian Nastase was board member within TM Power.

Serghei Gheorghe

Birth year: 1960
Date of first appointment: 29 April 2014
Reappointed: 20 November 2016
Term of office expires at: 20 November 2020
Principal position held within the Company: Vice President of the Board, Executive Member of the Board of Directors*

Member in other Committees within the Company

Not applicable (please see Statement of compliance with the BSE Code)

Serghei Gheorghe graduated the Bucharest Polytechnic Institute in 1985 and holds a PhD Eng degree since 1992. During 1987 – 1996, he worked in research and as an assistant (part time – associated professor) at the Bucharest Polytechnic Institute, Auto-vehicles and Materials Resistance Departments. During 1996 – 2000, he worked abroad, in the construction field, and during 2000 - 2004 he worked at Rompetrol Well Services. Serghei Gheorghe has been working for Alro since the end of 2004, where he held positions such as Deputy Commercial Manager, Acquisitions and Logistics Manager and Chief Procurement Officer.

Serghei Gheorghe is also the Acquisitions and Logistics Manager within Alum SA.

Gheorghe Dobra

Birth year: 1959
Date of first appointment: 6 November 2003
Reappointed: 3 November 2015
Term of office expires at: 3 November 2019
Principal position held within the Company: Executive Member of the Board of Directors

Member in other Committees within the Company

Not applicable (please see Statement of compliance with the BSE Code)

Gheorghe Dobra, PhD, Executive MBA graduated from the Bucharest Polytechnic Institute, Romania in 1984 and joined Alro where he passed through all stages of a successful professional career.

Since 1993, he is the CEO of the Company.
His main achievements in the Company are:
• successful privatization of the Company between 2000 - 2002;
• increased the Company's economic and financial performance;
• technical and technological upgrade to the highest international standards;
• increased high and very high added value production;
• substantial investments in the environment, which led to improved working conditions and greening the whole company;
• reduced costs, focusing on increasing energy efficiency;
• re-engineering the organization with positive effects on business optimization ;
• Alro accreditation as a supplier for the demanding market of aerospace and automotive industries;
• increased the number of social programs for employees and the local community;
• increased the Company's creditworthiness on aluminium international market;
• vertical integration of production cycles within the Group.

Gheorghe Dobra is board member within the following companies: Vimetco NV and Vimetco Power Romania and he is the chairman of Alum SA.

In the last five years, Gheorghe Dobra was board member within Sierra Mineral Holdings 1 Limited.

** According to BSE' Corporate Governance Code*

At 31 December 2017, the Board of Directors of Alro consisted of seven members as described below (cont.):

Adrian Manaicu Birth year: 1964 Date of first appointment: 15 March 2007 Reappointed: 29 June 2017 Term of office expires at: 29 June 2021 ***Principal position held within the Company:*** Independent Non-Executive Member of the Board of Directors ***Member in other Committees within the Company*** *Not applicable (please see Statement of compliance with the BSE Code)*	Adrian Manaicu, PhD, graduated from the Academy of Economic Studies in Bucharest, Romania. He holds various positions as consultant and auditor and Manaicu is a member of the Chambers of Auditors within the Ministry of Finance. Moreover, Manaicu is a lecturer in accounting at the Academy of Economic Studies in Bucharest and at ASEBUSS (Romanian-American School of Business in Bucharest).	Adrian Manaicu is finance director of Institut for Business Administration IAAB and finance director and founding member of ASEBUSS Foundation. He holds the position of non executive member of the board within Porsche Bank Romania and RBS Bank Romania. Also, Adrian Manaicu is independent member of Internal Audit Comittee within Policolor SA and Sarantis Romania and senior consultant within PricewaterhouseCoopers Romania.
Pavel Machitski Birth year: 1983 Date of first appointment: 20 March 2013 Reappointed: 12 November 2014 Term of office expires at: 12 November 2018 ***Principal position held within the Company:*** Non-Executive Member of the Board of Directors ***Member in other Committees within the Company*** *Not applicable (please see Statement of compliance with the BSE Code)*	Pavel Machitski holds a diploma in Finance and International Business from New York University, Stern School of Business. Pavel Machitski has joined Vimetco N.V. as Deputy CFO in 2009. In 2011 he was appointed as Vice President of the Board of Directors for Alum and board member with conjunct power within Vimetco Management Romania, Vimetco Trading, Vimetco Power Romania and Conef. Pavel Machitski's role includes, among other responsibilities, business development, strategy, financial planning, mergers & acquisitions, financing, budgeting, controlling and reporting, investor relations and risk management. In 2013, he was appointed as member of Alro's Board of Directors. Before joining Vimetco Group, Machitski worked at Morgan Stanley where he acted as an advisor in numerous transactions in EMEA region (Europe, Middle East and Africa) focusing on capital markets and mergers & acquisitions advisory.	Pavel Machitski is board member within the following companies: Vimetco NV, Vimetco Management Romania SRL, Vimetco Trading SRL, Vimetco Power Romania SRL, Global Aluminium Ltd., Bauxite Marketing Ltd. and Vi Holding LLC.
Artem Anikin Birth year: 1983 Date of first appointment: 19 December 2014 Reappointed: N/A Term of office expires at: 19 December 2018 ***Principal position held within the Company:*** Non-Executive Member of the Board of Directors ***Member in other Committees within the Company*** *Not applicable(please see Statement of compliance with the BSE Code)*	Artem Anikin graduated cum laude from the Financial University under the Government of the Russian Federation, Faculty of International Relations and holds a PhD degree in mining at the Moscow State Mining University. For more than 10 years, Anikin has been actively involved in managing investment projects in the mining and metals industry. He joined Vi Holding LLC in 2013 as the Head of Investments and Business Development Department. Between 2008 and 2013, he worked as Deputy Director within the Natural Resources Projects Department in Gazprombank and prior to this he served as Project Manager within valuation department of Polyus Gold, the largest gold producer in Russia. Prior to its employment at Polyus Gold, Anikin worked at Rosbank as consultant for significant mergers & acquisitions transactions. Moreover, Anikin is a lecturer within an International Project Management at the Financial University in Russia.	During 2017, Mr. Artem Anikin was Head of Department of business development and investment projects for Vi Holding Group of companies, general director within LLC Vi Mining and board member within LLC BNP (pilot project).

At 31 December 2017, the Board of Directors of Alro consisted of seven members as described below (cont.):

Aleksandr Barabanov Birth year: 1979 Date of first appointment: 19 December 2014 Reappointed: N/A Term of office expires at: 19 December 2018 ***Principal position held within the Company:*** Non-Executive Member of the Board of Directors ***Member in other Committees within the Company*** *Not applicable (please see Statement of compliance with the BSE Code)*	Aleksandr Barabanov graduated cum laude from the Moscow State Institute of International Relations and is a Certified Internal Auditor, CFA Charterholder, a member of the Chartered Alternative Investment Analyst Association (CAIA) and an ACCA (Association of Chartered Certified Accountants) fellow member. Barabanov has an extensive experience of more than 17 years in accounting, reporting and auditing of large industrial companies, mainly in the energy, mining and metals industries. He joined Rinco Group/ Vi Holding in 2006 and is currently Head of Accounting and Corporate Reporting Department and prior to its employment at Rinco Group/Vi Holding, Barabanov was the Senior Manager of the Financial Analysis Department at JSC Tatnelf. He also worked as an audit consultant at CJSC PricewaterhouseCoopers Audit (Energy and Mining Department).	Aleksandr Barabanov is board member within the following companies: Alum SA, Vimetco Extrusion Srl, Henan Yulian Energy Group Co. Ltd., Everwide Industrial Limited, Oceanic Investment Limited and Power Shine International Limited.

Alro's executive management - structure

The executive management of Alro has delegated powers from Board of Directors and is legally representing the Company, being responsible for managing the daily operations. The Executive Management is appointed for a period of four years.

Gheorghe Dobra (1959) - General Director

Gheorghe Dobra, PhD, Executive MBA joined Alro in 1984, occupying several positions, from specialist engineer, to executive manager. Gheorghe Dobra is currently the CEO of the Company, his current mandate being extended, in August 2015 by the Company's Board of Directors.

Genoveva Nastase (1975) - Chief Financial Officer

Genoveva Nastase graduated from the Academy of Economic Studies in Bucharest, Romania and previously she was the CFO of Vimetco Management Romania and worked as Deputy Finance Director for Alro for over seven years, from 2002 until 2009. She has an extensive experience in corporate finance, in modelling, financial analysis and reporting. Genoveva Nastase's mandate as Chief Financial Officer was extended in February 2017.

Other information required by the Code

- At 31 December 2017, Alro has appointed a secretary to the Board which is responsible for supporting the Board's activity (see the *Statement regarding the conformity with the Code, section A.7.*);
- Within the Statement regarding the conformity with the Code, the management of the Company states that, during 2017, no assessment of the Board conducted by the President or the nomination Committee took place (see *the Statement regarding the conformity with the Code, section A.8.*);
- The Company needs a policy/ guide on the Committee assessment, including the purpose, criteria and frequency of the evaluation process (please see the *Statement regarding the conformity with the Code, section A.8.*);
- In 2017, the Board of Directors met in 32 meetings, during which decisions were adopted concerning mainly the following:
    - approval of contracts that must be approved by the BoD;
    - adopting the executive management reports;
    - acknowledgment of the main economic and financial indicators of the Company;
    - adoptions of the company's organisational structure changes;
    - SGM convocation in accordance with the terms of the Articles of Association;
    - approval of the Annual Report for 2016, including the financial statements for 2016.

For these 32 BoD meetings, the quorum required by law as stipulated in the Company's Articles of Association was met and the average participation rate was of 79% (2016: 78%).

Risk management and internal control system

The management of the risk to which the Group is exposed

According to the new BSE's Code of Corporate Governance adopted by the Group in order to meet requirements of transparency, financial reporting, risk management and internal audit, the Board members have the necessary professional training or a significant and relevant managerial experience, allowing them to analyse the overall financial position of the Group, the risk management processes and its governance, ensuring that these mechanisms are functional and effective.

The Board members support, coordinate and actively get involved to improve the risk management system through continuous and direct monitoring. The risk management is conducted under policies approved by the BoD. The treasury department identifies, evaluates and hedges financial risks in close collaboration with the operational units of the Group. The Board provides written principles for overall risk management, as well as written policies covering specific areas such as currency risk, interest rate risk, credit risk, price risk.

At the same time, risk management is an integral part of the decision making process within the Parent Company, Alro, because each major project or the implementation of a new strategy or direction (respectively regarding the investments area or, for example changing the production mix) involves organising meetings with the top management of the Company and of the Group, involved in the respective project.

These meetings aim to examine these decisions from all points of view and, implicitly, to assess the risks associated with them, as well as to determine whether the expected results to be obtained after the implementation of a new project will be beneficial for the Group's business model. Also, in these meetings, relevant opinions of third party specialists with the necessary expertise are considered (e.g. internal audit and/or external consultants, depending on the situation) and are subsequently used for making the final decisions so that the final verdict is based on a comprehensive and objective analysis.

As far as the goals of the Group's risk management system are concerned, these are aimed at securing the Group's and Company's operations and their ability to provide positive economic added value on the medium and long term, through an effective management of the risks h they are exposed to and through estimating their potential impact on cash flows by meeting the limits set by management regarding the risk appetite.

The Group's and/ or Company's activities expose them to a variety of risks, both financial and non-financial, such as: market risk for traded products (including currency risk, interest rate risk, cash flow risk and price risk), credit risk, liquidity risk and operational event-type risk.

Overall Group's risk management programmes focus on the unpredictability of financial markets and seek to minimise the possible adverse effects on the Group's financial performance. The Group uses derivative financial instruments, only when it is feasible, for risk hedging.

Capital risk management

The Group's capital management goals refer to safeguarding the Group's ability to continue as a going concern, in order to create value for shareholders and benefits for third parties, while maintaining an optimal capital structure to reduce its cost.

The Group's capital structure consists of liabilities, which include borrowings net of cash and cash equivalents and equity, including share capital, share premiums, reserves and retained earnings.

The Group's management reviews the capital structure periodically. As part of this review, the management analyses the cost of capital and the risks associated with each class of capital. In order to maintain or adjust the capital structure, the Group and the Company may adjust the amount of dividends paid to shareholders (if the case), return capital to shareholders, issue new shares or sell assets using receipts to reduce debt.

Market risk

The Group's activities expose it primarily to the market price risk, foreign currency exchange differences and interest rate risks. The Group uses a variety of derivative financial instruments to manage its exposure to foreign exchange risk and to the market price of aluminium, including:

- swaps to manage the commodity prices risks associated with sales of aluminium based on the London Metal Exchange (LME) quotations;
- forward exchange contracts to manage the foreign exchange risk arising on the USD denominated sales;
- commodity options to protect Group cash flows from the adverse impact of falling aluminium prices.

The Group is exposed to market risk through the prices of traded products and the variations in cash flows generated by its activities: bauxite mining, refining alumina, obtaining primary and processed aluminium and extruded products. Therefore, this is a significant risk for the Group and Company and should be considered a strategic component in determining the Group's and Company's risk profile, due to its effects that might be directly visible in the Group's cash flows, respectively of the Parent-company. Consequently, this risk is closely monitored and analysed and reports that supervise the cash flows are prepared regularly, so that sufficient liquidities are permanently provided for the normal running of daily operations.

Throughout the financial year 2017, Alro used hedging only to reduce the level of exposure against market risk; it did not contract or trade derivative financial instruments for speculative purposes. Derivative financial instruments are monitored and measured monthly at fair value. For further details, please see ***Note 30 – Risk management*** from the financial statements included in this report.

Foreign currency risk

By the nature of the activities carried out, the Group and the Parent Company are subject to foreign currency risk, being exposed to the volatility of the functional currency against other currencies such as USD and EUR (an important share of the aluminium sales are denominated in USD or EUR, while a large part of the operating costs depends on the functional currency, RON). Foreign currency risk is a result of future commercial transactions, of receivables and liabilities. Therefore, the effect of foreign currency risk on cash flows and the correlation with the aluminium price on the international markets are issues that are constantly monitored, with the aim to hedge the anticipated cash-flows in foreign currencies to the extent that the market allows doing this with reasonable costs within the limits of the available trading lines.

The Group's exposure to currency risk results from:

- highly probable future transactions (sales/ acquisitions) denominated in foreign currency;
- firm agreements denominated in foreign currency, and
- monetary items (mainly trade receivables, trade payables and borrowings) denominated in foreign currency.

During 2017, Alro did not enter into transactions with derivative financial instruments to mitigate the foreign currency risk.

The interest rate risk

The Group and Company are also being exposed to interest rate risk through its operations and financing agreements. Therefore, the volatility of interest rates such as LIBOR, EURIBOR or ROBOR can generate variations of cash flow resources needed to grant interest payments related to liabilities contracted by the Group. These interest rate risks are constantly monitored and quantified.

The Group has no significant interest-bearing assets, revenues and cash flows that are substantially independent of changes in market interest rates.

Price risk

Regarding the price risk, the Group and Company are currently exposed to this type of risk through its activities, which may be affected by price volatility and this is reflected subsequently in the cash flows generated from production activities. Price risk receives a special attention, having a strategic importance in the Group's risk profile because it has a direct impact in the short and medium term liquidity of the Group and/or the Company.

Price risk is analysed in detail; its effects are constantly monitored and quantified, thus the potential adverse impact could be decreased for achieving the Group's medium and long-term goals.

Moreover, the Group's internal policy is to manage the identified risk related to the price of goods through natural hedging, when possible, and for part of the remaining quantity exposed to risks, by committing to options aluminium contracts and swap contracts.

Options on aluminium

In December 2017, the Group and the Company entered into several transactions with financial institutions consisting of Asian 100% collar options by taking long positions on put options and short positions on call options for a quantity of approximately 61.300 tonnes aluminium, for prices between 2,200 USD/tonne and 2,425 USD/tonne was secured, with exercising dates during January-December 2018. As at 31 December 2017, the fair value of the options amounted to RON 3,298 thousand.

Also, in August 2017, the Group and the Company entered into several transactions with financial institutions consisting of Asian 100% collar options by taking long positions on put options and short positions on call options for a quantity of 53,000 tonnes of aluminium and by securing for the respective quantity prices between USD 1,920 / tonne and USD 2,202 / tonne with exercising dates during September-December 2017.

Aluminium swap contracts

At 31 December 2017, the Group and the Company no longer had aluminium swap contracts, all the concluded contracts having been settled in January-February 2017.

Embedded derivatives

Since a significant proportion of the Group's sales are linked aluminium price on LME, the Group's management tries, when possible, to acquire its raw materials at a price that varies in line with the aluminium price. In this regard, in 2010, the Group and the Company signed a long-term electricity acquisition contract, valid until January 2018, whose price varies according to the aluminium price (LME) and to the USD/ RON exchange rate. Subsequently, due to the economic environment, the Group renegotiated the contract in 2012 and in 2014. In June 2016, the Group and the Company have exercised their option not to buy electricity on the basis of this contract in 2017 and, at 31 December 2016 and 31 December 2017, the Group and the Company no longer have embedded derivatives on their balance.

Credit risk

The credit risk refers to the risk that the counterparty might default on its contractual obligations, resulting in financial losses for the Company. To minimise this risk, the Company is selling most of its account receivables to financial institutions through non-recourse factoring.

Alro has adopted a policy by which it trades only with reliable counterparties and requests guarantees, when necessary, in order to mitigate the risk of financial losses resulting from non-fulfilment of the contractual obligations. The financial quality of the borrowers is permanently monitored and the Company's exposure to credit risk is distributed between agreed counterparties. The credit risk exposure is controlled through limits imposed on each borrower, which are analysed and approved by Company's management.

The accounts receivable consist of a large number of clients, from different industries and geographic areas. The Company permanently assesses their credit risk based on the financial performance, the payment history and, when applicable, requests insurance policies for the risk of default. Most of the Company's account receivables are sold to financial institutions through non-recourse factoring. Regarding the Company's concentration risk, please see ***Note 18 - Net trade receivables*** from the financial statements included in this report.

Concerning the assets from derivative instruments, the maximum exposure to the credit risk is represented by the fair value at the reporting date.

The credit risk resulted from the transactions with banks and financial institutions are managed by the Treasury Department. Excess liquidity is invested only with approved banks and for credit lines and limits assigned to each counterparty. The counterparty credit limits are annually reviewed by management and may be updated during the year. The limits are set so as to minimise the concentration risk and thus to decrease the possible financial losses from default by the counterparty. It is estimated that there is no significant exposure from failing to honour the contractual obligations by counterparties regarding financial instruments.

Liquidity risk

Considering the current business environment, the Group and the Company focus on monitoring the liquidity risk, the operational and financial cash inflows and outflows being monitored and analysed monthly and, in some cases, on a daily basis even, so that any unexpected change in the Group liquidity could be noticed immediately. Based on this analysis, the management can take the best decisions on the financing needs, for the Group and Company to have the necessary capital to be able to meet all current and future financial obligations and to ensure their solvability.

Cautious liquidity risk management implies maintaining sufficient cash and tradable values, financing availability with an adequate amount from committed credit facilities. The management regularly monitors rolling forecasts of liquidity reserves of the Company.

Operational risk

Regarding the operational risk, the Group is vertically integrated and has a diverse and complex portfolio of assets, production capacities, inventories. The Parent-company, Alro, and also Alum or SMHL, are particularly exposed to risks related to the safety of production processes and to event risks like explosions, strategic equipment failure etc. For these types of risks, analyses are performed and incidence scenarios are developed and, afterwards, safety plans are set in case of occurrence. For the strategic equipment spare parts inventories were made, so that, in case of an unforeseen events, operations can be resumed as quickly as possible and the inherent losses in such situations are thus minimised.

In addition to these safety measures and plans, the Group has an active insurance policy that covers both the material damage for equipment and inventories, as well as any possible losses resulting from equipment failures, which could lead to the interruption of the operations for a certain period of time.

Taxation

Current income tax

The current tax payable is based on the taxable profit realised during the year. The taxable profit differs from the retained profit within the consolidated statement of profit or loss because of the revenues or expenses items that are taxable or deductible in some years and because of items that are never taxable or deductible.

The Group's and the Company's current income tax liability is determined using tax rates that are applicable according to the legislation in force during the reporting period.

Deferred tax

Deferred tax is recognised based on temporary differences between the book value of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the calculation of taxable profit. Liabilities regarding deferred tax are generally recognised for all temporary taxable differences.

Deferred tax assets are generally recognised for all deductible temporary differences as far as it is probable that taxable profits will be available, against which the deferred tax receivables can be used. Deferred income tax assets or liabilities are not recognised if the temporary difference is generated by the initial recognition of goodwill or from the initial recognition of an asset or a liability in a transaction that is not a business combination and, at the time of the transaction, does not affect the accounting profit, nor the taxable profit (tax loss).

Concerning investments in subsidiaries and associates, and interests in joint participations, deferred income tax liabilities are recognised as taxable temporary differences, except where the Group or Company are able to control the restatement of the temporary difference and it is probable that the temporary difference will not be restated in the predictable future. Deferred tax assets resulting from temporarily deductible differences associated with such investments and interests are recognised only if it is probable that there will be sufficient taxable profits for which to use the benefits of the temporary differences and they are expected to be restated in the predictable future.

The carrying value of the assets to which the deferred tax is applied is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to fully or partly recover the assets.

Deferred tax assets and liabilities are measured at the tax rate presumed to be applicable in the period when the recovery of the liability or the realisation of the asset is estimated, based on the tax rates (and on the tax laws) that are effective or will be effective until the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences in terms of what tax is expected to arise from the way in which the Group foresees to recover or deduct the accounting value of assets and liabilities at the end of the reporting period.

Annual current and deferred tax

Annual current and deferred tax are recognised in the consolidated statement of profit or loss unless they relate to items that are recognised in other comprehensive income or directly in equity, in which case the annual current and deferred tax are also recognised in other comprehensive income, respectively in equity.

Internal control system

The Group's and the Company's internal control system aims to ensure the compliance with the regulations in force, the good operation of the internal activity, in accordance with the decisions made by the management, and it also contributes to the operations effectiveness, to the efficient use of resources, the prevention and control of the risk of failing to achieve its set goals.
Internal control is applicable through operations performed by the Group and/or Company before, during and after the operations are performed. Internal audit aims to achieve at least the following goals:

- compliance with the regulations in force;
- implementation of the decisions taken by the management;
- the proper operation of the internal activity;
- the reliability of the financial information;
- the effectiveness of operations;
- the efficient use of resources;
- the prevention and control of risks to achieve the goals set.

The Group and the Company made efforts via the management structure and organisational culture to implement an internal control system that includes various activities for the prevention and detection of unexpected events and risks and potential fraud attempts, of errors or omissions, damage, non-compliance, unauthorised transactions, incorrect or misleading financial reporting, activities that may negatively affect the Group's and/ or the Company's image etc.

Through its internal procedures and regulations which represent the basis for an integrated internal control system, the Group and the Company have sought to include all relevant operations and activities that take place, to ensure that:

- all its operations are conducted in accordance with the law in force for each area in which it operates (for example: to meet local reporting and legal requirements in Sierra Leone, Romania), and in accordance with the internal organisation and operation rules;
- controls are implemented to prevent, identify and solve in a more efficient way frauds, errors or omissions that may have significant consequences over the Group's and/or Company's activity;
- an organisational culture exists and is maintained, concerning the risk of fraud or error and the employees are aware that providing misleading or wrong information can have serious consequences in the effective administration of daily operations.

Therefore, internal control procedures are designed:

- on the one hand, to ensure the compliance of the company's activity and of the staff conduct with the framework of applicable laws, values, norms and internal regulations of the Company and of the Group's, respectively, and
- on the other side, to verify the accuracy of reported financial, accounting and management information so that it can correctly reflect the Group's and Company's activity and position.

Internal control is also performed by the finance and internal financial control department, in accordance with the accounting policy manual, by monitoring, through a periodical programme of reviews, the compliance with these accounting procedures and policies, with the applicable financial reporting standards, the awareness of and compliance with the financial accounting regulations, thus ensuring the accuracy and completeness of the accounting records through monitoring the presentation in the annual financial statements of quality information to answer to the needs of their users. An important role is also assigned to the internal audit, which, by its operating methodologies, ensures that the internal regulations regarding the risks associated with the different structures within the Group and the Company are complied with and are working.

Therefore, the existence of an internal control environment is the basis of an effective control system and it must be based on clear methodologies, values, ethical principles and measures for the responsibility, authority, skills level, duties assigned to each employee.

The entire internal control system has the final goal of identifying and assessing process and compliance risks so that they can be prevented, mitigated or considered acceptable, depending on the current risk policy. All these procedures and activities that are the basis of an internal control system are constantly reviewed and improved in order to meet the business needs and to not become obsolete. All these internal control processes and verifications are supported by appropriate documentation and contain a clear description of all key control activities that have been implemented and performed.

Both the Company's management and the internal audit department are structures within the Group that are responsible for the efficient evaluation and implementation of the internal control system.

Within the Group, both in the Parent-company, Alro, and at the level of each subsidiary separately, the same accounting and reporting rules are applied to ensure the same treatment for the same types of transactions/ business related activities. Depending on the evolution of the business and the current law, these rules/ accounting treatments are updated to ensure both compliance with legal requirements and their relevance for the conducted operations. Moreover, the Group and the Company have separate departments for accounting, reporting/ financial control so there is a clear separation of roles and responsibilities, to have in place the 'four eyes' principle and a separate input for operations and authorisation of transactions.

Moreover, the management has constantly tried to use integrated reporting software and to have automated processes as much as possible, in order to reduce the risk of manual record-keeping, where the risk of error is higher. Setting standards at Group's level for preparing the annual, half-year and quarterly financial statements also represent a crucial component of the internal audit system.

Management fair reward and motivation

Remuneration policy

In 2017, the remuneration of the Board members and/ or Executive Management has complied with an adequate remuneration policy, in line with the strategy and with the long-term interests of the Group and of the Company, and it was directly linked to the members' responsibilities and with the time spent performing their functions.

Alro's Board members earn a fixed remuneration for their mandate and the Executives receive a variable compensation, according to their performance during their mandate contract.

Remuneration report

Alro Group aims to gradually align to the corporate governance best practices in respect of Board of Directors' individual remuneration making in this way a step forward to its investors' expectations.

The aggregate amount of the remuneration paid by Alro Group to Board of Directors members for all their roles held within the Group was RON 5,843 thousand (2016: RON 6,017 thousand) representing gross salary, bonus and pension contributions, as detailed below:

RON '000

Directors	Gross Salary	Bonus	Pension contribution	Total
Marian Nastase	895	-	131	1,026
Serghei Gheorghe	1,016	-	161	1,177
Gheorghe Dobra	1,241	1,322	405	2,968
Adrian Manaicu	121	-	19	140
Pavel Machitski	155	-	19	174
Artem Anikin	121	-	19	140
Aleksandr Barabanov	268	-	40	308
Total	**3,817**	**1,322**	**794**	**5,933**

All the remuneration proposals for the Board members and Executives are being made by the Board of Directors and subsequently submitted for GSM approval. For further details, please also see *Statement regarding the compliance with the Code, section C.1.*

Shareholders

Alro is constantly developing and trying to adapt its corporate governance practices to ensure it complies with all current regulations and it also meets all necessary prerequisites in case new opportunities occur, opportunities that could generate benefits for the Group and for the Company. Therefore, the management considers that a transparent decision making process that is based on clear rules not only ensure efficient administration of operations, but also enhances the confidence of shareholders and third parties interested in the Group's activity. Moreover, this type of organisation contributes to the protection of the shareholders' rights and provides an improvement of the overall performance of the Group, which is reflected in time, both in positive signals from the market and in an easier access to financing facilities.

Alro adheres and complies with a major part of the provisions stipulated in the New Corporate Governance Code issued by BSE. Code requirements are more comprehensive than the legal requirements for listed companies. This report also includes the Appendix regarding the Statement regarding the compliance with the provisions of the New Corporate Governance Code issued by BSE which contains the explanations for the provisions of the BSE Code, where it did not comply with the requirements.

The Board of Directors is the highest forum in respect of the Company's management and along with its executive directors ensures the smooth running of the day to day operations and is directly involved in strategic decisions with a direct impact on the Company's activities. Members of the Board are in a permanent dialogue with the executive directors and are acting taking into consideration the interests of the Company, its shareholders and the interests of the Company employees.

General Shareholders' Meeting is convened by the Board and held at the Company's headquarters or in another place announced by the convening notice, at least once a year, not later than four months after the end of the financial year or whenever is needed. This can be convened at the request of shareholders representing at least 5% of the share capital, in which GSM shall be convened within not more than 30 days and will meet in less than 60 days from the date of the received request. The meeting date will not be earlier than 30 days from the published notice in the Romanian Official Gazette, Part IV. The notice must be published in the Romanian Official Gazette, Part IV and in one wide circulation newspaper from Romania. In exceptional circumstances when it is in the interest of the company, the Board can convene EGSM. The convening notice will be sent both to the BSE and to FSA, in accordance with the capital market regulations. The convening notice will also be available on the company website, in the section "Investor Relation - Shareholder Meeting", together with any explicative document related to the items included on the GSM's agenda, such as: the annual financial statements, the Board's annual report and the proposal to distribute dividends etc. are made available to shareholders at the company's headquarters and on the website with at least 30 days before the GSM takes place and these documents are approved.

Planning the General Shareholders' Meeting - GSM is usually led by the Chairman of the Board; in certain situations, the Chairman may appoint another person to lead the meeting. The Chairman of the meeting will nominate a secretary and the attending shareholders will vote the Chairman's proposal. The secretary of the meeting verifies the fulfilment of the formalities required by the law for holding the GSM and to prepare the minutes of the meeting. These minutes of the meeting, which are signed by both the chairman and the secretary represent the proof of the fulfilment of the formalities of the convening notice; they mention the date and the place of the GSM, the agenda, the shareholders who are present, the number of shares, a summary of the discussed points, the decisions adopted and, on shareholders' request, the shareholders' statements done within the GSM. In order to be opposable to third parties, GSM decisions will be filed within 15 days from their approval at the Trade Registry to be included within the register and published in the Romanian Official Gazette, Part IV. Decisions will be published at the same time on the Company's website.

In accordance with the capital market regulations, GSM decisions are sent to BSE and FSA within 24 hours from their approval. Moreover, these decisions are available on the company's website, within the section "Investor Relations - Shareholders Meeting".

The main responsibilities of the General Shareholders' Meeting are:

- approves or amends the Company's annual financial statements, after having analysed the Board of Directors' and the financial auditors' reports;
- approves the profit's allotment, in accordance with the law stipulations;
- appoints and dismisses the directors;
- settles the directors' remuneration for the current financial year;
- settles the general limit of the remunerations granted by the Board of Directors to the directors appointed with specific positions and to the managers;
- rules over the liability of the directors;

- appoints and dismisses the financial auditor of the Company and rules over the minimum duration of the financial audit contract;
- approves the income and expenses budget and, if applicable, the activity programme for the next financial year;
- decides the pledging, renting or dissolution of one or more of the company units;
- fulfils any other responsibility deemed by the law to be its duty

Extraordinary General Shareholders Meeting is held at the companies headquarters or in another place announced through the convening notice, whenever it is necessary to make a decision for:

- the change of the Company's legal status;
- the change of the main scope of business;
- the merger with other companies or the split-off of the Company;
- the dissolution of the Company;
- the increase of its share capital;
- the decrease of its share capital or its replenishment by issuing new shares;
- the issue of bonds;
- the conversion of a class of bonds into a different class or into shares;
- the conversion of the nominative shares into bearer stock shares or of the bearer stock shares into nominative shares;
- the conversion of the shares from one class into another;
- the approval of the conclusion of legal documents by which assets in the Company's patrimony, whose value exceeds half of the Company's assets book value as of the date of concluding the legal document, are alienated, rented, exchanged or encumbered under pledge, or by which assets whose value exceeds the above value are acquired;
- the approval of the conclusion of documents by which assets in the category of non-current assets of the Company, whose value exceeds, separately or jointly, during a fiscal year, 20% of the aggregate non-current assets less the accounts receivable, are acquired, alienated, exchanged or encumbered under pledge;
- the approval of the conclusion of documents by which tangible assets are rented for a period exceeding one year, whose value, separately or jointly, as to the same co-contractor or related or affiliate person, exceeds 20% of the value of total non-current assets less the accounts receivables at the date of concluding the legal document, as well as the associations for a period exceeding one year, exceeding the same value;
- the approval of the conclusion of legal documents by which a director or a manager alienates or acquires assets to or from the Company, with a value exceeding 10% of the company net assets value as well as legal documents regarding the renting or leasing of such assets;
- the approval of the organisation and operation by-laws of the Board of Directors;
- the approval of the establishment or dissolution of secondary offices-branches, agencies, representative offices or other similar offices having no legal personality;
- any other responsibility deemed by the law to be its duty.

The main competences of the Board of Directors are:

- enforces the decisions taken by the GSM;
- decides the main activity and development directions of the Company;
- determines the accounting and financial control system and approves the financial planning;
- endorses the Company's annual financial statements;
- submits to the financial auditor with at least one month before the day scheduled for the GSM, the annual financial statements for the previous financial year, together with the BoD's report and the supporting documents;
- annually submits for the approval of the OGSM, within four months from the closing of the financial year, the report regarding the activity of the company and the financial statements for the previous year;
- annually submits for the approval of the OGSM the revenues and expenditure budget and the activity programme for the following financial year, if the case;
- approves the signing of any legal documents on behalf of the Company, except for those that need, as per the compulsory provisions of the law and the company's articles of association, the approval of the GSM, and except for those that the CEO, acting alone or together with the CFO, may sign without the approval of the Board of Directors, as per the limits settled by the provisions of the articles of association or by the Board of Directors decision;
- approves the change of the registered office of the Company;
- approves the change of the Company's secondary scope of business;
- establishes the additional remuneration of the Directors in charge with specific positions, as well as the executive directors' remuneration, within the general limit approved by the OGSM;
- approves the organisational structure and the internal rules and regulations of the Company;
- appoints and dismisses the CEO and the CFO;
- establishes how the activity of the CEO and of the CFO is organised;
- supervises the activity of the CEO and of the CFO;
- organises the internal audit activity;
- establishes the Company's marketing strategy and tactics;
- approves the investment plan of the Company;
- decides with respect to the market on which the securities issued by the Company shall be quoted and decides over the private independent authorised to hold the registry of the shares issued by the Company;
- submits the request for opening the insolvency procedure of the Company as per Law no. 85/2014 regarding the insolvency procedure prevention and insolvency procedure;
- decides on any other issues within its competence.

Rights and obligations of the shareholders

The rights of the Company's minority shareholders are adequately protected by the current legislation in force. Shareholders have the right to obtain relevant information about the Company in a timely manner and on a periodical basis. They have the right to be informed about the decisions regarding the changes of any kind occurring in the Company, in order to understand how these may affect their rights. Each share subscribed and paid by shareholders gives them the right to vote in the GSM, the right to elect and to be elected in the management bodies, the right to participate in distribution of profits according to the Company's Articles of Association and to the legal provisions.

Also, a number of key decisions are exercised by the shareholders, such as:

- ***Convocation of the GSM:*** shareholders representing at least 5% of the share capital have the right to request the convocation of GSM, a situation in which the GSM will be convened not later than 30 days and will take place in less than 60 days from date of the request;

- ***Introduction of new items on GSM agenda***: one or more shareholders representing, individually or collectively, at least 5% of the Company's share capital, as registered at the reference date, have the right to introduce new items on the GSM agenda (each new item will be accompanied by a rationale or by a decision project proposed for resolution by the GSM) and to present decision projects for the points included or proposed to be included on the GSM agenda, within no more than 15 days from the day when the convocation was published in the Romanian Official Gazette;

- ***GSM participation:*** Company's practice is to actively promote the participation of its shareholders in the GSM and they are invited to address questions on issues to be discussed during such meetings. Shareholders may attend the General Shareholders' Meeting in person, by mail or through a representative having a mandate. The mandate can be: (i) special, using a special mandate model that will be provided by the Company or (ii) ordinary, valid for maximum three years, which allows its representative to vote on all issues under discussion within the Company's General Shareholders' Meeting or several companies identified in the mandate, including as regards acts of disposal, on the condition that the mandate to be granted by the shareholder, as client, to a lawyer or an intermediate - financial investment services companies authorised by FSA, credit institutions authorised by the National Bank of Romania, in accordance with the applicable banks regulations, as well as similar entities authorised in EU member or non-member states to perform financial investment services. Shareholders properly registered in the shareholders' register may vote by correspondence before the GSM meeting, using the vote form used for the e-mail voting provided at the company's headquarters and/ or on the company website. More information can be found in the Company Policy o regarding the exercise of voting rights by shareholders in GSM;

- ***Shareholders' questions***: the Company's shareholders, no matter of the number of shares held, have the right to send to the Company headquarters written questions referring to the GSM agenda. The questions shall be submitted or sent, in enclosed envelope, to the Company's registered office so that they may be recorded by the Registration Office of the Company, at least seven calendar days before the date of the meeting, with clear cap letters specification written: "FOR THE ORDINARY AND/OR EXTRAORDINARY GENERAL SHAREHOLDERS MEETING AS OF __ /____________To be able to identify the shareholder capacity of the person who has sent the questions or making proposals to supplement the agenda, the legal representatives of the Company may ask the respective person to present some documents supporting his/ her identity and the statement of account proving the shareholder capacity and the number of shares held, issued by the Central Depository or, as applicable, by participants providing custody services. More information regarding the documentation necessary to exercise this right might be obtained from the Company Policy regarding the exercise of voting rights by shareholders within the GSM or of addressing questions to the Investors Relations responsible person. Any sensitive information of the Company which may lead to loss or to a competitive disadvantage for the Company will be avoided when the responses are communicated, in order to protect the shareholders' interest.

Agreements between shareholders

In respect of the agreements between shareholders known by the Company and which can lead to restrictions in securities and/ or voting rights transfer, we mention that on 31 December 2017, Alro did not have pledged shares in the lending banks with which it signed loan agreements (31 December 2016: a percentage of 10% of the shares held by the major shareholder Vimetco N.V. in Alro's share capital were pledged to creditor banks in virtue of the concluded loan agreements signed with them).

Diversity

The Group supports diversity inside the Company and inside its subsidiaries concerning the administrative, executive management and supervisory bodies, in respect of the age, gender or education and professional experience.

Therefore, regarding promoting women in the executive management positions, even though there are no female members of Alro's Board, both the CFO and the two Deputy CFOs of Alro are women. At the end of 2017, about 20% of the directors and deputy directors were women (2016: 20%), while the proportion of women in the middle management positions was of 21% (2016: 21%).

Moreover, out of the total number of employees, the number of women working at Alro, at the end of 2017, was of 17% (2016: 17%). In Alum, the percentage of the women working in the company has increased from 10% in 2010 to 16% in 2017.

Also, within the Company, the persons holding executive positions have ages between 28 and 62, and their education and professional experience varies (i.e.: engineering, economy, finance, law etc.), but it is relevant for the position held.

Adding value through investor relations

Investor Relations

During 2017, the Group has communicated with third parties through several press releases and participated in press conferences or meetings with investors, analysts or media, and in relevant specialised events, as well.

Moreover, starting with 2016, press conferences with investors and analysts were organised for presenting the annual and half-year results. Starting June 2017, these conferences with investors and analysts will be conducted four times a year, after the annual and half-year results, and after the quarterly results, as well. Through these conferences, Management wanted to interact more with investors, analysts and other stakeholders interested in the Company's results and activity. The dates when these conferences are held are included and announced through the financial calendar published both on the Company's website, and also at BSE and FSA, as well as by separate press releases, in this way any interested individual can participate.

Starting with 2007, Alro reports to the capital markets, twice a year, consolidated financial statements, prepared in accordance with IFRS, which gives the financial reports a higher level of transparency and comparability from one period to another and also with the other international companies in the aluminium industry.

Alro prepares its financial statements in accordance with the Ministry of Public Finance Order no. 2844/ 2016, financial statements which are in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union (EU), except for *IAS 21 - The effects of changes in foreign exchange rates* regarding functional currency.

Alro aims to ensure a permanent dialogue with third parties, and thus it publishes in real-time, immediately after sending them to BSE and FSA all the Company's financial reports, press releases and all other relevant information for shareholders, analysts, investors and other stakeholders, on the Company's website within the Investors Relations section.

Alro also constantly publishes press releases about its investments, corporate social responsibility activities, activities to reduce the Company's environmental footprint, as well as other initiatives and/ or partnerships within the communities it operates in, aiming to create a positive impact on them.

2018 Financial Calendar

Description of the event	Proposed date for 2018
Publication of the Annual Results 2017 - Preliminary Results	12 February 2018
Publication of the summons of the Annual General Shareholders' Meeting for the approval of the 2017 Annual Results	27 March 2018
Conference call with investors and analysts for presenting the 2017 Annual Financial Results	29 March 2018
Annual General Shareholders Meeting - Approval of the 2017 Annual Results	27 April 2018
Publication of the 2017 Annual Report	27 April 2018
Publication of the Quarterly Report 31 March 2018	15 May 2018
Conference with investors and analysts for presenting the financial results as at 31 March 2018	17 May 2018
Publication of the Half-Year Report 30 June 2018	10 August 2018
Conference with investors and analysts for presenting 2018 Half-Year Financial Results	14 August 2018
Publication of the Quarterly Report 30 September 2018	15 November 2018
Conference with investors and analysts for presenting the financial results as at 30 September 2018	19 November 2018

Investor Relations contact

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Report on payments to Governments for the financial year 2017 for mining activities

The report on payments to Governments is prepared in accordance with Directive 2014/95/EU that amends Directive 2013/34/EU as issued by the European Parliament and which was transposed to the local legislation by Minister of Public Finance Order no. 2844/2016 for approving the Accounting Regulations in accordance with the International Financial Reporting Standards applicable to trade companies whose securities are admitted for trading on a regulated market. Thus, the Group has prepared the following consolidated report that provides an overview of the payments to governments made by Alro and its subsidiaries in respect of mining activities for the year ended on 31 December 2017 (i.e. the reporting period is 1st of January – 31st of December 2017).

The amounts included in this report are in thousand RON, the average exchange rate for 2016 being used and only the payments which were higher than EUR 100,000 (RON equivalent) were considered.

All amounts are in RON '000

Government's institution description	Payment type description	Production entitlements	Other financial taxes	Mining royalties	Other fees
Sierra Leone Maritime Administration - is an open registry accepting worldwide shipowners and various type of vessels that meet the Sierra Leone standards in accordance with Merchant Shipping Act, 2003	0.45 USD/tonne of sold bauxite	5,309			
Nectar Sierra Leone Bulk Terminal - is a mixed company formed of Sierra Leone National Shipping Company Ltd. And Nectar Group Ltd. in the United Kingdom. Sierra Leone's primary multi-user bulk and break-bulk port.	0.24 USD/tonne of sold bauxite	1,652			
The National Revenue Authority (NRA) - was established on the 13th September 2002 through an Act of Parliament called the National Revenue Authority Act, 2002 (Act No-11). The NRA is charged with the responsibility of assessing and collecting domestic taxes, customs duties and other revenues specified by law, as well as administering and enforcing laws relating to these revenues.	3% of Revenues from bauxite sales			6,780	
The National Revenue Authority (NRA) - In respect of CIT, the Company shall pay 30% tax on realized profit. Due to accumulated losses, SMHL shall pay 30% on 50% of realized profit.	Annual payment notification		1,772		
Community Development Fund - In accordance with Section 139 (4) of the Mines and Minerals Act SMHL entered into a Community Development Agreement with the Government, pursuant to which SMHL shall make payment each year to a community development fund of at least one per cent (1.0%) of Net Bauxite Sales Revenue in US Dollars for such year.	1% of Revenues from bauxite		1,398		
The National Minerals Agency - In respect of Lease, the Company shall pay annualy on the anniversary of the grant of the Mining Lease an annual rent in the amount prescribed by applicable law until the termination of the Lease. Rents payable under this clause 6(d(1)) shall be paid in US dollars and all such payments by the Company shall be made in such currency to the Goverment in accordance with the applicable law.	Annual payment notification				2,228
The Environmental Protection Agency (EPA) - The Company shall conduct its programme of ming operarions in accordance with the Environmental Protection Agency Sierra Leone (EPA-SL) which was established by an act of Parliament in 2008 and amended in 2010.	Annual payment notification				760
National Mineral Agency - Exploration Licences	Annual payment notification		360		

This is a free translation of the original Romanian binding version

Sustainable development and Corporate Social Responsibility

Sustainable development

The constant involvement in environmental protection activities is part of the Company's long-term development strategy. The Group permanently monitors the environment footprint and takes the necessary measures to comply with the specific environment rules. In addition, the specific investments in environment protection programmes, the Group uses modern technologies, in line with the requirements in this field.

The Group holds in Romania the following environmental permits:

- Alro holds Integrated Environmental Authorisation for both primary and processed aluminium sectors;
- Alum holds the Integrated Environmental Authorisation valid until October 2017, being at 31 December 2017 in the process of its renewal according to the provisions of the legislation in force. In March 2018, the new Integrated Environmental Authorisation was received and it is valid for the next 10 years. It also holds about 40 other authorisations, certifications, attestations and accreditations; and
- Vimetco Extrusion holds an environmental permit which is renewed when substantive changes occur under the environmental legislation (the last renewal took place on 23 May 2016).

At the same time, the environmental protection investment programmes allowed Alro to obtain ISO 14001 certification for environmental protection management. Investments in energy efficiency place Alro in the top of aluminium producers with the lowest specific consumption rates in the European Union. On their return, Alro's subsidiaries hold more certificates, among which we mention the following:

- ***Alum:***
  - certificate for quality management system according to SR EN ISO 9001:2015;
  - certificate for environmental management system according to SR EN ISO 14001:2015
  - energy management system certificate according to SR EN ISO 50001: 2011 (obtained in October 2017).

- ***Vimetco Extrusio***n
  - certificate ISO 9001:2008 for quality control and products quality conformity certificate obtained within the company.

Alro implemented and continues to implement measures to reduce the energy consumption in the aluminium production process. Also, Alro operates a production facility that uses scrap aluminium, thus, additionally reducing the energy consumption and actively contributing to scrap reduction.

The Group took measures to reduce the emissions in all its activities in Romania and implemented complex upgrading processes with positive effects for the environment. Thus, in the alumina production sector, the Group upgraded its operations since 2007 when Alum was idled for two years for this purpose. Subsequently resuming the operations, the unit reported decreased production costs thanks to the optimised technological flow, as well as a significant decrease of the environmental footprint.
More than this, Alum permanently invested in environment protection projects and searched for viable and optimised solutions that might have a positive impact on environment. During 2009-2012, Alum invested more than USD 10 million for modernisation and refurbishment of red slurry dump and subsequently it had allocated half a million dollars every year for its maintenance in accordance with the environmental standards. Moreover, in 2016 Alum announced the beginning of implementing its project “Endowment of Alum's Research and Development Department with independent installations, performances in research to support economic competitive growth and business development”, the purpose of the project being represented by the enhancement of the research, development and innovation capacity, in order to increase the level of innovation and market competitiveness of the company by purchasing and using research and development equipment with a positive indirect impact on the environment.

Also, Management takes measures to carefully manage the resources at its bauxite mines in Sierra Leone.

Currently, the Group is not involved in lawsuits concerning the impact of its activities over the environment and does not expect any occurrence of such situations that might involve any violation of environmental protection legislation.

Alro takes permanent measures to prevent major accidents where dangerous substances could be involved. The Company monitors the implementation of the measures that lead to the elimination of the risks of events, which could have negative impact on the environment and agrees the action plan in case this might happen.

Alro Group's major environmental goals are:

- compliance with the environmental law adopted under the European requirements and strictly complying with all legal regulations applicable to the company;
- continuous improvement of activities, processes, products and environmental performance;
- preparation for emergency situations and the ability to respond, organising and conducting simulation exercises for incidents involving dangerous substances;
- prevent pollution and combat the environmental factors through investments, organisational measures, maintenance and repairs and technological changes;
- continuous monitoring of environmental aspects of production activity through weekly environmental programmes.

Alro Group continuously takes measures to operate in accordance with the highest environmental standards, which are applicable for its activity.

Starting with 2017, the Group will publish, in addition to the Annual Report, a Sustainability Report for Romania prepared for the first time in line with the G4 Core Global Reporting Initiative Guidelines (GRI). This report will describe how Alro Group implements, monitors and manages the most important environmental, social and corporate governance issues. This Report will enhance the information on the Group's and Company's activity sustainability in the same transparent manner as the Annual Report, which adds value to both the shareholders and the communities in which the Group and its subsidiaries operate. The Sustainability Report will be available within the legal timeframe for the public to consult, including on the Company's website.

Environment management

Alro constantly acts to reduce its emissions, which might affect the environment and takes measures to increase its energy efficiency to contribute to the sustainable development of the areas in which it operates.

Ways to minimize the ecological footprint

During the past years, Alro has invested over USD 100 million to improve labour conditions and for environmental protection. The Company applies modern concepts of integrated waste management. Moreover, all employees are trained in order to bring their active contribution to environmental protection, while being compliant with the occupational health and safety obligations.

The company recycles aluminium scrap that has the "end of waste" status. Alro invested in building an eco-recycling facility that uses modern technologies such as double chamber furnaces with ox gas burners. All the gases resulting from the burning process are collected and treated in dry scrubbing centres'.

Furthermore, Alro takes measures for the selective removal of all waste (metal, paper and cardboard, polyethylene, glass) by endowment with disposal bins accordingly to EU standards, for disposal through authorised companies; has built two green waste dumps in each of Alro's locations; has completely removed the asbestos used as a construction material for the Company's buildings and fully recycles inert waste, such as crushed concrete generated from building demolishing works supplied to stakeholders for road construction or consolidation purposes. Alro recycles the non-hazardous wastes such as scrap metal, carbon-containing wastes, but also hazardous waste from oils which is the subject to recycling by the relevant authorised recycling operators.

Social responsibility

Social responsibility represents the management process, an integrated part of the Group's business strategy, through which it wants to contribute to the development of a sustainable and performing society in every area where it operates.

Within the Group, there is a policy that permanently identifies people that may be interested in its activities, recognises their legal rights and encourages their cooperation with the companies within the Group, in creating wealth, jobs, and the sustainability of a financially sound enterprise.

The Group is constantly trying to be involved in solving the social problems of the community where it activates and takes into consideration the interests of the society, having responsibility to its employees, shareholders, community and environment. Alro Group is actively involved in the life of the community by engaging in corporate responsibility programmes for disadvantaged social categories, to education, sports and health programmes.

As for the Parent-company, Alro, its image, corporate identity and culture are of fundamental importance. Corporate social responsibility, partnerships, donations and sponsorships are the forms in which the Company interacts with the community in which it operates by developing a community engagement strategy.

Alro believes in the sustainable development of Society, being constantly concerned with improving and developing partnership and sponsorship policy, promoting and encouraging CSR practices and principles by integrating them into managers and employee performance evaluation criteria, youth education, a better knowledge of Romanian art and culture, and also, the promotion of a clean environment and a healthy lifestyle.

The Company is aware of the important role it has in the community, so it acts with responsibility to positively influence the community in which it operates. Alro has a decisive role in the economic, social, cultural and sports life of the community it operates in. Moreover, due to its economic and financial potential, but also because it is the only producer of aluminium and aluminium alloys in Romania, it is a representative company not only for the area in which it activates, but for the entire Romanian industry. Alro is an example of how technical and financial management are blended together with the one related to environmental protection and stakeholder management.

In 2017, a special attention was paid to the relations with trade unions and federations of the Company and their affiliated parties as an important factor of stability, social peace and achievement of the Company's performance mission and objectives.

At the same time, Alro is responsible for the safety of its products and customers. This way, the Company contributes to the Romanian capital growth, to the development of the national economy, while ensuring a large number of jobs. Alro is also an important contributor to the local and national budgets.

Regarding social activities, during 2017, Alro has contributed to numerous supporting, cultural, sports, educational and social activities:

- Sponsorships for supporting events and actions in fields such as: social-cultural, education and schools, health, religion, sports, partnerships with associations and foundations with activities in cultural educational and social-humanitarian areas;
- The "We Offer Heat" project - people aged over 60 years, who were registered in the Red Cross Olt records, were the main beneficiaries of the solid fuel for heating, distributed during this project, carried out in January and February 2017. The donation of wood material was made by Alro when Olt County was under an orange code warning of frost

and abundant snow and continued until the most vulnerable people in the county received fuel to cross the winter in humane conditions;

- The 'Alro offers holiday gifts to needy families' project, carried out in collaboration with the Red Cross Olt Branch, where nearly 200 food packages were distributed to disadvantaged families;
- The 'We help our grandparents smile - Free dental prosthesis for the institutionalised elderly people' project has been carried out for a period of two months (May-June 2017);
- The Green Guerilla Project - the first ecological movie caravan in Romania - Slatina, 31 May 2017. The caravan programme has developed educational programmes in schools, cinematographic projections, conferences, debates and contests. On its 15th edition, Green Guerilla launched an eco-mentoring programme through which the young people from Slatina learned directly from the Alro company employees what knowledge they will need to have a career in this field;
- On 31 May 2017 the 'Circular Economy in Slatina – a partnership between the industry and the community' conference was held in Slatina with Alro's support;
- Continuation of the 'Investments in Alro's Research and Development Department for the improvement of research infrastructure for the heat treated aluminium alloy plates with highly qualified industrial applications' project, by the representatives of the National Authority for Scientific Research and Innovation, as Intermediate Body (IO) on behalf of and for the Ministry of European Funds (MEF) as Managing Authority (MA) for the Competitiveness Operational Program (COP).
- The project is being implemented over a period of 24 months and its purpose is the acquisition of research and development equipment, respectively independent equipment for the research of the aluminium alloy sheets heat-treating process, independent equipment for researching the process of removing internal tensions from the aluminium alloys plates with a thickness of less than 20 mm and independent equipment for investigating the aging process of aluminium alloy sheets;
- The Company donated equipment and laboratory tools to the Slatina Metallurgical Technical College to conduct practical laboratory classes;
- Several partnerships with high-schools, postgraduates and universities were signed (i.e. Technical Metallurgical High School, University Politehnica of Bucharest, Transilvania University of Brasov, University of Craiova etc.) to facilitate the specialised practice of students, documentation visits at Alro and in writing their final papers for bachelor's degree, master's degree or other academic papers on various research subjects etc.;
- Continuing the partnership with the Slatina City Hall and with the Olt County School Inspectorate and the Technical Metallurgical High School for organising internships at Alro during the academic year 2017/2018 of some vocational classes through the professional school, in jobs of interest for Alro. This partnership will continue in the academic year 2018/ 2019, as well;
- Continuing the partnership concerning the organisation of the dual-system vocational school, while, during the school year 2018 - 2019, Alro will support dual learning for two more classes in the electrical and electronics – automation field;
- Active participation of Alro's representatives within several local social dialogue organisations, such as the Social Dialogue Commission attached to the Olt Prefecture or the Tripartite Consultative Council attached to the Olt Labour Inspectorate;
- Involvement with good outcomes as a member of the employer's organisation it is part of, Uniromsider.

The other Group's subsidiaries are actively involved, as well, in the activity and welfare of the communities in which they operate. Alum is a company present in the local community through events or activities with a strong social character. Thus, during the year 2017, Alum was involved in activities with a strong social character, among which:

- Partnership with the Red Cross, known as "Taking the grandparents to the dentist", whose main objective was to provide free dental services for the elderly assisted in the 'Sfantul Nectarie' elderly's home in Tulcea City;
- Sponsorships for supporting events and actions in fields such as: health, social-humanitarian, social-cultural, education and schools, sports;
- Involvement in various projects initiated by the local community through voluntary actions: planting trees in parks, attending local competitions (e.g.: Championship 'Rowmania' as supporters of the local football team, etc.), ensuring the participation of employees at theatre shows and concerts organised within the community;
- Collecting funds for gifts offered during the winter and Easter holidays to the old people from the elderly persons' home in Tulcea;
- Collecting clothes, toys, food for the low-income families with several children;
- Promoting actions organised by the local community by free posting in visible places of these events (like: 'Tulcea Days', 'Delta Rally', 'Celebration of fish soup' etc.);
- Signing a sportive-educational partnership for having Alum employees' children involved in sporting activities (e.g.: swimming), while supporting the organisation and participation of children in sports competitions (e.g.: swimming, triathlon);
- The recruitment, selection and employment of the labour force is mainly done from Tulcea County.

Locally, SMHL is an active member of Sierra Leone communities, as well, and an increased attention is paid to environmental protection taking into account the environmental footprint of mining and on projects that support the social and educational activities in this area.

Alro Group is also involved in activities or events with a strong recreational character for its employees. Thus, in May and October 2017, a team from the Group was present at the 6th edition of OMV Petrom Semi marathon in Bucharest, respectively at the 10th edition of Raiffeisen Bank Bucharest Marathon, that are part of the calendar of events through which the city of Bucharest was included in the international marathon circuit, joining the other European capitals that host such competitions annually. At the 2017 editions, Alro Group was represented by a mixed team that was present at individual races and the relay. The Company encourages and supports employees to participate in such events, being a promoter of healthy lifestyle, while maintaining a balance between professional and personal life.

Human resources development

The Group encourages and promotes projects aimed at both personal and professional development of its employees, as well as the communities in which they operate. Commercial relations with local suppliers are supported and encouraged within the Group, contributing this way to their development.

The company has implemented annual employee performance assessments so that it can track certain indicators of employee activity and subsequently those with outstanding performances can be encouraged and rewarded.

In general, within the Group, the employees' migration from one company to another is encouraged, but generally it is preferred to hire local staff from the geographical area where the company operates, in order to avoid the cultural, language and social differences.

The Group's human resources policy has the following objectives:

- Establishing the organisational framework and the related documents of human factor expression within the Company (i.e. organisation chart, organisational and operational regulations, internal regulations, work and personnel norms, job descriptions, system and operational procedures, assessment forms etc.);
- Quantitative and qualitative dimensioning of the necessary workforce by activity sectors, training and continuous development of professional skills, harmonising the flow of personnel, inputs, outputs and internal mobility;
- Knowing the external business environment in order to identify opportunities and threats which can determine, in a positive or negative way, the personnel recruiting and selection activity, as well as identifying the strengths and weaknesses in the internal environment;
- Optimising the use of personnel by allocating employees on positions based on training, skills and professional competences in order for them to complete their tasks and duties in an efficient manner;
- Training and professional development, professional assessment and career management;
- Motivating the employees, in order to increase satisfaction and commitment in reaching goals and completing own tasks;
- Developing an organisational culture based on harmonising Company's interest with employees including competence, commitment, collaboration, respect, fidelity, order and discipline, cult value, non-discrimination, following labour law and internal norms; managing the potential labour disputes, individual or collective, in order to prevent the events that may disrupt the company's activities;
- Employers involvement in decision-making activities by developing horizontal and vertical communication, promoting a transparent and fair social dialogue with trade unions, conformation with the commitments assumed in the collective labour agreement;
- Ensuring the conditions for employees to carry activities in full health and safety conditions;
- Banning any form of direct or indirect discrimination against employees based on gender, sexual orientation, genetic characteristics, age, national origin, race, colour, ethnicity, religion, political beliefs, disability, family situation or responsibility, trade union membership or activity, as well as acts and deeds of exclusion, distinction, restriction or preference based on one or more of the above criteria, which have the purpose or effect of denial, restriction or elimination of recognition, use or exercise of rights stipulated in the labour legislation.

Alro promotes within its employees values like: responsibility of their own actions, respect between team members, priority of the common interest, appeal to honour, creative initiative, the right to a second chance, focus on solutions, practical approach, shared power (authority), continuous professional and personal development.

The Group aims to develop and implement in the company an organisational culture and business accountability regarding both the environment responsibility and the community in which it operates. The Company considers that the implementation in the group of healthy principles of sustainable development and a strong policy of corporate social responsibility is meant to generate long-term positive and sustainable results. In this way the Group can get in the position to generate "win-win" situations for the Group, Alro and its shareholders, the environment and, last but not least for the communities in which it operates.

Alro's training policy

The training activity within Alro focuses on continuing professional development of employees and training in advance the future employees in order to provide the necessary qualified personnel for achieving the targeted goals.

The manner of organising and performing the training activity is based on the following principles:

- The Company's human resources policy linked with the Company's development programmes on short, medium and long term;
- The Labour Code, republished, and the regulation in force regarding continuing professional development for adults;
- Other legal stipulations in force.

- *The training activity has as internal support:*

  - Annual programmes for professional development;
  - System and operational procedures on professional development, competence, awareness and training, specific certification and professional assessment;
  - Collective Labour Agreement, at Company's level;
  - Human resources – the Company's organisational structure includes a department specialised for this area.

- *The policy to implement the training activity:*

Continuous professional development of Alro's employees is carried out on the basis of the annual training programmes, which consists of a diverse range of implementation ways:

- Periodical professional training;

- Programs for initiation, qualification, requalification, authorisation and specific certification carried in-house or in collaboration with specialised companies;
- Training and specialisation, organised with well-known consulting companies “in-house” or outside the Company;
- Participation in different programmes of comprehensive studies, post graduate programmes, MBA etc.;
- Participation in activities like team–building, symposiums, conferences, workshops, fairs and exhibitions, in Romania and abroad;
- Consultancy services provided by well-known specialists in the aluminium production field;
- Additional training methods using formal and informal means.

During 2017, within Alro, qualification and/or requalification professional courses were organised such as: nonferrous metallurgist, laminator, chemistry laboratory technician, machine operators etc., as well as courses authorising employees to practice occupations which require additional qualifications besides the document that certifies the respective occupation (for example: training and authorisation courses for NDT operators, ISCIR authorisations, authorisation of operators carrying out activities in the field of natural gas, etc.). The aim of these trainings is to comply with the legal stipulations for ensuring a proper correlation between the employees’ qualifications and jobs, to secure the positions in the organisational chart with well-trained employees, to bring the skill levels of employees at the technical modernisation and technological developments and to facilitate the increasing internal mobility of employees in case any changes in the organisational structure of the Company would be required.

In 2017, professional training and specialisation of the employees involved in the Aero and Auto projects continued. Special emphasis was placed on internal training programmes focusing on changing employees' view regarding self-control, quality, cost reduction, efficient use of the resources needed to carry out activities, complying with system and operational procedures, improving communication, etc.

In 2017, TESA employees from all areas of activity (such us, technical, industrial automation, IT, economic areas and others) followed professional development training programmes or specialisation programmes in order to access the most advanced information and best practices in their activity fields and in other areas of interest for the Company. Professional development programmes such as the Executive MBA or training and specialisation programmes were held, such as: IATF 19949: 2016 - quality management systems, AS 9100 International Auditor; programmable automation courses, evaluation and certification regarding the realisation of the dynamic balances "in situ", error measurement methods for counters of electricity, evaluation and certification regarding the achievement of dynamic balances, financial and accounting programmes, programmes in the field of environmental protection, specific authorisation programmes for RSVTI, RSL, and RTS responsible persons within the Company, programmes on the management of classified information, personal data protection and others.

The implementation of these new techniques and technologies were accompanied by adequate training programmes for the machines and equipment operators and were organised in most cases by the external training consultants.

Another important method for professional development training is the participation of certain specialists of the Company at seminars, fairs, expositions and workshops, in Romania and abroad. Alro encouraged the interest of its employees for professional and personal development and has supported its staff to follow post-secondary schools, universities, masters, postgraduate or PhD programmes.

Anticipated professional training

The main goal is to train in advance potential employees (i.e. pupils from vocational schools, pupils from vocational high schools, students, other categories of young people etc.).

This is carried out through the following methods:

- Partnership with the Technical Metallurgical High School from Slatina materialised through:

  - The partnership between Alro and the Slatina Metallurgical Technical College for the organisation of the first dual vocational education class in Olt County. Through this partnership, Alro has become an active part of the training and professional qualification process, providing qualified staff, workshops and space for practical classes, providing logistics and equipment, so that students can obtain and apply the skills required to perform the qualifications chosen;
    The partnership will continue, and in the 2018-2019 school year, Alro will support dual learning for two more classes in the electrical and electronics – automation field.
  - Facilitate specialised internships at Alro for vocational schools’ students – classes of rolling mill operators, numerical control machine tool operators, Cast-House operators and electro mechanics;
  - Support some employees to follow high-school or postsecondary schools;
  - Conduct joint projects (e.g. provide equipment for schools’ laboratories, organise educative activities with pupils etc.);

- Partnerships with technical universities, mostly with Politehnica University of Bucharest, University of Craiova (Physics Department, Faculty of Automation, Computers and Electronics etc.) implemented through:

  - Internship - practice periods in Alro, realisation of the final papers for Bachelor’s, Master’s or PhD Degree;
  - On average, more than 50 students each year from different universities and specialisations have conducted professional training and documentation activities within the Society;
  - In 2017, more than 30 students from universities in Bucharest, Craiova, Pitesti, Cluj carried out internships within Alro;
  - Conducting different joint activities with universities (i.e. students’ documentation visits to Alro, meetings between Alro’s specialists and students held inside the universities campuses, preparing research papers, participation to career fairs, etc.);
  - Support given by Alro in activities carried by certain universities (for example, donating equipment and laboratory utensils, these being used as a teaching material).

Anticipated professional development turned out to be beneficial for Alro, from the following perspectives:

- It smoothed the process of recruitment, selection and anticipated the professional development of future employees. Thus, part of the students who followed internships at Alro were employed after graduation and soon became valuable specialists in the aluminium production process;
- It is also an activity for the community service, as it supports the absorption by Alro of graduates from technical high schools from Slatina.

Employee compensation / incentive programmes

In respect of the compensation/ incentive programmes for its employees, Alro undertook the following actions:

- Bonuses were given to employees who participated in important projects;
- Performance criteria is widely used for salaries of employees in key positions;
- All employees were given several benefits under the provisions of the Collective Labour Agreement (e.g. free treatment tickets for employees with occupational diseases, holiday vouchers, premiums on the occasion of religious holidays or festive days etc.);
- Means of communication with employees were improved (i.e.: Alro portal, the activity of solving requests, intimations and complaints etc.);
- The activity of employee performance assessments was improved.

Subsequent events

In January 2018, Alro hedged an additional quantity of 30,700 tonnes of aluminium planned to be sold in 2018 via collar type of transactions by securing a minimum LME price of 2,200 USD/ tonne for the respective quantity.

At the date of issue of this report, Alro has a total quantity of 92,000 tonnes of aluminium covered by hedging contracts (collar type of transactions) against the fall of the aluminium price below the respective contractual thresholds.

On 19 February 2018, the meeting of the Board of Directors was held as a result of Mr. Artem Anikin’s resignation starting with 16 February 2018 from the position of Alro’s Board of Directors member, due to personal reasons.

Further to this meeting, Mrs. Svetlana Pinzari was appointed as interim member of the Board of Directors, until the Company's General Shareholders' Meeting appoints a new Director and during the GSM held on 23 March 2018, Mrs. Svetlana Pinzari was appointed as a new member of the BoD from 23.03.2018 until 19.12.2018.

There were no other material subsequent events that could impact the financial statements.

Outlook for 2018

For 2018, Alro Group and the Parent-Company aim to consolidate the positive results achieved in 2016 and 2017. The measures implemented so far to reduce the energy consumption rates, and thus, to ensure operational efficiency, together with investments made both in equipment and research will be continued and will be a key component of the sustainable growth strategy.

In this respect, the Company's stand-alone approved budget for 2018 provides a turnover of USD 663 million, an EBITDA level of USD 94 million, and a net profit of approximately USD 43 million. At the same time, the investment budget of the Company for 2018 amounts to USD 61 million, of which USD 37 million is for the Processed Aluminium Segment.

Budgeted Primary Aluminium sales of the Company amounted to 158,950 tonnes, up by 4% compared to 2017 budgeted level. For Processed Aluminium sales of the Company, a 4% decrease is budgeted in 2018 compared to 2017, mainly due to a budgeted decrease in production of 6% for 2018 compared to the previous year's budget, caused by the time needed to implement the investment projects that will increase capacity in the next years.

At Alum, the investment programme approved for 2018 is USD 14.4 million and focuses among others on increasing the energy efficiency by optimising heat transfer and combustion processes, installing new equipment to expand the product range and increase safety operations. In the case of Alum, on a stand-alone basis, as well, an increase in sales to 520,968 tonnes is budgeted, compared to 2017 budgeted level of 473,740 tonnes and resulting in a net profit of USD 5.9 million.

Moreover, in 2018, it will be of great importance to improve the services offered to our clients, to ensure a high degree of their satisfaction. In addition, both Alro and the other Group’s subsidiaries are constantly investing in research and development teams, which will also allow in the future to expand and diversify the product and the customer portfolios.

Abbreviations and definitions used in this report

ATS	Alternative Trading System on BSE
BoD	Board of Directors
BSE	Bucharest Stock Exchange
BSE Code	Corporate Governance Code issued by BSE and applicable to listed companies
CRU	CRU International Ltd. represents an independent authority specialized in producing short/ medium/ long-term analysis for major commodities from mining, metals, fertilizers industries
LEI	Legal Entity Identifier Code
EBIT	Earnings before interest and taxes
EBITDA	Earnings before interest, taxes, depreciation, amortization and impairment
EGSM	Extraordinary General Shareholders Meeting
EUID	The European Unique Identifier
EURIBOR	Euro Interbank Offered Rate.
FSA	Financial Supervisory Authority, Romania
GD	Government Decision
GSM	General Shareholders Meeting
IAS	International Accounting Standards
IFRS	International Financial Reporting Standards
IO	Intermediate Body
ISO	International Organization for Standardization
LIBOR	London Interbank Offered Rate
LME	London Metal Exchange
MA	Management Authority
MEF	Ministry of European Funds
COP	Competitiveness Operational Programme
OGSM	Ordinary General Shareholders Meeting
ROBOR	Romanian Interbank Offered Rate
USA	United States of America

Consolidated and separate financial statements for the year ended 31 December 2017

Alro S.A. and its subsidiaries

Consolidated and separate statements of profit or loss and other comprehensive income for the year ended 31 December 2017

in RON '000,
unless otherwise stated

	Note	Alro Group 2017	Alro Group 2016	Alro Stand-alone 2017	Alro Stand-alone 2016
Sales	5	2,726,272	2,302,803	2,466,032	2,127,064
Cost of goods sold		-2,038,400	-1,935,103	-1,933,679	-1,834,778
Gross profit		**687,872**	**367,700**	**532,353**	**292,286**
General, administrative and selling expenses	6	-256,172	-212,055	-166,602	-133,599
Impairment of investments	14	-	-	23,912	-
Other operating income	7	14,706	17,791	9,937	13,497
Other operating expenses	7	-7,460	-6,770	-2,801	-2,575
Operating result (EBIT)		**438,946**	**166,666**	**396,799**	**169,609**
Interest expenses	8	-50,917	-57,717	-48,236	-53,165
Gains/(losses) from embedded derivatives	30	-	-12,811	-	-12,811
Other financial costs, net	9	-9,229	-11,070	-10,618	-10,721
Net foreign exchange gains / (losses)		32,727	-3,859	39,875	-12,625
Result before income taxes		**411,527**	**81,209**	**377,820**	**80,287**
Income tax	10	-20,421	-9,713	-60,134	-13,067
Result for the period		**391,106**	**71,496**	**317,686**	**67,220**
Other comprehensive income / (expense), net of tax:					
Items that will not be reclassified subsequently to profit or loss					
Remeasurements of post-employment benefit obligations	25	-4,221	-348	-3,394	-494
Income tax on items that will not be reclassified		627	98	543	79
Items that may be reclassified subsequently to profit or loss:					
Translation adjustment		-8,435	-109	-	-
Other comprehensive income / (expense) for the period, net of tax		**-12,029**	**-359**	**-2,851**	**-415**
Total comprehensive income / (expense) for the period		**379,077**	**71,137**	**314,835**	**66,805**
Result attributable to:					
Shareholders of Alro SA		**390,581**	**71,531**	**317,686**	**67,220**
Non-controlling interest		**525**	**-35**	**-**	**-**
		391,106	71,496	-	-
Total comprehensive income / (expense) attributable to:					
Shareholders of Alro S.A.		**378,607**	**71,172**	**314,835**	**66,805**
Non-controlling interest		**470**	**-35**	**-**	**-**
		379,077	71,137	-	-
Earnings per share					
Basic and diluted (RON)	11	0.547	0.100	0.445	0.094

In 2017, the Group reclassified an amount of RON 8,776 thousand (and RON 8,711 thousand for the Company) in the comparative figures of 2016, previously presented as "Interest expenses" to "Other financial gains / (losses), net". Refer to notes 8 and 9.

The accompanying notes are an integral part of these consolidated and separate financial statements.
These financial statements were authorized for issue by the management on 26 March 2018.

Consolidated and separate statements of financial position as at 31 December 2017

in RON '000

	Note	Alro Group 31 December 2017	Alro Group 31 December 2016	Alro Stand-alone 31 December 2017	Alro Stand-alone 31 December 2016
Assets					
Non-current assets					
Property, plant and equipment	12	1,015,035	946,139	754,347	699,701
Investment properties	12	-	-	4,646	4,937
Intangible assets	13	8,611	5,401	7,759	4,834
Investments	14	-	-	447,557	423,645
Goodwill	15	87,485	95,066	-	-
Long-term loans receivable	29	54,345	52,035	-	-
Deferred tax asset	10	98,845	110,332	43,285	102,876
Other non-current assets	16	58,147	19,307	67,536	29,047
Total non-current assets		**1,322,468**	**1,228,280**	**1,325,130**	**1,265,040**
Current assets					
Inventories	17	670,805	590,783	515,457	450,276
Trade receivables, net	18	76,853	78,877	146,762	142,755
Current income tax receivable		309	1,813	-	-
Other current assets	19	79,532	69,422	220,151	208,633
Derivative financial instruments asset, current	30	3,298	671	3,298	671
Restricted cash	20	67,009	45,566	60,440	45,082
Cash and cash equivalents	20	320,828	285,850	309,736	282,374
Total current assets		**1,218,634**	**1,072,982**	**1,255,844**	**1,129,791**
Total assets		**2,541,102**	**2,301,262**	**2,580,974**	**2,394,831**
Shareholders' Equity and Liabilities					
Shareholders' equity					
Share capital	21	356,091	336,703	370,037	370,037
Share premium		86,351	69,446	86,351	86,351
Other reserves	22	331,542	339,052	306,191	306,191
Retained earnings		49,409	83,322	299,011	301,862
Result for the period		390,581	71,531	317,686	67,220
Equity attributable to shareholders of Alro S.A.		**1,213,974**	**900,054**	**1,379,276**	**1,131,661**
Non-controlling interest		1,374	904	-	-
Total shareholders' equity		**1,215,348**	**900,958**	**1,379,276**	**1,131,661**
Non-current liabilities					
Bank and other loans, non-current	23	844,944	234,716	844,944	232,160
Finance leases, non-current	23	4,300	4,814	3,920	4,214
Provisions, non-current	24	30,769	33,520	1,239	1,193
Post-employment benefit obligations	25	41,569	36,884	36,019	32,220
Government grants, non-current portion	26	27,558	17,480	21,239	12,313
Other non-current liabilities		2,091	659	1,470	410
Total non-current liabilities		**951,231**	**328,073**	**908,831**	**282,510**
Current liabilities					
Bank and other loans, current	23	66,894	813,063	63,998	785,911
Finance leases, current	23	2,411	1,973	1,780	1,504
Provisions, current	24	26,830	177	25,516	-
Trade and other payables	27	183,647	185,308	133,480	137,424
Current income taxes payable		5,635	-	-	-
Government grants, current portion	26	1,592	1,592	1,146	1,146
Other current liabilities	28	87,514	70,118	66,947	54,675
Total current liabilities		**374,523**	**1,072,231**	**292,867**	**980,660**
Total liabilities		**1,325,754**	**1,400,304**	**1,201,698**	**1,263,170**
Total shareholders' equity and liabilities		**2,541,102**	**2,301,262**	**2,580,974**	**2,394,831**

The accompanying notes are an integral part of these consolidated and separate financial statements.
These financial statements were authorized for issue by the management on 26 March 2018.

Consolidated statement of changes in shareholders' equity for the year ended 31 December 2017 - Alro Group

	Share capital	Share premium	Other reserves
Balance at 1 January 2016	**336,703**	**69,446**	**363,644**
Profit for the period	-	-	-
Other comprehensive income / (expense)			
Translation adjustment	-	-	-
Remeasurements of post-employment benefits	-	-	-
Deferred tax on benefits remeasurement	-	-	-
Other comprehensive income / (expense)	**-**	**-**	**-**
Total comprehensive income / (expense)	**-**	**-**	**-**
Transactions with owners of the company recognized directly in equity			
Distributions to owners of the company			
Appropriation of prior year result	-	-	-
Balance at 31 December 2016	**336,703**	**69,446**	**363,644**
Balance at 1 January 2017	**336,703**	**69,446**	**363,644**
Profit for the period	-	-	-
Other comprehensive income / (expense)			
Translation adjustment	-	-	-
Remeasurements of post-employment benefits	-	-	-
Deferred tax on benefits remeasurement	-	-	-
Other comprehensive income / (expense)	**-**	**-**	**-**
Total comprehensive income / (expense)	**-**	**-**	**-**
Transactions with owners of the company recognized directly in equity			
Distributions to owners of the company:			
Appropriation of prior year result	-	-	875
Dividends distribution	-	-	-
Reclassification of share capital and share premium*	19,388	16,905	-
Balance at 31 December 2017	**356,091**	**86,351**	**364,519**

* The reclassification was made in order to align the Share capital and Share premium accounts with the amounts disclosed in Alro's separate financial statements (consolidated Share capital is less by RON 13,946 thousand to account for the 3.77% ownership of Conef in Alro eliminated on the basis of subsidiary - parent cross-holding).

The accompanying notes are an integral part of these consolidated and separate financial statements.
These financial statements were authorized for issue by the management on 26 March 2018.

in RON '000

Translation reserve	Total other reserves	Retained earnings	Result for the period	Attributable to shareholders of Alro S.A.	Non-controlling interests	Total shareholders' equity
-24,483	**339,161**	**83,701**	**-129**	**828,882**	**939**	**829,821**
-	-	-	71,531	**71,531**	-35	**71,496**
-109	**-109**	-	-	**-109**	-	**-109**
-	-	-348	-	**-348**	-	**-348**
-	-	98	-	**98**	-	**98**
-109	**-109**	**-250**	**-**	**-359**	**-**	**-359**
-109	**-109**	**-250**	**71,531**	**71,172**	**-35**	**71,137**
-	-	-129	129	-	-	-
-24,592	**339,052**	**83,322**	**71,531**	**900,054**	**904**	**900,958**
-24,592	**339,052**	**83,322**	**71,531**	**900,054**	**904**	**900,958**
-	-	-	**390,581**	**390,581**	525	**391,106**
-8,385	**-8,385**	-	-	**-8,385**	-50	**-8,435**
-	-	-4,216	-	**-4,216**	-5	**-4,221**
-	-	627	-	**627**	-	**627**
-8,385	**-8,385**	**-3,589**	**-**	**-11,974**	**-55**	**-12,029**
-8,385	**-8,385**	**-3,589**	**390,581**	**378,607**	**470**	**379,077**
	875	70,656	**-71,531**	**-**	**-**	**-**
-	-	-64,687	-	**-64,687**	-	**-64,687**
		-36,293		**-**		**-**
-32,977	**331,542**	**49,409**	**390,581**	**1,213,974**	**1,374**	**1,215,348**

* The reclassification was made in order to align the Share capital and Share premium accounts with the amounts disclosed in Alro's separate financial statements (consolidated Share capital is less by RON 13,946 thousand to account for the 3.77% ownership of Conef in Alro eliminated on the basis of subsidiary - parent cross-holding).

The accompanying notes are an integral part of these consolidated and separate financial statements.
These financial statements were authorized for issue by the management on 26 March 2018.

Separate statement of changes in equity for the year ended 31 December 2017 - Alro

	Share capital
Balance at 1 January 2016	**370,037**
Result for the period	-
Other comprehensive income / (expense)	
Remeasurements of post-employment benefits	-
Deferred tax on benefits remeasurement	-
Total other comprehensive income / (expense)	**-**
Total comprehensive income / (expense)	**-**
Transactions with owners of the company recognized directly in equity	
Distributions to owners of the company	
Appropriation of prior year result	-
Balance at 31 December 2016	**370,037**
Balance at 1 January 2017	**370,037**
Result for the period	-
Other comprehensive income / (expense)	
Remeasurements of post-employment benefits	-
Deferred tax on benefits remeasurement	-
Total other comprehensive income / (expense)	**-**
Total comprehensive income / (expense)	**-**
Transactions with owners of the company recognized directly in equity	
Distributions to owners of the company	
Appropriation of prior year result	-
Dividends distribution	-
Balance at 31 December 2017	**370,037**

The accompanying notes are an integral part of these consolidated and separate financial statements.
These financial statements were authorized for issue by the management on 26 March 2018

in RON '000

Share premium	Other reserves	Total other reserves	Retained earnings	Result for the period	Total
86,351	**306,191**	**306,191**	**326,313**	**-24,036**	**1,064,856**
-	-	-	-	67,220	**67,220**
-	-	-	-494	-	**-494**
-	-	-	79	-	**79**
-	**-**	**-**	**-415**	**-**	**-415**
-	**-**	**-**	**-415**	**67,220**	**66,805**
-	-	-	-24,036	24,036	**-**
86,351	**306,191**	**306,191**	**301,862**	**67,220**	**1,131,661**
86,351	**306,191**	**306,191**	**301,862**	**67,220**	**1,131,661**
-	-	-	-	317,686	**317,686**
-	-	-	-3,394	-	**-3,394**
-	-	-	543	-	**543**
-	**-**	**-**	**-2,851**	**-**	**-2,851**
-	**-**	**-**	**-2,851**	**317,686**	**314,835**
-	-	-	67,220	-67,220	**-**
-	-	-	-67,220	-	**-67,220**
86,351	**306,191**	**306,191**	**299,011**	**317,686**	**1,379,276**

The accompanying notes are an integral part of these consolidated and separate financial statements.
These financial statements were authorized for issue by the management on 26 March 2018

Consolidated and separate statements of cash flows for the year ended 31 December 2017

in RON '000

		Alro Group		Alro Stand-alone	
	Note	**2017**	**2016**	**2017**	**2016**
Cash flow from operating activities					
Result before income taxes		411,527	81,209	377,820	80,287
Adjustments for:					
Depreciation and amortisation		127,325	125,659	82,724	77,862
Impairment of investments	14	-		-23,912	-
Impairment of property, plant and equipment	7	184	-733	-	-844
Movement in provisions	24	26,653	-27,471	25,516	-27,539
Change in allowance for impairment of inventory	17	-5,044	-14,694	-5,078	-11,080
Change in allowance for impairment of doubtful receivables	6	550	-535	486	-668
Loss on disposal of property, plant and equipment	7	1,849	191	49	56
Net foreign exchange losses on loans revaluation		-45,627	21,035	-60,267	22,746
Interest income	9	-6,747	-5,328	-4,137	-4,459
Interest expense	8	50,917	57,717	48,236	53,165
Dividend income		-2	-	-2	-
Effect of derivative financial instruments		1,161	21,746	1,161	21,746
Changes in working capital:					
Change in inventories		-71,749	49,788	-57,865	36,877
Change in trade receivables and other assets		-5,572	14,255	-9,363	-2,144
Change in trade and other payables		2,992	-84,177	-1,418	-55,487
Income taxes paid		-2,949	-3,442	-	-
Interest paid	8	-57,779	-55,124	-56,586	-51,931
Payments from derivatives, net		-2,821	-2,699	-2,821	-2,699
Net cash generated by / (used in) operating activities		**424,868**	**177,397**	**314,543**	**135,888**
Cash flow from investing activities					
Purchase of property, plant and equipment and intangible assets, net		-198,895	-110,682	-129,113	-76,235
Government grants received		11,670	-	10,072	-
Proceeds from sale of property, plant and equipment		1,257	4,316	-	3,667
Change in restricted cash	20,16	-66,525	2,746	-60,440	3,000
Loans to related parties	29	-3,445	-13,570	-	-
Interest received		2,599	2,298	4,084	3,705
Net cash used in investing activities		**-253,339**	**-114,892**	**-175,397**	**-65,863**
Cash flow from financing activities					
Proceeds from loans and leasing		2,360	239,361	1,782	192,112
Repayment of loans		-74,525	-117,771	-46,760	-77,505
Repayment of loans, related parties	29	-	-24,996	-	-24,996
Dividends paid	11 ,29	-64,273	-4,239	-66,806	-4,239
Net cash provided by/(used in) financing activities		**-136,438**	**92,355**	**-111,784**	**85,372**
Net change in cash and cash equivalents		**35,091**	**154,860**	**27,362**	**155,397**
Cash and cash equivalents at beginning of period		**285,850**	**130,972**	**282,374**	**126,977**
Effect of exchange rate differences on cash and cash equivalents		-113	18	-	-
Cash and cash equivalents at end of period		**320,828**	**285,850**	**309,736**	**282,374**

The accompanying notes are an integral part of these consolidated and separate financial statements.
These financial statements were authorized for issue by the management on 26 March 2018

in RON '000, except per share data

1. Organisation and nature of business

Alro S.A. (the “Company” or the “Parent Company”) is a joint stock listed company established in 1961 in Romania and is the largest aluminium producer in Continental Europe (excluding Russia and Scandinavia). The shares of Alro S.A. are traded on the Bucharest Stock Exchange under the symbol "ALR".

The Company's administrative and managerial offices are located in Romania, with the headquarters in 116, Pitesti Street, Slatina, Olt County, Romania.

Vimetco N.V. (the Netherlands) is the major shareholder of Alro S.A., holding 84.19% of the Company's share capital. Vimetco N.V. is a privately held company and its registered office is at Strawinskylaan 403, World Trade Center, A Tower, 4th floor, 1077 XX Amsterdam, The Netherlands. The Company's ultimate controlling entity is Maxon Limited (Bermuda).

Alro S.A. and its subsidiaries (collectively referred to as "the Group") form a vertically integrated producer of primary and processed aluminium products: in Sierra Leone the bauxite is extracted, which is used to produce alumina in the Alum alumina refinery at Tulcea; this is further used by Alro at its smelter in Slatina to produce aluminium. Alro casts aluminium into primary products that are sold or processed as higher value added products (flat rolled or extruded) at Alro or Vimetco Extrusion facilities. The Group and the Company have their customers primarily in Central and Eastern Europe.

The structure of Alro Group and details about its subsidiaries are presented in Note 14.

Alro is listed on the Bucharest Stock Exchange. The prices per share during the years 2017 and 2016 were within the following ranges:

	2017	2016
- minimum price (RON/share)	1.17	0.91
- maximum price (RON/share)	3.44	1.33
- average price (RON/share)	2.02	1.13

The evolution of the average number of the Group’s and Company's employees was as follows:

	Alro Group		Alro Stand-alone	
	2017	2016	2017	2016
Average number of employees, of which:	3,932	3,852	2,501	2,449
Production staff	3,086	3,041	1,935	1,910
General and administration staff	846	811	566	539

These financial statements were authorised for issue by the Board of Directors on 26 March 2018.

2. Basis of preparation

Statement of compliance

These consolidated and separate financial statements of Alro and its subsidiaries (further named "Financial statements") have been prepared in accordance with the Ministry of Public Finance Order no. 2,844/2016, which is in accordance with the International Financial Reporting Standards (IFRS) adopted by the European Union (EU), except for *IAS 21 The effects of changes in foreign exchange rates regarding functional currency*.

The financial statements of Alro Group are available in hard copy at the Company's premises, upon request. They are also available on the website of the Company www.alro.ro within the applicable legal time frame.

Going concern

These financial statements have been prepared on a going concern basis, which assumes the Group and the Company will be able to realize their assets and discharge their liabilities in the normal course of business.

Basis of preparation

The financial statements have been prepared on the historical cost basis except for the financial instruments that are measured at fair values, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

Functional and presentation currency

The functional currency of the parent company is the Romanian leu (RON). For each entity the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency and translated in the presentation currency.

These financial statements are presented in RON thousand, rounded to the nearest unit.

3. Application of the new and revised international financial reporting standards

Following below are the new standards, amendments and interpretations to existing standards adopted starting 1 January 2017 and their effect in the preparation of the Group and the Company financial statements for the year ended 31 December 2017.

Standards and interpretations effective in 2017 that the Group and the Company have applied to these financial statements:

The Group and the Company have adopted the following new standards and amendments to standards, including any consequential amendments to other standards, with a date of initial application of 1 January 2017:

- Amendments to *IAS 7 Disclosure Initiative* require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. To the extent necessary to satisfy this requirement, an entity discloses the following changes in liabilities arising from financing activities:

• Changes from financing cash flows
• Changes arising from obtaining or losing control of subsidiaries or other businesses
• The effect of changes in foreign exchange rates
• Changes in fair values
• Other changes

The amendments suggest that the disclosure requirement may be met by providing a reconciliation between the opening and closing balances in the statement of financial position for liabilities arising from financing activities. Where an entity discloses such a reconciliation, it must provide sufficient information to enable users of the financial statements to link items included in the reconciliation to the statement of financial position and the statement of cash flows. The Group and the Company decided to provide information in a reconciliation format (see Note 23). The major changes in the Group and the Company's liabilities arising from financing activities are due to financing cash flows and the accrual of financial liabilities. On initial application of the amendment, entities are not required to provide comparative information for the preceding period.

- Amendments to *IAS 12 Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses* clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of deductible temporary difference related to unrealised losses. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount. The applied amendments had no effect on the Group and the Company's financial position and performance as the Group and the Company have no deductible temporary differences or assets that are in the scope of the amendments.

- *Annual Improvements Cycle - 2014-2016* – amendments to IFRS 12 Disclosure of Interests in Other Entities: Clarification of the scope of disclosure requirements in IFRS 12. The amendment clarifies the application of disclosure requirements in the standard to an entity's interests that are classified as held for sale, held for distribution or as discontinued operations in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations. The applied amendments had no effect on the Group and the Company's financial position and performance as the Group and the Company have no entity's interests classified as held for sale, held for distribution or as discontinued operations.

Standards issued but not yet effective and not early adopted

- *IFRS 9 Financial instruments*, issued on 24 July 2014, adopted by the EU on 22 November 2016. IFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Except for hedge accounting, retrospective application is required but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

The Group and the Company plan to adopt the new standard on the required effective date and will not restate comparative information. During 2017, the Group and the Company have performed a detailed impact assessment of all three aspects of IFRS 9. This assessment is based on currently available information and may be subject to changes arising from further reasonable and supportable information being made available to the Group and the Company in 2018 when the Group and the Company will adopt IFRS 9. Overall, the Group and the Company expect no significant impact on its statement of financial position and equity except for the effect of applying the impairment requirements of IFRS 9. The Group and the Company expect an increase in the loss allowance resulting in a negative impact on equity as discussed below.

a) Classification and measurement
The Group and the Company do not expect a significant impact on its balance sheet or equity on applying the classification and measurement requirements of IFRS 9. It expects to continue measuring at fair value all financial assets currently held at fair value. Loans as well as trade receivables are held to collect contractual cash flows and are expected to give rise to cash flows representing solely payments of principal and interest. The Group and the Company analysed the contractual cash flow characteristics of those instruments and concluded that they meet the criteria for amortised cost measurement under IFRS 9. Therefore, reclassification for these instruments is not required.

(b) Impairment
IFRS 9 requires the Group and the Company to record expected credit losses on all of its debt securities, loans and trade receivables, either on a 12-month or lifetime basis. The Group and the Company will apply the simplified approach and record lifetime expected losses on all trade receivables. The management has determined that, due to the unsecured nature of its loans and receivables, the loss allowance will increase by RON 37 thousand for the Company and RON 736 thousand for the Group as at 1 January 2018.

(c) Hedge accounting
The Group and the Company determined that all existing hedge relationships that are currently designated in effective hedging relationships will continue to qualify for hedge accounting under IFRS 9. The Group and the Company have chosen not to retrospectively apply IFRS 9 on transition to the hedges where the Group and the Compant excluded the forward points from the hedge designation under IAS 39. As IFRS 9 does not change the general principles of how an entity accounts for effective hedges, applying the hedging requirements of IFRS 9 will not have a significant impact on Group and Company's financial statements.

- *IFRS 15 Revenue from contracts with customers*, issued in May 2014 and amended in April 2016. IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The new revenue standard will supersede all current revenue recognition requirements under IFRS. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after 1 January 2018. Early adoption is permitted. The Group and the Company plan to adopt the new standard on the required effective date using the cumulative effect method. During 2016, the Group and the Company performed a preliminary assessment of IFRS 15, which was continued with a more detailed analysis completed in 2017.

Sales of goods
Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced by estimated customer returns, rebates and other similar allowances.

For the sale of goods, the Group and the Company currently recognize revenue when all the following conditions are satisfied:
- the Group and the Company have transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group and the Company retain neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group and the Company; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Specifically, revenue from the sale of goods is recognized when goods are delivered and legal title is passed.

Under IFRS 15, revenue will be recognized when a customer obtains control of the goods. The Group and the Company deliver goods (mainly aluminium, alumina, bauxite) under contractual terms based on internationally accepted delivery conditions (INCOTERMS). The moment when the customer obtains control of the goods is deemed to be substantially the same for the majority of contracts of the Group and the Company under IFRS 15 as under IAS 18.

For contracts with customers in which the sale of goods (mainly aluminium, alumina, bauxite) is generally expected to be the only performance obligation, the adoption of IFRS 15 is not expected to have any impact on the Group's and Company's revenue and profit or loss. The Group and the Company expect the revenue recognition to occur at a point in time when control of the asset is transferred to the customer, generally on delivery of the goods.

In preparing to adopt IFRS 15, the Group and the Company are considering the following:

Variable consideration
Some contracts with customers provide volume rebates, financial discounts, price concessions or a right of return for quality claims. Currently, the revenue from these sales is recognized based on the price specified in the contract, net of returns and allowances, trade discounts and volume rebates booked on an accrual basis when a reasonable estimate of the revenue adjustments can be made.

Under IFRS 15, variable consideration is required to be estimated at contract inception. Revenue will be recognized to the extent that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur. As a consequence, for those contracts for which the Group and the Company are unable to make a reasonable estimate of return, revenue is expected to be recognized sooner than when the return period lapses or a reasonable estimate can be made.

However, since the contractual periods for most of the contracts coincide with the calendar years for which annual financial statements are prepared, and due to the fact that the Group and the Company currently report the annual revenue from the contracts with clients net of adjustments such as volume or financial discounts, the impact on retained earnings and NCI at 1 January 2018 from the treatment of variable returns as a result of adoption of IFRS 15 is immaterial. At the same time, the cases of quality claims (rights of return) are isolated and historically immaterial in such a way that the Group and the Company cannot make a reasonable estimate of such reversal of revenue at year end. The impact on retained earnings and NCI at 1 January 2018 from the treatment of variable returns as a result of the adoption of IFRS 15 is immaterial.

Principal versus agent considerations
The Group and the Company have concluded that they are the principal in all of their revenue arrangements since they are the primary obligor in all the revenue arrangements, have pricing latitude and are also exposed to inventory and credit risks.

Under IFRS 15, the assessment will be based on whether the Group and the Company control the specific goods before transferring them to the end customer, rather than whether they have exposure to significant risks and rewards associated with the sale of goods.

Recognition of revenue from distinct performance obligations
According to some delivery conditions, denominated according to INCOTERMS (such as CIP "Carriage and Insurance Paid To" or CFR "Cost and Freight", etc.), the Group and the Company may provide services such as transport to a specified destination beyond the moment of transfer of control of goods to the clients. IFRS 15 requires an entity to account for each distinct good or service as a separate performance obligation. Freight services may meet the definition of a distinct service, but a full understanding of the terms of the trade is required to ensure that this is the case. A performance obligation for transportation generally meets the criteria for a

performance obligation that is settled over a period of time, and revenue will be recognized over the period of transfer to the customer. If it does not meet the criteria, the performance obligation would be settled at a point in time, and revenue would likely be recognized when the customer receives the goods. This could result in the recognition of a portion of the revenue from the contract with the customer when control of the goods passes and recognition over time for the portion of revenue relating to the freight services. There cannot be a separate obligation for an entity to transport its own goods (that is, prior to transfer of control of the goods to the customer).

The impact on retained earnings and NCI at 1 January 2018 from the treatment of transport services as distinct performance obligations, as a result of the adoption of IFRS 15, is immaterial.

Rendering of services
The Group and the Company perform sundry services occasionally and as a non core business. Revenue is measured at the fair value of the consideration received or receivable. Under IFRS 15, the total consideration in the service contracts will be allocated to all services based on their stand-alone selling prices. The stand-alone selling prices will be determined based on the list prices at which the Group and the Company sell the services in separate transactions. Based on the Group and Company's assessment, the fair value and the stand-alone selling prices of the services are broadly similar. Therefore, the Group and the Comapny do not expect the application of IFRS 15 to result in significant differences in the timing of revenue recognition for these services.

The recognition and measurement requirements in IFRS 15 are also applicable for recognition and measurement of any gains or losses on disposal of non-financial assets (such as items of property and equipment and intangible assets), when that disposal is not in the ordinary course of business. However, on transition, the effect of these changes is not expected to be material for the Group and the Company.

Transition
The Group and the Company plan to adopt IFRS 15 using the cumulative effect method, with the effect of initially applying the standard recognized at the date of initial application (i.e. 1 January 2018). As a result, the Group and the Company will not apply the requirements of IFRS 15 to the comparative period presented.

- *IFRS 15: Revenue from Contracts with Customers* (Clarifications). The Clarifications apply for annual periods beginning on or after 1 January 2018 with earlier application permitted. The objective of the Clarifications is to clarify the IASB's intentions when developing the requirements in IFRS 15 Revenue from Contracts with Customers, particularly the accounting of identifying performance obligations amending the wording of the "separately identifiable" principle, of principal versus agent considerations including the assessment of whether an entity is a principal or an agent as well as applications of control principle and of licensing providing additional guidance for accounting of intellectual property and royalties. The Clarifications also provide additional practical expedients for entities that either apply IFRS 15 fully retrospectively or that elect to apply the modified retrospective approach. The management has assessed that the Clarifications are not expected to materially impact financial statements of the Group and the Company.

- *IFRS 16 Leases*, issued on 13 January 2016 is effective for annual periods beginning on or after 1 January 2019 (early application is permitted, but not before an entity applies IFRS 15). IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets and short-term leases. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. Lessor accounting under IFRS 16 is substantially unchanged from today's accounting under IAS 17.

The Group and the Company have made an initial assessment of the potential impact on its financial statements, but have not yet completed its detailed assessment. The actual impact of applying IFRS 16 in the financial statements in the period of initial application will depend on future economic conditions, including the Group's and the Company's borrowing rate at 1 January 2019, the composition of the lease portfolio at that date, the Group's and the Company's latest assessment of whether it will exercise any lease renewal options and the extent to which the Group and the Company chooses to use practical expedients and recognition exemptions.

So far, the most significant impact identified is that the Group and the Company will recognize new assets and liabilities for its operating leases of vehicles and equipment with future minimum lease payment under non-cancellable operating leases amounting to kRON 1,935 as at 31 December 2017 (for details refer to Note 31). No significant impact is expected for leases where the Company is a lessor (see Note 31) or for the Group's and Company's financial leases. In 2018, the Group and the Company will continue to assess the potential effect of IFRS 16 on its financial statements.

- *IFRS 17 Insurance Contracts*. The standard is effective for annual periods beginning on or after 1 January 2021 with earlier application permitted if both IFRS 15 Revenue from Contracts with Customers and IFRS 9 Financial Instruments have also been applied. The standard has not been yet endorsed by the EU. IFRS 17 Insurance Contracts establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts issued. It also requires similar principles to be applied to reinsurance contracts held and investment contracts with discretionary participation features issued. The objective is to ensure that entities provide relevant information in a way that faithfully represents those contracts. This information gives a basis for users of financial statements to assess the effect that contracts within the scope of IFRS 17 have on the financial position, financial performance and cash flows of an entity. This standard is not applicable to the Group and the Company.

- Amendments to *IFRS 2: Classification and Measurement of Share-based Payment Transactions* (effective for annual periods beginning on or after 1 January 2018), not yet adopted by the EU. The amendments clarify the accounting of cash-settled share-based payment transactions that include a performance condition, classification of share-based payment transactions with net settlement features and accounting for modifications of share-based payment transactions from cash-settled to equity-settled. The amendments are not expected to impact financial statements as the Group and the Company have no share-based payments.
- Amendments to *IFRS 4: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts* (effective for annual periods beginning on or after 1 January 2018), adopted by the EU on 3 November 2017. The amendments provide two options for entities that issue insurance contracts within the scope of IFRS 4: an option that permits entities to reclassify, from profit or loss to other comprehensive income, some of the income or expenses arising from designated financial assets (the "overlay approach") and an optional temporary exemption from applying IFRS 9 for entities whose predominant activity is issuing contracts within the scope of IFRS 4 (the "deferral approach"). The amendments are not expected to impact financial statements of the Group and the Company.

- Amendments to *IFRS 9: Prepayment features with negative compensation* (effective for annual reporting periods beginning on or after 1 January 2019 with earlier application permitted), not yet adopted by the EU. The Amendment allows financial assets with prepayment features that permit or require a party to a contract either to pay or receive reasonable compensation for the early termination of the contract (so that, from the perspective of the holder of the asset there may be 'negative compensation'), to be measured at amortized cost or at fair value through other comprehensive income. The amendments are not expected to impact financial statements of the Group and the Company.

- Amendments to *IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*. The amendments address an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28, in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. In December 2015 the IASB postponed the effective date of this amendment indefinitely pending the outcome of its research project on the equity method of accounting. The amendments are not expected to impact financial statements and the Group and the Company will apply these amendments when they become effective.

- Amendments to *IAS 28: Long-term Interests in Associates and Joint Ventures,* not yet adopted by the EU. The Amendments are effective for annual reporting periods beginning on or after 1 January 2019 with earlier application permitted. The Amendments relate to whether the measurement, in particular impairment requirements, of long term interests in associates and joint ventures that, in substance, form part of the 'net investment' in the associate or joint venture should be governed by IFRS 9, IAS 28 or a combination of both. The Amendments clarify that an entity applies IFRS 9 Financial Instruments, before it applies IAS 28, to such long-term interests for which the equity method is not applied. In applying IFRS 9, the entity does not take account of any adjustments to the carrying amount of long- term interests that arise from applying IAS 28. These amendments are not applicable to the Group and the Company.

- Amendments to *IAS 40 Transfers of Investment Property* (effective for annual periods beginning on or after 1 January 2018), not yet adopted by the EU. IAS 40 has been amended to state that an entity shall transfer a property to, or from, investment property when, and only when, there is evidence of a change in use. A change of use occurs if property meets, or ceases to meet, the definition of investment property. A change in management's intentions for the use of a property by itself does not constitute evidence of a change in use. The directors do not expect the amendment to materially affect the financial statements of the Group and Company.

- *IFRIC 22 Interpretation Foreign Currency Transactions and Advance Consideration* (effective for annual periods beginning on or after 1 January 2018), not yet adopted by the EU. IFRIC Interpretation 22 addresses the exchange rate to use in transactions that involve advance consideration paid or received in a foreign currency. Thus, the date of the transaction, for the purpose of determining the exchange rate, is the date of initial recognition of the non-monetary prepayment asset or deferred income liability. If there are multiple payments or receipts in advance, a date of transaction is established for each payment or receipt. The Group's and the Company's current practice is in line with the Interpretation, therefore directors do not expect any effect on its consolidated financial statements.

- *IFRIC 23 Uncertainty over Income Tax Treatments* (effective for annual periods beginning on or after 1 January 2019), not yet adopted by the EU. The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12. The Interpretation provides guidance on considering uncertain tax treatments separately or together, examination by tax authorities, the appropriate method to reflect uncertainty and accounting for changes in facts and circumstances. The Management is currently evaluating the impact on financial statements of the Group and Company resulting from the amendment.

- *Annual Improvements to IFRS Standards 2014-2016 Cycle* (effective for annual periods beginning on or after 1 January 2018 for IFRS 1 and IAS 28), endorsed by the EU on 7 February 2018. The improvements are not expected to have a material impact on the Group's and Company's financial statements. These annual improvements amend following standards from the 2012 – 2014 reporting cycle:

  - *IFRS 1 First-time Adoption of International Financial Reporting Standards.* The amendment deleted the short-term exemptions, because they have now served their intended purpose.

  - *IAS 28 Investments in Associates and Joint Ventures.* The amendment clarifies that the election to measure at fair value through profit or loss an investment in an associate or a joint venture that is held by an entity that is a venture capital organisation, or other qualifying entity, is available for each investment in an associate or joint venture on an investment-by-investment basis, upon initial recognition.

- *Annual Improvements to IFRS Standards 2015 – 2017 Cycle* (effective for annual periods beginning on or after 1 January 2019), not yet adopted by the EU. The improvements are not expected to have a material impact on the Group's and Company's financial statements. These annual improvements are a collection of amendments to IFRSs:

  - *IFRS 3 Business Combinations and IFRS 11 Joint Arrangements:* The amendments to IFRS 3 clarify that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business. The amendments to IFRS 11 clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business.

  - *IAS 12 Income Taxes:* The amendments clarify that the income tax consequences of payments on financial instruments classified as equity should be recognized according to where the past transactions or events that generated distributable profits has been recognized.

  - *IAS 23 Borrowing Costs:* The amendments clarify paragraph 14 of the standard that, when a qualifying asset is ready for its intended use or sale, and some of the specific borrowing related to that qualifying asset remains outstanding at that point, that borrowing is to be included in the funds that an entity borrows generally.

- *IAS 19: Plan Amendment, Curtailment or Settlement* (Amendments), issued on 7 February 2018. The Amendments are effective for annual periods beginning on or after 1 January 2019 with earlier application permitted. The amendments require entities to use updated actuarial assumptions to determine current service cost and net interest for the remainder of the annual reporting period after a plan amendment, curtailment or settlement has occurred. The amendments also clarify how the accounting for a plan amendment, curtailment or settlement affects applying the asset ceiling requirements.

4. Significant accounting policies

The main accounting policies are set out below:

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

Generally, there is a presumption that a majority of voting rights result in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual arrangements;
- The Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

Income and expenses of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries 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 recognized 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. When assets of the subsidiary are carried at revalued amounts or fair values and the related cumulative gain or loss has been recognized in other comprehensive income and accumulated in equity, the amounts previously recognized in other comprehensive income and accumulated in equity are accounted for as if the Company had directly disposed of the relevant assets (i.e. reclassified to profit or loss or transferred directly to retained earnings as specified by applicable IFRSs). 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 a jointly controlled entity.

Business combinations

Business combinations are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognized in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognized at their fair value at the acquisition date, except that:

-deferred tax assets and liabilities related to employee benefit commitments are recognized 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.

Goodwill is measured as 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 the above mentioned difference is negative, the excess is recognized in profit or loss as a bargain purchase gain.

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 recognized 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.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the ‘measurement period’ (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with IAS 39 *Financial Instruments: Recognition and Measurement*, or IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, as appropriate, with the corresponding gain or loss being recognized in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control) and the resulting gain or loss, if any, is recognized in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognized in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

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 above), or additional assets or liabilities are recognized, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognized at that date.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognized directly in profit or loss in the consolidated statement of profit or loss and other comprehensive income. An impairment loss recognized for goodwill is not reversed in subsequent periods.

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.

Current versus non-current classification

The Group and the Company present assets and liabilities in statement of financial position based on current/non-current classification.

An asset as current when it is:
- Expected to be realised or intended to be sold or consumed in normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realised within twelve months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:
- It is expected to be settled in normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Group and the Company classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

Fair value measurement

The Group and the Company measure financial instruments such as derivatives at fair value at each reporting date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Group and the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group and the Company use valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

-Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable;
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group and the Company determine whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced by estimated customer returns, rebates and other similar allowances. The Company has concluded that it is the principal in all of its revenue arrangements since it is the primary obligor in all the revenue arrangements, has pricing latitude and is also exposed to inventory and credit risks.

Sale of goods

Revenue from the sale of goods is recognized when all the following conditions are satisfied:
- the Group and the Company have transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group and the Company retain neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group and the Company ; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Specifically, revenue from the sale of goods is recognized when goods are delivered and legal title is passed.

Dividend and interest income

Dividend income from investments is recognized when the shareholder's right to receive payment has been established (provided that it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably).
Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. 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 on initial recognition.

Rental income

The Group's policy for recognition of revenue from operating leases is described below.

Leasing

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date, whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

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.

Capitalized leases are depreciated over the shorter of the estimated useful life of the asset or the lease term.

The Group and Company as lessor

Amounts due from lessees under finance leases are recognized as receivables at the amount of the Group's and Company's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's and Company's net investment outstanding in respect of the leases.

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized on a straight-line basis over the lease term.

The Group and Company as lessee

Assets held under finance leases are initially recognized as assets of the Group and Company at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated 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 recognized immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalized in accordance with the Group's general policy on borrowing costs. Contingent rentals are recognized as expenses in the periods in which they are incurred.

Operating lease payments are recognized as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

In the event that lease incentives are received to enter into operating leases, such incentives are recognized as a liability. The aggregate benefit of incentives is recognized as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Foreign currencies

In preparing the consolidated financial statements of the Group, transactions in currencies other than the entity's functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date and included as foreign exchange difference. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.
Exchange differences on monetary items are recognized 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 below the hedging accounting policies);

For the purpose of presenting the financial statements in RON, the assets and liabilities of the foreign operations whose functional currencies are different than RON, 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. Equity items are translated at their historical exchange rates. Exchange differences arising on the translation are recognized 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 de-recognized but they are not reclassified to profit or loss.

Borrowing costs

Borrowing costs consist of interest and other costs that the Company incurs in connection with the borrowing of funds. 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 capitalization.

All other borrowing costs are recognized in the profit or loss in the period in which they are incurred.

Employee benefits

The Group and Company, in the normal course of business, make payments on behalf of its employees for pensions, health care and unemployment cover. The cost of these payments is charged to profit or loss in the same period as the related salary cost.

The Group and Company award their employees with some retirement benefits according to the Collective Labour Agreement. For this defined benefit retirement plan, the cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at each reporting period. The remeasurement, comprising actuarial gains and losses, is reflected immediately in the statement of financial position with a charge or credit recognized in other comprehensive income in the period in which they occur. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability. Defined benefit costs are categorized as follows:

- Service costs (comprising current service cost, past service cost, as well as gain and losses on curtailments and settlements), included in profit or loss line item "Cost of goods sold" or "General and administrative expenses" within personnel costs.
- Net interest expense, included in profit or loss within interest expense.
- Remeasurement.

Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group and Company recognises termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the balance sheet date are discounted to their present value.

Taxation

Current tax

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

Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences.

Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized 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 taxable profit nor the accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences associated with 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 arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period 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. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Currently the fiscal losses generated by the Romanian Group companies can be carried forward for 7 years, while for Sierra Leone for 10 years.

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 realized, 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 and Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Current and deferred tax for the year

Current and deferred tax are recognized in the consolidated profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity respectively.

Value added tax (VAT)

Revenues, expenses and assets are recognised net of VAT except:
- Where the tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable;
- When receivables and payables are stated with the amount of sales tax included, the net amount of tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

Property, plant and equipment

Land and buildings held for use in the production or supply of goods or services, or for administrative purposes, are stated in the consolidated statement of financial position at their cost, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

When significant parts of property, plant and equipment are required to be replaced at intervals, the Group and Company recognises such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred. The present value of the expected cost for the decommissioning of an asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognized impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalized in accordance with the Group's and Company's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Freehold land is not depreciated.

Depreciation is recognized so as to write off the cost less their residual values over the following useful lives, using the straight-line method:

	2017
Buildings and special constructions	2 - 60 years
Plant and machinery	1 - 30 years
Equipment and vehicles	2 - 25 years

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Fixtures and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is recognized so as to write off the cost less their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

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.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on 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 recognized in consolidated profit or loss at the date of the derecognition.

Investment properties

The Company's investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at cost, less any accumulated depreciation and any accumulated impairment losses.

Depreciation is recognized so as to write off the cost less their residual values over their useful lives, using the straight-line method. Investment properties are derecognised either when they have been disposed of or when they are permanently withdrawn from use and no future economic benefit is expected from their disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in the income statement in the period of derecognition.
Transfers are made to (or from) investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner-occupied property becomes an investment property, the Company accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

Internally-generated intangible assets - research and development expenditure

Expenditure on research activities is recognized as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognized if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognized for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognized, development expenditure is recognized in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortization and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination and recognized separately from goodwill are initially recognized at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortization and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

De-recognition of intangible assets

An intangible asset is derecognized on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from de-recognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognized in consolidated profit or loss when the asset is derecognized.

Intangible assets are amortized over a period between 3 years (for software) and 50 years (for concessions).

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.

Capitalized exploration and evaluation expenditure is recorded at cost less impairment losses. Once an operating license has been obtained, the respective exploration assets are amortized over the shorter of the life of the mine and the life of the mining license.
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.

Impairment of tangible and intangible assets

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 and Company estimate the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

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 for which the estimates of future cash flows have not been adjusted.

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 (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a 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 recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

Inventories

Inventories are stated at the lower of cost and net realizable value.

Costs incurred in bringing each product to its present location and condition are accounted for as follows:

- Raw materials: purchase cost on a first in, first out basis;
- Finished goods and work in progress: cost of direct materials and labour and a proportion of manufacturing overheads based on the normal operating capacity, but excluding borrowing cost, determined on weighted average basis.

Net realizable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Provisions

Provisions are recognized when the Group and Company have a present obligation (legal or constructive) as a result of a past event, it is probable that the Group and Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Onerous contracts

Present obligations arising under onerous contracts are recognized and measured as provisions. An onerous contract is considered to exist where the Group and the Company have a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract.

Restructurings

A restructuring provision is recognized when the Group and the Company have developed a detailed formal plan for the restructuring and have raised a valid expectation in those affected that it will carry out the restructuring by starting to implement the plan or announcing its main features to those affected by it. The measurement of a restructuring provision includes only the direct expenditures arising from the restructuring, which are those amounts that are both necessarily entailed by the restructuring and not associated with the ongoing activities of the Group and Company.

Warranties

Provisions for the expected cost of warranty obligations under local sale of goods legislation are recognized at the date of sale of the relevant products, at the directors' best estimate of the expenditure required to settle the Group's and Company's obligation.

Decommissioning liability

Decommissioning costs include the dismantling and demolition of infrastructure and the removal of residual materials and remediation of disturbed areas. Decommissioning costs are provided at the present value of expected costs to settle the obligation using estimated cash flows and are recognised as part of the cost of the particular asset. The cash flows are discounted at a current pre-tax rate that reflects the risks specific to the decommissioning liability. The unwinding of the discount is expensed as incurred and recognised in the statement of profit or loss as a finance cost. The estimated future costs of decommissioning are reviewed annually and adjusted as appropriate. Changes in the estimated future costs or in the discount rate applied are added to or deducted from the cost of the asset.

Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets and financial liabilities are recognized when the Group and Company become a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in consolidated and separate profit or loss.

Financial assets

For purposes of subsequent measurement financial assets are classified into the following specified categories: financial assets ‘at fair value through profit or loss' (FVTPL), ‘held-to-maturity' investments, ‘available-for-sale' (AFS) financial assets and ‘loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortized 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 and 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 recognized on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL.

Financial assets fair value through profit or loss at 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 and Company'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 recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any dividend or interest earned on the financial asset and is included in the ‘Gains / (Losses) from embedded derivatives' or 'Other financial gains, net' line item in the statement of profit or loss and other comprehensive income. Fair value is determined in the manner described in Note 30.

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 and Company have 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.

Available-for-sale financial assets (AFS financial assets)

AFS financial assets are non-derivatives that are either designated as AFS or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at fair value through profit or loss.

Listed redeemable notes held by the Group and Company that are traded in an active market are classified as AFS and are stated at fair value at the end of each reporting period. The Group and Company also have investments in unlisted shares that are not traded in an active market but that are also classified as AFS financial assets and stated at fair value at the end of each reporting period (because the directors consider that fair value can be reliably measured). Fair value is determined in the manner described in Note 30. Changes in the carrying amount of AFS monetary financial assets relating to interest income calculated using the effective interest method and dividends on AFS equity investments are recognized in profit or loss. Other changes in the carrying amount of available-for-sale financial assets are recognized in other comprehensive income and accumulated under the heading of investments revaluation reserve. 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.

Investments in subsidiaries

In the separate unconsolidated financial statements investments in subsidiaries are stated at historical cost less accumulated impairment losses.

Dividends on AFS equity instruments are recognized in profit or loss when the Group's right to receive the dividends is established.

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

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including trade and other receivables, bank balances and cash, etc.) are measured at amortised cost using the effective interest method, less any impairment.

Interest income is recognized by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Cash and cash equivalents

Cash and cash equivalents in the statement of financial position and statement of cash flows comprise cash at banks and on hand and short-term deposits with a maturity of three months or less.

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 AFS equity investments, 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, objective evidence of impairment could include:
- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in interest or principal payments; or
- the lender, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
- 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 and Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, 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 recognized 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 because their fair value cannot be reliably measured, 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 in profit or loss. Changes in the carrying amount of the allowance account are recognized in profit or loss.

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognized 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 recognized, the previously recognized 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 recognized.

In respect of AFS equity securities, impairment losses previously recognized in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognized 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 and the Company derecognise a financial asset only when the contractual rights to the cash flows from the asset expire, or when they transfer the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group and the Company neither transfer nor retain substantially all the risks and rewards of ownership and continue to control the transferred asset, the Group and Company recognise their retained interest in the asset and an associated liability for amounts it may have to pay. If the Group and the Company retain substantially all the risks and rewards of ownership of a transferred financial asset, they continue to recognise the financial asset and also recognise 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 recognized in other comprehensive income and accumulated in equity is recognized in profit or loss.

Financial liabilities and equity instruments

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

Classification as debt or equity

Debt and equity instruments issued by the Group and the Company are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group and Company are recognized at the proceeds received, net of direct issue costs.

Repurchase of the Group's and Company's own equity instruments is recognized and deducted directly in equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Group's and Company's own equity instruments.

Financial liabilities

Financial liabilities are classified as either financial liabilities ‘at FVTPL' or ‘other financial liabilities'.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is either held for trading or it is designated as at FVTPL.

A financial liability is classified as held for trading if:
- it has been acquired principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group and the Company manage 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 liability other than a financial liability 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 liability 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 liabilities at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any interest paid on the financial liability and is included in the ‘Gains/(losses) from embedded derivatives' or ’’Other financial gains/(losses), net’’. Fair value is determined in the manner described in Note 30.

Other financial liabilities

Other financial liabilities (including borrowings) are subsequently measured at amortised cost using the effective interest method.

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 (including all fees and 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 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 and Company 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 recognized less, where appropriate, cumulative amortisation recognized in accordance with the revenue recognition policies.

Derecognition of financial liabilities

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

Derivative financial instruments

The Group and Company enter into a variety of derivative financial instruments to manage its exposure to market risk and foreign exchange rate risk, including foreign exchange forward contracts, swaps and options to manage the commodity prices risks associated with sales of aluminium based on the London Metal Exchange price for High Grade Aluminium (“LME”).

Further details of derivative financial instruments are disclosed in Note 30.Derivatives are initially recognized at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

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.

Hedge accounting

The Group and Company designate certain hedging instruments as either fair value hedges or cash flow hedges.

At the inception of the hedge relationship, the Group and Company document the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group and Company document whether the hedging instrument is highly effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk.

Note 30 presents details of the fair values pertaining to the derivative financial instruments for hedging purposes.

Fair value hedges

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recognized in profit or loss immediately, 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 recognized in the line of the consolidated statement of comprehensive income relating to the hedged item.

Hedge accounting is discontinued when the Group and Company revoke 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.

Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognized in other comprehensive income and accumulated under the heading of cash flow hedging reserve. The gain or loss relating to the ineffective portion is recognized immediately in the profit or loss, and is included in "Gains/(losses) from embedded derivatives" and "Other net financial gains / (losses), net" line items.

Amounts previously recognized in other comprehensive income and accumulated in equity are reclassified to the profit or loss in the periods when the hedged item is recognized in the profit or loss, in the same line of the statement of comprehensive income as the recognized hedged item.

However, when the hedged forecast transaction results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously recognized in other comprehensive income and accumulated in equity are transferred from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability.
Hedge accounting is discontinued when the Group and the Company revoke the hedging relationship, when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting.

Any gain or loss recognized in other comprehensive income and accumulated in equity at that time remains in equity and is recognized when the forecast transaction is ultimately recognized in the consolidated and separate profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognized immediately in the profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, to realize the assets and settle the liabilities simultaneously.

Related parties

Parties are considered related when other party, either through ownership, contractual rights, family relationship or otherwise, has the ability to control or significantly influence the other party.

Government grants

Government grants are recognised once there is reasonable assurance that the Group and the Company 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 a compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group and Company with no future related costs are recognised in profit or loss in the period in which they become receivable.

Emission rights

The Group and Company recognizes the deficit in emission certificates in the consolidated and separate financial statements based on the net liability method. Under this method only those liabilities that are expected to result from exceeding the emission certificates quotas granted are recognized.

The Group and Company estimate their annual emission volumes at the end of each reporting period and recognise 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 recognized in profit or loss based on unit of production method.

In case the Group and the Company estimate utilization of less than the allocated emission certificates any potential income from the sale of unused emission certificates is recognized only on actual sale of those certificates.

Operating segments

An operating segment is a component of the Group and Company that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity), whose operating results are regularly reviewed by the Group's and Company's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and for which distinctive financial information is available. Segment information is presented in respect of the Group's snd Company's business and geographical segments and is determined based on the Group's management and internal reporting structure.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly investments (other than investment property) and related revenue, loans and borrowings and related expenses, corporate assets (primarily the Group's and Company's headquarters) and head office expenses, and income tax assets and liabilities.

Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment, and intangible assets other than goodwill.

Dividends

Dividends are recorded as a liability in the Group and Company's financial statements in the period in which they are approved by the Company's shareholders and reflected in a corresponding diminution of shareholders' equity.

Significant accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are presented below. The Group and Company based their assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group and Company. Such changes are reflected in the assumptions when they occur.

Impairment of non-financial assets
Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a DCF model. The cash flows are derived from budgets prepared by the Group and Company and do not include restructuring activities that the Group and Company are not yet committed to or significant future investments that will enhance the asset's performance of the CGU being tested. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes.

Taxes
Uncertainties exist with respect to the interpretation of complex tax regulations, changes in tax laws, and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. The Group and Company established provisions, when necessary, based on reasonable estimates, for possible consequences of audits by the tax authorities. The amount of such provisions is based on various factors, such as experience of previous tax audits and diferring interpretations of tax regulations by the Group and Company and the responsible tax authority. Such differences in interpretation may arise for a wide variety of issues depending on the conditions prevailing in that context.

Deferred tax assets are recognised for carried forward tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies. Further details are disclosed in note 10.

The Group has RON 53,331 thousand (2016: RON 270,886 thousand) of unrecognised deferred tax assets from tax losses carried forward. These losses relate mainly to Sierra Mineral Holdings I, Ltd., which has a history of fiscal losses and may not be used to offset taxable income elsewhere in the Group. Given the uncertainties surrounding the timing and amounts of future taxable profits available to offset tax losses, the Group has determined that it cannot recognise deferred tax assets on some of the tax losses carried forward. If the Group was able to recognise all unrecognised deferred tax assets, profit and equity would increase by RON 20,512 thousand (2016: RON 80,689 thousand). Further details on taxes are disclosed in Note 10.

Fair value measurement of financial instruments
When the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the DCF model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments. See note Note 30 for further disclosures.

Provision for rehabilitation
The Group and the Company have recognized a provision for the rehabilitation of the premises where they deposit scrap from production. In determining the fair value of the provision, assumptions and estimates are made in relation to discount rates, inflation rates, effective costs of works to be performed and the expected timing of these costs. See note 24 for further details.

Useful lives of property, plant and equipment
The Group and the Company review the estimated useful lives of property, plant and equipment at the end of each reporting period.

The management uses critical accounting judgements also for the provisions and allowances for receivables and inventories, impairment of financial assets and contingent liabilities.

Defined benefit plans
The cost of the defined benefit plans and the present value of the defined benefit obligations are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, personnel turnover and longevity. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date. Additional information is disclosed in Note 25.

5. Segment information

For management purposes, the Group is organized on a vertically integrated basis into divisions: bauxite, alumina, primary aluminium and processed aluminium. For the purpose of resource allocation and assessment of segment performance the divisions are the basis on which the Group reports its segment information to the chief operating decision maker. The bauxite segment is located in Sierra Leone. The alumina segment uses bauxite to produce alumina, which is the principal raw material for aluminium smelting. The Primary aluminium division manufactures primary aluminium products like wire rod, slabs, billets and ingots and the Processed aluminium segment develops and sells flat rolled products, such as sheets, plates and coils, and extruded products. Both the Primary and Processed aluminium divisions are located in Slatina, Romania. No operating segments have been aggregated to form the above reportable operating segments.

Segment revenues and expenses are directly attributable to the segments; joint expenses are allocated to the business segments on a reasonable basis. The income, expenses and result per segments include the transfers between business segments.Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

The management monitors interest income and expense on a net basis.

Segment assets include all operating assets used by a segment and consist principally of operating cash, receivables, inventories, property, plant and equipment and intangible assets, net of allowances for impairment. While most of such assets can be directly attributed to individual segments, the carrying amount of certain assets used jointly by two or more segments is allocated to the segments on a reasonable basis. Segment liabilities include all operating liabilities and consist principally of trade payables, wages and taxes payable and accrued liabilities. Segment assets and liabilities do not include deferred income taxes, borrowings, financial liabilities and other un-allocatable items.

in RON '000, except per share data

Alro Group revenues and results for the year 2017 and 2016 by segment were as follows:

	Bauxite	Alumina	Primary aluminium	Processed aluminium	Others	Inter-segment operations	Total
2017							
Sales to external customers	74,406	108,948	1,146,216	1,390,247	6,455	-	**2,726,272**
Inter-segment sales	190,723	526,498	1,040,763	14	23,323	-1,781,321	**-**
Total sales	265,129	635,446	2,186,979	1,390,261	29,778	-1,781,321	**2,726,272**
Segment results (gross profit)	78,039	45,494	417,709	136,771	10,629	-770	**687,872**
Other operating expenses, net							-248,926
Interest and other finance costs, net							-60,146
Net foreign exchange gains / (losses)							32,727
Result before income taxes							**411,527**
2016							
Sales to external customers	32,467	69,240	1,016,026	1,178,094	6,976	-	**2,302,803**
Inter-segment sales	190,004	485,954	853,743	27	24,479	-1,554,207	**-**
Total sales	222,471	555,194	1,869,769	1,178,121	31,455	-1,554,207	**2,302,803**
Segment results (gross profit)	53,436	-8,111	175,802	131,209	21,348	-5,984	**367,700**
Other operating expenses, net							-201,034
Interest and other finance costs, net							-81,598
Net foreign exchange gains / (losses)							-3,859
Result before income taxes							**81,209**

Segment assets and liabilities at 31 December 2017 and 31 December 2016, respectively, were as follows:

Alro Group

	Bauxite	Alumina	Primary aluminium	Processed aluminium	Others	Inter-segment operations	Total
31 December 2017							
Total assets	168,165	514,941	1,184,166	565,760	1,224,406	-1,116,336	**2,541,102**
Total liabilities	309,593	259,538	167,389	131,718	1,025,409	-567,893	**1,325,754**
Capital expenditure	37,203	30,697	75,381	74,471	-	-	**217,752**
Impairment of property, plant and equipment	-	-2,960	-566	-31,041	-	-	**-34,567**
Depreciation expense	-22,439	-16,867	-52,843	-32,461	-2,715	-	**-127,325**
31 December 2016							
Total assets	106,141	495,380	1,103,412	434,522	1,238,945	-1,077,138	**2,301,262**
Total liabilities	345,503	253,565	159,475	114,408	1,106,092	-578,739	**1,400,304**
Capital expenditure	18,840	13,534	59,466	26,226	-	-	**118,066**
Impairment of property, plant and equipment	-	-2,963	-566	-30,907	-	-	**-34,436**
Depreciation expense	-20,861	-19,734	-50,754	-29,541	-4,769	-	**-125,659**

The property, plant and equipment located in Sierra Leone amounts to RON 68,934 thousand (at 31 December 2016: RON 63,960 thousand).

At Company level, the segments on the basis of which it reports information to the chief operating decision maker are: the Primary aluminium segment and the Processed aluminium segment which develops and sells flat rolled products, such as sheets, plates and coils.

in RON '000, except per share data

Alro's revenues and results for the year 2017 and 2016 by operating segment were as follows:

	Primary aluminium	Processed aluminium	Others	Inter-segment operations	Total
2017					
Sales to external customers	1,352,914	1,084,957	28,161	-	**2,466,032**
Inter-segment transfers	834,065	-	-	-834,065	**-**
Total sales	2,186,979	1,084,957	28,161	-834,065	**2,466,032**
Segment results (gross profit)	417,709	105,633	9,011	-	**532,353**
Other operating expenses, net					**-135,554**
Interest and other finance costs, net					**-58,854**
Foreign exchange gains/(losses)					**39,875**
Result before income taxes					**377,820**
2016					
Sales to external customers	1,179,625	917,240	30,199	-	**2,127,064**
Inter-segment transfers	690,144	-	-	-690,144	**-**
Total sales	1,869,769	917,240	30,199	-690,144	**2,127,064**
Segment results (gross profit)	175,802	96,393	20,091	-	**292,286**
Other operating expenses, net					**-122,677**
Interest and other finance costs, net					**-76,697**
Foreign exchange gains/(losses)					**-12,625**
Result before income taxes					**80,287**

Alro Stand-alone assets and liabilities

	Primary aluminium	Processed aluminium	Others	Inter-segment operations	Total
31 December 2017					
Total assets	1,184,166	463,133	933,675	-	**2,580,974**
Total liabilities	167,389	52,485	981,824	-	**1,201,698**
Capital expenditure	75,381	66,910	-	-	**142,291**
Impairment of property, plant and equipment	-566	-23,689	-	-	**-24,255**
Depreciation expense	-52,843	-25,244	-4,637	-	**-82,724**
31 December 2016					
Total assets	1,103,412	340,842	950,577	-	2,394,831
Total liabilities	159,475	40,139	1,063,556	-	**1,263,170**
Capital expenditure	59,466	21,722	-	-	**81,188**
Impairment of property, plant and equipment	-566	-23,739	-	-	**-24,305**
Depreciation expense	-50,754	-22,342	-4,766	-	**-77,862**

Total assets representing "Others" include mainly investments in subsidiaries, administrative buildings, deferred tax asset and derivative financial instruments.

Total liabilities representing "Others" include mainly borrowings, provisions and dividends.

Other operations include services to related entities and external customers.

Inter-segment operations and *Others* include intercompany eliminations and non-allocatable items.

in RON '000, except per share data

The following table shows the distribution of the Group and the Company sales by geographical location of the customer:

	Alro Group		Alro Stand-alone	
	2017	**2016**	**2017**	**2016**
Romania	453,622	387,045	665,505	555,481
Other EU countries	1,780,364	1,596,284	1,453,904	1,318,170
Other European non-EU countries	309,865	198,884	243,198	175,982
USA	45,301	31,790	45,301	31,790
Other countries	137,120	88,800	58,124	45,641
Total	**2,726,272**	**2,302,803**	**2,466,032**	**2,127,064**

6. General, administrative and selling expenses

	Alro Group		Alro Stand-alone	
	2017	**2016**	**2017**	**2016**
Staff costs	-135,371	-100,361	-89,064	-60,687
Third party services	-45,186	-41,606	-32,055	-29,698
Consulting and audit	-25,527	-24,983	-20,169	-20,650
Consumables	-11,888	-10,091	-6,283	-5,564
Taxes other than income taxes	-7,268	-6,992	-5,016	-4,716
Depreciation and amortisation	-6,637	-5,734	-3,525	-3,262
Insurance	-7,419	-6,440	-4,282	-4,200
Marketing and public relations	-5,161	-5,200	-1,548	-691
Travelling	-4,164	-3,750	-1,139	-1,321
Other	-7,001	-7,433	-3,035	-3,478
Change in allowance for doubtful debts	-550	535	-486	668
Total	**-256,172**	**-212,055**	**-166,602**	**-133,599**

The category "Staff costs" includes an amount of RON 25,516 thousand for 2017 representing a provision booked in line with the Collective Labour Contract and the with the GSM decisions regarding the Management remuneration (in 2016: nil). Refer to *Note 24 Provisions.* This is in line with the good financial results of the year 2017. The exact amount and timing of the remuneration will be established after the approval of the financial statements for the year 2017.

7. Other operating income and expenses

	Alro Group		Alro Stand-alone	
	2017	**2016**	**2017**	**2016**
Other operating income				
Rental income	909	877	1,563	1,574
Income from unused provision reversals	-	4,973	-	4,973
Income from claims and penalties	7,698	2,366	5,398	2,155
Reversal of impairment of property, plant and equipment	-	733	-	844
Other income	6,099	8,842	2,976	3,951
Total other operating income	**14,706**	**17,791**	**9,937**	**13,497**

	Alro Group		Alro Stand-alone	
	2017	**2016**	**2017**	**2016**
Other operating expenses				
Idle plants depreciation expenses	-1,112	-1,504	-1,112	-1,504
Net loss on disposal of property, plant and equipment	-1,849	-191	-49	-56
Claims, fines and penalties	-54	-940	-10	-303
Impairment of property, plant and equipment	-184	-	-	-
Other expenses	-4,261	-4,135	-1,630	-712

in RON '000, except per share data

Total other operating expenses	**-7,460**	**-6,770**	**-2,801**	**-2,575**

Other operating income

Income from claims and penalties includes the amount of RON 4,557 thousand in 2017 representing penalties received from one of the suppliers that failed to perform its contractual obligations.

The category *Other income* includes includes an amount of RON 1,592 thousand at Group level and of RON 1,146 thousand at Company level in 2017 (in 2016: RON 1,592 thousand for Group and RON 1,146 thousand for Company) representing government grants from EU funds received in 2013 for the investment in a processed products finishing line by the Company and for an extrusion equipment by a susidiary of the Company in 2014. The grants are recognized as income on a straight line basis during the useful life of the equipments for which they were received.

In 2016 the amount of RON 4,973 thousand from the category *Income from unused provision reversals* relates to provisions for civil litigations concerning intellectual property rights. For further details see Note 24.

Other operating expenses

Net loss on disposal of property, plant and equipment of the Group in 2017 includes an amount of RON 1,369 thousand related to a sunk barge pertaining tho the Group's company in Sierra Leone. This loss was covered from the insurance indemnity, which was included in Other operating income.

Other expenses of the Group and the Company include sundry expenses that cannot be allocated to other categories.

8. Interest expenses

	Alro Group		Alro Stand-alone	
	2017	**2016**	**2017**	**2016**
Interest expense	-50,917	-57,717	-48,236	-53,165
Total	**-50,917**	**-57,717**	**-48,236**	**-53,165**

Interest expense includes the amount of RON 12,877 thousand for the Group and the amount of RON 12,733 thousand the Company (in 2016: RON 13,426 thousand for Group and RON 13,054 thousand for Company) representing transaction costs on loans, which are recognized during the period as interest expense based on the effective interest rate method. The cash effectively paid as transaction costs in 2017 for loans taken or extended was of RON 17,471 thousand for the Group and the Company and it is included in the Statement of cash flow under *Interest paid* (in 2016: RON 2,862 thousand for the Group and RON 2,357 thousand for the Company).

The comparative figures for the year 2016 were reclassified in accordance with the presentation adopted in 2017. RON 8,776 thousand for the Group and RON 8,711 thousand for the Company, representing commissions paid in relation with factoring agreements, previously included under *Interest expenses*, are now included under Other financial costs, net.

9. Other financial costs, net

	Alro Group		Alro Stand-alone	
	2017	**2016**	**2017**	**2016**
Interest income	6,747	5,328	4,137	4,459
Bank commissions	-3,007	-3,272	-1,825	-2,112
Net loss from derivatives (Note 30)	-	-4,357	-	-4,357
Other financial gains / (losses), net	-1,083	7	-1,159	-
Commissions paid in relation with factoring agreements	-11,886	-8,776	-11,771	-8,711
Total	**-9,229**	**-11,070**	**-10,618**	**-10,721**

The interest income of the Group includes an amount of RON 4,145 thousand (in 2016: RON 3,030 thousand) related to a borrowing

in RON '000, except per share data

agreement concluded by a subsidiary with the Parent company of Alro Group, namely Vimetco NV (refer to Note 29 as well).
The category *Other financial gains / (losses), net* includes a net loss of RON 1,248 thousand representing the cost that the Company incurred for purchasing several LME collar transactions in August 2017, with their contractual exercising dates in September-December 2017. The Group and the Company entered into such transactions on the purpose of hedging themselves against the risk of a decreasing LME price of the aluminium during the second half of 2017. For further details, see Note 30.

The comparative figures for the year 2016 were reclassified in accordance with the presentation adopted in 2017. RON 8,776 thousand for the Group and RON 8,711 thousand for the Company, representing commissions paid in relation with factoring agreements, previously included under *Interest expenses*, are now included under *Other financial costs, net*.

10. Income tax

Income tax recognized in the profit or loss:

	Alro Group		Alro Stand-alone	
	2017	**2016**	**2017**	**2016**
Current tax				
Current tax expense in respect of the current year	-10,246	-1,528	-	-
Deferred tax				
Deferred tax recognized in the current year	-10,175	-8,185	-60,134	-13,067
Deferred tax reclassified from equity to profit or loss	-	-	-	-
Total income taxes	**-20,421**	**-9,713**	**-60,134**	**-13,067**

The total annual tax can be reconciled with the accounting result as follows:

	Alro Group		Alro Stand-alone	
	2017	**2016**	**2017**	**2016**
Result before tax	411,527	81,209	377,820	80,287
Expected average income tax rate	17,7%	17,6%	16,0%	16,0%
Income tax calculated at the expected average tax rate	-72,698	-14,312	-60,451	-12,846
Effect of revenue exempted from taxation	1,339	668	317	-
Effect of non-deductible expenses	-654	-3,071	-	-221
Effect of utilisation of previously unrecognised tax losses	5,625	6,110	-	-
Fiscal losses for which no deferred tax has been recognized	-	-454	-	-
Adjustments recognised in relation to the current tax of prior years	-3,039	323	-	-
Capitalisation of previously unrecognised deferred tax assets	49,006	1,023	-	-
Income tax recognized in profit or loss	**-20,421**	**-9,713**	**-60,134**	**-13,067**

The average tax rate for the Company is the tax rate applicable to it in accordance with the legislation in force. The average tax rate for the Group is the average of the tax rates payable by the companies in Romania and Sierra Leone on taxable profits under tax law in those jurisdictions (i.e. 16% in Romania and 30% in Sierra Leone), weighted by the accounting results of each Group company. Thus, the expected weighted average income tax rate for the Group is affected by the statutory income tax rates and regulations in effect and on the mix of pre-tax results of its subsidiaries in the countries where these operate, which can vary year to year.

The Effect of utilisation of previously unregognized tax losses of the Group represents prior year tax losses used by Sierra Mineral Holdings I, Ltd. to offset the taxable profits obtained by the subsidiary in 2017, for which a deferred tax asset was not recognized in the prior years.

Adjustments recognised in relation to the current tax of prior years represent a correction of prior year current income tax made by SMHL in 2017.

in RON '000, except per share data

Capitalisation of previously unrecognised deferred tax assets represents the recognition of fiscal losses for which no deferred tax was recognized in previous years by Sierra Mineral Holdings I, Ltd. At 31 December 2017 the amount of fiscal losses carried forward from previous years at Sierra Mineral Holdings I, Ltd. amounted to RON 253,901 thousand, out of which for an amount of RON 156,886 thousand the management believed there would be sufficient taxable profits in the future against which these fiscal losses could be used. As the result, a deferred tax asset of RON 47,068 thousand was recognised in the consolidated statement of financial position with an amount of RON 49,006 thousand being recognised in the consolidated statement of profit or loss (the difference is due to the translation adjustment). Details for the recognition of deferred tax assets from tax losses carried forward are presented further below.

Analysis of deferred tax of **Alro Group** for the years ended 31 December 2017 and 2016 is as follows:

					31 December 2017
	Opening balance	**Recognized in profit or loss**	**Recognized in other comprehensive income**	**Translation adjustment**	**Closing balance**
Property, plant and equipment	-17,136	270	-	-	-16,867
Inventories	3,442	-803	-	-	2,639
Trade receivables and other current assets	269	50	-	-	319
Provisions	4,778	3,976	-	-	8,754
Retirement benefits obligations	6,148	77	627	-	6,852
Deferred tax from fiscal loss	112,831	-13,745	-	-1,938	97,148
Deferred tax assets/(liabilities)	**110,332**	**-10,175**	**627**	**-1,938**	**98,845**

					31 December 2016
	Opening balance	**Recognized in profit or loss**	**Recognized in other comprehensive income**	**Translation adjustment**	**Closing balance**
Property, plant and equipment	-16,097	-1,039	-	-	-17,136
Inventories	5,385	-1,943	-	-	3,442
Trade receivables and other current assets	323	-54	-	-	269
Provisions	5,354	-576	-	-	4,778
Retirement benefits obligations	6,240	-190	98	-	6,148
Deferred tax from fiscal loss	117,214	-4,383	-	-	112,831
Deferred tax assets/(liabilities)	**118,419**	**-8,185**	**98**	**-**	**110,332**

The analysis of deferred tax of the Company for the years ended 31 December 2017 and 2016 is presented below:

					31 December 2017
	Opening balance	**Recognized in profit or loss**	**Recognized in other comprehensive income**	**Translation adjustment**	**Closing balance**
Property, plant and equipment	-5,850	-1,020	-	-	-6,870
Investment properties	240	-	-	-	240
Inventories	1,630	-814	-	-	816
Trade receivables and other current assets	57	78	-	-	135
Provisions	191	4,090	-	-	4,281
Retirement benefits obligations	5,155	65	543	-	5,763
Deferred tax from fiscal loss	101,453	-62,533	-	-	38,920
Deferred tax assets/(liabilities)	**102,876**	**-60,134**	**543**	**-**	**43,285**

					31 December 2016
	Opening balance	Recognized in profit or loss	Recognized in other comprehensive income	Translation adjustment	Closing balance
Property, plant and equipment	-3,378	-2,472	-	-	-5,850
Investment properties	240	-	-	-	240
Inventories	3,401	-1,771	-	-	1,630
Trade receivables and other current assets	172	-115	-	-	57
Provisions	1,192	-1,001	-	-	191
Retirement benefits obligations	4,877	199	79	-	5,155
Deferred tax from fiscal loss	109,360	-7,907	-	-	101,453
Deferred tax assets / (liabilities)	**115,864**	**-13,067**	**79**	**-**	**102,876**

The fiscal losses carried forward by the Group from the previous years at 31 December 2017 were of RON 459,871 thousand (31 December 2016: RON 693,077 thousand), for which the Group recognized a deffered income tax asset of RON 97,148 thousand (31 December 2016: RON 112,831 thousand), as the management believes there will be sufficient taxable profits in future against which these fiscal losses carried forward could be used.

As concerns the Company, the fiscal losses accumulated from prior years were of RON 243,255 thousand at 31 December 2017 (at 31 December 2016: RON 634,084 thousand), for which the Company recognized a deffered income tax asset of RON 38.920 thousand (31 December 2016: RON 101,453 thousand), as the management believes there will be sufficient taxable profits in future against which these fiscal losses carried forward could be used.

Tax effect of fiscal losses and their expiration is as follows:

	Alro Group		Alro Stand-alone	
	31 December 2017	31 December 2016	31 December 2017	31 December 2016
Within 1 year	-	-	-	-
1 - 2 years	623	-	-	-
2 - 5 years	68,955	100,845	38,920	100,845
More than 5 years	27,570	11,986	-	608
Total	**97,148**	**112,831**	**38,920**	**101,453**

Deferred tax from fiscal loss relates to the Parent Company and Sierra Mineral Holdings I, Ltd. and the management believes there will be sufficient taxable profits in the future against which these fiscal losses could be used. The losses can be carried forward and used against future taxable profits for a period of maximum 7 years in Romania and 10 years in Sierra Leone (losses used cannot exceed 50% of the taxable profits for the year in Sierra Leone).

For Alro, the future taxable profits have been forecast on the basis of Company's business-plan prepared by the management, which cover a period of 7 years. The main assumptions used in the forecast are the average sales growth of 5.49% per annum, average EBITDA margin of 12.52% and a profit before tax margin of 6.48% per annum. The values assigned to key assumptions and estimates used to measure the taxable profits reflect past experience, are consistent with external sources of information and are based on management's expectations of market development. As the result of the forecast, the management expects to use all the prior years' accumulated tax losses to offset its taxable profit and the entire amount of tax losses carried forward will be used by the end of the year 2019. The forecasts are most sensitive to EBITDA margin and profit before tax margin. A reduction in forecasted EBITDA margin to 8.0% would decrease the deferred tax assets by RON 5,600 thousand and the reduction in forecasted profit before tax margin to 1.75% would decrease deferred tax assets by RON thousand 3,400.

At Sierra Mineral Holdings I, Ltd., the future taxable profits were based on financial forecasts estimated by the directors at 31 December 2017 and cover a five-year period. The cash flows beyond the five-year period have been extrapolated until the year 2027, when the estimated reserves (measured, indicated and inferred) will be depleted at a 2% growth rate in line with the forecast inflation, except for the terminal year when a reduced production is foreseen at the level of the remaining reserves. The main assumptions used in the forecast are the average sales growth of 4.09% per annum, average EBITDA margin of 19.86% and a profit before tax margin of 13.44% per annum. As the result of the forecast, the management expects to use an amount of RON 156,886 thousand from total RON 253,901 of prior years' accumulated tax losses to offset its future taxable profits by the end of the respective carry forward period. The forecasts are most sensitive to the average growth rate and EBITDA margin. A decrease in the forecasted average growth rate by 1.0% would reduce the deferred tax assets by RON 4,600 thousand and a decrease in the forecasted EBITDA margin by 1.0% would reduce the deferred tax assets by RON 3,100 thousand.

in RON '000, except per share data

The Company has also recognized a deferred tax asset of RON 4,365 thousand (31 December 2016: RON 1,423 thousand) related to the deductible temporary differences.

The Group did not recognise deferred income tax assets in respect of losses amounting to RON 53,331 thousand (2016: RON 270,886 thousand) and their tax effect and expiration is presented in the table below:

Tax loss expiring	Alro Group		Alro Stand-alone	
	31 December 2017	31 December 2016	31 December 2017	31 December 2016
Within 1 year	-	4,548	-	-
1 - 2 years	210	3,007	-	-
2 - 5 years	15,694	23,123	-	-
More than 5 years	4,608	50,011	-	-
Total	**20,512**	**80,689**	**-**	**-**

11. Earnings per share

	Alro Group		Alro Stand-alone	
	2017	2016	2017	2016
Net result attributable to the owners of the Entity	390,581	71,531	317,686	67,220
Weighted average number of ordinary shares	713,779,135	713,779,135	713,779,135	713,779,135
Basic and diluted earnings per share (RON/share)	0.547	0.100	0.445	0.094

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

On 26 March 2018, the Board of Directors approved the Management's proposal to declare dividends amounting to 0.53523 RON/ share, specifically a total amount of RON 382,036 thousand. This proposal will be subject to the approval of the ordinary GSM on 27 April 2018.

The general Shareholders' Meeting dated 28 April 2017 approved the distribution into dividends of the net profit realized by the Parent Company in 2016 amounting to RON 67,220 thousand, which resulted into a gross dividend payable of 0.09417 RON/ share. Until 31 December 2017 , Alro paid RON 66,806 thousand from these dividends. In 2016 RON 4,239 thousand were paid in respect of dividends declared in 2012 and deferred for payment to the majority shareholder Vimetco N.V.

in RON '000, except per share data

12. Property, plant and equipment

Alro Group

	Land	Buildings and special construction	Plant and machinery	Equipment and vehicles	Capital assets in progress	Advances for fixed assets	Total
Cost							
Balance at 1 January 2016	**83,736**	**700,712**	**1,841,159**	**421,588**	**32,464**	**1,063**	**3,080,722**
Additions	-	941	9,033	5,485	96,541	5,640	**117,640**
Disposals	-	-1,247	-50,455	-36,389	-	-	**-88,091**
Transfer between categories	-	12,749	55,306	18,996	-84,944	-2,107	**-**
Translation adjustment	-	1,227	1,425	1,879	429	-	**4,960**
Balance at 31 December 2016	**83,736**	**714,382**	**1,856,468**	**411,559**	**44,490**	**4,596**	**3,115,231**
Additions	-	24	3,981	8,986	146,127	53,795	**212,913**
Disposals	-	-3,082	-7,377	-11,824	-	-	**-22,283**
Transfer between categories	-	11,623	73,776	36,341	-108,027	-13,713	**-**
Translation adjustment	-	-3,083	-3,711	-7,056	-1,043	-67	**-14,960**
Balance at 31 December 2017	**83,736**	**719,864**	**1,923,137**	**438,006**	**81,547**	**44,611**	**3,290,901**
Accumulated depreciation							
Balance at 1 January 2016	**-**	**-447,230**	**-1,329,684**	**-309,448**	**-**	**-**	**-2,086,362**
Depreciation expense	-	-17,905	-81,468	-23,376	-	-	**-122,749**
Eliminated on disposal and writte off of assets	-	759	45,931	30,421	-	-	**77,111**
Translation adjustment	-	-569	-1,155	-932	-	-	**-2,656**
Balance at 31 December 2016	**-**	**-464,945**	**-1,366,376**	**-303,335**	**-**	**-**	**-2,134,656**
Depreciation expense	-	-21,454	-86,083	-23,749	-	-	**-131,286**
Eliminated on disposal and writte off of assets	-	210	7,287	8,764	-	-	**16,261**
Transfer between categories	-	-	17	-17	-	-	**-**
Translation adjustment	-	1,595	3,135	3,652	-	-	**8,382**
Balance at 31 December 2017	**-**	**-484,594**	**-1,442,020**	**-314,685**	**-**	**-**	**-2,241,299**
Impairment allowance							
Balance at 1 January 2016	**-**	**-11,942**	**-6,590**	**-21,355**	**-1,755**	**-**	**-41,642**
Impairment losses recognized in profit or loss	-	-	-111	-	-	-	**-111**
Reversals of impairment losses recognized in profit or loss	-	844	-	-	-	-	**844**
Disposals	-	9	6,408	56	-	-	**6,473**
Balance at 31 December 2016	**-**	**-11,089**	**-293**	**-21,299**	**-1,755**	**-**	**-34,436**
Impairment losses recognized in profit or loss	-	-	3	-187	-	-	-184
Disposals	-	8	42	3	-	-	53
Balance at 31 December 2017	**-**	**-11,081**	**-248**	**-21,483**	**-1,755**	**-**	**-34,567**
Net book value							
Balance at 31 December 2016	**83,736**	**238,348**	**489,799**	**86,925**	**42,735**	**4,596**	**946,139**
Balance at 31 December 2017	**83,736**	**224,189**	**480,869**	**101,838**	**79,792**	**44,611**	**1,015,035**

in RON '000, except per share data

Alro

	Land	Buildings and special construction	Plant and machinery	Equipment and vehicles	Capital assets in progress	Advances for fixed assets	Total
Cost							
Balance at 1 January 2016	**63,680**	**531,815**	**1,595,184**	**269,871**	**15,528**	**1,063**	**2,477,141**
Additions	-	25	8,198	1,168	65,948	5,640	80,979
Transfer between categories	-	2,573	44,134	10,143	-54,743	-2,107	-
Disposals	-	-488	-30,767	-6,579	-	-	-37,834
Balance at 31 December 2016	**63,680**	**533,925**	**1,616,749**	**274,603**	**26,733**	**4,596**	**2,520,286**
Additions	-	24	3,954	2,247	83,143	49,167	138,535
Transfer between categories	-	884	64,972	8,153	-60,296	-13,713	-
Disposals	-	-213	-3,989	-3,864	-	-	-8,066
Balance at 31 December 2017	**63,680**	**534,620**	**1,681,686**	**281,139**	**49,580**	**40,050**	**2,650,755**
Accumulated depreciation							
Balance at 1 January 2016	**-**	**-357,292**	**-1,156,663**	**-237,189**	**-**	**-**	**-1,751,144**
Depreciation expense	-	-6,325	-63,577	-6,196	-	-	-76,098
Eliminated on disposals of assets	-	409	27,702	2,851	-	-	30,962
Balance at 31 December 2016	**-**	**-363,208**	**-1,192,538**	**-240,534**	**-**	**-**	**-1,796,280**
Depreciation expense	-	-6,367	-70,584	-6,889	-	-	-83,840
Transfer between categories	-	-	17	-17	-	-	-
Eliminated on disposals of assets	-	205	3,902	3,860	-	-	7,967
Balance at 31 December 2017	**-**	**-369,370**	**-1,259,203**	**-243,580**	**-**	**-**	**-1,872,153**
Impairment allowance							
Balance at 1 January 2016	**-**	**-18,887**	**-7,527**	**-1,884**	**-**	**-**	**-28,298**
Reversals of impairment losses recognized in profit or loss	-	844	-	-	-	-	844
Disposals	-	9	3,087	53	-	-	3,149
Balance at 31 December 2016	**-**	**-18,034**	**-4,440**	**-1,831**		**-**	**-24,305**
Reversals of impairment losses recognized in profit or loss	-	-	-	-	-	-	-
Disposals	-	8	42	-	-	-	50
Balance at 31 December 2017	**-**	**-18,026**	**-4,398**	**-1,831**	**-**	**-**	**-24,255**
Net book value							
Balance at 31 December 2016	**63,680**	**152,683**	**419,771**	**32,238**	**26,733**	**4,596**	**699,701**
Balance at 31 December 2017	**63,680**	**147,224**	**418,085**	**35,728**	**49,580**	**40,050**	**754,347**

The net book value of the *Property, plant and equipment* of the Group includes the amount of RON 9,792 thousand, of which RON 9,662 thousand for Alro alone, representing borrowing cost capitalized in accordance with *IAS 23 Borrowing costs as revised* (2016: RON 4,440 thousand for the Group and RON 4,298 thousand for the Company). In 2017 at the Group and Company level the borrowing costs capitalized in the property, plant and equipment were of RON 5,589 thousand at an average interest rate of 5.3% p.a. (in 2016: RON 1,253 thousand at an average interest rate of 4.7% p.a.).

in RON '000, except per share data

Other information regarding property, plant and equipment

	Alro Group		Alro Stand-alone	
	31 December 2017	31 December 2016	31 December 2017	31 December 2016
The net book value of the fixed assets purchased under financial leases	8,945	8,040	7,428	6,908
The net book value of the property, plant and equipment pledged to secure the borrowings	685,616	804,261	652,003	652,167
Gross book value of assets that are fully depreciated (cost)	885,388	838,364	549,497	527,666
Net book value of idle assets	10,948	16,656	9,794	14,142
Depreciation expense included in the Cost of goods sold during the reporting period	119,576	118,422	78,087	73,096

The Company has a building rented to a subsidiary included in the *Investment property* in the *Separate Statement of Financial Position* at a net book value of RON 4,646 thousand at 31 December 2017 and RON 4,937 thousand at 31 December 2016. The depreciation expense of this building was of RON 290 thousand in 2017 and 2016, and the income from rental was of RON 795 thousand in 2017 and in 2016. At 31 December 2017, the fair value of the rented building is RON 11,756 thousand (at 31 December 2016: RON 12,046 thousand), based on the valuation performed by an independent appraiser that holds the necessary qualifications and experience for measuring such properties, and this is included on the 3rd level of the fair value measurement hierarchy.

Impairment tests for property, plant and equipment

2017

There were no impairment indications identified for the companies in the Group, therefore no impairment test of the property, plant and equipment was performed as at 31 December 2017. The amount of RON 184 thousand at Group level represents specific impairment recognised on old or obsolete property, plant and equipment.

2016

Other than for Alum cash generating unit (CGU), there were no impairment indications identified for the companies in the Group. As at 31 December 2016, the management of Alum carried out an impairment test of the property, plant and equipment. The resulting recovery value of these property, plant and equipment was higher than their net book value, so no impairment expense was recognized.

The recovery value of the cash generating unit (CGU) Alum was determined based on a fair value of CGU less costs to sell calculation by using future cashflows extracted from the business plan for the next 5 years estimated by the management of the company. The cashflows in perpetuity beyond this period were extrapolated by using a growth rate of 1% per annum, in line with forecast inflation. The fair value measurement was categorized as a Level 3 fair value based on the inputs in the valuation technique used (see Note 30).

The key assumptions for the cash-generating unit Alum are:

	2016
Discount rate, after-tax	11.00%
Growth rate	6.45%
EBITDA margin	8.79%

The estimated recoverable amount of the CGU Alum exceeded its carrying amount by approximately RON 121,970 thousand. The following table shows the amount up to which the key assumptions used would need to change individually for the estimated recoverable amount to be equal to the carrying amount at 31 December 2016:

	CGU Alum
Discount rate, after-tax	16.58%
Growth rate	0.32%
EBITDA margin	7.42%

in RON '000, except per share data

13. Intangible assets

Alro Group	Development expenses	Other intangibles	Advances for intangibles	Total
Cost				
Balance at 1 January 2016	**4,368**	**40,888**	**-**	**45,256**
Additions	-	363	63	**426**
Disposals	-	-87	-	**-87**
Transfers	-	63	-63	**-**
Translation adjustment		580	-	**580**
Balance at 31 December 2016	**4,368**	**41,807**	**-**	**46,175**
Additions	-	4,839	-	**4,839**
Translation adjustment	-	-1,573	-	**-1,573**
Balance at 31 December 2017	**4,368**	**45,073**	**-**	**49,441**
Accumulated amortisation				
Balance at 1 January 2016	**-4,368**	**-34,896**	**-**	**-39,264**
				-
Amortisation expense	-	-1,027	-	**-1,027**
Eliminated on disposals of assets	-	87	-	**87**
Translation adjustment	-	-570	-	**-570**
Balance at 31 December 2016	**-4,368**	**-36,406**	**-**	**-40,774**
Amortisation expense	-	-1,582	-	**-1,582**
Translation adjustment	-	1,526	-	**1,526**
Balance at 31 December 2017	**-4,368**	**-36,462**	**-**	**-40,830**
Net book value				
Balance at 31 December 2016	**-**	**5,401**	**-**	**5,401**
Balance at 31 December 2017	**-**	**8,611**	**-**	**8,611**

Alro Stand-alone	Development expenses	Other intangibles	Advances for intangibles	Total
Cost				
Balance at 1 January 2016	**-**	**24,266**	**-**	**24,266**
Additions	-	146	63	209
Transfers	-	63	-63	-
Balance at 31 December 2016	**-**	**24,475**	**-**	**24,475**
Additions	-	3,756	-	3,756
Balance at 31 December 2017	**-**	**28,231**	**-**	**28,231**
Accumulated amortisation				
Balance at 1 January 2016	**-**	**-18,912**	**-**	**-18,912**
				-
Amortisation expense	-	-729	-	-729
Balance at 31 December 2016	**-**	**-19,641**	**-**	**-19,641**
Amortisation expense	-	-831	-	-831
Balance at 31 December 2017	**-**	**-20,472**	**-**	**-20,472**
Net book value				
Balance at 31 December 2016	**-**	**4,834**	**-**	**4,834**
Balance at 31 December 2017	**-**	**7,759**	**-**	**7,759**

in RON '000, except per share data

14. Investments

The parent company **Alro** holds directly or indirectly the following investments in subsidiaries:

Subsidiary	Registered office	Shareholding*	Votes**	Equity	31 December 2017 Net result
Alum S.A.	82, Isaccei St., Tulcea, Tulcea County, Romania	99.40%	99.40%	255,403	14,020
Vimetco Extrusion S.R.L.	1, Milcov St., Slatina, Olt County, Romania	100.00%	100.00%	23,394	3,992
Conef S.A.	64, Splaiul Unirii, Sector 4, Bucharest, Romania	99.97%	99.97%	129,507	7,669
Global Aluminium Ltd.	Trinity Chambers, PO Box 4301, Road Town, Tortola, BVI	99.40%	100.00%	26,089	1,471
Bauxite Marketing Ltd.	Trinity Chambers PO Box 4301, Road Town Tortola, BVI	99.40%	100.00%	-580	-4
Sierra Mineral Holdings I, Ltd.	Sea Meadow House, Blackburne Highway, (P.O. Box 116), Road Town Tortola, BVI	99.40%	100.00%	-141,428	78,358

Subsidiary	Registered office	Shareholding*	Votes**	Equity	31 December 2016 Net result
Alum S.A.	82, Isaccei St., Tulcea, Tulcea County, Romania	99.40%	99.40%	241,815	-14,450
Vimetco Extrusion S.R.L.	1, Milcov St., Slatina, Olt County, Romania	100.00%	100.00%	19,411	7,613
Conef S.A.	64, Splaiul Unirii, Sector 4, Bucharest, Romania	99.97%	99.97%	121,838	-2,800
Global Aluminum Ltd.	Trinity Chambers PO Box 4301, Road Town Tortola, BVI	99.40%	100.00%	27,287	1,302
Bauxite Marketing Ltd.	Trinity Chambers, PO Box 4301, Road Town, Tortola, BVI	99.40%	100.00%	-637	-8
Sierra Mineral Holdings I, Ltd.	Sea Meadow House, Blackburne Highway, (P.O. Box 116), Road Town Tortola, BVI	99.40%	100.00%	-239,362	20,086

* The shareholding represents the effective shareholding percentage of the Parent company in its subsidiaries (direct as well as indirect).

**The voting rights reported are those of the immediate Parent company or companies, where the immediate Parent company or companies are themselves controlled by Alro Group. Consequently, the voting rights reported above might differ significantly from the effective shareholding.

The equity and net result are determined according to the International Financial Reporting Standards and the accounting policies of the Group.

Subsidiaries

Alum S.A.,Tulcea, (Alum) is a company set up under the Romanian law and it was established in 1972. Alum is the only producer of calcinated alumina in Romania. Its main activity is the hydro-metallurgical processing of bauxite in order to obtain alumina (aluminium oxide), the main raw material used in aluminium production.

Alum is listed on the Bucharest Stock Exchange, the ATS market segment, AeRo category.

Vimetco Extrusion S.R.L. is a company set up under the Romanian law and its principal activity is the production of extruded aluminum products. The Company's administrative and managerial offices are located in Romania, with the headquarters in 1, Milcov Street, Slatina, Olt County, Romania.

Conef S.A. (Conef) is a company organized under the Romanian law and it was set up in 1991. The main activity of the company (according to the company's deeds) is trading with oil, minerals, and chemical products. Currently, the main activity of the company is to manage a portfolio of shares in Alro.

On 1 May 2011 Alum acquired from Vimetco N.V. 100% of the company Global Aluminium Ltd. The assets of the latter included 100% shareholding in a bauxite mine in Sierra Leone, Sierra Mineral Holdings I, Ltd., and 100% shareholding in Bauxite Marketing Ltd.

The bauxite mine supplies a significant part of the necessary raw material for the alumina refinery Alum S.A.

in RON '000, except per share data

The value of Alro's financial investments was:

	2017	2016
Cost		
Balance at 1 January	571,108	571,108
Additions	-	-
Balance at 31 December	**571,108**	**571,108**
Impairment allowance		
Balance at 1 January	-147,463	-147,463
Impairment allowance	23,912	-
Balance at 31 December	**-123,551**	**-147,463**
Net book value		
Balance at 1 January	**423,645**	**423,645**
Balance at 31 December	**447,557**	**423,645**

The Company's investments in other companies in which it holds control over the financial and operational policies are accounted for at cost less the impairment.

As at 31 December 2017, the management of the Company carried out an impairment review of the financial investments and as a result of the test, the recovery value of the investments was determined to be higher than their book value, therefore a reversal of impairment in amount of RON 23,912 thousand (2016: nil) was recognized.

The recoverable value of the investment in Alum was determined based on the fair value, calculated by the discounted cashflow method (DCF). In the discounted cashflow method, future cashflows were used, based on forecasts estimated by the management, which cover a period of 5 years (2018 – 2022) (in 2016: 5 years), discounted at a rate of 10.6% per year (2016: 11% per annum). The cashflows beyond that period have been extrapolated using a growth rate of 1% per year (2016: 1% per annum). The fair value measurement was categorized as a Level 3 fair value based on the inputs in the valuation techniques used (see Note 30).

Key assumptions:

	2017	2016
Discount rate	10.60%	11.00%
Growth rate, average of next five years (2016: five years)	6.73%	6.45%
EBITDA margin, average of next five years (2016: five years)	7.84%	8.79%
EBITDA margin, terminal value	8.26%	9.00%

The estimated fair value of the investment in Alum exceeded its carrying amount by RON 23,912 thousand (2016: was above by RON 11,975 thousand). The following table shows the value up to which the key assumptions used would need to change individually for the estimated fair value of the investment to be equal to the carrying amount:

	2017	2016
Discount rate	11.34%	11.36%
Growth rate, average of next five years	5.71%	6.04%
EBITDA margin, average of next five years	6.86%	8.33%
EBITDA margin, terminal value	7.81%	8.72%

There were no impairment indications identified for the investments in Conef and Vimetco Extrusion, therefore no impairment test was performed as at 31 December 2017. In 2016 , having in view the nature of a holding of Conef, the recoverable value of the investment in the subsidiary was determined based on the fair value of the Alro shares held by Conef (3.77% of total) and using the equity fair value of Alro (refer to the Note 15). The recoverable value of the investment in Conef was above its carrying value by RON 59,400 thousand. The fair value measurement was categorized as a Level 3 fair value based on the inputs in the valuation technique used (see Note 30).

The most sensitive key assumptions used in impairment test of the investment in Conef as at 31 December 2016 were the discount rate after tax of 11% and average growth rate of 7.7%. An increase to 17.4% of the discount rate and a decrease to 4.2% of average growth rate would have caused the estimated recoverable amount to be equal to the carrying amount of the investment.

The details of the acquisition cost of the Company's investments in subsidiaries as at 31 December 2017 and 2016 are the following:

Name of subsidiary	Basic activity	No. of shares	Cost of purchase (RON/share)	Procentage of ownership / voting (%)	Cost of purchase(RON thousand)
Conef	- holding	2,675,914	24.604	99.97%	65,838
Vimetco Extrusion	- metalurgy industry of aluminium	2,189,320	10.00	100.00%	21,893
Alum	- production of	72,355,909	5.95	99.40%	430,518
	alumina	6,052,951	5.60		33,896
		3,187,000	5.95		18,963
Total					**571,108**

The carrying amount of the Company's investments in subsidiaries as at 31 December 2017 and 2016 are presented in the table below:

Name of subsidiary	31December 2017	31 December 2016
Conef	65,838	65,838
Vimetco Extrusion	21,893	21,893
Alum	359,826	335,914
Total	**447,557**	**423,645**

All the entities mentioned above are incorporated in Romania.

Also, as at 31 December 2017, the Company held 20 shares in Bursa de Valori Bucuresti S.A. (Bucharest Stock Exchange) at a par value of 45 RON/share and a total value of RON 900 (31 December 2016: RON 900), representing 0.53% of the share capital of that company.

15. Goodwill

	Alro Group	
Cost	**2017**	**2016**
Balance 1 January	165,364	161,450
Translation adjustment	-10,359	3,914
Balance at 31 December	**155,005**	**165,364**
Impairment		
Balance 1 January	-70,298	-69,249
Translation adjustment	2,778	-1,049
Balance at 31 December	**-67,520**	**-70,298**
Net book value		
Balance at 31 December	**87,485**	**95,066**

The goodwill is allocated to the cash-generating units at 31 December 2017 and 2016 as follows (after translation adjustments and impairment):

	Alro Group	
	31 December 2017	**31 December 2016**
Alro Group	69,162	74,849
Global Aluminium Ltd.	17,897	19,791
Goodwill at acquisition of Vimetco Extrusion	426	426
Total	**87,485**	**95,066**

in RON '000, except per share data

The goodwill allocated to Alro Group results from the acquisitions and transactions under common control and at 31 December 2017 includes an amount of RON 15,408 thousand (2016: RON 15,408 thousand) representing the goodwill at acquisition of Alprom and RON 53,754 thousand (2016: RON 59,441 thousand) representing the goodwill at initial acquisition of Global Aluminium Ltd. by Vimetco N.V. allocated for impairment test purposes to the group of cash generating units Alro Group.

Impairment of goodwill

In 2017, the recoverable amount of cash-generating unit Alro Group was determined based on fair value less costs of disposal, estimated using discounted cash-flow techniques and applying a market-based measurement. This method requires eliminating all owner specific synergies from the cash-flow projections other than those synergies that any market participant would be able to realize. The fair value measurement was categorized as a Level 3 fair value measurement based on the inputs in the valuation technique used (see Note 30).

The cash flow projections were based on the business plan estimated by the directors covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated growth rates stated below.

The key assumptions used in the estimation of the recoverable amount are set out in the following table. The values assigned to key assumptions and estimates used to measure the recoverable amount of the CGU Alro Group reflect past experience, are consistent with external sources of information and are based on management’s expectations of market development. The production quantities were estimated based on past experience, represent management’s best estimate of future production and reflect company's investment plans. Sales prices were based on the long-term aluminium prices derived from available industry and market sources. Operating costs were projected based on the historical performance and adjusted for the current market conditions and inflation.

Key assumptions	2017	2016
Discount rate, after-tax	9.2%	11.0%
Growth rate (average of next five years)	6.8%	7.7%
EBITDA margin (average of next five years)	15.7%	19.1%

The discount rate is the CGU weighted-average of the cost of equity of the CGU, i.e. 9.7% (in 2016: 12.7%), calculated based on the average unlevered betas of comparable companies within the industry and of a cost of debt after tax of 4.0% (in 2016: 4.3%), using the CGU's debt leverage of 8.0% (in 2016: 20.7%).

Growth rates during the next five years are based on published industry research, directors' future expectations of economic and market conditions, the result of capital investments and anticipated efficiency improvements. The growth rate beyond the five-year period was assumed in line with the forecasted inflation, namely 1% (in 2016: 1%).

EBITDA margin is the average margin as a percentage of revenue over the five-year forecast period. It is based on the average levels experienced over the past years, with adjustments made to reflect the expected future sales volumes and price fluctuations.

The estimated recoverable amount of the CGU Alro Group exceeded its carrying amount by approximately RON 1,617,000 thousand (2016: RON 2,260,000 thousand) and for CGU Global Aluminium Ltd. by approximately RON 89,000 thousand (2016: RON 137,705 thousand).

The most sensitive key assumptions used in impairment test of CGU Alro Group are the discount rate and EBITDA margin. An increase of the discounr rate to 16.4% and a decrease of EBITDA margin to 10.8% applicated separately, would cause the estimated recoverable amount to be equal to the carrying amount (2016: increase to 24.6% and decrease to 12.4% respectively). For the other assumptions management considers that there are no reasonably possible modifications that would lead to an impairment of the goodwill allocated to CGU Alro Group.

The recoverable amount of cash-generating units operating in **Sierra Leone** (Global Aluminium Ltd.) was determined based on fair value less costs of disposal, estimated using discounted cash-flow techniques and applying a market-based measurement. Financial forecasts estimated by the directors at 31 December 2017 and 2016 cover a five-year period. The after-tax discount rate is of 17.2% per annum until 2018, being the estimated period of depletion for measured reserves and of 19.2% per annum thenafter for indicated and inferred mineral reserves due to the higher risk or uncertainty (in 2016: 19.2% and 21.2% respectively). The cash flows beyond the five-year period have been extrapolated until the year 2027, when the estimated reserves (measured, indicated and inferred) will be depleted at a 2% growth rate in line with the forecast inflation (in 2016: 2%), except for the terminal year when a reduced production is foreseen at the level of the remaining reserves. The fair value measurement was categorized as a Level 3 fair value based on the inputs in the valuation technique used (see Note 30).

in RON '000, except per share data

The key assumptions for the cash-generating unit Global Aluminium Ltd. are:

	2017	2016
Discount rate, after-tax	17.2%	19.2%
Growth rate (average of next five years)	4.1%	4.5%
EBITDA margin (average of next five years)	19.9%	24.9%

The discount rate is the CGU weighted-average cost of equity of 18.3% (in 2016: 23%), calculated based on the average unlevered betas of comparable companies within the industry and of a cost of debt after tax of 6.0% (in 2016: 9.7%), using the CGU's debt leverage of 9.3% (in 2016: 28.3%).

Growth rates during the next five years are based on the current contract with Alum reflecting the price in the market for long term contracts and on the company's intention to develop sales to third party clients.

EBITDA margin is the average margin as a percentage of revenue over the five-year forecast period. It is based on the external analysis and the expected future sales volumes and prices, coupled with CGU's cost cutting efforts.

The most sensitive key assumption used in impairment test of CGU Global Aluminium Ltd. are the growth rate (average of next five years) and EBITDA margin. A decrease of the growth rate to 0.98% and a decrease of EBITDA margin to 8.78% applied separately, would cause the estimated recoverable amount to be equal to the carrying amount (2016: a decrease of EBITDA margin to 11.8%). For the other assumptions management considers that there are no reasonably possible modifications that would lead to an impairment of the goodwill allocated to CGU Global Aluminium Ltd.

16. Other non-current assets

	Alro Group		Alro Stand-alone	
	31 December 2017	31 December 2016	31 December 2017	31 December 2016
Collateral deposits	45,200	-	45,200	-
Amounts paid in advance	12,947	19,307	12,947	19,307
Other non-current assets	-	-	9,389	9,740
Total	**58,147**	**19,307**	**67,536**	**29,047**

Collateral deposits represent cash placed with a bank until November 2020 as a pledge for a revolving loan and a non-cash facility contracted by the Company. As of 31 December 2017, they were classified from Restricted cash, where they had been presented at 31 December 2016, to Other non-current assets due to the maturity of the deposits, which is longer than 1 year (refer to *Note 20 Cash and cash equivalents* as well).

The category *Amounts paid in advance* represents payments for compliance with the regulations in force regarding the renewable energy supported by green certificates, which the Company estimates to recover in more than one year from the reporting date.

Other non-current assets represent mostly receivables from a subsidiary resulting from various services performed or utilities reinvoiced during the reporting year, which are reflected as long term assets by the Company in accordance with the agreed terms of receipt. At 31 December 2017 and 31 December 2016, the amounts were not due and not depreciated.

17. Inventories

	Alro Group		Alro Stand-alone	
	31 December 2017	31 December 2016	31 December 2017	31 December 2016
Raw and auxiliary materials	304,386	273,616	221,889	197,619
Work in progress	161,296	140,607	104,798	88,916
Finished goods	220,303	197,838	193,871	173,920
Less: allowance for obsolescence	-15,180	-21,278	-5,101	-10,179
Total	**670,805**	**590,783**	**515,457**	**450,276**

in RON '000, except per share data

The value of inventories pledged for securing the Group's and the Company's borrowings amounts RON 515,457 thousand (31 December 2016: RON 450,276 thousand).

The movement in adjustments for the impairment of inventories is the following:

	Alro Group		Alro Stand-alone	
	2017	2016	2017	2016
Balance at beginning of the year	-21,278	-35,573	-10,179	-21,259
(Charge) to cost of goods sold	-34	-926	-	-926
Reversal to cost of goods sold	5,078	15,620	5,078	12,006
Translation adjustments	1,054	-399	-	-
Balance at end of the year	**-15,180**	**-21,278**	**-5,101**	**-10,179**

18. Trade receivables, net

	Alro Group		Alro Stand-alone	
	31 December 2017	31 December 2016	31 December 2017	31 December 2016
Foreign trade receivables	46,563	51,413	39,459	54,331
Domestic trade receivables	32,452	29,076	108,116	88,751
Allowance for doubtful receivables	-2,162	-1,612	-813	-327
Total	**76,853**	**78,877**	**146,762**	**142,755**

The concentration of credit risk is limited due to the fact that the customer portfolios of the Group and of the Company are large and unrelated.

As at 31 December 2017, the highest 5 trade receivables accounted for nearly 49% of the net trade receivables (at 31 December 2016: nearly 47%). In 2017, one client individually accounted for more than 5% of the Group's turnover, i.e. 7% (in 2016: 1 client, with 6%).

As concerns the Company, at 31 December 2017, the major part of the outstanding receivables is formed by related parties (mostly subsidiaries), i.e. 63% in 2017 and 60% in 2016 (please refer to Note 29 for details). In respect of third party clients, 3 clients accounted individually for slightly more than 5% of the outstanding balance at 31 December 2017 (while at 31 December 2016, one client accounted for 12% of the outstanding balance and the other ones accounted individually for not more than 5% of the outstanding balance).

In 2017, 2 clients individually accounted for more than 5% of the Company's turnover, of which the top client was a subsidiary, with 9% of the Company's turnover (in 2016: 2 clients accounted individually for more than 5% of the turnover, one of them being a subsidiary).

The Company and its subsidiaries sell significant trade receivables under the existing factoring agreements on a non-recourse basis, so that the risks and rewards related to the receivables are substantially transferred to a factor and as a result the transferred amount at the transfer date is derecognized, and the factoring fees and related interest are recognized at the payment date.

Amounts available under factoring agreements

	Alro Group		Alro Stand-alone	
	31 December 2017	31 December 2016	31 December 2017	31 December 2016
Factoring ceiling amounts, of which:	699,591	587,499	680,266	571,069
Factoring amounts utilized	385,949	234,335	377,883	231,176

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

In determining the recoverability of a trade receivable, the Group and Company consider any change in the credit quality of the customer from the date the credit was initially granted up to the reporting date.

Accordingly, the Group and the Company's management believes that there is no further credit provision required in excess of the allowance for doubtful receivables already provided for.

in RON '000, except per share data

Movement in the allowance for doubtful trade receivables is as follows:

	Alro Group		Alro Stand-alone	
	2017	2016	2017	2016
Balance at beginning of the year	-1,612	-2,147	-327	-530
Charge in the current year	-978	-	-486	-
Release in the current year	428	440	-	108
Utilization of allowances	-	95	-	95
Balance at end of the year	**-2,162**	**-1,612**	**-813**	**-327**

Trade receivables, ageing is provided below:

	Alro Group		Alro Stand-alone	
	31 December 2017	31 December 2016	31 December 2017	31 December 2016
Not past due and not impaired	61,432	58,036	109,821	87,894
Past due but not impaired	14,210	17,248	36,817	54,723
Past due and impaired	3,373	5,205	937	465
Less: Allowance for doubtful receivables	-2,162	-1,612	-813	-327
Total	**76,853**	**78,877**	**146,762**	**142,755**

Trade receivables past due but not impaired at 31 December are as follows:

	Alro Group		Alro Stand-alone	
	31 December 2017	31 December 2016	31 December 2017	31 December 2016
Less than 3 months	10,554	13,534	7,210	23,733
3 months to 6 months	364	68	421	128
More than 6 months	3,292	3,646	29,186	30,862
Total	**14,210**	**17,248**	**36,817**	**54,723**

They relate to a number of independent customers or related party entities, for which there is no recent history of default. Refer also to *Note 30 Risk management* for further details.

A part of the Group receivables (RON 30,130 thousand at 31 December 2017 and RON 57,081 thousand at 31 December 2016) and of the Company's (RON 120,487 thousand at 31 December 2017 and RON 137,779 thousand at 31 December 2016) are pledged to secure the loans obtained from banks.

19. Other current assets

	Alro Group		Alro Stand-alone	
	31 December 2017	31 December 2016	31 December 2017	31 December 2016
VAT recoverable	51,146	42,224	35,258	36,480
Other current assets	4,482	16,144	875	13,695
Advances to suppliers	8,704	6,351	170,848	154,943
Prepayments	15,247	4,750	13,199	3,544
Allowance for other doubtful debtors	-47	-47	-29	-29
Total other current assets	**79,532**	**69,422**	**220,151**	**208,633**

Movement in allowance for other doubtful debtors is as follows:

	2017	2016	2017	2016
Balance at beginning of the year	-47	-93	-29	-76
Release / (charge) in the current year	-	46	-	47
Balance at end of the year	**-47**	**-47**	**-29**	**-29**

20. Cash and cash equivalents

	Alro Group		Alro Stand-alone	
	31 December 2017	31 December 2016	31 December 2017	31 December 2016
Cash at banks in RON	7,739	57,103	1,898	55,835
Cash at banks in other currencies	313,046	228,702	307,833	226,523
Petty cash and cash equivalents	43	45	5	16
Total	**320,828**	**285,850**	**309,736**	**282,374**

At 31 December 2017 and 2016, a great part of cash was held in current accounts opened with reputable private banks in Romania or with State owned banks.

As at 31 December 2017 and 2016 the bank accounts of the Group are pledged to secure its contracted borrowings.

Restricted cash:

	Alro Group		Alro Stand-alone	
	31 December 2017	31 December 2016	31 December 2017	31 December 2016
Restricted cash	67,009	45,566	60,440	45,082
Total	**67,009**	**45,566**	**60,440**	**45,082**

As at 31 December 2017 the restricted cash included mainly cash collateral at banks for issuing letters of credit for the acquisition of property, plant and equipment (RON 66,926 thousand at the Group level and RON 60,440 thousand at the Company level).

As at 31 December 2016 the restricted cash of the Company and Group amounting to RON 45,082 thousand consisted of collateral deposits for credit facilities that had their maturity in 2017, for which reason they were classified as short-term under *Restricted cash*. The facilities were renewed in December 2017 and their maturity is in November 2020, and consequently the related collateral deposits were classified as long-term at 31 December 2017 under the category *Other long-term assets* (refer to Note 16 and Note 23 as well).

21. Share capital

The share capital of the Parent Company issued and paid in as at 31 December 2017 and 2016 has the following structure (values recorded with the Trade Registry):

	Number of shares	Nominal value (RON 000)	%
Vimetco N.V.	600,929,084	300,465	84.19
Fondul Proprietatea	72,884,714	36,442	10.21
Conef S.A.	26,901,571	13,451	3.77
Others	13,063,766	6,532	1.83
Total	**713,779,135**	**356,890**	**100.00**

The major shareholder of Alro S.A. is Vimetco N.V., Netherlands, owned by Vi Holding N.V. (Curaçao).

The nominal value of each share is RON 0.5 (2016: RON 0.5). Each ordinary share carries one vote per share and carries the right to dividends.

in RON '000, except per share data

The difference between the nominal value and the reported value under IFRS is represented by hyperinflation adjustments that were booked in accordance with *IAS 29 Financial Reporting in Hyperinflationary Economies* until 31 December 2003, less the amount of these adjustments utilized for covering the accounting loss carried forward, in accordance with the approval of the General Shareholders' Meeting held in 2014.

22. Other reserves

	Alro Group		Alro Stand-alone	
	31 December 2017	31 December 2016	31 December 2017	31 December 2016
Legal reserve	80,585	79,710	71,378	71,378
Other reserves	283,935	283,935	234,813	234,813
Translation reserve	-32,978	-24,593	-	-
Total	**331,542**	**339,052**	**306,191**	**306,191**

The legal reserve is made up at 20% of the issued and paid shared capital of the Romanian Companies, according to the regulations in force, it is not distributable and its utilization is strictly regulated by the laws (please refer to Note 21).

Other reserves include mainly amounts that were generated by fiscal facilities obtained during 2001- 2003, by profit distribution to the development fund done until 2000 and by application of IAS 29.

The translation reserve represents foreign exchange differences resulting from the conversion of the foreign operations of the subsidiaries that have the functional currency different than RON, namely Sierra Mineral Holdings 1 Ltd, Global Aluminium Ltd. and Bauxite Marketing Ltd.

23. Borrowings and financial lease

	Alro Group		Alro stand-alone	
	31 December 2017	31 December 2016	31 December 2017	31 December 2016
Long-term borrowings				
Long-term bank loans	911,453	1,046,871	908,942	1,018,071
Less: Short-term portion of long-term bank loans	-66,509	-812,155	-63,998	-785,911
Bank loans, non-current	***844,944***	***234,716***	***844,944***	***232,160***
Finance leases	4,300	4,814	3,920	4,214
Total long-term borrowings and finance lease	**849,244**	**239,530**	**848,864**	**236,374**
Short-term borrowings				
Short-term bank loans	385	908	-	-
Short-term portion of long-term bank loans	66,509	812,155	63,998	785,911
Short-term bank loans, total	***66,894***	***813,063***	***63,998***	***785,911***
Finance leases	2,411	1,973	1,780	1,504
Total short-term borrowings and finance lease	**69,305**	**815,036**	**65,778**	**787,415**
Total borrowings and finance lease	**918,549**	**1,054,566**	**914,642**	**1,023,789**

In November 2017, the Parent Company signed with a syndicate of banks the extension of the revolving loan agreement in the amount of USD 137,000 thousand concluded in December 2015 and also signed the contract for an additional non-cash facility amounting to USD 30,000 thousand for issuing letters of credit and bank guarantees, both facilities having the maturity on November 2020.

At the same time, in December 2017 the Company signed the extension until November 2020 of another revolving loan amounting to RON 180,000 thousand contracted from a commercial bank in December 2015.

Due to the fact that they were extended, these facilities were classified as long term borrowings at 31 December 2017, while at 31 December 2016 they were classified as short-term borrowings due to their maturities in November and December 2017, respectively.

In January 2016, the Group subsidiary Alum obtained a RON 41,770 thousand loan from a commercial bank in Romania. This was completely repaid during the years 2016 and 2017 according to the schedule.

In February 2016, the Group subsidiary in Sierra Leone obtained finance from a local commercial bank amounting to SLL 5,950,000 thousand for working capital, repayable in equal instalments in 2 years' time. At 31 December 2017, the outstanding balance was of SLL 1,239,583 thousand (the equivalent of RON 634 thousand), and at 31 December 2016, the outstanding balance was SLL 4,219,400 thousand (the equivalent of RON 2,487 thousand).

At 31 December 2017, the Group and the Company had the amount of RON 594 thousand undrawn from the loan facilities contracted with the banks and the amount of RON 393 thousand of a SLL 1,500,000 thousand overdraft for working capital obtained by the Group subsidiary in Sierra Leone. At 31 December 2016, an amount of RON 6,912 thousand was undrawn from the facilities that the Group and the Company had contracted with banks.

In December 2017 the Company signed the extension until November 2020 of non-cash faciliy for letter of credit and letters of guarantee of EUR 10,000 thousand and its convertion to RON 46,000 thousand. At 31 December 2017, the Group and the Company had the amount of RON 5,289 thousand unutilized and available from this facility (at 31 December 2016, it had RON 13,807 thousand).

From the USD 30.000 thousand non-cash facility for letters of credit and letters of guarantee obtained in the end of 2017, the Company had the amount of RON 41,489 thousand available at 31 December 2017 (31 December 2016: nil).

The bank borrowings of the Group and the Company will mature until 2022 and the related interest rates ranged between 0.40% for EUR and 23% for SLL (Sierra Leone Leones) in 2017 at Group level (in 2016: between 0.40% for EUR and 21% for SLL) and at Company level between 0.40% for EUR and 5.66% for USD (in 2016: between 0,40% for EUR and 5.60% for USD).

For the exposure of the Group and the Company's borrowings to interest rate changes, please refer to Note 30.

According to the existing borrowing agreements the Group and the Company are subject to certain restrictive covenants. These covenants require the Group and the Company, among other things, to refrain from paying dividends to its shareholders unless certain conditions are met, and to maintain a minimum or maximum level for certain financial ratios, including: debt service coverage ratio, net debt to EBITDA, current ratio, net financial debt to shareholders equity, solvency ratio.

At 31 December 2017, the Group and the Company were compliant with all the financial loan covenants.

The Group and the Company borrowings are secured with accounts receivable amounting to RON 30,130 thousand for the Group and RON 120,487 thousand for the Company (at la 31 December 2016: RON 57.081 thousand for the Group and RON 137,779 thousand for the Company), with current account opened with the lending banks, with collateral deposits of RON 45,200 thousand for the Group and the Company (at 31 December 2016: RON 45,082 thousand), with property, plant and equipment (land, buildings, equipment) with a net book value of RON 685,616 thousand for the Group and RON 652,003 thousand for the Company (2016: RON 804,261 for the Group and RON 652,167 thousand for the Company) and with inventories of RON 515,457 thousand (2016: RON 450,276 thousand) for the Group and the Company.

The Group and the Company have estimated that the fair value of the borrowings and the finance leases equals their carrying amount, mainly due to the fact that their maturity is within less than one year from the reporting data, and due to the fact that the long term loans have variable interest and were recently obtained. Their fair value belongs to the level 3 of the fair value measurement hierarchy.

Finance leases relate to leases of equipment and vehicles with lease terms of up to 5 years. The net book value of leased assets at Group level was RON 8,945 thousand at 31 December 2017 (31 December 2016: RON 8,040 thousand) and at Company level was RON 7,428 thousand (31 December 2016: RON 6,908 thousand).

in RON '000, except per share data

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

	Alro Group		Alro stand-alone	
	31 December 2017	31 December 2016	31 December 2017	31 December 2016
Lease instalments falling due:				
Within 1 year	2,618	2,193	1,953	1,693
1 to 5 years	4,476	5,077	4,097	4,460
Total lease instalments	**7,094**	**7,270**	**6,050**	**6,153**
Less: future finance charges	383	483	350	435
Present value of lease obligations	**6,711**	**6,787**	**5,700**	**5,718**
Thereof:				
Short-term finance lease obligation (less than 1 year)	2,411	1,973	1,780	1,504
Long-term finance lease obligations (1 to 5 years)	4,300	4,814	3,920	4,214

Changes in liabilities arising from financing activities of Alro Group:

	Bank and other loans	Finance leases	Dividends payable
Balance at 1 January 2017	**1,047,779**	**6,787**	**2,527**
New leases	-	2,360	-
Cash outflows	-71,769	-2,756	-64,273
Interest expense	48,040	296	-
Interest paid	-57,483	-296	-
Interest capitalised	5,588	-	-
Dividends declared	-	-	64,687
Translation differences	-60,317	320	-
Balance at 31 December 2017	**911,838**	**6,711**	**2,941**

Changes in liabilities arising from financing activities of Alro standalone:

	Bank and other loans	Finance leases	Dividends payable
Balance at 1 January 2017	**1,018,071**	**5,718**	**2,527**
New leases	-	1,782	-
Cash outflows	-44,658	-2,102	-66,806
Interest expense	46,875	221	-
Interest paid	-56,365	-221	-
Interest capitalised	5,588	-	-
Dividends declared	-	-	67,220
Translation differences	-60,569	302	-
Balance at 31 December 2017	**908,942**	**5,700**	**2,941**

in RON '000, except per share data

24. Provisions

Alro Group

	Provision for litigation	Provision for employee remuneration	Provision for land restoration	Provisions for fines and penalties	Total
Balance at 1 January 2016	**6,329**	**-**	**31,045**	**21,319**	**58,693**
Additional provisions recognised	-	-	813	171	**984**
Unwinding of discount	-	-	1,230	-	**1,230**
Utilisation of provisions	-1,327	-	-	-21,239	**-22,566**
Reversal of provision	-5,002	-	-	-74	**-5,076**
Translation adjustment	-	-	432	-	**432**
Balance at 31 December 2016	**-**	**-**	**33,520**	**177**	**33,697**
Thereof:					
Current	-	-	-	177	**177**
Non-current	-	-	33,520	-	**33,520**
Additional provisions recognised	-	25,825	-	999	**26,824**
Unwinding of discount	-	-	1,249	-	**1,249**
Reversal of provision	-	-	-2,864	-171	**-3,035**
Translation adjustment	-	-	-1,136	-	**-1,136**
Balance at 31 December 2017	**-**	**25,825**	**30,769**	**1,005**	**57,599**
Thereof:					
Current	-	25,825	-	1,005	**26,830**
Non-current	-	-	30,769	-	**30,769**

Alro Stand-alone

	Provision for litigation	Provision for employee compensation	Provision for land restoration	Provisions for fines and penalties	Total
Balance at 1 January 2016	**6,300**	**-**	**1,149**	**21,239**	**28,688**
Unwinding of discount	-	-	44	-	**44**
Utilisation of provision	-1,327	-	-	-21,239	**-22,566**
Reversal of provision	-4,973		-	-	**-4,973**
Balance at 31 December 2016	**-**	**-**	**1,193**	**-**	**1,193**
Thereof:				-	
Current	-	-	-	-	**-**
Non-current	-	-	1,193	-	**1,193**
Additional provisions recognised	-	25,516	-	-	**25,516**
Unwinding of discount	-	-	46	-	**46**
Balance at 31 December 2017	**-**	**25,516**	**1,239**	**-**	**26,755**
Thereof:					
Current	-	25,516	-	-	**25,516**
Non-current	-	-	1,239	-	**1,239**

In 2017 the Parent Company recognized a short-term provision amounting to RON 25,516 thousand for remunerating the employees in accordance with the provisions of the Collective Labour Contract and the GSM decisions regarding the Directors' remuneration (in 2016: nil). Refer to *Note 6 General, administrative and selling expenses*. The exact amount and timing of the remuneration will be established after the approval of the financial statements for the year 2017.

In 2016, the Company paid the amount of RON 21,239 thousand following the sanctioning decision issued by the Competition Council in January 2016 in respect of the contracts concluded with Hidroelectrica. For this amount, a provision was booked at 31 December 2015, and therefore this did not have an impact on the Statement of profit or loss for the year 2016.

In 2016, the amount of RON 4,973 thousand in the category "Reversal of provisions" relates to provisions for civil litigations for copyrights due to the cases being closed.

The provision for land restoration is related to the rehabilitation of several industrial waste deposits of the Company and its subsidiaries. According to the environment regulations, the land underneath the waste deposits must be restored until a certain date specified by specific authorisations. The provisions are based on the estimation of expenses necessary to perform the restauration works at the time when they are expected to be incurred, discounted to their present value at 31 December 2017 and are related to: the red mud lake in Tulcea: RON 18,494 thousand, the rehabilitation of the premises of the bauxite mine: RON 11,036 thousand and the cost recognized by the Parent Company for the rehabilitation of the locations on which it deposits industrial waste in Slatina: RON 1,239 thousand.

in RON '000, except per share data

25. Employee benefits

The Group and the Company recognized employment benefits expenses representing salaries and other staff costs as follows:

	Alro Group		Alro Stand-alone	
	2017	2016	2017	2016
Salaries and other staff costs	349,427	290,145	247,879	202,495

Defined contribution plans

The employees of the Group and the Company are members of the state-managed retirement benefit plans from the countries where the Group and the Company are operating and in Romania starting 1 January 2008, can voluntarily (for employees under the age of 35 required) subscribe to private pension funds. The Group and the Company contribute a specified percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group and the Company with respect to the retirement benefit plan is to make the specified contributions during the period of employment of the respective employees.

The Group and the Company have an arrangement in place to make payments to an optional defined contribution plan for the post-employment benefit of a part of its employees that have rendered service to the Group and the Company during the period. The defined contribution plan is managed by a separate entity and the contribution made by the Group and the Company ware in the form of fixed amounts per employee, paid monthly. The Group and the Company recognized the liability undiscounted (accrued expense) at the reporting date after deducting any contribution already paid, and the expense incurred during the year, the Group’s and the Company's legal and constructive obligation being limited to the amounts that it contributes to the fund.

Contributions to defined contribution plans

	Alro Group		Alro stand-alone	
	2017	2016	2017	2016
Social insurance costs	37,459	35,268	29,031	26,479
Other defined contribution pension plans	2,105	1,666	1,688	1,666

Defined benefit plans - post-employment benefits

According to the collective labour agreements, when retiring due to age or illness, the employees benefit from a retirement bonus which is computed based on the number of years of work.

The most recent actuarial valuations of the benefit plan and the present value of the defined benefit obligation were carried out at 31 December 2017 by an independent actuarial specialist. 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 principal assumptions used for the purposes of the actuarial valuations were as follows:

	Alro Group		Alro Stand-alone	
	31 December 2017	31 December 2016	31 December 2017	31 December 2016
Discount rate (%)	4.13	3.65	4.13	3.65
Estimated salary increase rate (%)	4.30	3.75	4.30	3.75
Estimated inflation rate (%)	2.72	2.47	2.72	2.47

in RON '000, except per share data

Amounts recognised in profit or loss in respect of these defined benefit plans are as follows:

	Alro Group		Alro Stand-alone	
	2017	2016	2017	2016
Current service cost	2,134	1,751	1,308	1,167
Interest cost on obligation	1,335	1,356	1,096	1,057
Total expense	**3,469**	**3,107**	**2,404**	**2,224**

The expense on current service cost for the year are included in the statement of profit or loss and other comprehensive income as Cost of goods sold (2017: RON 1,657 thousand, 2016: RON 1,359 thousand for Group and 2017: RON 940 thousand, 2016: RON 811 thousand for Company) and administrative expenses (2017: RON 477 thousand, 2016: RON 392 thousand for Group and for Company 2017:RON 368 thousand, 2016: RON 357 thousand), and interest cost on obligation as Interest expense.

The movement of the present value of the obligation regarding the determined benefits was the following:

	Alro Group		Alro Stand-alone	
	2017	2016	2017	2016
Balance at 1 January	**36,884**	**36,178**	**32,220**	**30,481**
Included in profit or loss:				
Current service cost	2,134	1,751	1,308	1,167
Interest cost on obligation	1,335	1,356	1,096	1,057
Included in other comprehensive income:				
Actuarial changes arising from changes in demographic assumptions	-130	-5	-181	-
Actuarial changes arising from changes in financial assumptions	513	383	596	131
Actuarial changes arising from changes in experience adjustments	3,777	3	2,980	364
Benefits paid	-2,706	-2,813	-2,000	-980
Translation adjustment	-238	31	-	-
Balance at 31 December	**41,569**	**36,884**	**36,019**	**32,220**

Significant actuarial assumptions for the determination of defined benefit obligation are: discount rate, estimated salary increase rate and estimated inflation rate. The sensitivity analysis below has been determined based on reasonably possible changes of the respective assumptions occuring at the end of the reporting period, while holding all other assumptions constant:

Defined benefit obligation change

	Alro Group		Alro Stand-alone	
	2017	2016	2017	2016
Discount rate +1%	-3,447	-3,386	-2,993	-2,846
Discount rate -1%	4,192	3,753	3,487	3,338
Estimated salary increase rate +1%	4,207	3,685	3,498	3,268
Estimated salary increase rate -1%	-3,522	-3,392	-3,054	-2,842
Longevity +1 year	65	-136	5	-17
Longevity -1 year	107	-49	-	24
Employee turnover rate +0.5%	-365	-531	-388	-383
Employee turnover rate -0.5%	550	340	408	389

The sensitivity analyses above has been determined based on a method that extrapolates the impact on net defined benefit obligation as a result of reasonable changes in key assumptions occurring at the end of the reporting period.

The Group expects to make a payment of RON 5,831 thousand from the defined benefit obligation in the next financial year, of which RON 5,469 thousand are related to the Company (at 31 December 2016 the estimations were of RON 4,706 thousand for the Group and RON 4,348 thousand for the Company).

The weighted average duration of defined benefit obligation is 17.2 years for Alro, 15.5 years for Alum, 15.6 years for Vimetco Extrusion and 21.3 years for Sierra Mineral Holdings 1, Ltd.

in RON '000, except per share data

The following information relates to the maturity profile of the defined benefit obligation at 31 December 2017:

Alro Group

Maturity analysis of defined benefit payments	Retirement benefits	Death-in-service benefits	Total
Within 1 year	5,338	507	**5,845**
1 - 2 years	2,621	546	**3,167**
2 - 5 years	9,135	1,864	**10,999**
5 - 10 years	18,059	3,760	**21,819**
Over 10 years	105,732	17,956	**123,687**

Alro Stand-alone

Maturity analysis of defined benefit payments	Retirement benefits	Death-in-service benefits	Total
Within 1 year	5,087	382	**5,469**
1 - 2 years	2,333	401	**2,734**
2 - 5 years	7,871	1,318	**9,189**
5 - 10 years	13,750	2,399	**16,149**
Over 10 years	63,310	8,918	**72,228**

26. Government grants

	Alro Group		Alro Stand-alone	
	2017	**2016**	**2017**	**2016**
Balance at 1 January	**19,072**	**20,664**	**13,459**	**14,605**
Received during the year	11,670	-	10,072	-
Released to the statement of profit or loss	-1,592	-1,592	-1,146	-1,146
Balance at 31 December	**29,150**	**19,072**	**22,385**	**13,459**
Thereof:				
Current	1,592	1,592	1,146	1,146
Non-current	27,558	17,480	21,239	12,313

In 2017, the Parent Company received two tranches in amount of RON 10,072 thousand of the subsidies obtained through the European Fund for Regional Development through the Competitiveness Operational Program 2014 – 2020 within investment projects dedicated to the research infrastructure for high qualification industrial applications.

In 2017, the Group subsidiary Alum received two tranches in amount of RON 1,598 thousand of the subsidies obtained through the European Fund for Regional Development through the Competitiveness Operational Program 2014 – 2020 within the investment project dedicated to the research of aluminum hydroxide technology (dry and wet).

Income released to the Statement of profit or loss of RON 1,592 thousand for the Group and RON 1,146 thousand for the Company represent the portion recognized as income during the year related to subsidies from EU funds received by the Parent company in 2013 for a finishing line in its Processing section, and by a subsidiary in 2014 for the investment in a production line of extruded products.

The income recognized during the year in the Statement of profit or loss and other comprehensive income of the Group and the Company are included in the category "Other operating income" (refer to Note 7).

As at 31 December 2017 there are no identified contingent liabilities attached to these grants.

in RON '000, except per share data

27. Trade and other payables

	Alro Group		Alro Stand-alone	
	31 December 2017	31 December 2016	31 December 2017	31 December 2016
Foreign trade payables	34,163	31,533	23,200	22,136
Domestic trade payables	112,946	126,218	77,118	89,429
Accrued trade payables	36,538	27,557	33,162	25,859
Total	**183,647**	**185,308**	**133,480**	**137,424**

Domestic trade payables are payables towards suppliers located in the countries where the Group operates (in Romania and Sierra Leone, respectively).

28. Other current liabilities

	Alro Group		Alro Stand-alone	
	31 December 2017	31 December 2016	31 December 2017	31 December 2016
Suppliers of fixed assets	25,121	13,361	19,188	11,077
Advances from customers	8,323	4,914	7,565	4,628
Wages and social security taxes	31,983	31,053	23,147	23,442
Dividends payable	2,941	2,527	2,941	2,527
Other	19,146	18,263	14,106	13,001
Total	**87,514**	**70,118**	**66,947**	**54,675**

29. Related parties transactions

The Group and the Company enter, 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, are not secured, and the management considers such transactions to be on an arm's length basis.

The main related parties with whom the Group and the Company had transactions during the period are:

Related party	
Vimetco N.V.	Major shareholder
Alum S.A.	Subsidiary
Vimetco Extrusion SRL	Subsidiary
Conef S.A.	Subsidiary
Sierra Mineral Holdings 1, Ltd	Subsidiary
Vimetco Trading SRL	Common control
Vimetco Management Romania SRL	Common control
Vimetco Power Romania SRL	Common control
Conef Gaz SRL	Common control
Conef Energy SRL	Common control
Centrul Rivergate SRL	Common control
Rivergate Rating Group	Common control
Rivergate Fire SRL	Common control

Group transactions are eliminated on consolidation.

in RON '000, except per share data

The primary related party transactions are described below:

Sales of goods and services:

	Alro Group		Alro Stand-alone	
	2017	**2016**	**2017**	**2016**
Subsidiaries	-	-	230,486	188,918
Companies under common control	2,707	3,096	1,182	1,115
Total goods and services provided to related parties	**2,707**	**3,096**	**231,668**	**190,033**

Goods and services purchased from related parties:

Subsidiaries	-	-	-528,392	-487,496
Companies under common control	-213,902	-207,241	-79,349	-69,580
Total goods and services purchased from related parties	**-213,902**	**-207,241**	**-607,741**	**-557,076**

Interest expense to related parties:

Vimetco N.V.	-	-135	-	-135
Total interest expense to related parties	**-**	**-135**	**-**	**-135**

Interest income from related parties:

Subsidiaries	-	-	1,538	2,161
Vimetco N.V.	4,145	3,030	-	-
Total interest income from related parties	**4,145**	**3,030**	**1,538**	**2,161**

Furthermore, the following balances were outstanding at 31 December 2017 and 31 December 2016:

Trade and other accounts receivable:

	Alro Group		Alro Stand-alone	
	31 December 2017	**31December 2016**	**31 December 2017**	**31 December 2016**
Subsidiaries	-	-	265,861	246,240
Companies under common control	3,579	6,729	318	883
Allowance for doubtful receivables	-374	-351	-163	-163
Total trade and other accounts receivable from related parties	**3,205**	**6,378**	**266,016**	**246,960**
- non-current	-	-	9,389	9,741
- current	3,205	6,378	256,627	237,219

Trade and other accounts payable:

	Alro Group		Alro Stand-alone	
	31 December 2017	**31 December 2016**	**31 December 2017**	**31 December 2016**
Subsidiaries	-	-	1,699	1,411
Companies under common control	1,607	1,387	1,603	1,383
Total trade and other accounts payable to related parties	**1,607**	**1,387**	**3,302**	**2,794**

Borrowings to related parties:

	Alro Group		Alro Stand-alone	
	31 December 2017	**31 December 2016**	**31 December 2017**	**31 December 2016**
Vimetco NV	54,345	52,035	-	-
Total borrowings to related parties	**54,345**	**52,035**	**-**	**-**
Thereof:				
Short-term portion of borrowings	-	-	-	-
Long-term portion of borrowings	54,345	52,035	-	-

in RON '000, except per share data

A Group subsidiary has a borrowing agreement with the major shareholder Vimetco NV for an amount of up to USD 11,700 thousand, of which USD 11,695 thousand were utilized at 31 December 2017 (at 31 December 2016: USD 10,845 thousand). The borrowing has the maturity in July 2019, and the interest accrued for it at 31 December 2017 was RON 8,834 thousand (at 31 December 2016: RON 5,366 thousand).

Dividends

In 2017 the Company paid dividends to the major shareholder Vimetco NV in amount of RON 56,589 thousand and to its subsidiary Conef the amount of RON 2,533 thousand (in 2016: RON 4,239 thousand were paid in respect of dividends declared in 2012 and deferred for payment to the majority shareholder Vimetco N.V.) (refer to Note 11).

Management compensation

The total compensation of the Group and the Company's key management personnel included in "General, administrative and selling expenses" in the Statement of Profit or Loss and other Comprehensive Income amounts to RON 10,887 thousand (2016: RON 10,620 thousand) at Group level and to RON 7,749 thousand (2016: RON 8,971 thousand) at Company level, respectively, while the expense for determined contribution plan (social contributions) was RON 1,211 thousand for 2017 for the Group (2016: RON 1,237 thousand), and RON 822 thousand for 2017 for the Company (2016: RON 1,102 thousand).

Key management personnel transactions

A number of key management personnel, or their close family members, hold positions in other companies that result in them having control or significant influence over these companies.

A number of these companies transacted with the Group and the Company during the year. The terms and conditions of these transactions were no more favourable than those available, or which might reasonably be expected to be available, in similar transactions with non-key management personnel related companies on an arm's length basis.

The transactions concluded between the Group and the related parties were as follows:

	Alro Group		Alro Stand-alone	
	31 December 2017	31 December 2016	31 December 2017	31 December 2016
Goods and services purchased from entities controlled by key management personnel or their close family members	124	192	115	119
Benefits paid to close family members of the key management personnel	-	-	-	-
Total	**124**	**192**	**115**	**119**

30. Risk management

The Group and the Company's activities expose them to a variety of financial risks: market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. The Group and the Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group and the Company's financial performance. The Group and the Company use derivative financial instruments to hedge certain risk exposures.

Risk management is carried out by the Group and the Company Treasury under policies approved by the Board of Directors. The Treasury identifies, evaluates and hedges financial risks in close co-operation with the Group and Company'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.

in RON '000, except per share data

Capital risk management

The Group and the Company's objectives when managing capital are to safeguard the Group and the Company'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 and the Company consists of debt, which includes the borrowings disclosed in Note 23, net of ""cash and cash equivalents"" as disclosed in Note 20 (i.e. excluding restricted cash) and shareholders' equity.

The Group and the Company'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 and the Company 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 and the Company monitor 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 and separate statement of financial position) less "cash and cash equivalents". Total capital is calculated as "total equity" as shown in the consolidated and separate statement of financial position sheet plus net debt.

	Alro Group		Alro stand-alone	
	31 December 2017	31 December 2016	31 December 2017	31 December 2016
Total borrowings (Note 23)	918,549	1,054,566	914,642	1,023,789
Less: cash and cash equivalents (Note 20), adjusted*	-356,828	-321,850	-345,736	-318,374
Net debt	**561,721**	**732,716**	**568,906**	**705,415**
Total shareholders' equity	**1,215,348**	**900,958**	**1,379,276**	**1,131,661**
Total capital	**1,777,069**	**1,633,674**	**1,948,182**	**1,837,076**
Gearing ratio	32%	45%	29%	38%

*The cash and cash equivalents are adjusted to include the collateral deposits of RON 36,000 thousand pledged for oustanding borrowings, and included in Other non-current assets at 31 December 2017 and in Restricted cash at 31 December 2016, in line with their contractual maturity.

As it appears from the table above, the gearing ratio has decreased from 45% to 32% at Group level and from 38% to 29% at Company level as a consequence of the good results obtained by the Group and the Company in 2017, and due to the reduction of the loans simultaneously with the improvement of the cash and cash equivalents.

Market risk

The Group and the Company's activities expose them primarily to the financial risks of changes in commodity prices, foreign currency exchange rates and interest rates. The Group and the Company enter into a variety of contracts for derivative financial instruments to manage its exposure to market prices, such as:

- 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 and Company cash flows from the adverse impact of falling aluminium prices.

Foreign currency risk management

The Group and the Company operate internationally and undertake certain transactions denominated in foreign currencies. Hence, the Group and the Company are exposed to foreign exchange risk arising from various currency fluctuations against the reporting currency, primarily with respect to the EUR and USD. Exchange rate exposures are managed within approved policy parameters by utilising forward foreign exchange contracts. The Group and the Company's risk management policy is to hedge up to 50% of anticipated cash flows (Romanian sales and purchases) in USD and EUR as far as the Management considers it appropriate and the market allows this at reasonable costs.

The Group and the Company'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.

in RON '000, except per share data

The carrying amount of the Group and the Company's foreign currency denominated monetary assets and monetary liabilities at the reporting date is as follows:

Alro Group

Currency of denomination	**EUR**	**USD**	**Other**	**Total**
Functional currency	**RON**	**RON**	**RON**	**RON**
31 December 2017				
Total monetary assets	151,846	320,912	34	**472,792**
Total monetary liabilities	190,493	621,453	1,116	**813,062**
31 December 2016				
Total monetary assets	79,905	264,907	30	**344,842**
Total monetary liabilities	208,363	712,256	4,525	**925,144**

Alro

Currency of denomination	**EUR**	**USD**	**Other**	**Total**
Functional currency	**RON**	**RON**	**RON**	**RON**
31 December 2017				
Total monetary assets	133,036	272,504	13	**405,553**
Total monetary liabilities	180,892	600,395	92	**781,379**
31 December 2016				
Total monetary assets	70,915	217,892	6	**288,813**
Total monetary liabilities	195,865	688,924	267	**885,056**

These monetary assets and liabilities do not include derivative contracts entered into.

Foreign currency sensitivity

The Group and the Company are mainly exposed to the fluctuation of RON/USD and RON/EUR exchange rates. The following table details the Group and the Company's sensitivity as an impact of a 10% increase in these currencies against the corresponding functional currency. 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 EUR and USD, as indicated below, against the RON at 31 December would increase (decrease) profit or loss and equity by the amounts shown below (excluding the impact on income tax).

	Alro Group		**Alro Stand-alone**	
Currency of denomination	EUR	USD	EUR	USD
Functional currency	RON	RON	RON	RON
31 December 2017				
Profit or loss	-3.865 [1)]	-30.054 [2)]	-4.786 [1)]	-32.789 [2)]
Other equity	-	-	-	-
31 December 2016				
Profit or loss	-12.846 [1)]	-44.735 [2)]	-12.495 [1)]	-47.103 [2)]
Other equity	-	-	-	-

[1)] This is mainly attributable to the exposure outstanding on EUR denominated borrowings and trade payables at the end of the period.

[2)] This is mainly attributable to the exposure outstanding on short-term and long-term USD denominated borrowings at the end of the period.

In respect of the derivative financial instruments, at 31 December 2017 a shift of the RON/USD exchange rate by 10% in the case of RON depreciation against USD would increase the profit or loss account by RON 330 thousand, while in the case of appreciation of RON against USD, the profit or loss account would decrease by RON 330 thousand (31 December 2016: RON 67 thousand, - RON 67 thousand).

Interest rate risk management

A Group subsidiary granted a loan to the Parent company of the Group, Vimetco NV, in arm's length conditions (refer to note 29), at a variable interest rate. The balance of this loan is of RON 45,511 thousand at 31 December 2017 (and RON 46,670 thousand at 31 December 2016).

The Group and the Company's interest rate risk arises mainly from loans taken. Borrowings received at floating rates expose the Group and the Company to cash flow interest rate risk. Borrowings received at fixed rates expose the Group and the Company to fair value interest rate risk. The interest rates on the Group and the Company's existing credit facilities are based on the London Interbank Offered Rate ("LIBOR") for USD borrowings, on EURIBOR for borrowings in EUR and on ROBOR (Romanian Interbank Offered Rate) for RON borrowings. The Group and the Company borrowings are contracted at floating interest rates.

The Group and the Company's main interest bearing liabilities are detailed in the liquidity risk management section of this Note.

Interest rate sensitivity

The sensitivity analysis below has been determined based on the exposure to interest rates for EUR, USD and RON denominated loans received and borrowings granted 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 result would decrease/ increase by RON 8,905 thousand (2016: RON 10,208 thousand) and the Company's result would decrease/increase by RON 9,325 thousand (2016: RON 10,376 thousand) for the year ended 31 December 2017 (excluding the impact on income tax).

Commodity price risk

Commodity price risk is the risk that the Group and the Company's future earnings will be adversely impacted by changes in the market price of aluminium. The Group and the Company'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 derivative contracts such as aluminium swap agreements and ratio-collar transactions on aluminium, when market conditions are favourable.

Commodity options

In 2017, on the purpose of protecting its revenues against the volatility of aluminium price, the Group and the Company entered into several transactions with financial institutions consisting of 100% Asian collar options by taking long positions on put options and short positions on call options for a quantity of 53,000 tonnes of aluminium, and by securing for the respective quantity a minimum price of 1,920 USD/ tonne; the options had exercise dates during September-December 2017. The options were not exercised due to the fact that the LME quotations were within the collar interval, and thus a net loss of RON 1,248 thousand representing the premium paid was included in "Other financial costs, net" in the Profit or Loss Statement.

In the end of 2017, the Group and the Company entered into several transactions with financial institutions consisting of 100% collar of Asian options by taking long positions on put options and short positions on call options for a quantity of approximately 61.300 tonnes aluminium, for which a minimum price of 2,200 USD/tonne was secured, with exercising dates during January-December 2018. As at 31 December 2017 the fair value of the options amounted to RON 3,298 thousand.

In 2016 the Group and the Company entered into several transactions with financial institutions consisting of 100% zero-cost collar of Asian options by taking long positions on put options and short positions on call options for a quantity of 54,700 tonnes aluminium, and by securing a minimum price of 1,584 USD/t for the respective quantity. The options were settled on a monthly basis during July - December 2016, so that as at 31 December 2016 no option contract was outstanding. The loss resulting from the settlement of these options recognized in 2016, amounting to RON 5,021 thousand is presented in the Note 9 "Other financial costs, net".

in RON '000, except per share data

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

Commodity swap contracts

In 2016, in order to hedge its sales at fixed price from adverse market fluctuations, the Group and the Company concluded aluminium swap agreements with highly reputed counterparties for a quantity of approximately 600 tonnes at an average fixed price of 1,430 EUR/t for which it would receive from the counterparty a floating price valid at the time of sales. At 31 December 2017, the Group and the Company no longer had aluminium swap agreements, all the contracts with outstanding value at 31 December 2016 of RON 671 thousand having been settled in January and February 2017, with the realized gain for 2017 of RON 87 thousand being presented under Note 9 "Other financial costs, net".

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

Embedded derivatives

In 2010, the Group and the Company entered into a long-term electricity purchase contract valid until January 2018. The agreed pricing contained an LME-linked price adjustment, and a foreign exchange linked price adjustment, which were not clearly and closely related to the host contract and therefore they represented an embedded derivative which was separated from the host contract and accounted for at fair value through profit or loss. The contract went through more modifications since its initial date (refer to the Financial Statements for 31 December 2016 for further details).

In 2016, the Company exercised its option not to purchase energy for 2017 on the basis of this contract, so the Group and the Company did not have embedded derivatives outstanding at 31 December 2016 and 31 December 2017. The loss from the change in fair value of the embedded derivative instrument during the year 2016, amounting to RON 12,811 thousand was debited to the profit or loss account, being presented under "Gains/(Losses) from embedded derivatives", while an amount of RON 4,577 thousand was debited to the statement of profit or loss as "energy cost" under "Cost of goods sold", being the fair value of the monthly derivative instruments settled during the year.

The embedded derivatives 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.

The Group and the Company do not have level 3 financial instruments.

Summary of the fair value of derivative financial instruments as at 31 December 2017 and 2016:

	Alro Group		Alro Stand-alone	
	Assets	**Liabilities**	**Assets**	**Liabilities**
31 December 2017				
Commodity options	3,298	-	3,298	-
Total	**3,298**	**-**	**3,298**	**-**
Thereof:				
Non-current	-	-	-	-
Current	3,298	-	3,298	-
31 December 2016				
Aluminium swaps - cashflow hedges	671	-	671	-
Total	**671**	-	**671**	-
Thereof:				
Non-current	-	-	-	-
Current	671	-	671	-

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 for the years ended 31 December 2017 and 2016.

In 2017 and 2016 there were no significant changes in the business or economic circumstances that affect the fair value of the Group and the Company'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 and the Company are affected by the Government's schemes to support green energy, leading to higher electricity costs. Although the Group and the Company's main activity is to sell its products at prevailing market prices, the Group and the Company are 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.

Commodity price sensitivity

As of 31 December 2017, a paralel upward/downward shift of the aluminium forward curve equal to USD 100 per tonne would decrease/ increase the profit or loss account by RON 18,900 thousand / by RON 12,977 thousand, respectively, due to the valuation of the aluminium options that are highly volatile (31 December 2016: RON 253 thousand / by RON 254 thousand) (excluding the impact on income tax).

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 and the Company. The Group is exposed to credit risk from its operating activities (primarily trade receivables (see also Notes 16 and 29) and from its financing activities, including deposits with banks and financial institutions (see also notes 16 and 20).

Trade receivables
Trade receivables consist of a large number of customers, spread across diverse industries and geographical areas. In order for the Group and Company to minimize the credit risk, the major part of the receivables are immediately sold to banks by factoring transactions on a non-recourse basis. For a small part of the receivables, which is not covered by factoring contracts, the financial quality of the debtors is permanently monitored, and the Group and the Company exposure from the concluded transactions is spread amongst approved counterparties. The Group and the Company have 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. Credit exposure is controlled by counterparty limits that are reviewed and approved by the Management. Ongoing credit evaluation is performed on the financial condition of accounts receivable and credit history of debtors and, where appropriate, credit risk insurance is required. For the Group and the Company's concentration risk, refer to Note 18.

Financial instruments and cash deposits
Credit risk from transactions with banks and financial institutions is managed by the Treasury department. Investment of surplus funds is done 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 by the counterparties in respect of financial instruments.

The maximum exposure to credit risk for derivative assets is their fair value at the reporting date.

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 Group and the Company’s short-, medium- and long-term funding and liquidity requirements. The Group and the Company manage 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.

The following tables detail the Group's and the Company’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 and the Company can be required to pay.

in RON '000, except per share data

Alro Group	within 1 year	1 to 5 years	after 5 years	Total
31 December 2017				
Borrowings (principal and expected future interest payments)	111,604	942,468	-	**1,054,072**
Trade and other monetary payables	266,154	-	-	**266,154**
Total	**377,758**	**942,468**	**-**	**1,320,226**
31 December 2016				
Borrowings (principal and expected future interest payments)	869,392	227,234	48,728	**1,145,354**
Trade and other monetary payables	246,618	-	-	**246,618**
Total	**1,116,010**	**227,234**	**48,728**	**1,391,972**

Alro Stand-alone	within 1 year	1 to 5 years	after 5 years	Total
31 December 2017				
Borrowings (principal and expected future interest payments)	107,821	942,089	-	**1,049,910**
Trade and other monetary payables	190,237	-	-	**190,237**
Total	**298,058**	**942,089**	**-**	**1,240,147**
31 December 2016				
Borrowings (principal and expected future interest payments)	840,669	224,004	48,728	**1,113,401**
Trade and other monetary payables	183,253	-	-	**183,253**
Total	**1,023,922**	**224,004**	**48,728**	**1,296,654**

Categories of financial instruments

	Alro Group		Alro Stand-alone	
	31 December 2017	31 December 2016	31 December 2017	31 December 2016
Financial assets				
Cash and bank balances	387,837	331,416	370,176	327,456
Fair value through profit or loss (FVTPL)				
Held for trading	-	-	-	-
Designated as at FVTPL	3,298	671	3,298	671
Derivative instruments in designated hedge accounting relationships	-	-	-	-
Held-to-maturity investments	-	-	-	-
Loans and receivables	230,917	175,998	237,172	189,290
Available-for-sale financial assets	-	-	-	-

	Alro Group		Alro Stand-alone	
	31 December 2017	31 December 2016	31 December 2017	31 December 2016
Financial liabilities				
Fair value through profit or loss (FVTPL)	-	-	-	-
Amortised cost	1,183,110	1,299,590	1,103,733	1,205,895

There were no reclassifications between the categories of financial assets during 2017 and 2016.

Fair value of financial instruments

The fair values of financial assets and financial liabilities are determined as follows:

• The fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets is determined with reference to quoted market prices (includes listed redeemable notes, bills of exchange, debentures and perpetual notes).

• The fair value of other financial assets and financial liabilities (excluding derivative instruments) is 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 value of derivative instruments is calculated using quoted prices. Where such prices are not available, the fair value of financial instruments is determined by using valuation techniques. The Group and the Company use a variety of methods and makes assumptions that are based on market conditions existing at each reporting date. The fair value of forward foreign exchange contracts is determined using forward exchange rates provided by dealers at the reporting 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.

in RON '000, except per share data

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 valuation techniques containing 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).

Alro Group **31 December 2017**

Financial assets at fair value	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets at FVTPL				
Commodity options	-	3,298	-	**3,298**
Total	**-**	**3,298**	**-**	**3,298**

31 December 2016

Financial assets at fair value	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets at FVTPL				
Aluminium swaps - cashflow hedges	-	671	-	**671**
Total	**-**	**671**	**-**	**671**

Alro stand-alone **31 December 2017**

Financial assets at fair value	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets at FVTPL				
Commodity options	-	3,298	-	**3,298**
Total	**-**	**3,298**	**-**	**3,298**

31 December 2016

Financial assets at fair value	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets at FVTPL				
Aluminium swaps - cashflow hedges	-	671	-	**671**
Total	**-**	**671**	**-**	**671**

The Group and the Company do not have level 3 financial instruments.

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

The Management consider that the fair values of financial assets and financial liabilities recognised at amortised cost in the financial statements approximate their carrying amounts largely due to the short term maturities, low transaction costs of these instruments as of financial position date, and for the long-term borrowings due to the fact that thery were recently contracted.

The fair value of the following financial assets and liabilities approximate their carrying amount:

- Trade and other receivables;
- Other current financial assets;
- Cash and cash equivalents;
- Trade and other payables;
- Borrowings.

in RON '000, except per share data

31. Commitments and contingencies

Commitments

Investment commitments

As at 31 December 2017, the Group's and the Company's commitments pertaining to the investments for the year 2018 amounted to RON 126,708 thousand (31 December 2016: RON 37,249 thousand) at the Group level and to RON 113,047 thousand (31 December 2016: RON 30,984 thousand) at the Company level.

Raw material purchase contracts

As at 31 December 2017, the Group and the Company had contracts for purchases of raw materials, other consumables and utilities in amount of RON 1,248,365 thousand (31 December 2016: RON 880,117 thousand) for the Group and in amount of RON 1,459,300 thousand (31 December 2016: RON 1,225,577 thousand) for the Company.

Operating lease

In 2017 the Group and the Company had operating lease contracts for vehicles and equipments, with lease terms of up to 5 years. The operating lease expense in 2017 amounted to RON 11,497 thousand (in 2016: RON 6,280 thousand) at the Group level and RON 622 thousand (in 2016: RON 455 thousand) at the Company level.

The future amounts of minimum lease payments under non-cancellable operating leases as at 31 December are, as follows:

	Alro Group		Alro Stand-alone	
	31 December 2017	31 December 2016	31 December 2017	31 December 2016
Within 1 year	668	3,526	668	508
1 to 5 years	1,267	709	1267	596
Total	**1,935**	**4,235**	**1,935**	**1,104**

Operating lease commitments — Company as a lessor

The Parent Company has investment property consisting of an extruded aluminium production hall rented to one of its subsidiaries. The agreement is concluded up to the year 2027 and contains a clause of rent indexation with the inflation rate.

The amount recognized as rental income by the Company in 2017 was of RON 795 thousand (2016: RON 795 thousand).

Future minimum lease payments receivable under non-cancellable operating leases as at 31 December 2017 are presented by maturities below:

	Alro Stand-alone	
	31 December 2017	31 December 2016
Within 1 year	806	795
After 1 year but not more than 5 years	3,468	3,384
More than 5 years	4,852	5,746
Total minimum rentals receivable	**9,126**	**9,925**

Contingent liabilities

The Parent Company has a commitment concluded with the financing bank of one of its subsidiaries (Vimetco Extrusion) whereby it is mentioned, among others, that the Company should not, by its actions, cause circumstances in which the subsidiary might not be able to discharge its liabilities towards the financing bank. In the opposite case, the exposure of the Parent Company towards the financing bank of the subsidiary cannot exceed the minimum between USD 3,000 thousand and the outstanding balance of the relevant subsidiary towards the bank (which at 31 December 2017 is RON 1,877 thousand). The Management does not expect that this commitment might materialize into cash outflows from the Company, as the conditions imposed by it are totally under the control of Alro.

in RON '000, except per share data

Litigations

As at 31 December 2017 the Group and the Company were subject to a number of lawsuits resulting from the normal course of the business. Management believes that these actions, will not have a significant impact on the financial performance and financial position of the Group and/or of the Company.

In May 2015, the Parent Company acknowledged a legal civil action at the Bucharest Court of Law, brought by Hidroelectrica S.A., regarding material claims by the electricity producer for alleged unrealized benefits from the bilateral contract with Alro S.A. In December 2015, the Primary Court rejected a significant part of the claims of Hidroelectrica as being time-barred, and consequently only remaining claims are under discussion, related to a short period from the contract of less than 2 months, which were subsequently dismissed in first instance by the Court in June 2016. In the appeal stage, the Bucharest Court of Appeal has also dismissed Hidroelectrica appeal action, and the Company reported this information to the investors and interested public. Hidroelectrica has filed a second appeal which is to be considered by the High Court of Cassation and Justice. Based on Management's best estimate, it is not possible to make a reliable estimation of the outcome of the legal case. Consequently, the Company did not recognize a provision in relation to the legal case at 31 December 2017.

In 2016, the Parent Company also contested before the Court of Law a decision of the Competition Council that fined the Company by RON 21,239 thousand for an alleged vertical agreement on the energy market, which was firmly challenged by the Company, as well as several Romanian Energy Regulatory Authority ("ANRE") orders regarding the calculation of green certificate quota for the Company's energy consumptions in 2015 and regarding the quota settlement methodology. The disputes are ongoing before the competent Courts of Law.

Taxation

The taxation systems in Romania and in the jurisdictions where the Group operates are undergoing continuous developments. Thus, it is subject to various interpretations and constant changes which may sometimes be retroactive. In some circumstances, the fiscal authorities may treat some aspects in a different way by calculating additional taxes, interest and penalties, which can be significant. In Romania, the fiscal year remains open for tax audit for a period of 5 years, all the Romanian companies of the Group having this period open. In Sierra Leone the term is of 7 years, and the last fiscal audit with the Group subsidiary in Sierra Leone took place in September 2017. The management considers that the tax liabilities included in these financial statements are adequate.

In accordance with the requirements issued by the Ministry of Public Finance in Romania, which relate to the fiscal treatment of the items of equity that have not been subject to the calculation of the income tax as at the date of their recording in the accounts due to their nature, should the Group change the destination of the statutory reserves in the future (to cover losses or to make distributions to the shareholders), this will lead to additional income tax liabilities.

32. Auditor's fee

This note shows the total remuneration payable by the Group and the Company, excluding VAT, to our principal auditors, Ernst & Young Assurance Services SRL for the financial years mentioned below.

	Alro Group		Alro Stand-alone	
	2017	**2015**	**2017**	**2015**
Statutory audit expenses	1,056	1,071	742	761
Non-audit services	65	33	48	33
Total	**1,121**	**1,104**	**790**	**794**

33. Events after the reporting date

In January 2018, Alro hedged an additional quantity of 30,700 tonnes of aluminium planned to be sold in 2018 via collar type of transactions by securing a minimum LME price of 2,200 USD/tonne for the respective quantity. At the date of issue of this report, Alro has a total quantity of 92,000 tonnes of aluminium covered by hedging contracts (collar type of transactions) against the fall of the aluminium price below the respective contractual thresholds.

On 11 January 2018, the Extraordinary General Shareholders' Meeting of the subsidiary Alum approved the contracting by the respective Group subsidiary of two loan facilities amounting to USD 20 million with Black Sea Trade and Development Bank and USD 5 million with Garanti Bank Romania S.A., respectively. The scope of these loan facilities are mainly investments, and they will be repaid in seven half-yearly instalments after a grace period of two years. The loans will be secured with property, plant and equipment of Alum, with inventories, receivables and current accounts.

There were no other material subsequent events that could have a significant impact on these financial statements.

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Alro S.A.

Report on the Audit of the Consolidated and separate financial statements

Opinion

We have audited the consolidated and separate financial statements of Alro S.A (the Company) with official head office in Pitesti 116 Street, Slatina, Olt county, Romania, identified by sole fiscal registration number RO 1515374, which comprise the consolidated and separate statements of financial position as at December 31, 2017, the consolidated and separate statements of profit or loss and other comprehensive income, the consolidated and separate statements of changes in shareholders' equity and the consolidated and separate cash flow statements for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the consolidated and separate financial statements give a true and fair view of the consolidated and separate financial position of the Company as at December 31, 2017 and of its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with the Order of the Minister of Public Finance no. 2844/2016, approving the accounting regulations compliant with the International Financial Reporting Standards, with subsequent modifications and clarifications.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs), Regulation (EU) No. 537/2014 of the European Parliament and of the Council of 16 April 2014 ("Regulation (EU) No. 537/2014") and Law 162/2017 („Law 162/2017"). Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated and separate financial statements" section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to the audit of the consolidated and separate financial statements in Romania, including Regulation (EU) No. 537/2014 and Law 162/2017 and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

English translation only for information purposes. The translation of the report should be read with the financial statements, as a whole. In all matters of interpretations of information, views or opinions, the original Romanian language version of our report takes precedence over this translation.

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Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated and separate financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the "Auditor's responsibilities for the audit of the consolidated and separate financial statements" section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated and separate financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated and separate financial statements.

Description of each key audit matter and our procedures performed to address the matter

Key audit matter	How our audit addressed the key audit matter
Impairment testing of goodwill in the consolidated financial statements and investments in subsidiaries in the separate financial statements Alro Group's disclosures about goodwill and investments in subsidiaries, including the related impairment, are included in Note 15 and Note 14 respectively.	
Alro Group is required to test at least annually and also when impairment indicators exist the goodwill (carrying value of RON 87.5 million in the consolidated statement of financial position) for impairment. The goodwill impairment testing is performed at the level of two cash-generating units (CGUs) - Alro Group (in Romania) and Global Aluminium Ltd (in Sierra Leone). This annual impairment test is significant to our audit because the assessment process is complex, requires significant management judgment and is based on assumptions that are affected by expected future market conditions in Romania and Sierra Leone.	Our audit procedures included, among others, involvement of our internal valuation specialists to assist us in evaluating the key assumptions and methodologies used by Alro Group for the impairment testing of goodwill and investments in subsidiaries. Our evaluation was focused on the discount rate estimates for Romania and Sierra Leone, on the sensitivity analysis of the CGUs' recoverable amounts to changes in the significant assumptions as well as on the key assumptions applied in the estimates of future cash flows for the respective CGUs (such as expected sales prices,

Investments in subsidiaries are also significant to our audit because of the magnitude of the balance sheet position as at 31 December 2017 (carrying value of RON 447.6 million in the separate statement of financial position). The aluminium industry has suffered a cyclical downturn in the last years resulting in capacity shutdowns and deferred investments by many players in the industry; as a consequence, the management has recognized in prior years an impairment of RON 147.5 milion for the Company's investment in Alum (with a carrying value of RON 359.8 million).
As of 31 December 2017, following a period of improved results and based on future projections maintaining the same positive trend, management has reversed part of this impairment in amount of RON 23.9 milion.

The management assessment of impairment indicators for CGUs and investments respectively involves consideration of various sources of information, including the economic environment factors.

production/sales volumes, cost and expenses, working capital changes, etc.) by analysing their consistency with the general and industry-specific economic environment, relevant available market information and the business plans of the Group. In this context, we evaluated whether or not certain assumptions on which the valuation was based, individually and taken as a whole, considered the risks associated with the cash flows, including the potential variability in the amount and timing of cash flows and the related effect on the discount rate.

We assessed the historical accuracy of management's budgets and forecasts by comparing them to actual performance and to prior year and tested the mathematical accuracy of the impairment model used. We also evaluated the management assessment of impairment indicators for investments in subsidiaries by considering whether the assessment covered all significant cash generating units for which impairment indicators existed at the end of the reporting period.

We further assessed the adequacy of Alro Group's disclosures about Impairment testing of goodwill and investments in subsidiaries.

Recognition of deferred tax asset in the consolidated and separate financial statements

Alro Group's disclosures about deferred tax assets are included in Note 10

The deferred tax asset is significant to our audit because of the magnitude of the balance sheet position as at 31 December 2017 (of RON 98.8 million in the consolidated statement of financial position and respectively RON 43.3 million in the separate statement of financial position) and the fact that management judgement is required to assess the recoverability of the balance, in particular by

Our audit procedures focused on assessing the key management assumptions for the deferred tax asset recoverability such as forecasts which underpin the asset recognition, including summaries of tax losses expiry dates. We evaluated consistency with long term business plans used by management to manage and monitor the performance of the business.

reference to forecast taxable income, some of which is expected to arise a number of years in the future.

Based on the positive results recorded during year 2017, a significant amount of the prior year's balance was recovered (RON 57.2 milion included in the consolidated statement of profit or loss and other comprehensive income and respectively RON 60.1 milion in the separate statement of profit or loss and other comprehensive income).
Furthermore, considering the positive results recorded during the current period and the forecast for future periods, the Group recognized an additional deferred tax asset in amount of RON 47 milion in respect of fiscal losses recorded by its subsidiary Sierra Mineral Holdings I, Ltd.

Our internal tax specialists were involved, as appropriate, to assist us in our audit procedures performed on the current taxation area and any relevant evaluations were considered for impact in our assessment of the taxable profit projections. Furthermore, we assessed the adequacy of the Group's disclosures regarding deferred tax assets.

Other information

The other information comprises the Annual Report (which includes the Directors' Consolidated Report, the Report on Payments to Governments for mining activities and the Corporate Governance Statement), but does not include the consolidated and separate financial statements and our auditors' report thereon. The Corporate responsibility and sustainability report will be published separately. Management is responsible for the other information.

Our audit opinion on the consolidated and separate financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated and separate financial statements

Management is responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with the Order of the Minister of Public Finance no. 2844/2016 approving the accounting regulations compliant with the International Financial Reporting Standards, with all subsequent modifications and clarifications, and for such internal control as management determines is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.
In preparing the consolidated and separate financial statements, management is responsible for assessing the Company'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 management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 consolidated and separate financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated and separate 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.

- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.

- 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 auditors' report to the related disclosures in the consolidated and separate 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 auditors' 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 consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated and separate financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance 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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated and separate financial statements of the current period and are therefore the key audit matters.

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Report on Other Legal and Regulatory Requirements

Reporting on Information Other than the Consolidated and separate financial statements and Our Auditors' Report Thereon

In addition to our reporting responsibilities according to ISAs described in section "Other information", with respect to the Directors' Report, we have read the Directors' Report and report that:

a) in the Directors' Consolidated Report we have not identified information which is not consistent, in all material respects, with the information presented in the accompanying consolidated and separate financial statements as at December 31, 2017;
b) the Directors' Consolidated Report identified above includes, in all material respects, the required information according to the provisions of the Ministry of Public Finance Order no. 2844/2016 approving the accounting regulations compliant with the International Financial Reporting Standards, with all subsequent modifications and clarifications, Annex 1 points 15 - 19 and 26-28;
c) based on our knowledge and understanding concerning the entity and its environment gained during our audit of the consolidated and separate financial statements as at December 31, 2017, we have not identified information included in the Directors' Consolidated Report that contains a material misstatement of fact.

Other requirements on content of auditor's report in compliance with Regulation (EU) No. 537/2014 of the European Parliament and of the Council

Appointment and Approval of Auditor

We were appointed as auditors of the Company by the General Meeting of Shareholders on 28 April 2017 to audit the consolidated and separate financial statements for the financial year end December 31, 2017. Total uninterrupted engagement period, including previous renewals (extension of the period for which we were originally appointed) and reappointments for the statutory auditor, has lasted for five years covering the financial periods ended December 31, 2013 until December 31, 2017.

Consistency with Additional Report to the Audit Committee

Our audit opinion on the consolidated and separate financial statements expressed herein is consistent with the additional report to the Audit Committee of the Company, which we issued on the same date as the issue date of this report.

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Provision of Non-audit Services

No prohibited non-audit services referred to in Article 5(1) of Regulation (EU) No. 537/2014 of the European Parliament and of the Council were provided by us to the Company and we remain independent from the Company in conducting the audit.

In addition to statutory audit services and other non-audit services disclosed in the annual report and in the financial statements, no other services were provided by us to the Company, and its controlled undertakings.

On behalf of

Ernst & Young Assurance Services SRL
15-17, Ion Mihalache Blvd., floor 21, Bucharest, Romania

Registered with the Chamber of Financial Auditors in Romania
No. 77/15 August 2001

Ernst & Young Assurance Services S.R.L.
26. MAR. 2018
Signed for identification
Semnat pentru identificare

Name of the Auditor/ Partner: Alexandru Lupea
Registered with the Chamber of Financial Auditors in Romania
No. 273/ 1 March 2001

Bucharest, Romania
26 March 2018

Statement of the Persons in Charge

Pursuant to the legal stipulations of the Regulation no. 1/2006 issued by the Romanian National Securities Commission (RNSC), currently the Financial Supervisory Authority (FSA) – Financial Instruments and Investments Sector for issuers and operations with securities, the management of the Group and of the Company states that:

1. We confirm to the best of our knowledge that the consolidated and separate financial statements of Alro and its subsidiaries, prepared in accordance with the applicable accounting standards give a true and fair view of the financial position, financial performance and cash flows of the Group and of the Company for the year ended 31 December 2017;

2. The Consolidated Directors' Report gives a true and fair view of the development and the performance of the Group and of the Company, as well as a description of the main risks and uncertainties associated with the expected development of the Group and of the Company.

The Board of Directors represents the interests of the Group, of the Parent-company and of its shareholders and is responsible for the overall management of the Group and of the Company.

At the date of this report, the Board of Directors of the Parent-company consists of seven members as follows:

1. Marian-Daniel Nastase	President
2. Serghei Gheorghe	Vicepresident
3. Gheorghe Dobra	Member
4. Pavel Machitski	Member
5. Adrian Manaicu	Member
6. Svetlana Pinzari	Member
7. Aleksandr Barabanov	Member

The consolidated financial statements of Alro Group and its subsidiaries and the separate financial statements of Alro for the year ended 31 December 2017 are audited.

President of the Board of Directors
Marian Daniel Nastase

CEO
Gheorghe Dobra

CFO
Genoveva Nastase

26 March 2018