ALUM S.A.

INDEPENDENT AUDITOR'S REPORT

AND

THE INDIVIDUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

Prepared in accordance with Ministry of Public Finance Order no. 1802/2014
with subsequent amendments

This is a free translation from the original Romanian binding version.

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RAPORTUL AUDITORULUI INDEPENDENT
INDEPENDENT AUDITOR'S REPORT

Catre actionarii Alum SA
To the Shareholders of Alum SA

Raport asupra auditului situatiilor financiare
Report on the Audit of the Financial Statements

Opinia
Opinion

Am auditat situatiile financiare ale societatii Alum SA („Societatea") care cuprind situatia pozitiei financiare la data de 31 decembrie 2016, contul de profit si pierdere, situatia modificarilor capitalului propriu si situatia fluxurilor de trezorerie pentru exercitiul financiar incheiat la aceasta data si un sumar al politicilor contabile semnificative si alte informatii explicative.
We have audited the financial statements of Alum SA (the Company), which comprise the statement of financial position as at December 31, 2016, and the income statement, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In opinia noastra, situatiile financiare anexate ofera o imagine fidela si justa a pozitiei financiare a Societatii la data de 31 decembrie 2016, ca si a performantei financiare si a fluxurilor de numerar ale acesteia pentru exercitiul financiar incheiat la aceasta data, in conformitate cu Ordinul Ministrului Finantelor Publice nr. 1802/2014, cu modificarile si clarificarile ulterioare.
In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at December 31, 2016, and of its financial performance and its cash flows for the year then ended in accordance with the Order of the Minister of Public Finance no. 1802/2014 with all subsequent modifications and clarifications.

Bazele opiniei
Basis for opinion

Noi am efectuat auditul conform Standardelor Internationale de Audit (ISA). Responsabilitatile noastre conform acestor standarde sunt descrise mai detaliat in sectiunea „Responsabilitatile auditorului pentru auditul situatiilor financiare" din raportul nostru. Suntem independenti fata de Societate conform Codului etic al profesionistilor contabili emis de Consiliul pentru Standarde Internationale de Etica pentru Contabili (codul IESBA) si conform cerintelor etice care sunt relevante pentru auditul situatiilor financiare in Romania si ne-am indeplinit responsabilitatile etice conform acestor cerinte si conform Codului IESBA. Consideram ca probele de audit pe care le-am obtinut sunt suficiente si adecvate pentru a constitui baza pentru opinia noastra.

Traducerea in limba engleza are doar scop informativ. Traducerea raportului trebuie citita impreuna cu situatiile financiare, luate in ansamblu. In situatiile in care informatiile, punctele de vedere si opiniile sunt susceptibile de interpretare, versiunea originala in limba romana a raportului nostru prevaleaza acestei traduceri.

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We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of 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 financial statements in Romania, 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.

Evidentierea unor aspecte
Emphasis of matter

1 La data de 31 decembrie 2016, Societatea are capitaluri proprii de 240.058 mii lei si un capital social de 488.412 mii lei. In conformitate cu prevederile Legii Societatilor Comerciale (legea 31/1990 cu modificarile si completarile ulterioare (art 153.24)), in situatia in care activul net al unei societati este mai mic de 50% din capitalul social, situatie in care se afla Societatea, trebuie luate masuri de catre administratori si actionari pentru a remedia aceasta situatie. Asa cum este descris in nota 6 c), capacitatea Companiei de a continua pe principiul continuitatii activitatii depinde de suportul primit de la actionarul majoritar.

1 *As of 31 December 2016 the Company has equity of RON 240,058 thousand and a share capital of RON 488.412 mii lei. In accordance with the requirements of Romanian Company Law (Law 31/1990 and subsequent amendments (art 153.24)) if a company has net assets of less than 50% of its share capital, as the Company has, the administrator and the shareholders should take action to rectify the situation as required by the law. As described in note 6 c), the Company's ability to continue as a going concern depends upon the support of its majority shareholder.*

Aspecte cheie de audit
Key audit matters

Aspectele cheie de audit sunt acele aspecte care, in baza rationamentului nostru profesional, au avut cea mai mare importanta pentru auditul situatiilor financiare din perioada curenta. Aceste aspecte au fost abordate in contextul auditului desfasurat asupra situatiilor financiare in ansamblu, si in formarea opiniei noastre asupra acestora, si nu emitem o opinie separata cu privire la aceste aspecte cheie.
Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Pentru fiecare aspect de mai jos, am prezentat in acel context o descriere a modului in care auditul nostru a abordat respectivul aspect.
For each matter below, our description of how our audit addressed the matter is provided in that context.

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Am indeplinit responsabilitatile descrise in sectiunea „Responsabilitatile auditorului pentru auditul situatiilor financiare" din raportul nostru, inclusiv in legatura cu aceste aspecte cheie. In consecinta, auditul nostru a inclus efectuarea procedurilor proiectate sa raspunda la evaluarea noastra cu privire la riscul de erori semnificative in cadrul situatiilor financiare. Rezultatele procedurilor noastre de audit, inclusiv ale procedurilor efectuate pentru a aborda aspectele de mai jos, constituie baza pentru opinia noastra de audit asupra situatiilor financiare anexate.
We have fulfilled the responsibilities described in the "Auditor's responsibilities for the audit of the 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 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 financial statements.

Imobilizarile corporale si actiunile detinute la filiale sunt semnificative pentru auditul nostru, avand in vedere soldul prezentat in bilant in valoare de 138 milioane RON la data de 31 decembrie 2016. Mai mult, evaluarea managementului cu privire la indicatorii de depreciere pentru activele imobilizate a luat in considerare diferite surse de informatii, inclusiv factori legati de mediul economic. Industria aluminiului a inregistrat o incetinire ciclica in ultimii ani, rezultand inchideri de capacitati si amanarea investitiilor de catre unii investitori pe aceasta piata.
Property, plant and equipment and investments in subsidiaries are significant to our audit because of the magnitude of the balance sheet position of RON 138 million in the financial statements as at 31 December 2016. Furthermore, the management assessment of impairment indicators for CGU and individual assets respectively involves consideration of various sources of information, including the economic environment factors. The aluminium industry has suffered a cyclical downturn in the last years, resulting in capacity shutdowns and deferred investments by some players in the industry.

La data de 31 decembrie 2016, managementul a identificat indicatori de depreciere pentru imobilizarile corporale si pentru actiunile detinute in filiale. In consecinta, a efectuat teste de depreciere separate pentru cele doua categorii. Testul anual de depreciere a activelor imobilizate si a actiunilor detinute in filiale este semnificativ pentru auditul nostru, intrucat procesul de evaluare este complex, necesita judecati semnificative din partea managementului si este bazat pe ipoteze care sunt afectate de evolutii viitaore ale pietei in Romania si Sierra Leone.
As of 31 December 2016 the management has identified impairment indicators for the property, plant and equipment and for the investments in subsidiaries of the Company and therefore performed separate impairment testing in this respect. The annual impairment test of property plant and equipment and investments in subsidiaries 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.

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Procedurile noastre s-au axat pe evaluarea ratei de discount estimate pentru Romania si Sierra Leone, pe analiza de senzitivitate a valorii recuperabile a unitatilor generatoare de numerar la modificarea principalelor ipotezelor luate in considerare, ca si pe analiza principprincipalelor ipoteze luate in calcul la estimarea fluxurilor viitoare de numerar (cum ar fi evolutia viitoare a preturilor de vanzare, volumul productiei, costuri si cheltuieli, modificari in capitalului circulant, etc) prin analiza consecventei ipotezelor cu evolutia mediului economic specific, cu informatiile de piata disponibile si cu planul de afaceri al Societatii si al filialei sale.
Our evaluation was focused on the discount rate estimates for Romania and Sierra Leone, on the sensitivity analysis of the CGU' 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 CGU (such as expected sales prices, 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 Alum and its subsidiary.

De asemenea, am evaluat estimarea managementului cu privire la indicatorii de depreciere pentru imobilizari corporale si actiuni detinute in filiale, analizand daca testul de depreciere a inclus toate unitatile generatoare de numerar semnificative pentru care exista indicatori de depreciere la sfarsitul perioadei de raportare.
We also evaluated the management assessment of impairment indicators for property, plant and equipment, respectively for investments in subsidiaries, by considering whether the impairment testing covered all significant cash generating units for which impairment indicators existed at the end of the reporting period.

De asemenea, am evaluat masura in care informatiile prezentate de Societate cu privire la testul de depreciere a activelor si a actiunilor detinute in filiale sunt adecvate.
We further assessed the adequacy of the Company disclosures about impairment testing of property plant and equipment and investment in subsidiaries.

Alte informatii
Other information

Alte informatii includ Raportul administratorului, dar nu includ situatiile financiare si raportul nostru de audit cu privire la acestea. Conducerea este responsabila pentru alte informatii.
The other information comprises the Administrator's Report, but does not include the financial statements and our auditors' report thereon. Management is responsible for the other information.

Opinia noastra de audit asupra situatiilor financiare nu acopera alte informatii si nu exprimam nicio forma de concluzie de asigurare asupra acestora.
Our audit opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

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In legatura cu auditul efectuat de noi asupra situatiilor financiare, responsabilitatea noastra este de a citi aceste alte informatii si, facand acest lucru, de a analiza daca acestea nu sunt in concordanta, in mod semnificativ, cu situatiile financiare sau cunostintele pe care le-am obtinut in urma auditului sau daca acestea par sa includa erori semnificative. Daca, in baza activitatii desfasurate, ajungem la concluzia ca exista erori semnificative cu privire la aceste alte informatii, noi trebuie sa raportam acest lucru. Nu avem nimic de raportat in acest sens.
In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the 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.

Responsabilitatea conducerii si a persoanelor responsabile cu guvernanta pentru situatiile financiare
Responsibilities of Management and Those Charged with Governance for the Financial Statements

Conducerea Societatii are responsabilitatea intocmirii si prezentarii fidele a situatiilor financiare in conformitate cu Ordinul Ministrului Finantelor Publice nr. 1802/2014 cu modificarile si clarificarile ulterioare, si pentru acel control intern pe care conducerea il considera necesar pentru a permite intocmirea de situatii financiare care sunt lipsite de denaturari semnificative, cauzate fie de frauda, fie de eroare.
Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Order of the Minister of Public Finance no. 1802/2014, with all subsequent modifications and clarifications, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

La intocmirea situatiilor financiare, conducerea este responsabila sa evalueze abilitatea Societatii de a-si desfasura activitatea conform principiului continuitatii activitatii si sa prezinte, daca este cazul, aspectele referitoare la continuitatea activitatii si folosirea principiului continuitatii activitatii, mai putin in cazul in care conducerea intentioneaza sa lichideze Societatea sau sa ii inceteze activitatea sau nu are nicio alternativa reala decat sa procedeze astfel.
In preparing the 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.

Persoanele responsabile cu guvernanta au responsabilitatea supravegherii procesului de raportare financiara a Societatii.
Those charged with governance are responsible for overseeing the Company's financial reporting process.

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Responsabilitatile auditorului pentru auditul situatiilor financiare
Auditor's Responsibilities for the Audit of the Financial Statements

Obiectivele noastre constau in obtinerea unei asigurari rezonabile privind masura in care situatiile financiare, luate in ansamblu, nu contin denaturari semnificative cauzate de eroare sau frauda si de a emite un raport de audit care sa includa opinia noastra. Asigurarea rezonabila reprezinta un nivel ridicat de asigurare, insa nu este o garantie ca un audit desfasurat in conformitate cu standardele ISA va detecta intotdeauna o denaturare semnificativa, daca aceasta exista. Denaturarile pot fi cauzate fie de frauda fie de eroare si sunt considerate semnificative daca se poate preconiza, in mod rezonabil, ca acestea, atat la nivel individual sau luate in ansamblu, vor influenta deciziile economice ale utilizatorilor luate in baza acestor situatii financiare.
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 financial statements.

Ca parte a unui audit in conformitate cu standardele ISA, ne exercitam rationamentul profesional si ne mentinem scepticismul profesional pe intreg parcursul auditului. De asemenea:
As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identificam si evaluam riscurile de denaturare semnificativa a situatiilor financiare, cauzate fie de frauda fie de eroare, stabilim si efectuam proceduri de audit care sa raspunda acestor riscuri si obtinem probe de audit suficiente si adecvate pentru a constitui o baza pentru opinia noastra. Riscul de nedetectare a unei denaturari semnificative cauzate de frauda este mai ridicat decat cel de nedetectare a unei denaturari semnificative cauzate de eroare, deoarece frauda poate include complicitate, falsuri, omisiuni intentionate, declaratii false sau evitarea controlului intern.
- *Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.*
- Intelegem controlul intern relevant pentru audit pentru a stabili procedurile de audit adecvate in circumstantele date, dar nu si in scopul exprimarii unei opinii asupra eficacitatii controlului intern al Societatii.
- *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.*

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- Evaluam gradul de adecvare a politicilor contabile utilizate si rezonabilitatea estimarilor contabile si a prezentarilor aferente de informatii realizate de catre conducere.
- *Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.*
- Concluzionam asupra caracterului adecvat al utilizarii de catre conducere a principiului continuitatii activitatii, si determinam, pe baza probelor de audit obtinute, daca exista o incertitudine semnificativa cu privire la evenimente sau conditii care ar putea genera indoieli semnificative privind capacitatea Societatii de a-si continua activitatea. In cazul in care concluzionam ca exista o incertitudine semnificativa, trebuie sa atragem atentia, in raportul de audit, asupra prezentarilor aferente din situatiile financiare sau, in cazul in care aceste prezentari sunt neadecvate, sa ne modificam opinia. Concluziile noastre se bazeaza pe probele de audit obtinute pana la data raportului nostru de audit. Cu toate acestea, evenimente sau conditii viitoare pot determina ca Societatea sa nu isi mai desfasoare activitatea in baza principiului continuitatii activitatii.
- *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 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.*
- Evaluam prezentarea, structura si continutul general al situatiilor financiare, inclusiv al prezentarilor de informatii, si masura in care situatiile financiare reflecta tranzactiile si evenimentele de baza intr-o maniera care realizeaza prezentarea fidela.
- *Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.*

Comunicam persoanelor responsabile cu guvernanta, printre alte aspecte, obiectivele planificate si programarea in timp a auditului, precum si constatarile semnificative ale auditului, inclusiv orice deficiente semnificative ale controlului intern, pe care le identificam pe parcursul auditului nostru.
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

De asemenea, prezentam persoanelor responsabile cu guvernanta o declaratie cu privire la conformitatea noastra cu cerintele etice privind independenta si le comunicam toate relatiile si alte aspecte care pot fi considerate, in mod rezonabil, ca ar putea sa ne afecteze independenta si, unde este cazul, masurile de siguranta aferente.
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.

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Dintre aspectele pe care le comunicam persoanelor responsabile cu guvernanta, stabilim acele aspecte care au avut cea mai mare importanta in cadrul auditului asupra situatiilor financiare din perioada curenta si, prin urmare, reprezinta aspecte cheie de audit. Descriem aceste aspecte in raportul nostru de audit, cu exceptia cazului in care legislatia sau reglementarile impiedica prezentarea publica a aspectului respectiv sau a cazului in care, in circumstante extrem de rare, determinam ca un aspect nu ar trebui comunicat in raportul nostru deoarece se preconizeaza in mod rezonabil ca efectele negative ale acestei comunicari depasesc beneficiile interesului public al comunicarii respectivului aspect.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Raport asupra altor cerinte legale si de reglementare
Report on Other Legal and Regulatory Requirements

Raportare asupra unor informatii, altele decat situatiile financiare si raportul nostru de audit asupra acestora
Reporting on Information Other than the Financial Statements and Our Auditors' Report Thereon

Pe langa responsabilitatile noastre de raportare conform standardelor ISA si descrise in sectiunea „Alte informatii", referitor la raportul administratorilor, noi am citit raportul administratorilor si raportam urmatoarele:

a) in raportul administratorilor nu am identificat informatii care sa nu fie consecvente, sub toate aspectele semnificative, cu informatiile prezentate in situatiile financiare la data de 31 decembrie 2016, atasate;
b) raportul administratorilor, identificat mai sus, include, sub toate aspectele semnificative, informatiile cerute de Ordinul Ministrului Finantelor Publice nr. 1802/2014, cu modificarile ulterioare, punctele 489-492;
c) pe baza cunostiintelor noastre si a intelegerii dobandite in cursul auditului situatiilor financiare intocmite la data de 31 decembrie 2016 cu privire la Societate si la mediul acesteia, nu am identificat informatii eronate semnificative prezentate in raportul administratorilor.

In addition to our reporting responsibilities according to ISAs described in section "Other information", with respect to the Administrators' Report, we have read the Administrators' Report and report that:

a) in the Administrators' Report we have not identified information which is not consistent, in all material respects, with the information presented in the accompanying financial statements as at 31 December 2016;

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b) *the Administrators' Report identified above includes, in all material respects, the required information according to the provisions of the Ministry of Public Finance Order no. 1802/2014 and subsequent amendments, points 489-492;*

c) *based on our knowledge and understanding concerning the entity and its environment gained during our audit of the financial statements as at 31 December 2016, we have not identified information included in the Administrators' Report that contains a material misstatement of fact.*

In numele
On behalf of

Ernst & Young Assurance Services SRL
Inregistrat la Camera Auditorilor Financiari din Romania
Cu nr. 77/15 august 2001
Registered with the Chamber of Financial Auditors in Romania
No. 77/15 August 2001

Ernst & Young Assurance Services S.R.L.
23. MAR. 2017
Signed for identification

Numele semnatarului: Alexandru Lupea
Name of signing person: Alexandru Lupea

Inregistrat la Camera Auditorilor Financiari din Romania
Cu nr. 273/1 Martie 2001

Registered with the Chamber of Financial Auditors in Romania
Nr. 273/1 March 2001

Bucuresti, Romania
23 martie 2017

Bucharest, Romania

23 March 2017

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ALUM S.A. TULCEA
INDIVIDUAL BALANCE SHEET
AS AT DECEMBER 31, 2016
(all amounts are expressed in RON, unless specified otherwise)

COUNTY **TULCEA**
UNIT: **S.C. ALUM S.A. TULCEA**
ADDRESS: loc: **TULCEA**, Sector
Str. **ISACCEI**, nr. **82**

TELEPHONE 0240 535022
FAX 0240 535495
Trade Registry no.
J/36/29/1991

OWNERSHIP FORM 34
MAIN BUSINESS
(name of CAEN class)
Metalurgy of Aluminum
CODE CAEN CLASS 2442
VAT NO

RO2360405

Code 10

No.		Row	December 31, 2015	December 31, 2016
A	**NON-CURRENT ASSETS**			
I	**Intangible assets**			
1	Set-up expenses	**01**	-	-
2	Development expenses	**02**	-	-
3	Concessions, patents, licenses, trademarks, similar rights and values and other intangible assets	**03**	12,263	54,608
4	Goodwill	**04**	-	-
5	Intangible assets for exploration and evaluation of mineral resources	**05**	-	-
6	Advances	**06**	-	-
	Total (rows 01 to 06)	**07**	**12,263**	**54,608**
II	**Property, plant and equipment**			
1	Land and buildings	**08**	87,789,931	82,960,424
2	Technical installations and machinery	**09**	53,649,866	48,484,869
3	Other fixtures, plant and furniture	**10**	22,065	26,700
4	Investment property	**11**	-	-
5	Tangible assets in progress	**12**	3,989,438	6,076,938
6	Investment property in progress	**13**	-	-
7	Tangible assets for exploration and evaluation of mineral resources	**14**	-	-
8	Biological assets	**15**	-	-
4	Advances	**16**	483,978	229,139
	Total (rows 08 to 16)	**17**	**145,935,278**	**137,778,070**
III	**Financial assets**			
1	Shares held in related parties	**18**	-	-
2	Loans to related parties	**19**	17,227,338	21,230,192
3	Participating interests	**20**	-	-
4	Loans to entities based on participating interests	**21**	-	-
5	Other investments	**22**	-	-
6	Other borrowings	**23**	-	-
	Total (rows 18 to 23)	**24**	**17,227,338**	**21,230,192**

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ALUM S.A. TULCEA
INDIVIDUAL BALANCE SHEET
AS AT DECEMBER 31, 2016
(all amounts are expressed in RON, unless specified otherwise)

No.		Row	December 31, 2015	December 31, 2016
	Total NON-CURRENT ASSETS (rows 07+17+24)	**25**	**163,174,879**	**159,062,869**
B	**CURRENT ASSETS**			
I	**Inventories**			
1	Raw materials and consumables	**26**	51,798,623	50,471,886
2	Work in progress	**27**	38,164,316	49,738,021
3	Finished goods and merchandise	**28**	2,495,710	6,720,164
4	Advances	**29**	198,874,685	197,210,600
	Total (rows 26 to 29)	**30**	**291,333,335**	**304,140,670**
II	**Receivables**			
1	Trade receivables (net)	**31**	1,990,149	14,132,039
2	Amounts receivable from Group companies	**32**	17,105,567	13,807,062
3	Amounts receivable from participating interests	**33**	-	-
4	Other receivables	**34**	629,022	856,995
5	Capital subscribed and paid in	**35**	-	-
	Total (rows 31 to 35)	**36**	**19,724,738**	**28,796,096**
III	**Short term financial investments**			
1	Shares held in related parties	**37**	-	-
2	Other short term investments	**38**	-	-
	Total (rows 37+38)	**39**	**-**	**-**
IV	**Petty cash and bank accounts**	**40**	**979,311**	**1,098,462**
	TOTAL CURRENT ASSETS (rows 30+36+39+40)	**41**	**312,037,384**	**334,035,227**
C	**PREPAID EXPENSES (rows 43+44)**	**42**	**244,261**	**505,598**
	Amounts to be resumed within 1 year	**43**	244,261	505,598
	Amounts to be resumed within a period >1 year	**44**	-	-
D	**PAYABLES WITHIN 1 YEAR**			
1	Debenture loans	**45**	-	-
2	Amounts due to credit institutions	**46**	10,447,676	20,969,236
3	Advances on account of orders	**47**	94,906,718	150,884,107
4	Trade payables	**48**	78,364,071	50,293,859
5	Bills of exchange payable	**49**	-	-
6	Amounts due to Group companies	**50**	-	-
7	Amounts due to related parties	**51**	-	-
8	Other payables, including tax and social security	**52**	9,933,967	7,302,344
	Total (rows 45 to 52)	**53**	**193,652,431**	**229,449,546**

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ALUM S.A. TULCEA
INDIVIDUAL BALANCE SHEET
AS AT DECEMBER 31, 2016
(all amounts are expressed in RON, unless specified otherwise)

No.		Row	December 31, 2015	December 31, 2016
E	**NET CURRENT ASSETS/NET CURRENT LIABILITIES (rows 41+43-53-70-73-76)**	**54**	**118,629,214**	**105,091,279**
F	**TOTAL ASSETS LESS CURRENT LIABILITIES (rows 25+44+54)**	**55**	**281,804,093**	**264,154,148**
G	**LONG TERM PAYABLES**			
	1 Debenture loans	**56**	-	-
	2 Amounts due to credit institutions	**57**	-	-
	3 Advances received on account of orders	**58**	-	-
	4 Trade payables	**59**	-	-
	5 Bills of exchange payable	**60**	-	-
	6 Amounts due to affiliates	**61**	-	-
	7 Amounts due to related parties	**62**	-	-
	8 Other payables, including tax and social security	**63**	297,913	573,414
	Total (rows 56 to 64)	**64**	**297,913**	**573,414**
H	**PROVISIONS**			
	1 Provisions for employees benefits	**65**	2,430,337	2,848,278
	2 Provisions for taxes	**66**	-	-
	3 Other provisions	**67**	19,169,909	20,673,854
	Total (rows 65 to 67)	**68**	**21,600,246**	**23,522,132**
I	**DEFERRED INCOME**			
	1 Subsidies for investments (rows 70+71)	**69**	-	-
	Amounts to be resumed within 1 year	**70**	-	-
	Amounts to be resumed within a period >1 year	**71**	-	-
	2 Deferred income (rows 73+74)	**72**	-	-
	Amounts to be resumed within 1 year	**73**	-	-
	Amounts to be resumed within a period >1 year	**74**	-	-
	3 Deferred income for assets transferred from clients (rows 76+77)	**75**	-	-
	Amounts to be resumed within 1 year	**76**	-	-
	Amounts to be resumed within a period >1 year	**77**	-	-
	4 Negative goodwill	**78**	-	-
	TOTAL (rows 69+72+75+78)	**79**	**-**	**-**
J	**EQUITY AND RESERVES**			
I	**Equity**			
	1 Capital subscribed and paid in	**80**	488,412,908	488,412,908
	2 Capital subscribed and not paid in	**81**	-	-

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ALUM S.A. TULCEA
INDIVIDUAL BALANCE SHEET
AS AT DECEMBER 31, 2016
(all amounts are expressed in RON, unless specified otherwise)

No.		Row	December 31, 2015	December 31, 2016
3	Company patrimony	**82**	-	-
4	Patrimony of national research institute	**83**	-	-
5	Other equity items	**84**	-	-
	TOTAL (rows 80 to 84)	**85**	**488,412,908**	**488,412,908**
II	**Share premiums**	**86**	**-**	**-**
III	**Revaluation reserves**	**87**	**59,304,070**	**51,354,140**
IV	**Reserves**			
1	Legal reserves	**88**	8,332,307	8,332,307
2	Statutory or contractual reserves	**89**	-	-
4	Other reserves	**90**	53,511	53,511
	TOTAL (rows 88 to 90)	**91**	**8,385,819**	**8,385,819**
	Own shares	**92**	-	-
	Gains related to equity instruments	**93**	-	-
	Losses related to equity instruments	**94**	-	-
V	**PROFIT OR LOSS CARRIED FORWARD**			
	– Cr balance	**95**	-	-
	– Dr balance	**96**	302,206,552	291,461,664
VI	**PROFIT OR LOSS FOR THE YEAR**			
	– Cr balance	**97**	6,377,830	-
	– Dr balance	**98**	-	16,632,600
	Allocation of profit	**99**	368,141	-
	Total equity (rows 85+86+87+91-92+93-94+95-96+97-98-99)	**100**	**259,905,934**	**240,058,603**
	Public patrimony	**101**	-	-
	Private patrimony	**102**	-	-
	TOTAL EQUITY AND RESERVES (rows 100+101+102)	**103**	**259,905,934**	**240,058,603**

These individual financial statements were approved today, March 23, 2017.

Gheorghe Dobra
General Manager

Mihaela Duralia
Chief Financial Officer

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ALUM S.A. TULCEA
INDIVIDUAL INCOME STATEMENT
FOR THE YEAR ENDED
DECEMBER 31, 2016
(all amounts are expressed in RON, unless specified otherwise)

Code 20 No.		Row	Year ended December 31, 2015	Year ended December 31, 2016
1	**Net turnover (rows 02+03-04+05+06)**	**01**	**635,519,848**	**556,144,083**
	Income from production sold	**02**	633,552,272	555,693,069
	Income from sales of goods	**03**	1,969,239	451,014
	Commercial discounts granted	**04**	1,663	-
	Interest income recorded by entities removed from the General Register and who have ongoing leases	**05**	-	-
	Income from operating subsidies pertaining to net turnover	**06**	-	-
2	Income pertaining to the cost of the Work in progress			
	– Cr balance	**07**	-	-
	– Dr balance	**08**	27,701,493	12,340,241
3	Production for own purposes and capitalized	**09**	-	-
4	Income from revaluation of tangible assets	**10**	-	-
5	Income from property investment production	**11**	-	-
6	Income from subsidies	**12**	-	-
7	Other operating income	**13**	2,408,425	5,377,283
	out of which, income from negative goodwill	**14**	-	-
	out of which, income from subsidies for investments	**15**	-	-
	Total operating income (rows 01+07-08+09+10+11+12+13)	**16**	**610,226,779**	**573,861,606**
8	a) Raw materials and consumables	**17**	350,752,330	368,826,839
	Other material expenses	**18**	142,783,046	135,099,773
	b) Other external expenses (power and water supply)	**19**	19,884,738	20,857,161
	c) Merchandise expenses	**20**	1,816,734	423,016
	Commercial discounts received	**21**	62,295	104,418
9	**Personnel related expenses (rows 23+24)**	**22**	**32,777,926**	**37,974,506**
	a) Salaries and bonuses	**23**	26,963,420	31,009,565
	b) Social security	**24**	5,814,507	6,964,941
10	**a) Adjustments for tangible and intangible assets (rows 26-27)**	**25**	**24,758,736**	**21,386,980**
	a. 1) Expenses	**26**	24,923,013	21,386,980
	a. 2) Revenues	**27**	164,278	-

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ALUM S.A. TULCEA
INDIVIDUAL INCOME STATEMENT
FOR THE YEAR ENDED
DECEMBER 31, 2016
(all amounts are expressed in RON, unless specified otherwise)

Code 20 No.		Row	Year ended December 31, 2015	Year ended December 31, 2016
	b) Adjustments for current assets (rows 29-30)	**28**	**26,279,698**	**(13,999,335)**
	b. 1) Expenses	**29**	26,592,358	499,682
	b. 2) Revenues	**30**	312,660	14,499,017
11	**Other operating expenses (rows 32 to 38)**	**31**	**24,409,345**	**26,293,803**
	11.1. External services	**32**	18,211,386	17,751,433
	11.2. Other taxes and similar payments	**33**	1,744,786	2,053,291
	11.3. Expenses on environmental protection	**34**	1,131,165	503,336
	11.4. Expenses from revaluation of tangible assets	**35**	-	-
	11.5. Expenses related to calamities and other similar events	**36**	-	-
	11.6. Other expenses	**37**	3,322,009	5,985,742
	Refinancing interest expense recorded by entities removed from the General Register and who have ongoing leases	**38**	-	-
	Impairment adjustments (rows40-41)	**39**	**(426,569)**	**417,941**
	Expenses	**40**	(205,375)	546,821
	Income	**41**	221,194	128,880
	Total operating expenses (rows 17 to 20-21+22+25+28+31+39)	**42**	**622,973,689**	**597,176,267**
	Operating Result			
	- profit (rows 16-42)	**43**	-	-
	- loss (rows 42-16)	**44**	12,746,910	23,314,660
12	Income from participating interests	**45**	-	-
	- of which, income from affiliates	**46**	-	-
13	Interest income	**47**	1,427,897	1,965,134
	- of which, income obtained from affiliates	**48**	1,425,430	1,964,990
14	Income from other financial investments and loans part of the non-current assets	**49**	-	-
15	Other financial income	**50**	81,634,267	63,961,525
	- of which, income from affiliates	**51**	-	-
	Total financial income (rows 45+47+49+50)	**52**	**83,062,164**	**65,926,659**
16	Adjustments for long term financial assets and financial investments held as current assets (rows 54-55)	**53**	-	-
	Expenses	**54**	-	-
	Income	**55**	-	-

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ALUM S.A. TULCEA
INDIVIDUAL INCOME STATEMENT
FOR THE YEAR ENDED
DECEMBER 31, 2016
(all amounts are expressed in RON, unless specified otherwise)

Code 20 No.		Row	Year ended December 31, 2015	Year ended December 31, 2016
17	Interest expenses	56	1,431,399	2,118,939
	- of which, expenses incurred with affiliates	57	-	-
	Other financial expenses	58	61,521,038	57,125,661
	Total financial expenses (rows 53+56+58)	59	**62,952,437**	**59,244,599**
	Financial profit or loss			
	- profit (rows 52-59)	60	20,109,727	6,682,060
	- loss (rows 59-52)	61	-	-
	Total income (rows 16+52)	62	**693,288,943**	**639,788,265**
	Total expenses (rows 42+59)	63	**685,926,126**	**656,420,866**
18	**Gross profit or loss**			
	- profit (rows 62-63)	64	7,362,816	-
	- loss (rows 63-62)	65	-	16,632,600
19	Income tax	66	984,986	-
20	Other taxes not included in the captions above	67	-	-
21	**Net profit or loss for the year**			
	- profit (rows 64-65-66-67)	68	6,377,830	-
	- loss (rows 65+66+67-64)	69	-	16,632,600

These individual financial statements were approved today, March 23, 2017.

Gheorghe Dobra
General Manager

Mihaela Duralia
Chief Financial Officer

The accompanying notes are an integral part of these individual financial statements.
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ALUM S.A. TULCEA
INDIVIDUAL CASH FLOW STATEMENT
AS AT DECEMBER 31, 2016
(all amounts are expressed in RON, unless specified otherwise)

	Year ended December 31, 2015	Year ended December 31, 2016
Cash flows from operations		
Net profit	**7,362,816**	**(16,632,600)**
Adjustments for:		
Amortization/depreciation of intangible and tangible assets	23,209,103	21,275,532
Adjustment for the impairment of tangible and financial assets	1,549,633	111,447
Adjustments for the impairment of receivables	23,133,574	(10,564,678)
Provisions	(426,569)	417,941
Adjustments for the impairment of inventories	3,146,124	(3,585,686)
Profit/(Loss) from foreign exchange differences	(8,551,725)	(3,465,809)
Net earning pertaining to disposals of tangible assets	-	6,766
Interest income	(1,427,897)	(2,544,671)
Interest expenses	1,431,399	2,033,654
Cash from operations before changes to working capital	**49,426,458**	**(12,948,105)**
Decrease of inventories	17,266,759	(10,885,734)
Increase of trade receivables and other receivables	(45,293,102)	4,872,575
(Decrease)/increase in trade payables and other payables	11,757,996	25,722,392
Cash flow from operations	**33,158,111**	**6,761,128**
Interests received	2,467	523,964
Interests paid	(972,677)	(1,337,498)
Income tax paid	-	(984,986)
Net cash from operations	**32,187,901**	**4,962,608**
Cash flow from investment activities		
Purchases of tangible and intangible assets	(7,372,948)	(12,098,727)
Proceeds from sale of fixed assets	-	-
Net cash used for investment activities	**(7,372,948)**	**(12,098,727)**
Cash flow from financing activities		
Loans granted	(6,089,475)	41,770,000
Repayment of bank loans	(19,988,375)	(31,300,000)
Net cash from/(used in) financing activities	**(26,077,850)**	**10,470,000**

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	Year ended December 31, 2015	Year ended December 31, 2016
Cash and cash equivalents at the beginning of the year	2,242,208	979,311
Net increase/(decrease) in cash and cash equivalents	(1,262,897)	119,150
Cash and cash equivalents at the end of the year	**979,311**	**1,098,461**

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Gheorghe Dobra
General Manager

Mihaela Duralia
Chief Financial Officer

ALUM S.A. TULCEA
INDIVIDUAL STATMENT OF CHANGES IN SHAREHOLDERS' EQUITY
AS AT DECEMBER 31, 2016
(all amounts are expressed in RON, unless specified otherwise)

Element of equity	Balance as at January 1, 2015	Increases	out of which transfers	Decreases	out of which transfers	Balance as at December 31, 2015
Capital subscribed and paid in	488,412,908	-	-	-	-	488,412,908
Legal reserves	7,964,167	368,141	368,141	-	-	8,332,308
Reserves representing surplus made from revaluation reserves	97,298,734	-	-	97,298,734	97,298,734	-
Other reserves	53,511	-	-	-	-	53,511
Revaluation reserves	69,974,104	-	-	10,670,034	-	59,304,070
Retained earnings	(457,075,679)	155,576,906	147,412,564	-	-	(301,498,773)
Retained earnings from the adjustment of accounting errors	(707,779)	-	-	-	-	(707,779)
Result for the year	50,113,830	6,377,830	-	50,113,830	50,113,830	6,377,830
Allocation of profit	(2,505,691)	(368,141)	(368,141)	(2,505,691)	-	(368,140)
Total	**253,528,105**	**161,954,736**	**147,412,564**	**155,576,906**	**147,412,564**	**259,905,934**

These individual financial statements were approved today, March 23, 2017.

Gheorghe Dobra
General Manager

Mihaela Duralia
Chief Financial Officer

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Element of equity	Balance as at January 1, 2016	Increases	out of which transfers	Decreases	out of which transfers	Balance as at December 31, 2016
Capital subscribed and paid in	488,412,908	-	-	-	-	488,412,908
Legal reserves	8,332,308	-	-	-	-	8,332,308
Reserves representing surplus made from revaluation reserves	-	-	-	-	-	-
Other reserves	53,511	-	-	-	-	53,511
Revaluation reserves	59,304,070	-	-	7,949,930	7,949,930	51,354,140
Retained earnings	(301,498,773)	10,744,888	14,327,760	-	-	(290,753,885)
Retained earnings from the adjustment of accounting errors	(707,779)	-	-	-	-	(707,779)
Result for the year	6,377,830	(16,632,600)	-	6,377,830	6,377,830	(16,632,600)
Allocation of profit	(368,140)	-	-	(368,141)	-	0
Total	**259,905,934**	**(5,887,712)**	**14,327,760**	**13,959,619**	**14,327,760**	**240,058,603**

In 2016 was recorded in retained earnings a correction in amount of RON 3,215 thousand related to prior periods (included on the column "Increases"), as a result of the consideration of the expenses with the meal provided to Alum's employees as benefit in kind, in accordance with MoPFO no. 1802/2014 and MoPFO no. 166/2017.

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Gheorghe Dobra
General Manager

Mihaela Duralia
Chief Financial Officer

1 NON-CURRENT ASSETS

a) Property, plant and equipment

COST	Balance as at January 1, 2016	Increases	out of which revaluation	Decreases	out of which revaluation	Balance as at December 31, 2016
Land and buildings	112,640,655	3,181,701	-	-	-	115,822,355
Installations and machinery	346,986,508	3,758,081	-	673,130	-	350,071,458
Measurement, control, adjustment installations and devices	10,551,018	3,425,448	-	-	-	13,976,465
Vehicles	15,783,273	979,340	-	-	-	16,762,613
Other installations, plant	271,959	10,939	-	-	-	282,897
Advances and tangibles in progress	6,264,914	11,831,676	-	9,999,014	-	8,097,576
TOTAL	**492,498,326**	**23,187,184**	**-**	**10,672,144**	**-**	**505,013,366**

ACCUMULATED DEPRECIATION	Balance as at January 1, 2016	Depreciation recorded during the year	Reductions	Revaluation	Balance as at December 31, 2016
Land and buildings	24,731,830	8,011,208	-	-	32,743,038
Installations and machinery	297,034,297	11,991,644	666,365	-	308,359,577
Measurement, control, adjustment installations and devices	8,094,365	705,829	-	-	8,800,193
Vehicles	13,614,778	512,180	-	-	14,126,958
Other installations, plant	249,894	6,304	-	-	256,197
TOTAL	**343,725,164**	**21,227,164**	**666,365**	**-**	**364,285,964**

1 FIXED ASSETS (continued)

ADJUSTMENT FOR IMPAIRMENT

	Balance as at January 1, 2016	Increases	Transfers	Decreases	Balance as at December 31, 2016
Constructions	118,893	-	-	-	118,893
Installations and machinery	927,492	-	-	111,447	1,038,940
Tangible assets in progress	1,791,499	-	-	-	1,791,499
Total	**2,837,884**	**-**	**-**	**111,447**	**2,949,931**

Net value (total)	**145,935,278**	**137,778,070**

As of December 31, 2016 the net book value of tangible assets acquired through finance leasing is RON 799,859 (December 31, 2015: RON 15,349).

The net value of the fixed assets in preservation as at December 31, 2016 is of RON 0 (December 31, 2015: RON 66,132).
Tangible assets in progress include improvements made to the existent fixed assets and new investments in equipment that have not been put in function yet.
The gross book value of the fully amortized fixed assets as of December 21, 2016 is in amount of RON 258,040,333 (2015: RON 149,524,696).
The gross book value of the disposed fixed assets in 2016 is in amount of RON 673,130 (2015: 2,433,893 RON).

As of December 31, 2016 property, plant and equipment of Alum S.A. have been pledged to secure the borrowing contracted by the company with a carrying amount of RON 118,811 thousand (December 31, 2015: RON 116,446 thousand) (Note 13).

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 cash flows extracted from the business plan for the next 5 years estimated by the management of the company. The cash flows 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 29).

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

	2016
Discount rate, after-tax	11.00%
Growth rate	5.54%
EBITDA margin	8.93%

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%

b) Intangible assets

COST

	Balance as at January 1, 2016	Increases	Decreases	Balance as at, December 31, 2016
Development expenses	5,034,412	-	-	5,034,412
Advances and intangible assets in progress	-	-	-	-
Concessions, patents, licenses	219,132	90,713	-	309,845
Total	**5,253,544**	**90,713**	**-**	**5,344,257**

ACCUMULATED AMORTIZATION

	Balance as at January 1, 2016	Increases	Decreases	Balance as at, December 31, 2016
Development expenses	5,034,412	-	-	5,034,412
Concessions, patents, licenses	206,870	48,368	-	255,237
Total	**5,241,281**	**48,368**	**-**	**5,289,649**
Net value	**12,263**			**54,608**

The development expenses include projects, solution and efficiency studies related to the study of the process of silicon removal and technological sizing per variants, increasing the capacity of the static oven, respectively technical and technological rehabilitation and are depreciated over a period of 5 years.

c) Financial long term assets

In May 2011, the Company purchased 100% of the share capital of Global Aluminium Ltd BVI, with the head office in Trinity Chambers, PO Box 4301, Road Town Tortola, British Virgin Islands, for the amount of USD 30 million, the equivalent of RON 82,581,000. The Company carried out an impairment test of its investment in Global Aluminium Ltd. BVI as of December 31, 2013. As a result of this test there was recorded an adjustment for impairment for the entire value of the investment. According to the analysis as of December 31, 2016 the impairment remained at the same value as for the previous year.

In June 2011, the Company concluded a receivable assignment agreement with Global Aluminium Ltd BVI, with the head office in Trinity Chambers, PO Box 4301, Road Town Tortola, British Virgin Islands, for the amount of USD 10,383,669. The interest according to the contract is Libor 12M + 4.5% per year. The receivable shall be recovered within 3 years in equal annual installments.

Receivable assignment agreement GAL	Balance as at January 1, 2016	Balance as at December 31, 2016
Receivable - USD	6,548,887	6,899,865
Receivable - RON	27,162,819	29,692,190
Interest - USD	176,448	202,085
Interest - RON	731,854	869,631

1 NON CURRENT ASSETS (continued)

c) Financial long term assets (continued)

In September 2015, the Company concluded a loan agrement with Sierra Mineral Holdings I Limited, with the head office in Sea Meadow House, Blackburne Highway, Road Town Tortola, British Virgin Islands, for the amount of USD 1,560,000 for purchasing barges. The interest according to the contract is Libor 3M + 5% per year. The loan has been reimbursed within the cpntractual term of 1 year.

Loan agreement barges SMHL	Balance as at January 1, 2016	Balance as at December 31, 2016
Receivable - USD	1,533,000	-
Receivable - RON	6,358,424	-
Interest - USD	19,242	-
Interest - RON	79,809	-

In April 2016, the Company concluded a loan agrement with Sierra Mineral Holdings I Limited, with the head office in Sea Meadow House, Blackburne Highway, Road Town Tortola, British Virgin Islands, for the amount of USD 1,400,000 for putting the dryer facility in operation. The interest according to the contract is Libor 3M + 5% per year. The loan will be reimbursed in 2 years, in 8 equal installments starting with July 2017.

Loan agreement dryer SMHL	Balance as at January 1, 2016	Balance as at December 31, 2016
Receivable - USD	-	1,040,000
Receivable - RON	-	4,475,432
Interest - USD	-	-
Interest - RON	-	-

2 PROVISIONS

	Balance as at January 1, 2016	Increases	Decreases	Balance as at December 31, 2016
Provisions for pensions and similar obligations	2,430,337	546,821	128,880	2,848,278
Provisions for rehabilitation of fixed assets	19,169,909	1,503,945	-	20,673,854
Total	**21,600,246**	**2,050,766**	**128,880**	**23,522,132**

The provision for pensions and similar obligations was set up for the Company's obligation to give retirement benefits to the employees in accordance with the provisions of the collective employment contract.

2 PROVISIONS (continued)

The Company makes full provision for the future cost of decommissioning and rehabilitating the storage facilities for residual product (red mud lake) on a discounted basis.

The rehabilitation provision represents the present value of rehabilitation costs relating to the site, which are expected to be incurred up to 2023, which is when the storage on the site should be either closed or extended.

This provision has been recorded based on the estimates made in the study prepared by IPROLAM, updated and periodically reviewed by the Company's experienced constructions engineers specialists. Assumptions based on the current economic environment have been made, which management believes are a reasonable basis upon which to estimate the future liability. These estimates are reviewed regularly to take into account any material changes to the assumptions. However, actual rehabilitation costs will ultimately depend upon future market prices for the necessary rehabilitation works required that will reflect market conditions at the relevant time.

Also, the timing of rehabilitation is likely to depend on when the site cease to store at economically viable rates.
The discount rate used in the calculation of the provision as at 31 December 2016 was 3.310% (2015: 3.603%).

3 ALLOCATION OF PROFIT

The Company recorded a loss of RON 16,632,600 for the year ended December 31, 2016.

The result recorded for the year ended December 31, 2015 has been allocated according to the legislation during 2016.

4 ANALYSIS OF THE OPERATING RESULT

	Caption	Year ended December 31, 2015	Year ended December 31, 2016
1.	**Net turnover**	**635,519,848**	**556,144,083**
2.	**Cost of goods sold and services provided (3+4+5+6)**	**597,566,785**	**568,659,552**
3.	Basic activity expenses	422,512,930	401,596,611
3.1	Raw materials and other materials	365,679,982	343,303,170
3.2	Direct salary expenses	10,694,271	12,142,525
3.3	Other direct material expenses	46,138,677	46,150,916
4.	Auxiliary activity expenses	140,974,269	135,680,190
5.	Production overheads	32,262,852	30,959,735
6.	Expenses regarding the materials sold	1,816,734	423,016
7.	**Gross result pertaining to net turnover (1-2)**	**37,953,063**	**(12,515,469)**
8.	Marketing expenses	1,478,344	1,473,087
9.	General administrative expenses	20,242,114	21,271,451
10.	Non operational expenses	31,609,135	(6,439,184)
11.	Other operating income*)	2,629,619	5,506,163
12.	**Operating result (7-8-9-10+11)**	**(12,746,911)**	**(23,314,660)**

5 RECEIVABLES AND PAYABLES

Receivables	Balance as at December 31, 2016	Due	
		within 1 year	over 1 year
Domestic clients	4,893,987	4,893,987	-
Foreign clients	66,084,129	66,084,129	-
Adjustment for the impairment of doubtful receivables	(56,847,787)	(56,847,787)	-
Trade receivables	**14,130,329**	**14,130,329**	**-**
VAT under settlement	149,453	149,453	-
Advances to personnel	148,001	148,001	-
Other receivables	323,289	323,289	-
Sundry debtors	8,240	8,240	-
Adjustments for the impairment of other receivables	245,785	245,785	-
Other receivables	(16,063)	(16,063)	-
Loans to affiliates	**858,705**	**858,705**	**-**
Total	**35,037,253**	**13,807,062**	**21,230,192**

Receivables	Balance as at December 31, 2015	Due	
		within 1 year	over 1 year
Domestic clients	5,542,883	5,542,883	-
Foreign clients	63,863,748	63,863,748	-
Adjustment for the impairment of doubtful receivables	(67,418,191)	(67,418,191)	-
Trade receivables	**1,988,439**	**1,988,439**	**-**
VAT under settlement	254,411	254,411	-
Advances to personnel	91,694	91,694	-
Other receivables	30,221	30,221	-
Sundry debtors	264,743	264,743	-
Adjustments for the impairment of other receivables	(10,337)	(10,337)	-
Other receivables	**630,732**	**630,732**	**-**
Loans to affiliates	**34,332,905**	**17,105,567**	**17,227,338**
Total	**36,952,076**	**19,724,738**	**17,227,338**

Company's receivables from related parties are presented in Note 10.5.

5 RECEIVABLES AND PAYABLES (continued)

Payables	Balance as at December 31, 2016	Due within 1 year	Due over 1 year
Trade payables and similar accounts	50,293,859	50,293,859	-
Creditor clients	150,884,107	150,884,107	-
Bank loans	20,969,236	20,969,236	-
VAT payable	3,417,344	3,417,344	-
Guarantees received from suppliers	592,653	343,931	248,722
Dividends payable	4,534	4,534	-
Sundry creditors	35,546	35,546	-
Other payables	3,825,681	3,500,989	324,692
Income tax	-	-	-
Total	**230,022,960**	**229,449,546**	**573,414**

Payables	Balance as at December 31, 2016	Due within 1 year	Due over 1 year
Trade payables and similar accounts	78,364,071	78,364,071	-
Creditor clients	94,906,718	94,906,718	-
Bank loans	10,447,676	10,447,676	-
VAT payable	5,929,561	5,929,561	-
Guarantees received from suppliers	576,689	278,776	297,913
Dividends payable	4,534	4,534	-
Sundry creditors	25,835	25,835	-
Other payables	2,710,275	2,710,275	-
Income tax	984,986	984,986	-
Total	**193,950,344**	**193,652,431**	**297,913**

According to the impairment test performed by CMF Consulting, an independent valuation company, as of December 31, 2016 there is a potential loss from receivables from SMHL in amount of USD 13,062 thousand (RON 56,211 thousand) lower than the provision recorded by the Company as of December 31, 2015 in amount of USD 16,007 thousand (RON 66,392 thousand).

Movement in allowance for trade receivables is as follows:

	2015	2016
Balance at beginning of the year	44,284,617	67,418,191
Charge during the year	23,133,574	354,378
Release during the year	-	10,919,057
Balance at end of the year	**67,418,191**	**56,853,513**

Company's payables to related parties are presented in Note 10.5.

5 RECEIVABLES AND PAYABLES (continued)

In May 2011, the Company concluded a long term loan agreement in amount of USD 25,000,000 with Raiffeisen Bank SA, to finance the full purchase of Global Aluminium LTD BVI, with the head office in Trinity Chambers, British Virgin Islands.

To secure the loans, there were concluded:

- mortgages over the land and all buildings on the respective land;
- real estate guarantee over the fixed asset owned by Alum and Alum's accounts opened with Raiffeisen Bank SA;
- assignment of receivable over the receivables of Alum from any alumina supply contracts concluded with Alro SA Slatina.

The interest rate was Libor 3 M + 4% and the loan was done in equal quarterly installments.

The loan has been reimbursed in full in January 2016, and, in the same month, the Company concluded a new loan agreement with Raiffeisen Bank, for financing the current operations, in amount of RON 41,770 thousand.

The interest rate is ROBOR + 3.5% and the reimbursement of the loan will be made in 8 equal quarterly installments starting with February 2016. The warranties remained the same as for the previous loan.

The net book value of the pledged fixed assets as of December 31, 2016 is RON 124,907 thousand (December 31, 2015: RON 124,448 thousand).

As at December 31, 2016, the balance of the loan is of RON 20,885 thousand and the related interest is in amount of RON 84 thousand.

6 SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

These individual financial statements are the responsibility of the Company's management and are prepared in compliance with the Order of Ministry of Public Finance no. 1802/2014 ("OMF no. 1802/2014"), with the subsequent amendments.

MoPFO no.1802/2014, as revised is harmonized with the stipulations of the following directives:

a) Directive 2013/34/EU of the European Parliament and of the Council regarding the annual individual financial statements, consolidated financial statements and related reports of certain types of companies, that modifies the Directive 2006/43/EC of the European Parliament and of the Council and annules the Directives 78/660/EEC and 83/349/EEC, published in the Official Journal of the European Union series L, no. 182 from June 29th 2013;
b) Directive 2014/95/EU of the European Parliament and of the Council from October 22nd 2014 amending the Directive 2013/34/EU regarding disclosure of non-financial information and information on diversity by some enterprises and large groups, published in the Official Journal of the European Union, Series L, no. 330 dated November 15th 2014 and differs from the International Financial Reporting Standards. As a result, these financial statements are not to be considered as being in accordance with the International Financial Reporting Standards.

6 SIGNIFICANT ACCOUNTING POLICIES (continued)

Alum S.A. is the parent company of the Alum Group (Note 1) and the consolidated financial statements of Alum Group prepared in accordance with the International Financial Reporting Standards will be issued separately.

Currency of presentation

These individual financial statements are presented in RON.

A. Accounting principles

These individual financial statements for the period ended December 31, 2016 have been prepared in accordance with the following accounting principles:

Going concern

These individual financial statements are prepared based on the assumption that the company will continue normal operations for the foreseeable future, without becoming unable to continue its operations or significantly reduce the operating activity.

As of 31 December 2016 the Company recorded a loss of RON 16,632 thousands (2015: profit of RON 6,378 thousand) and net current assets of RON 105,051 thousands (2015: net current assets of RON 118,629 thousand). The loss before taxation as of 31 December 2016 consists of (1) an operating loss of RON 23,314 thousand and (2) financial profit of RON 6,682 thousand.

As a consequence of the losses incurred, the net assets of the Company decreased below 50% of share capital issued. The management is aware of the Company Law requirements, and is currently reviewing the current capital structure and options to resolve the capital deficit. The analysis performed by the Company management indicates that the activity will generate positive cash-flows from operations and will become profitable in the following years. In this period, the Company is primarily dependent on the continuous support provided by the main shareholder, Alro Slatina SA.

Management believes that the support provided by the Alro Group will be sufficient to allow the continuity of the activity and settlement of liabilities in due course of business, without the need to sell substantial assets, forced interruption of the activity generated by external factors, or other similar actions.

Consistency

The same rules, methods, norms regarding the evaluation, registration and presentation in the accounting of the elements of patrimony are used, in order to ensure the comparability in time of the accounting information.

Prudence

In the preparation of these individual financial statements, all value adjustments due to the depreciation of the assets' value have been taken into consideration, also all foreseeable obligations and potential losses which appeared during the financial year concluded or during any of the previous years.

6 SIGNIFICANT ACCOUNTING POLICIES

A. Accounting principles (continued)

Cut-off

In the preparation of these individual financial statements, there have been considered all the incomes and expenses of the financial year, without considering the date of receipt or of making the payment.

Separate valuation of asset and liabilities

In order to determine the total value corresponding to a balance sheet position, the value of each individual element of asset and liability was separately determined.

Use of estimates

The preparation of the individual financial statements in accordance with the revised MoPFO 1802/2014 requires the management to make certain estimates and assumptions that affect the reported values of the assets and liabilities, the presentation of the contingent assets and liabilities as at the date of preparation of the individual financial statements and the income and expenses reported for the corresponding period. Although these estimates are made by management based on the best information available as at the date of these individual financial statements, actual results may differ from these estimates. These estimates are periodically revised and any necessary adjustments are recorded in the income statement in the period when they become known. Although these individual estimates present a degree of uncertainty, the cumulated effect of this on the individual financial statements is considered to be insignificant.

Comparatives

For each caption of the individual balance sheet, individual income statement and, where applicable, individual statement of changes in shareholders' equity and individual statement of cash flows, it is presented the value pertaining to the corresponding caption of the prior financial year.

Non-offsetting

The value of the captions representing assets have not been offset with the values of the captions representing liabilities, that is income with expenses, except for the offsetting between the assets and liabilities allowed by MoPFO 1802/2014, as revised.

Substance over form

The information presented in the individual financial statements reflect the economic reality of the events and transactions, not only their legal form.

Materiality

Any caption of a significant value is presented distinctly in the financial statements.

6 SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Significant accounting policies

Treatment of accounting errors

Any possible errors of the current period noted in the same period are adjusted before the individual financial statements are authorized to be issued. However, it is possible that certain significant errors are discovered subsequently to the period to which they refer. These errors pertaining to a prior period are retrospectively adjusted and recorded in the account "Retained earnings from the adjustment of errors".

These financial statements, prepared in accordance with MoPFO no. 1802/2014 as revised, are not to be used by third parties or users of the financial statements that are not familiar with MoPFO no. 1802/2014 as revised, applicable in Romania.

Translation of foreign transactions

The Company's transactions expressed in a foreign currency are recorded as at the exchange rates of the date of the transactions. The earnings and losses resulted from the settlement of the transactions in a foreign currency and from the translation of the monetary assets and liabilities in a foreign currency are recognized in the income statement. Such balances are translated in RON at the exchange rates at the official exchange rate of the National Bank of Romania existent at the end of each month.

As at December 31, 2016, the official exchange rate used was USD 1 = RON 4.3033 and EUR 1 = RON 4.5411.

As at December 31, 2015, the official exchange rate used was USD 1 = RON 4.1477 and EUR 1 = RON 4.5245.

Property, plant and equipment

a. Cost

Property, plant and equipment are initially stated at cost. Subsequently, property, plant and equipment have been restated based on several government decisions, by adjusting the historic cost with indexes set by the respective government decisions, as well as by recording the results of the revaluation report as at December 31, 2012 of the independent appraiser, member of ANEVAR, S.C. CMF Consulting S.R.L. The increases in the book value of the property, plant and equipment resulted from the restatements made in the past which were initially credited in the revaluation reserves or share capital, in accordance with the provisions of the respective laws.

The maintenance and repairs to the fixed assets are charged against income as incurred.

Fixed assets in the form of inventory items, such as small tools, are charged against income at the put in function date and are not included in the book value of the tangible assets.

The tangible assets that are disposed of are written off the balance sheet together with the corresponding accumulated depreciation. Any profit or loss resulted from such an operation is included in the current profit and loss account. Significant upgrading are capitalized when they meet the defining criteria of the assets. The earnings and losses from the disposal of fixed assets are determined based on their book value and are included in the operating profit.

6 SIGNIFICANT ACCOUNTING POLICIES (continued)

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Property, plant and equipment (continued)

b. Depreciation

Depreciation is calculated at restated cost on a straight line basis. Depreciation is calculated throughout the estimated useful life of the assets, as follows:

	Years
Buildings and special constructions	2 - 52
Technical installations and machinery	1 - 25
Equipments and vehicles	1 - 25

Land is not depreciated as it is assumed that it has an indefinite service life.

The earnings and losses generated by the disposal of land and fixed assets are determined by comparison to their book value and are included in the determination of the operating profit.

Impairment of property, plant and equipment

The Company should make sure that its assets are not recorded at a value that exceeds their recoverable value. An asset is recorded at a value higher than its recoverable value, if its book value exceeds the value recoverable from the use or disposal of the asset. The fixed assets held and used by an entity should be analyzed from the point of view of diminishing the value of such an asset whenever events occur that indicate the possibility of not recovering the book value of an asset from the future cash flows. In cases where the estimated future cash flows are insufficient to cover the book value of the asset, there needs to be applied an adjustment to reflect the impairment of the fixed assets.

As at December 31, 2016, the management made an impairment analysis for the tangible assets and concluded that they are not recorded at a value exceeding their recovering value.

Intangible assets

Set-up expenses

Development expenses are capitalized and amortized on a straight line basis for a period from 3 to 5 years.

Licenses and software

Usually, the costs associated with the development and maintaining the computer software are charged against income as incurred. Direct costs associated with computer software whose future economic benefits are probable and for a period of more than one year are recognized as intangible assets.

The expense with the purchased computer software is capitalized and amortized on a straight line basis throughout their useful life, without exceeding a period of 5 years. Intangible assets are not restated.

The book value of each intangible asset is verified annually and adjusted from the point of view of the permanent impairment, where necessary.

6 SIGNIFICANT ACCOUNTING POLICIES (continued)

Inventories

Inventories are recorded at the lower of evaluated cost and net realizable value, determined based on the FIFO ("first in, first out") method. The cost of the finished and semifinished products includes raw materials, direct salary expenses, other direct expenses and production overheads (based on the normal production capacity), but excludes the general administrative expenses, marketing expenses and financial expenses. Net realizable value is determined based on the sale price in normal conditions. Adjustments are recorded for the impairment of slowly moving, deteriorated and obsolete inventories.

Trade receivables

Trade receivables are recorded at anticipated net realizable value. For doubtful receivables, an estimated adjustment is made based on an analysis of all amounts outstanding at year end. Non recoverable receivables are charged against income in the year when they are identified.

Other receivables

Receivables are recorded at a value estimated to be recovered.

Cash and cash equivalents

Cash and cash equivalents are recorded in the individual balance sheet at cost. For the individual cash flow statement, cash and cash equivalents include petty cash, current accounts and demand deposits with banks.

Payables

Payables are recorded at nominal value.

Provisions

Provisions are recognized as at the time when the Company has a legal or contractual obligation resulted from past events, when an outflow of resources embodying economic benefits is necessary to settle the obligation and when a reliable estimate can be made with regard to the value of the obligation.

Contributions for employees

The Company pays contributions to the State Budget for social insurance, health insurance and unemployment benefit according to the levels established by the law and in effect during the year, calculated on the basis of the gross salaries. The value of these contributions is recorded in the income statement in the same period as the related salary expenses.

Provision for decommissioning

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.

6 SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of investments in subsidiaries

The Company's investments in subsidiaries are accounted for at cost less the impairment. Impairment exists when the carrying value of an investment 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 the Company's budget and do not include restructuring activities that the Company is 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.

Retirement and other post-retirement benefits

In the normal course of its business, the Company makes payments to several institutions of the Romanian state on the account of the pensions of its employees. All the Company employees are members of the pension plan of the Romanian state. The Company does not operate any other pension or post-retirement benefit scheme and therefore has no other pension related obligations. Upon retirement, the Company offers its employees, according to the collective employment contract, a bonus ranging between 2 - 6 salaries, plus permanent bonuses for the last worked month, according to the length of service in the Company.

For these amounts, the Company records in the financial statements a provision revised annually by an actuarial calculation expert.

Borrowings

Short and long term borrowings are presented at the outstanding value as at the date of the individual balance sheet date. The current part of the long term loans and the accumulated interest as at the balance sheet date are classified as "Payables within one year".

Financial leases

Financial lease is the lease obligation that transfers, to a large extent, all the risks and benefits related to the ownership over the asset. The title can be eventually transferred or not.
Financial lease operations are recorded at the fair values of the leased item or by the updated value of the minimum lease installments, if the latter is lower. To calculate the discounted value of the minimum lease payments, the discount factor is considered the effective interest rate of the lease agreement.

Share capital

Ordinary shares are included in equity.

The dividends pertaining to ordinary shares are recognized in equity in the period when they are declared.

6 SIGNIFICANT ACCOUNTING POLICIES (continued)

Income

Revenues are recorded when the significant risks and rewards of property ownership are transferred to the client. The amounts representing revenues do not include sales tax (VAT), but include granted commercial discounts. Financial discounts to customers (discounts) are recorded as financial expenses of the period without altering the Company's revenues. Revenues from services are recognized for the period in which they were provided in accordance with execution stage.

Interest income is recognized periodically and proportionally as income generation, respectively, on a commitments basis.

The Company uses carbon dioxide certificates. According to the group policy, the certificates are recognized in the financial statements based on the net exposure/emission method. According to this method, it is recognized as a liability the value of the certificates for the emission that exceeds the equivalent of the certificates granted according to GD 780/2006 issued by the National Environment Authority.

The Company estimates the annual amount of emissions as at each balance sheet date and recognizes the supplementary liability at the market value of the additional certificates that need to be purchased or at the level of the penalties that need to be paid according to the laws in force. The additional liability is recognized in the income statement based on the production unit method. If the Company estimates the use of a lower number of certificates that the allocated level, the income resulted from the sale of the supplementary certificates is recognized only at the time of the actual sale.

Income tax

Income tax is calculated based on the result of the year adjusted for various elements that are neither taxable nor deductible. It is calculated using the income tax rate in effect as at the balance sheet date.

Financial instruments

The financial instruments recorded in the individual financial statements include cash and cash equivalents, receivables and trade receivables, other assets and long term liabilities. The particular methods of recognition adopted are presented in the individual accounting policies associated to each element.

The real value of the financial instruments represents the amount for which an instrument can be traded between willing and knowing parties in an arm’s length transaction. This represents a general approximation of the possible value and it might never be realized.

The Company is subject to the fluctuation of various economic variables, as follows:
(a) The foreign exchange rate of the RON against the foreign currencies;
(b) The interest rates that influence the financial assets and liabilities;
(c) The increase/decrease in the purchasing power of the RON;

As a result the real market value of the financial instruments as at the date of closure of the INDIVIDUAL balance sheet is approximately in agreement with the value presented in the financial statements of the Company.

Cash and cash equivalents, receivables and other current monetary assets, trade payables and other obligations are reflected in the individual financial statements at fair value as a result of the short term due dates of these instruments.

7 SHARE CAPITAL

The share capital is in amount of RON 488,412,908 representing 82,086,203 shares having a par value of RON 5.95 per share. The share capital subscribed and paid in as at December 31, 2016 is in amount of RON 488,412,908.

	Value
As at January 1, 2016	488,412,908
Increases	-
As at December 31, 2016	**488,412,908**

	2016		
	Number of shares	Nominal value	%
ALRO S.A.	81,595,860	485,495,367	99.40
Individuals	481,756	2,866,448	0.59
Legal entities	8,587	51,093	0.01
Total	**82,086,203**	**488,412,908**	**100**

	2015		
	Number of shares	Nominal value	%
ALRO S.A.	81,595,860	485,495,367	99.40
Individuals	481,177	2,863,003	0.59
Legal entities	9,166	54,538	0.01
Total	**82,086,203**	**488,412,908**	**100**

8 INFORMATION REGARDING THE EMPLOYEES, ADMINISTRATORS AND DIRECTORS

	2015	2016
Average number of employees	698	711

Remuneration per categories of personnel in 2015 was:

	No. of employees	Salaries RON
Management	14	1,814,990
Administrative staff	125	5,900,423
Operatives	559	17,163,114
TOTAL	**698**	**24,878,527**

Remuneration per categories of personnel in 2016 was:

	No. of employees	Salaries RON
Management	15	2,781,952
Administrative staff	132	6,875,841
Operatives	564	19,520,233
TOTAL	**711**	**29,178,026**

9 CALCULATION AND ANALYSIS OF THE MAIN FINANCIAL RATIOS

Caption	2015	2016
Liquidity ratios		
Current liquidity ratio (current capital ratio)	1.61	1.46
Quick liquidity ratio (acid test)	0.11	0.13
Risk ratios		
Gearing	-	-
Interest cover ratio	6.14	(6.85)
Activity ratios (management ratios)		
Turnover of inventories	2.13	1.91
Days in store	171.07	191.11
Turnover of trade receivables – days	4.85	5.29
Turnover of trade payables – days	46.48	42.22
Turnover of fixed assets	3.89	3.50
Turnover of total assets	1.34	1.13
Profitability ratios		
Profitability of capital employed	0.03	(0.06)
Result per share RON	0.08	(0.20)
Gross margin from sales – %	(2.01)	(4.19)

10 OTHER INFORMATION

10.1 Information regarding the presentation of the Company

The Company was initially incorporated in March 1972, ALUM S.A. Tulcea being the only manufacturer of calcined alumina in Romania.

The main business is the hydro-metallurgical processing of bauxite to obtain aluminum oxide, the raw material for obtaining aluminum.

Bayer method, which uses caustic soda to produce a solution, is used to extract the aluminum hydroxide from the processing of bauxite in order to obtain aluminum oxide, the raw material for the production of alumina. The production capacity of the refinery is of about 600,000 ton/year.

The Company's shares are allowed for trading on the alternative transactional system AeRO within Bucharest Stock Exchange. In 2016, the price per share was as follows:

	RON
- minimum price	0.24
- maximum price	2.83
- average price	1.54

10 OTHER INFORMATION (continued)

10.2 Turnover

	Year ended December 31, 2015	Year ended December 31, 2016
Sales of alumina	601,203,946	505,874,955
Sales of hydrate	31,076,871	48,597,192
Revenues from sales of scrap iron and wastes	223,164	431,828
Revenues from sales of utilities	533,938	498,111
Other revenues	2,481,929	741,997
Total	**635,519,848**	**556,144,083**

10.3 Other material expenses

	Year ended December 31, 2015	Year ended December 31, 2016
Natural gas expenses	141,153,832	133,766,430
Packaging materials expenses	871,747	763,468
Work protection materials	507,264	351,913
Small assets	250,205	217,962
Total	**142,783,046**	**135,099,773**

10.4 External services

	Year ended December 31, 2015	Year ended December 31, 2016
Third parties repairs	5,290,577	4,511,012
Rent	875,634	690,439
Insurance	854,215	795,124
Transport	618,054	662,342
Audit and consultancy	2,029,507	2,123,620
Guard services	2,278,870	2,396,816
Other services	6,264,529	6,572,081
Total	**18,211,386**	**17,751,433**

10 OTHER INFORMATION (continued)

10.5 Petty cash and bank accounts

	December 31, 2015	December 31, 2016
Bank accounts	969,936	1,094,511
Petty cash	9,375	3,951
Letters of credit	-	-
Other values	-	-
Total	**979,311**	**1,098,462**

10.6 Inventories

Inventories are presented in the balance sheet after deducting the impairment adjustments.

	December 31, 2015	December 31, 2016
Raw materials, materials and goods	51,319,698	49,755,031
Work in progress	39,699,803	46,001,525
Small tools	606,715	708,016
Semi finished products and finished goods	4,418,070	10,456,590
Packaging	87,208	96,069
Adjustments for the impairment of inventories	(3,672,847)	(87,160)
Advances for inventories	198,874,685	197,210,600
Total	**291,333,335**	**304,140,670**

The advances for inventories include payments for bauxite to SIERRA MINERALS HOLDING LTD, affiliate, in amount of RON 197,007,484 (see Note 10.5).

	Balance as at January 1, 2016	Transfers		Balance as at December 31, 2016
		to acc.	from acc.	
Adjustment for the impairment of raw materials	-	-	-	-
Adjustment for the impairment of materials	214,063	-	126,902	87,160
Adjustment for the impairment of work in progress	2,868,905	-	2,868,905	-
Adjustment for the impairment of finished goods	220,637	-	220,637	-
Adjustment for the impairment of semi finished products	369,242	-	369,242	-
Total	**3,672,847**	**-**	**3,585,686**	**87,160**

10 OTHER INFORMATION (continued)

10.7 Indicators regarding the result per share

The basic result per share is calculated by dividing the number of shareholders by the weighted average number of ordinary shares in circulation during the year, less the shares bought back by the Company during the year. There were no shares potentially diluted during the year.

	2015	2016
Net profit for the year	6,377,830	(16,632,600)
Number of shares	82,086,203	82,086,203
Result per share, basic – RON	0.08	(0.20)
Average market price per share	1.79	1.54

10.8 Transactions and balances with related parties

Affiliates are entities with direct or indirect common shareholders, common directors or management. A significant part of the Company transactions are conducted with related parties.

The nature of the relations with the related parties with which the Company conducted significant transactions or which have significant balances not settled as at the balance sheet date are detailed below. The relations were established in the normal course of the Company's activity. Management considers that the prices at which the transactions were conducted were in an arm's length.

Related party	Related party type	Transaction type
Alro S.A.	Shareholder	Sales/purchases of goods/services
Sierra Minerals Holding Ltd.	Subsidiary	Sales/purchases of goods/services
Global Aluminium Ltd *	Subsidiary	Assignment of receivables
Vimetco Management Romania S.R.L.	Common control	Purchases of goods and services
Vimetco Power	Common control	Sales of goods and services
Vimetco Extrusion	Common control	Sales/purchases of goods
Vimetco Ghana	Common control	Sales of goods and services
Conef Gaz S.R.L.	Common control	Purchases of goods
Centrul Rivergate	Common control	Sales/purchases of goods/services

The transactions and balances with related parties are detailed below:

(i) Sales

	December 31, 2015	December 31, 2016
ALRO Slatina	575,502,927	486,006,002
CENTRUL RIVERGATE	34,450	34,801
SIERRA MINERALS HOLDING LTD.	4,663,032	4,136,066
VIMETCO POWER	2,532	2,333
VIMETCO EXTRUSION	62,730	1,241
Total	**580,265,672**	**490,180,443**

10 OTHER INFORMATION (continued)

10.8 Transactions and balances with related parties (continued)

(ii) Purchases

	December 31, 2015	December 31, 2016
ALRO Slatina	20,573,189	20,824,461
CENTRUL RIVERGATE	2,631,542	3,048,878
VIMETCO MANAGEMENT ROMANIA	813,484	780,000
CONEF GAZ	141,153,832	133,766,430
SIERRA MINERALS HOLDING LTD.	171,713,084	190,353,592
Total	**336,885,131**	**348,773,360**

(iii) Receivables

	December 31, 2015	December 31, 2016
SIERRA MINERALS HOLDING LTD.	261,473,951	262,294,825
GLOBAL ALUMINIUM LTD. (împrumut - v. Nota 5)	27,894,672	30,561,821
SMHL (împrumut - v. Nota 5)	6,438,233	4,475,432
CONEF GAZ	404,800	1,449,872
CENTRUL RIVERGATE	3,631	3,504
VIMETCO POWER	3,150,023	3,151,512
VIMETCO EXTRUSION	381	450
ALRO Slatina	8,303	13,283
Total	**299,373,994**	**301,950,700**

(iv) Payables

	December 31, 2015	December 31, 2016
ALRO Slatina	153,961,561	184,445,217
CONEF GAZ	-	-
CENTRUL RIVERGATE	-	-
VIMETCO MANAGEMENT ROMANIA	-	-
VIMETCO EXTRUSION	-	-
Total	**153,961,561**	**184,445,217**

In 2016, the following related party transactions were also conducted:

	2015	2016
Interest income - Global Aluminium Ltd,	1,346,126	1,535,544
Interest income - Sierra Minerals Holding Ltd,	79,304	429,445

The remuneration of directors and other members of key management personnel during the year was in amount of 1,263,335 RON (2015: RON 860,520).

10 OTHER INFORMATION (continued)

10.9 Legal reserve

As at December 31, 2016, the legal reserve amounted to RON 8,332,307 (December 31, 2015: RON 8,332,307).

10.10 Information regarding the income tax

The Company records net income tax in accordance with the financial statements, in compliance with the laws in force regarding the income tax.

The Company did not record extraordinary income or expenses during the financial year ended December 31, 2016.

The reconciliation between the result of the year and the fiscal result for the year is presented below:

Calculation of the income tax

	Year ended December 31, 2015	Year ended December 31, 2016
Total income	693,288,943	639,788,265
Total expenses	(685,926,127)	(656,420,866)
Gross profit	**7,362,816**	**(16,632,600)**
Allocation to the legal reserve	(368,141)	-
Elements similar to income	5,101,375	3,947,169
Non taxable income	(698,132)	(15,675,137)
Non deductible expenses	32,825,020	6,640,498
Prior years loss	(37,816,774)	-
Fiscal profit/(loss)	**6,406,165**	**(21,720,069)**
Current income tax	**984,986**	**-**

10.11 Guarantees and commitments

The Company has the following investment commitments as at December 31, 2016 for the year 2017:

Description	th. USD
Reinforcing the perimetral dykes for the red mud pond and improve the sprinkle system for preventing the dust formation	251
Consolidation foundations Precipitation tanks	215
Endowments	222
Investments for maintenance and improvement of equipment parameters - Alum (PPE)	146
Consulting services for EU funds project	14
Total	**848**

10 OTHER INFORMATION (continued)

10.11 Guarantees and commitments (continued)

Alum has issued a support letter to Sierra Minerals Holding 1 Ltd..

The Company has the following purchasing commitments as at December 31, 2016 for the year 2017:

Description	Amount	
Contract with Sierra Mineral Holdings LTD for bauxite	50,268,000	USD
Contract with Oldendorff Carriers for bauxite freight	10,520,400	USD
Contracts for bauxite handling Constanta-Tulcea	9,034,332	EUR
Contract with Conef Gaz for natural gas	29,941,178	USD
Contract with ALRO Slatina for electricity	5,179,746	USD
Contract with Oltchim Rm. Valcea for caustic soda	8,171,040	EUR
Contract with Chimcomplex Borzesti for caustic soda	8,437,500	USD
Contract with Celco SA for industrial lime	7,141,500	RON
Contract with Carmeuse Holding SRL for industrial lime	1,759,500	RON
Contract with NALCO- flocculants	496,000	EUR
Contract with FLOCHEM INDUSTRIES SRL Bucuresti – flocculants	95,697	EUR
Contract with CYTEC INDUSTRIES, The Netherlands – flocculants	696,100	USD
Contracts for caustic soda transport	5,073,550	RON

Under financing contract signed on 8 September 2016, Alum SA launched a project (SMIS 2014+) co-financed under the European Regional Development through Operational Program of Competitiveness 2014-2020 " Investing in Sustainable Development ".
The project is to be developed in 24 month (August 2016-August 2018) for a total value of RON 20.1 million, out of which RON 12.6 million eligible (RON 6.3 million are non-reimbursable) and main object is the acquisition of various equipment (hydrate drying equipment, grinding and ranking wet hydrate, etc.).

10.12 Contingencies

Litigations

As at December 31, 2016, the Company was subject to a number of disputes in court resulted from the normal course of its business.

SC Alum SA Tulcea opened a legal action against the debtor SC Prosidex Rom SRL Constanta, under which the Company was listed on the creditors table with the amount of RON 160,463.

The management considers that based on the lawyers opinion these actions will not have a significant effect on the individual economic results and individual financial position of the Company.

As at December 31, 2016, the Company had in the balance the amount of RON 212,382 RON for doubtful or litigating receivables, amount for which a provision has been recorded (Note 5).

10 OTHER INFORMATION (continued)

10.12 Contingencies (continued)

Taxation

Taxation system in Romania is undergoing a phase of consolidation and harmonization with the European legislation. However, there are still different interpretations of the fiscal legislation. In certain cases, tax authorities can treat differently certain aspects, calculating supplementary tax and interests of 0.02 % per day plus penalties of 0.01% per day. Under this conditions, the annual interest level could reach 7.32% compared to the previous value of 10.95%.

Starting with January 1, 2016 the fiscal procedure Code has been modified by the MFO 3834/29.12.2015 and has been introduced a new penalty for not declaring. Thus, for the main tax obligations undeclared or incorrectly declared by the tax payers and determined by the fiscal inspectors through tax notices, the tax payers owe a penalty of 0.08% per day, from the day immediately following the due date until the settlement date for the due amount.

In Romania, the fiscal year remains open for fiscal verification for 5 years. Management considers that the tax obligations included in these financial statements are adequate.

In accordance with the provisions issued by the Ministry of Public Finance, which regulate the tax regime of the elements of equity that have not been subject to income tax as at the date of recording in the accounts, considering their nature, should the Company change the destination of the revaluation reserves in the future (to cover losses or to distribute to the shareholders), this will lead to supplementary income tax liabilities.

Transfer price

The fiscal legislation in Romania has included rules regarding the transfer prices between affiliates since the year 2000. The current legislative framework defines the principle of “market value”, as well as the methods of establishing transfer prices. As a result, it is expected that the tax authorities should initiate thorough verifications in order to make sure that the fiscal results and/or the value in customs of the imported goods are not distorted by the effect of the prices used in the relations with the related parties. The Company cannot quantify the result of such verifications, but the management considers that the related party transactions are in agreement with the fiscal legislation in Romania with regard to the transfer price and the necessary documentation regarding the transfer prices is available and can be presented to the authorities in case of a tax audit.

10.13 Financial Auditor’s Fee

The fee for the financial audit of the financial statements for 2016 is in accordance with the service rendering agreement and is in amount of 203,939 RON (2015: 194,191 RON).

10.14 Risk management

a. Foreign exchange (“FX”) risk

FX risk is the risk that the value of a financial instrument should fluctuate because of the variations in the FX rate.

The Company is exposed to the fluctuations in the FX rates in the commercial and financing transactions. FX risk results from the commercial assets and liabilities recognized, including borrowings, expressed in foreign currencies. Given the high associated costs, the Company’s policy is not to use derivative financial instruments to mitigate this risk.

10 OTHER INFORMATION (continued)

10.14 Risk management (continued)

b. Interest rate risk regarding the cash flow and fair value

The interest rate risk regarding the cash flow is the risk that the future cash flows should fluctuate due to the variations in the market interest rates.

The interest rate risk at fair value is the risk that the value of a financial instrument should fluctuate due to the variation in the market interest rate. The financial instruments bear interest at market values and, as a result, it is considered that their fair values do not significantly differ from the book values.

c. Credit risk

Credit risk is the risk that one of the parties of a financial instrument should fail to meet the obligation assumed causing a financial loss to the other party.

The Company is subject to a credit risk due to its trade receivables and other types of receivables. The Company has policies meant to ensure that the sales are made to clients with proper references regarding their reliability. The receivables are mainly related to Alro (over 90 %). The company is dependent operationally and financially on Alro.
The due date of the liabilities is carefully monitored and the amounts due after exceeding the term are promptly monitored. Trade receivables (clients) are presented net of the adjustments for doubtful receivables (Note 5). The Company develops policies that limit the value of the credit exposure against any financial institution.

d. Liquidity risk

Liquidity risk (also called financing risk) is the risk that an entity should encounter difficulties in meeting the commitments pertaining to the financial instruments. Liquidity risk may result from the incapacity to rapidly sell a financial asset at a value close to its fair value.

A prudent liquidity risk management involves maintaining sufficient cash and credit lines available, by continuously monitoring the estimated and real cash flow, by correlating the due dates of the financial assets and liabilities. Due to their nature, the Company aims at maintaining flexibility in the financing possibilities, including by the support of the majority shareholder.

e. Fair value of the financial instruments

Fair value is the amount for which a financial instrument can be traded between willing and knowing parties in an arm’s length transaction.

Specific recognition methods are presented in the individual policies corresponding to each element. The Book values of the financial instruments as at the balance sheet date approximate their fair values, according to the mentions in the accounting policies of the Company and according to MoPFO 1802/2014 as revised.

The Company does not use financial instruments traded on active markets.

10 OTHER INFORMATION (continued)

10.15 Subsequent events

During first trimester of 2017 the Company signed a series of agreements with ALRO under which the selling price for alumina is to be set to the lower between cost +3% mark-up and the average price for the prior quarter on the 3 specialized trading markets adjusted with the INCO terms DAP Slatina (as in the past), but the determined value cannot be lower than the cost in monetary items of alumina sold to Alro.

Due to the increase in alumina market prices and continued strict control of costs, the Company estimates that in the first trimester of 2017 will be remedied the deficit net asset, below 50% of the share capital recorded under statutory regulations as of December 31st 2016.

Report of the directors
and
their discharge from liabilities

- 2016 -

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2.1 Status of synthetic indicators defining company's activity for 2016
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Report of the directors for 2016
and their discharge from liabilities

1.1 Company orientation

The main goal of ALUM SA ("ALUM"/ "Company") is to continue its efforts to capitalize its human and material resources in order to be among the profitable and competitive companies on the alumina market. The Company aims to become a model of private plant, which will continue to bring important economical and social benefits both to Tulcea town and to the national economy

For this purpose the Company established the following main objectives:

- Ongoing implementation of co-financed with UE funds investment project according with agreed schedule with ANCSI, investment project which will lead to an increasing of ALUM's efficiency and competitiveness;
- Beginning the implementation of one new co-financed with UE funds investment project designed to assure operational continuity by increasing red mud pod life period and increasing the possibilities of red mud revaluation;
- Continuation of the modernization process in order to meet the new demands regarding the economical efficiency, environmental protection and social responsibility;
- Ensuring raw materials and energy resources on long term basis;
- Increasing the energetical efficiency for the entire production process;
- Active management of contractual and market risks (financial), taking into account the evolution of the domestic and international market;
- Continuous compliance with environmental rules;
- Developping new products and activities.

1.1.1. The main development directions of ALUM

The future development projects which ALUM intend to implement are briefly presented below:

1. Environmental projects to ensure operational continuity
   - Reinforcing the red mud pond perimetral dykes – left bank embankmnet and improving the sprinklers system for preventing the dust formation;
   - Purchasing press filters for disposal bauxite residue moisture decreasing;
   - Red mud pipe, length 4,5 km (refinery to red mud pond)
   - Particle emissions monitoring system for bag filters.
2. Projects for efficient and safe operation of industrial facilities
   - Foundations consolidation on the Precipitation tanks;
   - Warning system for fire protection;
   - Investments for maintenance and improvment of equipment parameters;
   - Plant economic lightning;
   - Plant endowments;
   - Process monitoring systems for Evaporation and Digestion units;
3. Projects to support ANRE proposals
   - New natural gas burners at Steam Bolier no 1 (low Nox);
   - Optimizing the steam lines and installing steam traps for 2 digestion units;
   - Digestion modernization – autoclaves registers and agitators for 2 lines Digestion and Evaporation;
   - Modernization 6 kV electrical installations (capacitors, electric cells, electric circuits);
   - Acquisition and installation frequency converter devices
4. Projects to increase energy efficiency – Burned gas fan for Steam Boiler no 2
5. Development of new products – Increasing Alum comptetitiveness by installing equipment to obtain wet and dry hydrate.

1.1.2. Branch offices of ALUM

We mention that ALUM does not have fiscally registered branch offices.

1.2 Management and organizational culture

The management team promotes the values that define the Company's organizational culture and mainly:

- **Performance**

In Alum continues the implementation of an efficient performance management system based on establishing department goals, derived from Company's goals, quantifiable and agreed between the managers and their subordinates

- **Competence**

Main performance competences will be identified in close relation with Company's strategic objectives, by means of real, financial, operational and behaviour indicators. The existing strong points that facilitate the implementation of this system consist in the good experience gathered in the field and in the human, financial and technical potential of the Company.

- **Rentability**, meaning the concern, on all decisional levels, for the increase of the profitability through measures that ensure the continuous improvement on technological, commercial ad financial level
- **Ecological and social responsibility**, that presumes, among other things, the protection of the environment (compliance with the requirements from the Integrated Environmental Licence), the contribution to the local society development and for the general economic progress.

Alum's main goals regarding the environment are the following:

- Compliance with the environmental law adopted under the requierements of the European Directives and strictly respect all legal regulations applicable to the company;
- Continuous improvement of activities, processes, products and environmental performance;
- Preparation for emergencies situations and the ability to respond, organizing and conducting simulation exercices for incidents involving dangerous substances;
- Pollution prevention and combat the environmental factors through investments, organizational measures, maintenance and repairs and technological changes;
- Continuous monitoring of environmental aspects of production activity through weekly environmental programs.

Through its environmental policy, the Company creates the premises for the activity in the most demanding environmental standards set by the athorities.

In this respect, in 2016, hrough the modernization works on the installations for heat recovery and optimal selection of the production parameters of the plant, it was obtained a reduction of the CO2 emissions with approx. 29,000 mt compared to 2015.
Also, in 2017 will be finalized a project for the modernization of the steam boiler C2AP no. 1 in order to reduce the Nox emissions and will be put in function a new forced circulation cooling tower in the White Filtration section that will reduce the consumption of industrial water with approx. 100-150 cm/h.

1.3 Corporate social responsibility

The concept of corporate social responsibility (CSR) refers to the involvement of the companies in solving some of the problems of the communities where it operates.
The advantages of implementing the social responsibility management system are:

- Demonstrated commitment to business ethics, socially responsible;
- Protecting the brand;
- Enhanced reputation as a responsible corporate citizen;
- Consumers confidence and a positive perception of investors;
- A better employee morale;
- A properly working environment, safe and fair;
- Improved working conditions;
- Commercial risk management;
- Differentiation from global competitors.

1.3 Corporate social responsibility (continued)

In order to implement CSR in Alum were made the following steps:

- The Company developed procedures for the relations with the media and organized an audience program; in this way the Company expresses its openness to listening and solving the community problems (employees, citizens, local authorities, companies collaborating, etc) and involvement in education and other activities of social utility.
- Were developed and distributed questionnaires about how the Company is perceived in various community organizations with which it comes into contact (public administration, financial and banking institutions, cultural organizations and sports, religious, educational, environment protection, etc). In the feed-back received from collaborating organizations showed that Alum is actively involved in the local community life, with a positive and important influence.

In this respect, in 2016 Alum, as an active partner of the local community, activated on social plan on multiple directions, by:

- Ensuring, through the offered work conditions, the compliance with the human rights, the equality and the welfare of its employees. In this regard, the recruitment, the selection and the hiring of the work force are made, mainly, from Tulcea county. Also, the percentage of women employees increased from 10% in 2010 to 16.43% in the present;
- Involvement in different projects initiated by the local community such as: planting trees in the local parks, participating in local competitions, (such as: International Festival of Rowboats and paddling “RowmaniaFEST”, as supporters for local football team, etc.), participating to shows and theatre organized by local community;
- Collecting funds for providing food and clothes on Christmas or Easter holidays for families with low incomes and many children and for the people from the Nursing Home for Elderly in Tulcea;
- Promoting various actions taken by local community by displaying on visible spots, free of charge, posters which invites peoples to participate to events (such as: “Zilele Tulcei” – Tulcea’s Days; “Raliul Deltei”-Danube Delta Rally; “Sărbătoarea Borșului pescăresc” – Fish Borsh Fest etc.);
- Concluding a partnership with a local instructor to offer free swimming lessons for Alum’s employees children and supporting their participation in sports competitions (swimming, triathlon, etc).

.1.4 Internal control

Company's internal control aimes at ensuring:

- Compliance with the existing law;
- Implementation of decisions taken by the Company’s management;
- Proper functioning of the internal affairs of the Company;
- Reliability of financial information;
- The effectiveness of its operations;
- Efficient use of resources;
- Prevention and control of risks of not achieving the objectives set.

As a result, the main objectives of the internal control procedures:

- On one hand, the Company's business registration and tracking behavior of staff within the framework defined by applicable laws, values, rules and internal rules of society;
- On the other hand, checking whether the accounting, financial and business management information communicated accurately reflect the situation of society.

Control activities are an integral part of the process by which the entity seeks to achieve management objectives. Control concerns the application of rules and internal control procedures at all levels: approval, authorization, verification, assessment of operational performance, asset security, separation of functions.

1.5 Financial risk management policies

a) Currency risk

The Company is exposed to foreign exchange risk because the predominant part of its sales of alumina is denominated in or linked to the USD while the vast majority of its operating costs (such as power costs, wages, etc.) are denominated in or linked to the RON. The currency exposure is related to the fact that most of the Company's receivables are linked to USD of EUR while the liabilities are denominated in RON. The Company is therefore exposed to the risk that movements in the RON/USD exchange rates will affect both its net income and financial position, as expressed in RON.

1.5 Financial risk management policies (continued)

b) Interest rate risk on cash flow and fair value

Interest rate risk on cash flow is a risk that future cash flows will fluctuate because of changes in market interest rates.
The interest rate risk is the risk that the value of a financial instrument would fluctuate as a result of the variation of the interest rates on market. Financial instruments are bearing interest at market rate, therefore it is considered that their fair values do not differ significantly from book values.

In May 2011 the Company signed a long term loan agreement worth 25 million USD with Raiffeisen Bank, for partial financing of the acquisition of shares representing 100% of the share capital of Global Aluminium Company Ltd. BVI, based in Trinity Chambers, British Virgin Islands. The loan has been granted for a period of 5 years with an interest rate of Libor 3M+4%.
The loan has been reimbursed in full in January 2016, and, in the same month, the Company concluded a new loan agreement with Raiffeisen Bank, for financing the current operations, in amount of RON 41,770 thousand.
The interest rate is ROBOR + 3.5% and the reimbursement of the loan will be made in 8 equal quarterly installments starting with February 2016. The warranties remained the same as for the previous loan.

c) Credit risk

The credit risk represents the risk that one of the parties participating in the financial instrument will fail to fulfill an obligation, thus causing a financial loss to the other party.
Financial assets that expose the Company to the potential credit risk concentrations comprise mainly receivables from the main activity. The Company has policies to ensure that sales are to customers with appropriate references on their creditworthiness. Date of maturity of debt is carefully monitored and the overdue amounts are promptly pursued. These are presented at the net adjusting value for uncertain receivables.

d) Liquidity risk

The liquidity risk, also named financing risk, is the risk that a plant has difficulties in accumulating funds in order to fulfill the obligations related to the financial instruments. The liquidity risk can arise from the inability to sell quickly a financial asset at a value close to its actual value.
Prudent liquidity risk management implies maintaining sufficient cash and available credit lines, through continuous monitoring of estimated and real cash flows and matching the estimated maturities of financial assets and liabilities. Due to the nature of the business, the Company seeks to maintain flexibility in funding opportunities, including majority shareholder support.

e) Fair value of financial instruments

Fair value is the amount a financial instrument can be traded, voluntarily, between informed parties, in a transaction whose price is determined objectively.
Specific methods of recognition are presented in Company's policies for each item. The carrying values of financial instruments at balance sheet date approximates their fair values, as listed in the Company's accounting policies and as OMF no. 1802/2014 amended.
The Company does not use financial instruments traded in active markets.

1.6 Market

In 2016 Alum had a turnover in amount of 556,144 th RON structured as follows:

✓ Sales of alumina	505,875	th RON
✓ Sales of hydrate	48,597	th RON
✓ Revenues from sales of scrap iron and wastes	433	th RON
✓ Revenues from sales of utilities	498	th RON
✓ Other revenues	742	th RON

1.7 Competition

The competition on the alumina market is given by the sale price and quality of products. In order to get an as big as possible market share, each producer supports the marketing strategy with investments in technology and continuous modernization of the production process.
Under the circumstances of a more and more competitive global market, ALUM must continue the strategy for reducing the production cost by means of reducing consumptions (development of new ecological technologies), promoting the products using aggressive marketing and investing in human capital.

1.8 Shareholding structure and share capital

SHAREHOLDERS	Number of shares	Owned percentage (%)
ALRO SA SLATINA	81,595,860	99.40
Other shareholders – natural persons	481,756	0.59
Other shareholders – legal persons	8,587	0.01
TOTAL	**82,086,203**	**100**

On 31.12.2016, the share capital is of 488,412,908 RON and the number of issued shares 82,086,203.

2.1 Status of synthetic indicators defining company's activity as compared to the income and expenditure budget

SYNTHETIC INDICATORS	Actual 2015	Budget 2016	Actual 2016	Difference as compared to Budget	%	Difference as compared to 2015	%
	RON	RON	RON	RON		RON	
TURNOVER	**635,519,848**	**578,232,038**	**556,144,083**	**(22,087,955)**	**96**	**(79,375,765)**	**88**
TOTAL OPERATING REVENUES	**610,226,779**	**592,599,821**	**573,861,606**	**(18,738,215)**	**97**	**(36,365,173)**	**94**
TOTAL OPERATING EXPENSES	**622,973,690**	**628,018,391**	**597,176,267**	**(30,842,124)**	**95**	**(25,797,424)**	**96**
of which:- raw material and material expenses	350,752,330	377,372,035	368,826,839	(8,545,196)	98	18,074,509	105
- other expenses (inventory objects)	1,629,215	183,346	1,333,344	1,149,998	727	(295,871)	82
- energy, gas and water expenses	161,038,569	174,957,212	155,083,110	(19,874,101)	89	(5,955,459)	96
- staff expenses	32,777,926	33,791,408	37,974,506	4,183,098	112	5,196,580	116
- depreciation expenses	23,209,103	18,315,463	21,275,532	2,960,070	116	(1,933,570)	92
- third parties services	20,018,466	23,398,927	19,700,306	(3,698,621)	84	(318,160)	98
- merchandise expenses	1,816,734	-	423,016	423,016		(1,393,718)	23
- other expenses (penalties, disposal of fixed assets)	1,131,165	-	6,029,559	6,029,559		4,898,394	533
- value adjustments	27,402,762	-	(13,469,947)	(13,469,947)		(40,872,709)	(49)

SYNTHETIC INDICATORS	Actual 2015	Budget 2016	Actual 2016	Difference as compared to Budget	%	Difference as compared to 2015	%
	RON	RON	RON	RON		RON	
Operating result	**(12,746,911)**	**(35,418,570)**	**(23,314,660)**	**12,103,909**	**66**	(10,567,749)	**183**
FINANCIAL REVENUES	83,062,164	1,434,032	65,926,659	64,492,627	4,597	(17,135,505)	79
FINANCIAL EXPENSES	62,952,437	2,103,785	59,244,599	57,140,814	2,816	(3,707,838)	94
Financial result	**20,109,727**	**(669,753)**	**6,682,060**	**7,351,813**	**(998)**	**(13,427,667)**	**33**
TOTAL REVENUES	693,288,943	594,033,853	639,788,265	45,754,412	108	(53,500,678)	92
TOTAL EXPENSES	685,926,127	630,122,176	656,420,866	26,298,690	104	(29,505,261)	96
GROSS PROFIT	**7,362,816**	**(36,088,323)**	**(16,632,600)**	**19,455,723**	**46**	**(23,995,416)**	**(226)**
PROFIT TAX	984,986	-	-	-		(984,986)	
NET PROFIT	**6,377,830**	**(36,088,323)**	**(16,632,600)**	**19,455,723**	**46**	**(23,010,430)**	**(261)**

The turnover has been lower than the budgeted value mainly due to the continuous decrease of the reference market price that lead to a lower selling price for alumina delivered to Alro Slatina, the main variations being as follows:

		Value:	
- turnover	-	22,088	th RON
The difference from forecasts was mainly determined by:			
- alumina sales	-	26,513	th RON
- hydrate sales	+	2,753	th RON
- revenues from scrap sales	+	432	th RON
- revenues from utilities sales	+	498	th RON
- other operating revenues	+	742	th RON
- revenues from sales green certificates	-	14,249	th RON
- revenues from stored production	+	12,340	th RON

Operational expenses has been lower than the budget by RON 30,842 thousand due, mainly, both to lower specific consumptions for raw materials and utilities and lower aquisition prices, even if the alumina production has been higher than the budget with 17,031 mt, the main variations being as follows:

		Value:	
- raw materials and materials expenses	-	8,545	th RON
- raw materials expenses	-	7,066	th RON
- other material expenses (fuel, spare parts, auxiliary materials)	-	1,479	th RON
- energy and water expenses	-	2,045	th RON
- natural gas expenses	-	17,829	th RON
- goods expenses	+	423	th RON
- staff expenses	+	4,183	th RON
- value adjustments (provisions)	-	13,470	th RON
- depreciation expenses	+	2,960	th RON
- other operating expenses (sponsorships, taxes, social aids, work protection)	-	334	th RON
- other expenses (penalties, ceased assets, other operating expenses)	+	6,030	th RON
- third parties services (commissions, insurrances, transport, processing, advertising, import – export services, etc.)	-	3,365	th RON

According to the impairment test performed as of December 31, 2016 and 2015 by an independent valuation company, there is no impairment needed for Alum's tangible and intangible assets.
According to the impairment test performed by CMF Consulting, an independent valuation company, as of December 31, 2016 there is a potential loss from receivables from SMHL in amount of USD 13,062 thousand (RON 56,211 thousand) lower than the provision recorded by the Company as of December 31, 2015 in amount of USD 16,007 thousand (RON 66,392 thousand).

➢ As for the financial revenues, they were excedeed by 64,493 th RON, being due to:

		Value:
✓	revenues from exchange rate differences	+ 63,286 th RON
✓	revenues from interests	+ 1,207 th RON

➢ Financial expenses were exceded by 57,141 th RON and factorially, they were due to:

		Value:
✓	expenses with exchange rate differences	+ 57,126 th RON
✓	expenses with interests	+ 15 th RON

Concluding, at the end of 2016 ALUM registered a loss of 16,633 th RON compared to the budgeted loss of 36,088 th ron.

❖ **Fiscally non-deductible expenses**

The fiscally non-deductible expenses amount to 6,64 million RON of which the most important are the following:

- expenses with fiscally non-deductible value adjustments in the amount of 1.01 million RON out of which:
  - 0.35 million RON value adjustment for potential loss in receivables
  - 0.55 million RON value adjustment for pensions and similar obligations
  - 0.11 million RON value adjustment for tangible assets depreciation
- depreciation expenses for fixed assets revalued in 2009 in amount of 0.56 million RON
- depreciation expenses for fixed assets revalued in 2012 in amount of 0.55 million RON
- depreciation expenses for spare parts treated as fixed assets 0.52 million RON
- depreciation for the value adjustment for the estimated expenses to close the red mud lake 1.3 million RON
- other fiscally non-deductible expenses (compensations. amortization of fixed assets written off, interest for the value adjustment for the estimated expenses to close the red mud lake, fines, penalties, resident, fuel) in the amount of 2.63 million RON.

❖ **Investments**

ALUM had forecasted and approved for 2016 an investment program in amount of 9,409 th USD.

The status of 2016 investments achievements is as follows:

No.	Investment project	Budget (th. USD)	Actual (th. USD)	Difference (th. USD)
1	Maintenance works for the red mud pond	7	1	(6)
2	Forced cooling tower for White Filtration	217	245	28
3	Reinforcing the perimetral dykes for the red mud pond and improve the sprinkler system for preventing the dust formation	500	479	(21)
4	Particle emissions monitoring system for bag filters	50	-	(50)
5	High pressure water pump for descaling P=1100 bar for Evaporation	201	187	(14)
6	2015 Plant endowments	310	252	(58)
7	Consolidation foundations Precipitation tanks	300	33	(267)
8	Warning system for fire protection	30	-	(30)
9	Process monitoring systems for Evaporation & Digestion units	200	61	(139)
10	2016 Plant endowments	1,427	517	(910)
11	Investments for maintenance and improvement of equipment parameters - Alum (PPE)	1,290	821	(469)

No.	Investment project	Budget (th. USD)	Actual (th. USD)	Difference (th. USD)
12	New natural gas burners at Steam Boiler no. 1 (low Nox)	850	37	(813)
13	Optimization of steam lines and installing steam traps for 2 digestion units	300	-	(300)
14	Maintenance Capex (Digestion modernization - autoclaves registers and agitators for 2 lines)	700	-	(700)
15	Burned gases fan for Steam Boiler no. 2	300	-	(300)
16	Alum increasing competitiveness by installing equipment to obtain wet and dry hydrate: - Drying hydrate equipment - Hydrate grinding and classifying equipment - Wet hydrate classifying equipment;	2,727	12	(2,715)
TOTAL		**9,409**	**2,643**	**(6,766)**

❖ **Litigations status**

On 31.12.2016 ALUM is involved in some litigations as a result of its normal activity.
On the basis of the legal consulting provided by the Company's lawyers, the management considers that those litigations won't have negative effects on the results or on the financial postion of the Company.
On December 31, 2016 the Company had in its balance the amount of 212,382 RON for uncertain clients or under litigation, amount for which value adjustment is registered.

2.2 Economic indicators chart

Caption	2015	2016
Liquidity ratios		
Current liquidity ratio (current capital ratio)	1.61	1.46
Quick liquidity ratio (acid test)	0.11	0.13
Risk ratios		
Gearing	-	-
Interest cover ratio	6.14	(6.85)
Activity ratios (management ratios)		
Turnover of inventories	2.13	1.91
Days in store	171.07	191.11
Turnover of trade receivables – days	4.85	5.29
Turnover of trade payables – days	46.48	42.22
Turnover of fixed assets	3.89	3.50
Turnover of total assets	1.34	1.13
Profitability ratios		
Profitability of capital employed	0.03	(0.06)
Result per share RON	0.08	(0.20)
Gross margin from sales – %	(2.01)	(4.19)

Analyzing the economic – financial indicators, the following conclusions may be drawn:

- the inventory turnover decreased as compared to the previous year due to the decrease of cost of sales and the increase of stocks;
- as regards the receivables recovery period, respectively the period for reimbursing the debts, ALUM collects its receivables at 5 days and pays its commercial debts at 42 days.
- regarding the fixed assets turnover, it decreased due to the decrease of turnover more than the decrease of the fixed assets.
- the turnover of the total assets decreased due to the decrease of the turnover and the increase of total assets.

2.3 Profit and loss account

Considering all the above, we submit to the approval of the General Shareholders Meeting the following:

- profit and loss account
- balance sheet
- statement of changes in equity
- statement of cashflows
- notes to financial statements

2.4 Discharging from liabilities of the Board of Directors for 2016

For the period 01.01.2016 – 31.12.2016 based on the Decision of the Ordinary Shareholders Meeting no. 37/14.08.2015, the Board of Directors consisted of:

1.Dobra Gheorghe	-	Chairman
2.Barabanov Aleksandr	-	Vice Chairman
3.Cilianu Marin	-	Member
4.Popa Ioan	-	Member
5. Duralia Mihaela	-	Member

We propose the discharge from liabilities of the Board of Directors of ALUM SA Tulcea for 2016.

CHAIRMAN OF THE BOARD OF DIRECTORS
PhD Eng Gheorghe Dobra