ALUM S.A. TULCEA

INDEPENDENT AUDITOR'S REPORT

AND

THE INDIVIDUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

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") cu sediul social in Tulcea, strada Isaccei nr. 82, identificata prin codul unic de inregistrare fiscala 2360405, care cuprind bilantul la data de 31 decembrie 2017, 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) with official head office in Tulcea, Isaccei, 82, identified by sole fiscal registration number 2360405, which comprise the balance sheet as at December 31, 2017, 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 2017, ca si a performantei financiare si a fluxurilor de trezorerie ale acesteia pentru exercitiul financiar incheiat la aceasta data, in conformitate cu Ordinul Ministrului Finantelor Publice nr. 1802/2014, cu modificarile si clarificarile ulterioare si cu politicile contabile descrise in notele la situatiile financiare.
In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at December 31, 2017, 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 and the accounting policies described in the notes to the financial statements.

Bazele opiniei
Basis for opinion

Noi am efectuat auditul conform Standardelor Internationale de Audit (ISA), Regulamentului (UE) nr. 537/2014 al Parlamentului European si al Consiliului din 16 aprilie 2014 („Regulamentul (UE) nr. 537/2014") si Legii nr.162 /2017 („Legea 162/2017"). 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), conform cerintelor etice care sunt relevante pentru auditul situatiilor financiare in Romania, inclusiv Regulamentul (UE) nr. 537/2014 si Legea 162/2017, 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.
We conducted our audit in accordance with International Standards on Auditing (ISAs), Regulation (EU) No. 537/2014 of the European Parliament and of the Council of 16 April 2014 ("Regulation (EU) No. 537/2014") and Law 162/2017 („Law 162/2017"). Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the 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, including Regulation (EU) No. 537/2014 and Law 162/2017 and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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, we provided a description of how our audit addressed the matter in that context.

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.

Analiza deprecierii investitiei in filiale si a creantelor de la acestea
Analysis of the impairment of investments in subsidiaries and receivables from them

Investitia detinuta in Global Aluminium Ltd, societatea-mama a Sierra Mineral Holding Limited, precum si creantele fata de SMHL, sunt semnificative pentru auditul nostru, avand in vedere soldurile inregistrate – valoarea bruta a investitiei in filiala in valoare de 82.581 mii RON si valoarea creantelor detinute de Societate fata de SMHL in valoare de si 51.278 mii RON.
Investment in Global Aluminium Ltd, the parent of SMHL, and trade receivables from SMHL, are significant to our audit because of their magnitude, with a gross book value of RON 82,581 thousands for the investment in subsidiary and RON 51,278 thousand for the trade receivable.
Industria aluminiului are o evolutie ciclica in perioada recenta, ceea ce a condus la inchiderea de capacitati si amanarea de catre multi investitori a investiilor in aceasta industrie. La data de 31 decembrie

2017, conducerea Societatii a actualizat testul de depreciere asupra investitiilor detinute in filiale si asupra creantelor fata de SMHL si a inregistrat o depreciere a investitiei detinute in Global Aluminium Ltd in valoare de 82.581 mii RON si o depreciere a creantelor societatii fata de SMHL de 51.278 mii RON.
The aluminium industry has suffered a cyclical downturn in recent years, resulting in capacity shutdowns and deferred investments by many players in the industry. As of 31 December 2017 the management has updated the impairment test of the Company's investment in its subsidiaries and of receivables from SMHL and recorded an impairment adjustment of RON 82,581 thousand for the investment in Global Aluminium Ltd and RON 51,278 thousand for the Company's receivables from SMHL.

Testul anual de depreciere al investitiei detinute in filiale este semnificativ pentru auditul nostru, intrucat procesul de evaluarea este complex, necesita estimari semnificative din partea managementului si este bazat pe ipoteze care sunt fundamentate pe evolutia viitoare a pretului global al bauxitei si a conditiilor de operare din Sierra Leone.
The annual impairment test of 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 global prices of bauxite and operating conditions in Sierra Leone.

Procedurile noastre de audit au inclus, printre altele, folosirea specilistilor nostri in evaluare pentru a ne asista in evaluarea ipotezelor cheie si a metodologiilor utilizate de catre Societate in cadrul testului de depreciere al invesitiilor in filiale si a creantelor de incasat de la SMHL. Evaluarea s-a axat asupra:

- validarii ratei de discount, inclusiv asupra componentelor de calcul specific al ratei de actualizare, incluzand rata fara risc, rata de risc a tarii, gradul de indatorare si costul capitalurilor imprumutate;
- analiza principalelor 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;
- dacă anumite ipoteze au luat în considerare sau nu riscurile asociate fluxurilor de trezorerie, au inclus variabilitatea potențială a valorii și perioadei de realizare a fluxurilor de trezorerie și efectul aferent asupra ratei de actualizare;
- analiza senzitivitatii valorii recuperabile a unitatii generatoare de numerar, pentru a intelege impactul potential al modificarilor rezonabile in ipotezele semnificative ale modelului;

De asemenea, am mai efectuat urmatoarele proceduri:
- am evaluat acuratetea bugetelor si estimarilor precedente ale managementului prin comparatie cu performanta actuala inregistrata in anul curent fata de cea prongozata anterior;
- am testat acuratetea matematica a modelului utilizat;

De asemenea, am evaluat masura in care informatiile prezentate de Societate cu privire la testul de depreciere a activelor sunt adecvate.

Our audit procedures included, among others, involvement of our internal valuation specialists to assist us in evaluating the key assumptions and methodologies used by the Company for the impairment testing of its investment in subsidiaries and receivables from SMHL.

Our evaluation was focused on:
- *the discount rate estimates including specific inputs to the determination of the discount rate, including the risk-free rate and country risk rates, along with gearing and cost of debt;*
- *the key assumptions applied in the estimates of future cash flows (such as expected sales prices, production/sales volumes, cost and expenses, working capital changes, etc.), assumptions which we analyzed for consistency with the general and industry-specific economic environment and relevant available market information and the business plans of the Company;*

- *whether or not certain assumptions considered the risks associated with the cash flows, included the potential variability in the amount and timing of cash flows and the related effect on the discount rate.*
- *the sensitivity analysis of the recoverable amounts, to understand the potential impact to reasonable changes in the significant assumption.*

We also performed the following procedures:
- *assessed the historical accuracy of management's budgets and forecasts by comparing them to actual performance and to prior year;*
- *tested the mathematical accuracy of the impairment model used;*

We further assessed the adequacy of the Company's disclosures about impairment testing of investment in subsidiaries and receivables from them.

Alte informatii
Other information

Alte informatii includ Raportul administratorilor, 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 Administrators' 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.

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.

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*.

- 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.

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.
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.

Raport cu privire la alte 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 2017, 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 cunostintelor noastre si a intelegerii dobandite in cursul auditului situatiilor financiare intocmite la data de 31 decembrie 2017 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 December 31, 2017;
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 December 31, 2017, we have not identified information included in the Administrators' Report that contains a material misstatement of fact.

Alte cerinte privind cuprinsul raportului de audit conform Regulamentului (UE) nr. 537/2014 al Parlamentului European si al Consiliului
Other requirements on content of auditor's report in compliance with Regulation (EU) No. 537/2014 of the European Parliament and of the Council

Numirea si aprobarea auditorului
Appointment and Approval of Auditor

Am fost numiti auditori ai Societatii de catre Adunarea Generala a Actionarilor la data de *27 Aprilie 2017* pentru a audita situatiile financiare ale exercitiului financiar incheiat la 31 decembrie 2017. Durata totala de misiune continua, inclusiv reinnoirile (prelungirea perioadei pentru care am fost numiti initial) si renumirile anterioare drept auditori a fost de 5 ani, acoperind exercitiile financiare incheiate la 31 decembrie 2013 pana la 31 decembrie 2017.

We were appointed as auditors of the Company by the General Meeting of Shareholders on 27 April 2017 to audit the financial statements for the financial year ended December 31, 2017. Total uninterrupted engagement period, including previous renewals (extension of the period for which we were originally appointed) and reappointments for the statutory auditor, has been of 5 years, covering the financial periods end December 31, 2013 until December 31, 2017.

Servicii non-audit
Provision of Non-audit Services

Nu am furnizat Societatii servicii non-audit interzise mentionate la articolul 5 alineatul (1) din Regulamentul (UE) nr. 537/2014 al Parlamentului European si al Consiliului si ramanem independenti fata de Societate pe durata auditului.

Pe langa serviciile de audit statutar, am furnizat Societatii si entitatilor controlate de aceasta servicii de proceduri convenite in legatura cu revizuirea documentației de monitorizare a respectării condițiilor relevante ale schemei de ajutor de stat referitoare la cota redusă a certificatelor verzi conform HG 495/2014.

No prohibited non-audit services referred to in Article 5(1) of Regulation (EU) No. 537/2014 of the European Parliament and of the Council were provided by us to the Company and we remain independent from the Company in conducting the audit.

In addition to statutory audit services, we provided to the Company and its controlled undertakings agreed upon procedures related to the review of documentation for monitoring of the compliance with the relevant conditions of the state aid scheme related to green certificates reduced quota, under HG 495/2014.

In numele,
On behalf of,

Ernst & Young Assurance Services SRL
Bd. Ion Mihalache 15-17, etaj 21, Bucuresti, Romania
15-17, Ion Mihalache Blvd., floor 21, Bucharest, Romania

Inregistrat la Camera Auditorilor Financiari din Romania
Cu nr. 77/15 august 2001
Registered with the Chamber of Financial Auditors in Romania
Nr. 77/15 August 2001

Nume Auditor / Partener: Alexandru Lupea
Name of the Auditor/ Partner: Alexandru Lupea
Inregistrat la Camera Auditorilor Financiari din Romania
Cu nr. 273/ 1 Martie 2001
Registered with the Chamber of Financial Auditors in Romania
No. 273/ 1 March 2001

Bucuresti, Romania
22 Martie 2018
Bucharest, Romania
22 March 2018

ALUM S.A. TULCEA
INDIVIDUAL BALANCE SHEET
AS AT DECEMBER 31, 2017
(all amounts are expressed in RON, unless specified otherwise)

COUNTY **TULCEA**
UNIT: **ALUM S.A. TULCEA**
ADDRESS: loc. **TULCEA**
82, **ISACCEI** Street
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, 2016	December 31, 2017
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**	54,608	18,258
4	Goodwill	**04**	-	-
5	Intangible assets for exploration and evaluation of mineral resources	**05**	-	-
6	Advances	**06**	-	-
	Total (rows 01 to 06)	**07**	**54,608**	**18,258**
II	**Property, plant and equipment**			
1	Land and buildings	**08**	82,960,424	76,399,009
2	Technical installations and machinery	**09**	48,484,869	46,034,592
3	Other fixtures, plant and furniture	**10**	26,700	667,050
4	Investment property	**11**	-	-
5	Tangible assets in progress	**12**	6,076,938	21,971,179
6	Investment property in progress	**13**	-	-
7	Tangible assets for exploration and evaluation of mineral resources	**14**	-	-
8	Biological assets	**15**	-	-
4	Advances	**16**	229,139	2,732,413
	Total (rows 08 to 16)	**17**	**137,778,070**	**147,804,242**
III	**Financial assets**			
1	Shares held in related parties	**18**	-	-
2	Loans to related parties	**19**	21,230,192	17,175,010
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**	**21,230,192**	**17,175,010**

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ALUM S.A. TULCEA
INDIVIDUAL BALANCE SHEET
AS AT DECEMBER 31, 2017
(all amounts are expressed in RON, unless specified otherwise)

No.		Row	December 31, 2016	December 31, 2017
	Total NON-CURRENT ASSETS (rows 07+17+24)	**25**	**159,062,869**	**164,997,509**
B	**CURRENT ASSETS**			
I	**Inventories**			
1	Raw materials and consumables	**26**	50,471,886	58,436,113
2	Work in progress	**27**	49,738,021	50,415,426
3	Finished goods and merchandise	**28**	6,720,164	2,269,651
4	Advances	**29**	197,210,600	192,527,012
	Total (rows 26 to 29)	**30**	**304,140,670**	**303,648,202**
II	**Receivables**			
1	Trade receivables (net)	**31**	14,132,039	20,904,147
2	Amounts receivable from Group companies	**32**	13,807,062	14,378,542
3	Amounts receivable from participating interests	**33**	-	-
4	Other receivables	**34**	856,995	718,950
5	Capital subscribed and paid in	**35**	-	-
	Total (rows 31 to 35)	**36**	**28,796,096**	**36,001,638**
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**	**1,098,462**	**8,253,926**
	TOTAL CURRENT ASSETS (rows 30+36+39+40)	**41**	**334,035,227**	**347,903,767**
C	**PREPAID EXPENSES (rows 43+44)**	**42**	**505,598**	**758,837**
	Amounts to be resumed within 1 year	**43**	505,598	758,837
	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**	20,969,236	-
3	Advances on account of orders	**47**	150,884,107	164,902,309
4	Trade payables	**48**	50,293,859	61,838,291
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**	7,302,344	9,269,806
	Total (rows 45 to 52)	**53**	**229,449,546**	**236,010,405**
E	**NET CURRENT ASSETS/NET CURRENT**	**54**	**105,091,279**	**112,652,199**

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ALUM S.A. TULCEA
INDIVIDUAL BALANCE SHEET
AS AT DECEMBER 31, 2017
(all amounts are expressed in RON, unless specified otherwise)

No.		Row	December 31, 2016	December 31, 2017
	LIABILITIES (rows 41+43-53-70-73-76)			
F	**TOTAL ASSETS LESS CURRENT LIABILITIES (rows 25+44+54)**	**55**	**264,154,148**	**277,649,708**
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**	573,414	741,767
	Total (rows 56 to 64)	**64**	**573,414**	**741,767**
H	**PROVISIONS**			
	1 Provisions for employees benefits	**65**	2,848,278	3,506,861
	2 Provisions for taxes	**66**	-	-
	3 Other provisions	**67**	20,673,854	18,493,838
	Total (rows 65 to 67)	**68**	**23,522,132**	**22,000,699**
I	**DEFERRED INCOME**			
	1 Subsidies for investments (rows 70+71)	**69**	-	1,768,718
	Amounts to be resumed within 1 year	**70**	-	-
	Amounts to be resumed within a period >1 year	**71**	-	1,768,718
	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**	**-**	**1,768,718**
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, 2017
(all amounts are expressed in RON, unless specified otherwise)

No.		Row	December 31, 2016	December 31, 2017
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**	**51,354,140**	**45,753,271**
IV	**Reserves**			
1	Legal reserves	**88**	8,332,307	9,003,763
2	Statutory or contractual reserves	**89**	-	-
4	Other reserves	**90**	53,511	53,511
	TOTAL (rows 88 to 90)	**91**	**8,385,819**	**9,057,274**
	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**	291,461,664	302,842,589
VI	**PROFIT OR LOSS FOR THE YEAR**			
	– Cr balance	**97**	-	13,429,115
	– Dr balance	**98**	16,632,600	-
	Allocation of profit	**99**	-	671,456
	Total equity (rows 85+86+87+91-92+93-94+95-96+97-98-99)	**100**	**240,058,603**	**253,138,524**
	Public patrimony	**101**	-	-
	Private patrimony	**102**	-	-
	TOTAL EQUITY AND RESERVES (rows 100+101+102)	**103**	**240,058,603**	**253,138,524**

These individual financial statements were approved today, March 22, 2018.

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, 2017
(all amounts are expressed in RON, unless specified otherwise)

Code 20 No.		Row	Year ended December 31, 2016	Year ended December 31, 2017
1	**Net turnover (rows 02+03-04+05+06)**	**01**	**556,144,083**	**636,079,551**
	Income from production sold	**02**	555,693,069	635,924,942
	Income from sales of goods	**03**	451,014	154,727
	Commercial discounts granted	**04**	-	118
	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**	12,340,241	3,773,039
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**	5,377,283	4,243,480
	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**	**573,861,606**	**636,549,992**
8	a) Raw materials and consumables	**17**	368,826,839	381,336,712
	Other material expenses	**18**	135,099,773	131,328,884
	b) Other external expenses (power and water supply)	**19**	20,857,161	18,887,855
	c) Merchandise expenses	**20**	423,016	129,972
	Commercial discounts received	**21**	104,418	67,805
9	**Personnel related expenses (rows 23+24)**	**22**	**37,974,506**	**44,349,013**
	a) Salaries and bonuses	**23**	31,009,565	36,147,233
	b) Social security	**24**	6,964,941	8,201,780
10	**a) Adjustments for tangible and intangible assets (rows 26-27)**	**25**	**21,386,980**	**17,569,632**
	a. 1) Expenses	**26**	21,386,980	17,614,947
	a. 2) Revenues	**27**	-	45,315

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Code 20 No.		Row	Year ended December 31, 2016	Year ended December 31, 2017
	b) Adjustments for current assets (rows 29-30)	**28**	**(13,999,335)**	**(5,323,180)**
	b. 1) Expenses	**29**	499,682	19,775
	b. 2) Revenues	**30**	14,499,017	5,342,955
11	**Other operating expenses (rows 32 to 38)**	**31**	**26,293,803**	**26,095,331**
	11.1. External services	**32**	17,751,433	19,759,747
	11.2. Other taxes and similar payments	**33**	2,053,291	1,518,570
	11.3. Expenses on environmental protection	**34**	503,336	504,720
	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**	5,985,742	4,312,293
	Refinancing interest expense recorded by entities removed from the General Register and who have ongoing leases	**38**	-	-
	Impairment adjustments (rows40-41)	**39**	**417,941**	**658,583**
	Expenses	**40**	546,821	997,978
	Income	**41**	128,880	339,395
	Total operating expenses (rows 17 to 20-21+22+25+28+31+39)	**42**	**597,176,267**	**614,964,996**
	Operating Result			
	- profit (rows 16-42)	**43**	-	21,584,997
	- loss (rows 42-16)	**44**	23,314,660	-
12	Income from participating interests	**45**	-	-
	- of which, income from affiliates	**46**	-	-
13	Interest income	**47**	1,965,134	1,955,412
	- of which, income obtained from affiliates	**48**	1,964,990	1,955,371
14	Income from other financial investments and loans part of the non-current assets	**49**	-	-
15	Other financial income	**50**	63,961,525	23,758,058
	- of which, income from affiliates	**51**	-	-
	Total financial income (rows 45+47+49+50)	**52**	**65,926,659**	**25,713,470**
16	Adjustments for long term financial assets and financial investments held as current assets (rows 54-55)	**53**	-	-
	Expenses	**54**	-	-
	Income	**55**	-	-

ALUM S.A. TULCEA
INDIVIDUAL INCOME STATEMENT
FOR THE YEAR ENDED
DECEMBER 31, 2017
(all amounts are expressed in RON, unless specified otherwise)

Code 20 No.		Row	Year ended December 31, 2016	Year ended December 31, 2017
17	Interest expenses	56	2,118,939	1,289,254
	- of which, expenses incurred with affiliates	57	-	-
	Other financial expenses	58	57,125,661	32,580,098
	Total financial expenses (rows 53+56+58)	59	**59,244,599**	**33,869,351**
	Financial profit or loss			
	- profit (rows 52-59)	60	6,682,060	-
	- loss (rows 59-52)	61	-	8,155,881
	Total income (rows 16+52)	62	**639,788,265**	**662,263,462**
	Total expenses (rows 42+59)	63	**656,420,866**	**648,834,347**
18	**Gross profit or loss**			
	- profit (rows 62-63)	64	-	13,429,115
	- loss (rows 63-62)	65	16,632,600	-
19	Income tax	66	-	-
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	-	13,429,115
	- loss (rows 65+66+67-64)	69	16,632,600	-

These individual financial statements were approved today, March 22, 2018.

Gheorghe Dobra
General Manager

Mihaela Duralia
Chief Financial Officer

ALUM S.A. TULCEA
INDIVIDUAL CASH FLOW STATEMENT
AS AT DECEMBER 31, 2017
(all amounts are expressed in RON, unless specified otherwise)

	Year ended December 31, 2016	Year ended December 31, 2017
Cash flows from operations		
Net profit	**(16,632,600)**	**13,429,115**
Adjustments for:		
Amortization/depreciation of intangible and tangible assets	21,275,532	17,573,308
Adjustment for the impairment of tangible and financial assets	111,447	(3,676)
Adjustments for the impairment of receivables	(10,564,678)	(5,337,619)
Provisions	417,941	658,583
Adjustments for the impairment of inventories	(3,585,686)	14,201
Profit/(Loss) from foreign exchange differences	(3,465,809)	9,769,705
Net earning pertaining to disposals of tangible assets	6,766	(18,643)
Interest income	(2,544,671)	(2,049,470)
Interest expenses	2,033,654	1,208,072
Cash from operations before changes to working capital	**(12,948,105)**	**35,243,576**
Decrease of inventories	(10,885,734)	(4,205,320)
(Increase)/decrease of trade receivables and other receivables	4,872,575	(1,403,447)
Increase in trade payables and other payables	25,722,392	21,625,978
Cash flow from operations	**6,761,128**	**51,260,787**
Interests received	523,964	243,636
Interests paid	(1,337,498)	(608,004)
Income tax paid	(984,986)	323,289
Net cash from operations	**4,962,608**	**51,219,708**
Cash flow from investment activities		
Purchases of tangible and intangible assets	(12,098,727)	(24,777,743)
Government grants received	-	1,598,500
Net cash used for investment activities	**(12,098,727)**	**(23,179,243)**
Cash flow from financing activities		
Loans granted	41,770,000	-
Repayment of bank loans	(31,300,000)	(20,885,000)
Net cash from/(used in) financing activities	**10,470,000**	**(20,885,000)**

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	Year ended December 31, 2016	Year ended December 31, 2017
Cash and cash equivalents at the beginning of the year	979,311	1,098,461
Net increase/(decrease) in cash and cash equivalents	119,150	7,155,465
Cash and cash equivalents at the end of the year	**1,098,461**	**8,253,926**

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General Manager

Mihaela Duralia
Chief Financial Officer

ALUM S.A. TULCEA
INDIVIDUAL STATMENT OF CHANGES IN SHAREHOLDERS' EQUITY
AS AT DECEMBER 31, 2017
(all amounts are expressed in RON, unless specified otherwise)

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)	-	-
Total	**259,905,934**	**(5,887,712)**	**14,327,760**	**13,959,619**	**14,327,760**	**240,058,603**

These individual financial statements were approved today, March 22, 2018.

Gheorghe Dobra
General Manager

Mihaela Duralia
Chief Financial Officer

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Element of equity	Balance as at January 1, 2017	Increases	out of which transfers	Decreases	out of which transfers	Balance as at December 31, 2017
Capital subscribed and paid in	488,412,908	-	-	-	-	488,412,908
Legal reserves	8,332,308	671,456	671,456	-	-	9,003,764
Reserves representing surplus made from revaluation reserves	-	-	-	-	-	-
Other reserves	53,511	-	-	-	-	53,511
Revaluation reserves	51,354,140	-	-	5,600,869	5,600,869	45,753,271
Retained earnings	(290,753,885)	(11,380,925)	(11,031,731)	-	-	(302,134,810)
Retained earnings from the adjustment of accounting errors	(707,779)	-	-	-	-	(707,779)
Result for the year	(16,632,600)	13,429,115	-	(16,632,600)	(16,632,600)	13,429,115
Allocation of profit	-	(671,456)	(671,456)	-	-	(671,455)
Total	**240,058,603**	**2,048,190**	**(11,031,731)**	**(11,031,731)**	**(11,031,731)**	**253,138,524**

In 2017 was recorded in retained earnings a correction in amount of RON 349 thousand related to prior periods (included on the column "Increases"), as a result of the settlement of Sierra bauxite cargo insurance expenses for 2016, in accordance with MoPFO no. 1802/2014.

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General Manager

Mihaela Duralia
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1 NON-CURRENT ASSETS

a) Property, plant and equipment

COST	Balance as at January 1, 2017	Increases	out of which revaluation	Decreases	out of which revaluation	Balance as at December 31, 2017
Land and buildings	115,822,355	3,964,626	-	2,868,995	-	116,917,986
Installations and machinery	350,071,458	6,206,538	-	2,872,434	-	353,405,561
Measurement, control, adjustment installations and devices	13,976,465	417,387	-	511,550	-	13,882,303
Vehicles	16,762,613	808,463	-	1,061,426	-	16,509,651
Other installations, plant	282,897	651,383	-	50,069	-	884,211
Advances and tangibles in progress	8,097,576	30,439,545	-	12,042,031	-	26,495,090
TOTAL	**505,013,366**	**42,487,942**	**-**	**19,406,505**	**-**	**528,094,802**

ACCUMULATED DEPRECIATION	Balance as at January 1, 2017	Depreciation recorded during the year	Reductions	Revaluation	Balance as at December 31, 2017
Land and buildings	32,743,038	7,661,721	4,675	-	40,400,084
Installations and machinery	308,359,577	8,353,048	2,872,434	-	313,840,191
Measurement, control, adjustment installations and devices	8,800,193	947,396	509,019	-	9,238,570
Vehicles	14,126,958	540,581	1,018,641	-	13,648,898
Other installations, plant	256,197	11,033	50,069	-	217,162
TOTAL	**364,285,964**	**17,513,780**	**4,454,839**	**-**	**377,344,904**

1 FIXED ASSETS (continued)

ADJUSTMENT FOR IMPAIRMENT

	Balance as at January 1, 2017	Increases	Transfers	Decreases	Balance as at December 31, 2017
Constructions	118,893	-	-	-	118,893
Installations and machinery	1,038,940	-	-	3,676	1,035,264
Tangible assets in progress	1,791,499	-	-	-	1,791,499
Total	**2,949,931**	**-**	**-**	**3,676**	**2,945,656**
Net value	**137,778,070**				**147,804,242**

As of December 31, 2017 the net book value of tangible assets acquired through finance leasing is RON 1,151,637 (December 31, 2016: RON 799,859).
The net value of the fixed assets in preservation as at December 31, 2017 is of RON 0 (December 31, 2016: RON 0).
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 31, 2017 is in amount of RON 259,006,168 (2016: RON 258,040,333).

The gross book value of the disposed fixed assets in 2017 is in amount of RON 4,500,154 (2016: 673,130 RON).

As of December 31, 2017 the pledged fixed assets had a net book value of RON 1,133 thousand (2016: RON 118,811 thousand).

Impairment tests for property, plant and equipment

There were no impairment indications identified for the Company, therefore no impairment test of the property, plant and equipment was performed as at 31 December 2017.

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.

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.

1 FIXED ASSETS (continued)

Impairment tests for property, plant and equipment (continued)

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, 2017	Increases	Decreases	Balance as at, December 31, 2017
Development expenses	5,034,412	-	-	5,034,412
Advances and intangible assets in progress	-	-	-	-
Concessions, patents, licenses	309,845	23,178	-	333,023
Total	**5,344,257**	**23,178**	**-**	**5,367,435**

ACCUMULATED AMORTIZATION

	Balance as at January 1, 2017	Increases	Decreases	Balance as at, December 31, 2017
Development expenses	5,034,412	-	-	5,034,412
Concessions, patents, licenses	255,237	59,528	-	314,765
Total	**5,289,649**	**59,528**	**-**	**5,349,177**
Net value	**54,608**			**18,258**

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, 2017 the impairment remained at the same value as for the previous year.

1 NON CURRENT ASSETS (continued)

c) Financial long term assets (continued)

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, 2017	Balance as at December 31, 2017
Receivable - USD	6,899,865	7,100,740
Receivable - RON	29,692,190	27,632,529
Short term receivables - USD	2,746,398	2,947,272
Short term receivables - RON	11,818,573	11,469,309
Long term receivables - USD	4,153,468	4,153,468
Long term receivables - RON	17,873,618	16,163,220
Interest - USD	202,085	227,587
Interest - RON	869,631	885,653

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 3 years, in 8 equal installments starting with July 2017, with a grace period of 1 year.

Loan agreement dryer SMHL	Balance as at January 1, 2017	Balance as at December 31, 2017
Receivable - USD	1,040,000	780,000
Receivable - RON	4,475,432	3,035,370
Short term receivables - USD	260.000	520.000
Short term receivables - RON	1.118.858	2.023.580
Long term receivables - USD	780.000	260.000
Long term receivables - RON	3.356.574	1.011.790
Interest - USD	-	-
Interest - RON	-	-

2 PROVISIONS

	Balance as at January 1, 2017	Increases	Decreases	Balance as at December 31, 2017
Provisions for pensions and similar obligations	2,848,278	997,978	339,395	3,506,861
Provisions for rehabilitation of fixed assets	20,673,854	684,305	2,864,320	18,493,838
Total	**23,522,132**	**1,682,283**	**3,203,715**	**22,000,699**

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.

These provisions have been recorded based on the estimates made by the experienced constructions engineers specialists from IPROLAM. 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 2017 was 4.020% (2016: 3.310%).

3 ALLOCATION OF PROFIT

The Company recorded a profit of RON 13,429,115 for the year ended December 31, 2017 that will be allocated in the General Shareholders Meeting according to the actual legislation.

In 2017 there has been distributed to legal reserves the amount of RON 573,581.42 representing 5% from the gross profit for 2017.

4 ANALYSIS OF THE OPERATING RESULT

	Caption	Year ended December 31, 2016	Year ended December 31, 2017
1.	**Net turnover**	**556,144,083**	**636,079,551**
2.	**Cost of goods sold and services provided (3+4+5+6)**	**568,659,552**	**590,575,700**
3.	Basic activity expenses	401,596,611	429,009,466
3.1	Raw materials and other materials	343,303,170	371,909,374
3.2	Direct salary expenses	12,142,525	13,850,660
3.3	Other direct material expenses	46,150,916	43,249,432
4.	Auxiliary activity expenses	135,680,190	134,365,845
5.	Production overheads	30,959,735	27,070,417
6.	Expenses regarding the materials sold	423,016	129,972
7.	**Gross result pertaining to net turnover (1-2)**	**(12,515,469)**	**45,503,851**
8.	Marketing expenses	1,473,087	1,635,553
9.	General administrative expenses	21,271,451	26,912,701
10.	Non operational expenses	(6,439,184)	(46,525)
11.	Other operating income*)	5,506,163	4,582,875
12.	**Operating result (7-8-9-10+11)**	**(23,314,660)**	**21,584,997**

5 RECEIVABLES AND PAYABLES

Receivables	Balance as at December 31, 2017	Due within 1 year	Due over 1 year
Domestic clients	4,537,419	4,537,419	-
Foreign clients	67,875,186	67,875,186	-
Adjustment for the impairment of doubtful receivables	(51,510,168)	(51,510,168)	-
Trade receivables	**20,902,437**	**20,902,437**	**-**
VAT under settlement	162,062	162,062	-
VAT recoverable	-	-	-
Advances to personnel	163,539	163,539	-
Income tax	-	-	-
Other receivables	197,584	197,584	-
Sundry debtors	213,538	213,538	-
Adjustments for the impairment of other receivables	(16,063)	(16,063)	-
Other receivables	**720,659**	**720,659**	**-**
Loans to affiliates	**31,553,552**	**14,378,542**	**17,175,010**
Total	**53,176,648**	**36,001,638**	**17,175,010**

5 RECEIVABLES AND PAYABLES (continued)

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	-
VAT recoverable	-	-	-
Advances to personnel	148,001	148,001	-
Income tax	323,289	323,289	-
Other receivables	8,240	8,240	-
Sundry debtors	245,785	245,785	-
Adjustments for the impairment of other receivables	(16,063)	(16,063)	-
Other receivables	**858,705**	**858,705**	**-**
Loans to affiliates	**35,037,253**	**13,807,062**	**21,230,192**
Total	**50,026,287**	**28,796,096**	**21,230,192**

According to the impairment test performed by CMF Consulting, an independent valuation company, as of December 31, 2017 there is a potential loss from receivables from SMHL in amount of RON 51,278 thousand (USD 13,177 thousand) lower than the provision recorded by the Company as of December 31, 2016 in amount of RON 56,211 thousand (USD 13,062 thousand).

Movement in allowance for trade receivables is as follows:

	2016	2017
Balance at beginning of the year	67,428,528	56,863,850
Charge during the year	354,378	5,336
Release during the year	10,919,057	5,342,955
Balance at end of the year	**56,863,850**	**51,526,231**

Company's receivables from related parties are presented in Note 10.8.

5 RECEIVABLES AND PAYABLES (continued)

Payables	Balance as at December 31, 2017	Due	
		within 1 year	over 1 year
Trade payables and similar accounts	61,838,291	61,838,291	-
Creditor clients	164,902,309	164,902,309	-
Bank loans	-	-	-
VAT payable	3,629,782	3,629,782	-
Guarantees received from suppliers	826,229	376,399	449,830
Dividends payable	4,534	4,534	-
Sundry creditors	26,621	26,621	-
Other payables	5,524,407	5,232,470	291,937
Income tax	-	-	-
Total	**236,752,172**	**236,010,405**	**741,767**

Payables	Balance as at December 31, 2016	Due	
		within 1 year	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**

Company's payables to related parties are presented in Note 10.8.

In January 2016 the Company concluded a loan agreement with Raiffeisen Bank, for financing the current operations, in amount of RON 41,770 thousand.

The interest rate was ROBOR 3M + 3.5% and the reimbursement of the loan has been made in 8 equal quarterly installments starting with February 2016. The last installment has been paid in November 2017.

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.

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.

Currency of presentation

These individual financial statements are presented in RON.

A. Accounting principles

These individual financial statements for the period ended December 31, 2017 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 2017 the Company recorded a profit of RON 13,429 thousands (2016: loss of RON 16,632 thousand) and net current assets of RON 112,652 thousands (2016: net current assets of RON 105,051 thousand). The loss before taxation as of 31 December 2017 consists of (1) an operating profit of RON 21,585 thousand and (2) financial loss of RON 8,156 thousand.

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.

6 SIGNIFICANT ACCOUNTING POLICIES (continued)

A. Accounting principles (continued)

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.

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.

6 SIGNIFICANT ACCOUNTING POLICIES

A. Accounting principles (continued)

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.

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”.

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.

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, 2017, the official exchange rate used was USD 1 = RON 3.8915 and EUR 1 = RON 4.6615.

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

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.

6 SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment (continued)

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.

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, 2017, there were no impairment indications identified for the Company, therefore no impairment test of the property, plant and equipment was performed.

Intangible assets

Set-up expenses

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

6 SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible assets (continued)

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.

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.

6 SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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 pensions plan of the Romanian state.
Starting with 01.04.2017, the Company paid a contribution to the voluntary pension fund for employees of the Company adhering to it, in amount of 200 EUR/year, tax deductible, representing 75 RON per employee monthly.

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".

6 SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Income

The income from sales is recorded upon the delivery of the products and, when applicable, upon their receipt by the client, or upon the provision of services. Recording is made net of VAT, and any possible sale fees or commercial discounts.

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.

6 SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

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, 2017 is in amount of RON 488,412,908.

	Value
As at January 1, 2017	488,412,908
Increases	-
As at December 31, 2017	**488,412,908**

	2016		
	Number of shares	Nominal value	%
ALRO S.A.	81,595,860	485,495,367	99.4026
Individuals	481,756	2,866,448	0.5869
Legal entities	8,587	51,093	0.0105
Total	**82,086,203**	**488,412,908**	**100**

	2017		
	Number of shares	Nominal value	%
ALRO S.A.	81,595,860	485,495,367	99.4026
Individuals	488,354	2,905,706	0.5949
Legal entities	1,989	11,835	0.0024
Total	**82,086,203**	**488,412,908**	**100**

8 INFORMATION REGARDING THE EMPLOYEES, ADMINISTRATORS AND DIRECTORS

	2016	2017
Average number of employees	711	725

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**

Remuneration per categories of personnel in 2017 was:

	No. of employees	Salaries RON
Management	16	3,754,908
Administrative staff	134	7,632,713
Operatives	575	22,123,192
TOTAL	**725**	**33,510,813**

9 CALCULATION AND ANALYSIS OF THE MAIN FINANCIAL RATIOS

Caption	2016	2017
Liquidity ratios		
Current liquidity ratio (current capital ratio)	1.46	1.48
Quick liquidity ratio (acid test)	0.13	0.19
Risk ratios		
Gearing	-	-
Interest cover ratio	(6.85)	11.42
Activity ratios (management ratios)		
Turnover of inventories	1.91	1.94
Days in store	191.11	187.82
Turnover of trade receivables – days	5.29	10.05
Turnover of trade payables – days	42.22	32.17
Turnover of fixed assets	3.50	3.86
Turnover of total assets	1.13	1.24
Profitability ratios		
Profitability of capital employed	(0.06)	0.06
Result per share RON	(0.20)	0.16
Gross margin from sales – %	(4.19)	3.39

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 2017, the price per share was as follows:

	RON
- minimum price	0.79
- maximum price	1.675
- average price	1.23

10.2 Turnover

	Year ended December 31, 2016	**Year ended December 31, 2017**
Sales of alumina	505,874,955	578,185,488
Sales of hydrate	48,597,192	56,504,331
Revenues from sales of scrap iron and wastes	431,828	409,928
Revenues from sales of utilities	498,111	542,312
Other revenues	741,997	437,492
Total	**556,144,083**	**636,079,551**

10.3 Other material expenses

	Year ended December 31, 2016	**Year ended December 31, 2017**
Natural gas expenses	133,766,430	129,471,859
Packaging materials expenses	763,468	905,718
Work protection materials	351,913	599,892
Small assets	217,962	351,414
Total	**135,099,773**	**131,328,884**

10 OTHER INFORMATION (continued)

10.4 External services

	Year ended December 31, 2016	Year ended December 31, 2017
Third parties repairs	4,511,012	5,179,812
Rent	690,439	731,866
Insurance	795,124	716,655
Transport	662,342	622,378
Audit and consultancy	2,123,620	2,141,004
Guard services	2,396,816	3,118,345
Other services	6,572,081	7,249,688
Total	**17,751,433**	**19,759,747**

10.5 Petty cash and bank accounts

	December 31, 2016	December 31, 2017
Bank accounts	1,094,511	1,763,623
Petty cash	3,951	6,495
Letters of credit	-	6,483,808
Other values	-	-
Total	**1,098,462**	**8,253,926**

10.6 Inventories

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

	December 31, 2016	December 31, 2017
Raw materials, materials and goods	49,755,031	57,803,221
Work in progress	46,001,525	49,829,021
Small tools	708,016	672,007
Semi finished products and finished goods	10,456,590	2,856,055
Packaging	96,069	62,248
Adjustments for the impairment of inventories	(87,160)	(101,361)
Advances for inventories	197,210,600	192,527,012
Total	**304,140,670**	**303,648,202**

The advances for inventories include payments for bauxite to SIERRA MINERALS HOLDING LTD, affiliate, in amount of RON 191,663,415 (see Note 10.8).

10 OTHER INFORMATION (continued)

10.6 Inventories (continued)

	Balance as at January 1, 2017	Transfers		Balance as at December 31, 2017
		to acc.	from acc.	
Adjustment for the impairment of raw materials	-	-	-	-
Adjustment for the impairment of materials	87,160	14,201	-	101,361
Adjustment for the impairment of work in progress	-	-	-	-
Adjustment for the impairment of finished goods	-	-	-	-
Adjustment for the impairment of semi finished products	-	-	-	-
Total	**87,160**	**14,201**	**-**	**101,361**

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 ordinary potentially diluted during the year.

	2016	2017
Net profit for the year	(16,632,600)	13,429,115
Number of shares	82,086,203	82,086,203
Result per share, basic – RON	(0.20)	1.16
Average market price per share	1.54	1.23

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.

10 OTHER INFORMATION (continued)

10.8 Transactions and balances with related parties (continued)

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, 2016	December 31, 2017
ALRO Slatina	486,006,002	526,549,345
CENTRUL RIVERGATE	34,801	35,461
SIERRA MINERALS HOLDING LTD.	4,136,066	3,251,684
VIMETCO POWER	2,333	1,922
VIMETCO EXTRUSION	1,241	1,251
Total	**490,180,443**	**529,839,664**

(ii) Purchases

	December 31, 2016	December 31, 2017
ALRO Slatina	20,824,461	19,200,063
CENTRUL RIVERGATE	3,048,878	4,235,959
VIMETCO MANAGEMENT ROMANIA	780,000	780,822
VIMETCO EXTRUSION	-	-
CONEF GAZ	133,766,430	129,471,859
SIERRA MINERALS HOLDING LTD.	190,353,592	191,411,645
Total	**348,773,360**	**345,100,348**

(iii) Receivables

	December 31, 2016	December 31, 2017
SIERRA MINERALS HOLDING LTD.	262,294,825	251,100,669
GLOBAL ALUMINIUM LTD. (împrumut - v. Nota 5)	30,561,821	28,518,182
SMHL (împrumut - v. Nota 5)	4,475,432	3,035,370
CONEF GAZ	1,449,872	81,839
CENTRUL RIVERGATE	3,504	3,579
VIMETCO POWER	3,151,512	3,153,001
VIMETCO EXTRUSION	450	-
ALRO Slatina	13,283	298,649
Total	**301,950,700**	**286,191,289**

10 OTHER INFORMATION (continued)

10.8 Transactions and balances with related parties (continued)

(iv) Payables

	December 31, 2016	December 31, 2017
ALRO Slatina	184,445,217	196,943,746
CONEF GAZ	-	-
CENTRUL RIVERGATE	-	-
VIMETCO MANAGEMENT ROMANIA	-	-
VIMETCO EXTRUSION	-	-
Total	**184,445,217**	**196,943,746**

In 2017, the following related party transactions were also conducted:

	2016	2017
Interest income - Global Aluminium Ltd,	1,535,544	1.711.825
Interest income - Sierra Minerals Holding Ltd,	429,445	243.547

The remuneration of directors and other members of key management personnel during the year was in amount of 2,435,143 RON (2016: RON 1,263,335).

10.9 Legal reserve

As at December 31, 2017, the legal reserve amounted to RON 9,003,763 (December 31, 2016: 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, 2017.

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, 2016	Year ended December 31, 2017
Total income	639,788,265	662,263,462
Total expenses	(656,420,866)	(648,834,347)
Gross profit	**(16,632,600)**	**13,429,115**
Allocation to the legal reserve	-	(671,456)
Elements similar to income	3,947,169	2,319,363
Non taxable income	(15,675,137)	(5,727,665)
Non deductible expenses	6,640,498	5,124,390
Prior years loss	-	(22,069,264)
Fiscal profit/(loss)	**(21,720,069)**	**(7,595,516)**
Current income tax	**-**	**-**

10 OTHER INFORMATION (continued)

10.11 Guarantees and commitments

The Company has the following investment commitments as at December 31, 2017 for the year 2018:

Description	th. USD
Reinforcing the perimetral dykes for the red mud pond and improve the sprinkle system for preventing the dust formation	208
Consolidation foundations Precipitation tanks	100
Investments for maintenance and improvement of equipment parameters - Alum (PPE)	259
Plant economic lightning	3
Endowments	153
New natural gas burners at Steam Boiler no 1 (low Nox)	201
Equipments EU funds project	1,637
Site arrangement and installation of hydrate drying, grinding and classification equipment	235
Total	**2,796**

Alum has issued a support letter to Sierra Minerals Holding 1 Ltd under which the Company will provide technical and financial support until the total assets of Sierra Minerals Holding 1 Ltd, fairly valued, exceed its total liabilities.

The Company has the following purchasing commitments as at December 31, 2017 for the year 2018:

Description		Amount
Contract with Sierra Mineral Holdings LTD for bauxite	53,250,000	USD
Contract with Oldendorff Carriers for bauxite freight	17,078,600	USD
Contracts for bauxite handling Constanta-Tulcea	10,930,295	EUR
Contract with Conef Gaz for natural gas	35,231,253	USD
Contract with ALRO Slatina for electricity	6,941,830	USD
Contract with Oltchim Rm. Valcea for caustic soda	17,956,800	USD
Contract with Chimcomplex Borzesti for caustic soda	16,800,000	USD
Contract with Celco SA for industrial lime	7,452,000	RON
Contract with Carmeuse Holding SRL for industrial lime	1,911,600	RON
Contract with NALCO- flocculants	673,000	EUR
Contract with FLOCHEM INDUSTRIES SRL Bucuresti – flocculants	300,000	EUR
Contract with CYTEC INDUSTRIES, The Netherlands – flocculants	1,238,443	USD
Contracts for caustic soda transport	5,180,700	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.).
In 2017 there were signed the contracts for all three equipments, for a total value of 3,638 th. EUR, were paid the advances for all contracts in amount of 844 th. EUR and were opened letters of credit in amount of 1,391 th. EUR. In 2017 Alum received as non-refundable funds the amount of 1,598 th. RON.

10 OTHER INFORMATION (continued)

10.11 Guarantees and commitments (continued)

The only achievement indicator to be pursued by the end of the project is the number of staff in the R & D department that needs to grow by 16 people by September 8th, 2018.

Result indicators, i.e. turnover and market share, are reported annually after the project activities have been completed, only to inform the Managing Authority, but their achievement / failure is verified with the appropriate consequences only at the end of the sustainability period in 2022.

10.12 Contingencies

Litigations

As at December 31, 2017, 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.

In 2017, a claim against Alum was served by Fednav International Ltd. at the Arbitration Court in London for the recovery of the expenses with demurrage and surveyors fees in amount of USD 170,000 for a bauxite freight in 2015. The ship had heavy delays due to the captain's refusal to load the bauxite, which, in his opinion, was in danger of liquefaction (high humidity).

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, 2017, the Company had in the balance the amount of RON 212,757 RON for doubtful or litigating receivables (other than related parties), amount for which a provision has been recorded (Note 5).

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.

10 OTHER INFORMATION (continued)

10.12 Contingencies (continued)

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 2017 is in accordance with the service rendering agreement and is in amount of 204,646 RON (2016: 203,939 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.

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.

10 OTHER INFORMATION (continued)

10.14 Risk management (continued)

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.

10.14 Subsidies

	2017
Balance as at 1 January	-
Increases during the year	1.769
Revenues recognized through income statement	-
Balance as at 31 December	**1.769**
Out of which:	
Short term	-
Long term	1.769

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 ".

10 OTHER INFORMATION (continued)

10.15 Subsidies (continued)

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 subsidies (RON 6.3 million are non-reimbursable) and main object is the acquisition of various research and development equipment (hydrate drying equipment, grinding and ranking wet hydrate, etc.).

In 2017 there were signed the contracts for all three equipments, for a total value of EUR 3,638 thousand, were paid the advances for all contracts in amount of EUR 844 thousand and were opened letters of credit in amount of 1.391 th. EUR. In 2017 the Company received as non-refundable funds the amount of RON 1,598 thousand.

10.16 Subsequent events

Alum SA intend to conclude a credit agreement with Black Sea Trade & Development Bank and Garanti Bank in order to finance the Company's investment projects in amount of 25 million USD.

The loan contract has been also approved by the General Shareholders Meeting by decision no. 44 of January 11th, 2018.

Report of the directors
and
their discharge from liabilities

- 2017 -

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Report of the directors for 2017
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;
- Conformation with provisions of Action Plan agreed with ANRE in order to fulfill the conditions imposed by the provisions of GD no. 495/2014 and installation of modern burning system at the boiler no. 4 to decrease the NOx emissions level under 100 mg/Nmc.
- Continuation to ensure safe red mud pond functioning and extension the life time period;
- 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 intends to implement these are the continuation of projects of previous years, in particular energy efficiency projects and environment projects presented briefly below:

1. Projects to ensure plant operational continuity and to increase red mud pond lifetime, consisting of :
   - Increasing the storage capacity of the red mud pond by elevating the dikes throughout the perimeter;
   - Purchasing press filters for disposal bauxite residue moisture decreasing;
   - Red mud pipe, length 4,5 km (refinery to red mud pond).
2. Projects for efficient and safe operation of industrial facilities:
   - Reducing emissions and increasing energy efficiency by installing a low NOx combustion system at boiler no. 4;
   - Burned gases fan for Steam Boiler no. 2;
   - Consolidation foundations of Precipitation tanks;
   - Filtering process control efficiency enhancing by acquiring and installing vertical filters;
   - Thermal energy recovery system from combustion gases of steam boilers;
   - Increasing energy efficiency by thermal isolation of vessels and technological paths;
   - Acquisition and installation a disc filter for coarse seed;
   - Investments for maintenance and improvement of equipment parameters - Alum (PPE);
   - Plant economic lightning;
   - Replacing the obsolete equipments, Endowments.
3. Projects to support ANRE proposals :
   - New natural gas burners at Steam Bolier no. 1 (low Nox);

- Optimization of steam lines and installing steam traps in 2 Digestion batteries;
- Maintenance Capex (Digestion modernization - autoclaves registers and agitators for 2 Digestion and Evaporation batteries);
- Modernization 6 kV electrical installations (capacitors, electric cells, electric circuits);
- Increasing energy efficiency by installing frequency converters.

4. Projects for new ALUM products :
   - Increasing competitiveness by installing equipment to obtain wet and dry hydrate;
   - Site arrangement and installation of hydrate drying, grinding and classification equipments.

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 exercises 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 2017, due to improvement works on the installations for heat recovery and optimal selection of the production parameters of the plant considering the row materials quality, it was continued the reduction of the CO2 emissions per ton of alumina produced.
In 2017 was put in operation a new forced circulation cooling tower in the White Filtration section that reduced the consumption of industrial water with approx.150 cm/h.
Also, in 2018 will be finalized a project for the modernization of the steam boiler C2AP no. 1 in order to reduce the Nox emissions.

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.

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 2017 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 16.50% in the present.
- Sponsorship to support events and actions in areas such as health, socio-humanitarian, socio-cultural, education and sport; (such as "The Light Festival 2017", ”Interfun 2017”);
- Involvement in the project initiated by the Red Cross "With grandparents to the dentist" having as main objective the provision of free dental services for the elderly assisted in the "Saint Nectarie" Hospice in Tulcea.
- 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;
- Financial support for the non-profit organization "From the heart to the smile" for the purchase of 20 pieces of glycemic sensors for children with diabetes;
- Financial support for Tulcea County Emergency Hospital for the purchase of a multidisciplinary ultrasound device;
- 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.);
- Continuing the 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.

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 January 2016 the Company concluded a loan with Raiffeisen Bank for working capital financing in amount of RON 41,770,000. The loan has been repaid in eight quarterly equal installments starting with February 2016, the last installment being paid in November 2017.
The related interest rate for this borrowing was ROBOR 3M+3.5%. In 2017, the interest rates ranged between 4.4% and 4.5% (2016: between 4.35% and 4.49%).

Also, in 2017, the Company has two ongoing finance lease agreements for backhoes for a period of three years. The net book value of leased assets at Company level as of December 31, 2017 was of RON 1,151,637 (31 December 2016: RON 799,859).

In 2016 the Company entered into a operating lease contract for vehicles, with lease terms of up to 5 years. The operating lease expense amounted in 2017 to RON 94,531 RON (in 2016: 32,487 RON).

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.

1.6 Market

In 2017 Alum had a turnover in amount of 636,080 th RON structured as follows:

✓ Sales of alumina	578,185	th RON
✓ Sales of hydrate	56,504	th RON
✓ Revenues from sales of scrap iron and wastes	410	th RON
✓ Revenues from sales of utilities	542	th RON
✓ Other revenues	437	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), investing in human capital and development of new, competitive and high added value products.

In this respect, under the 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 subsidies (RON 6.3 million are non-reimbursable) and main object is the acquisition of various research and development equipment (hydrate drying equipment, grinding and ranking wet hydrate, etc.).

In 2017 there were signed the contracts for all three equipments, for a total value of EUR 3,638 thousand, were paid the advances for all contracts in amount of EUR 844 thousand and were opened letters of credit in amount of 1.391 th. EUR. In 2017 the Company received as non-refundable funds the amount of RON 1,598 thousand.

1.8 Shareholding structure and share capital

SHAREHOLDERS	Number of shares	Owned percentage (%)
ALRO SA SLATINA	81,595,860	99.4026
Other shareholders – natural persons	488,354	0.5949
Other shareholders – legal persons	1,989	0.0024
TOTAL	**82,086,203**	**100**

On 31.12.2017, 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 2016	Budget 2017	Actual 2017	Difference as compared to Budget	%	Difference as compared to 2016	%
	RON	RON	RON	RON		RON	
TURNOVER	**556,144,083**	**623,190,110**	**636,079,551**	**12,889,442**	**102**	**79,935,468**	**114**
TOTAL OPERATING REVENUES	**573,861,606**	**623,190,110**	**636,549,992**	**13,359,883**	**102**	**62,688,386**	**111**
TOTAL OPERATING EXPENSES	**597,176,267**	**602,720,449**	**614,964,996**	**12,244,547**	**102**	**17,788,729**	**103**
of which:- raw material and material expenses	368,826,839	376,872,473	381,336,712	4,464,239	101	12,509,873	103
- other expenses (inventory objects)	1,333,344	287,837	1,857,024	1,569,188	645	523,681	139
- energy, gas and water expenses	155,083,110	146,331,753	148,817,556	2,485,803	102	(6,265,554)	96
- staff expenses	37,974,506	39,139,270	44,349,013	5,209,743	113	6,374,507	117
- depreciation expenses	21,275,532	16,204,454	17,573,308	1,368,853	108	(3,702,225)	83
- third parties services	19,700,306	23,884,662	21,210,512	(2,674,150)	89	1,510,206	108
- merchandise expenses	423,016	-	129,972	129,972		(293,044)	31
- other expenses (penalties, disposal of fixed assets)	6,029,559	-	4,359,171	4,359,171		(1,670,387)	72
- value adjustments	(13,469,947)		(4,668,273)	(4,668,273)		8,801,674	35
Operating result	**(23,314,660)**	**20,469,661**	**21,584,997**	**1,115,336**	**105**	44,899,657	**(93)**
FINANCIAL REVENUES	65,926,659	-	25,713,470	25,713,470		(40,213,189)	39
FINANCIAL EXPENSES	59,244,599	1,810,600	33,869,351	32,058,752	1,871	(25,375,248)	57
Financial result	**6,682,060**	**(1,810,600)**	**(8,155,881)**	**(6,345,282)**	**450**	**(14,837,941)**	**(122)**
TOTAL REVENUES	639,788,265	623,190,110	662,263,462	39,073,353	106	22,475,197	104
TOTAL EXPENSES	656,420,866	604,531,048	648,834,347	44,303,299	107	(7,586,519)	99
GROSS PROFIT	**(16,632,600)**	**18,659,061**	**13,429,115**	**(5,229,946)**	**72**	**30,061,715**	**(81)**
PROFIT TAX	-	-	-	-		-	
NET PROFIT	**(16,632,600)**	**18,659,061**	**13,429,115**	**(5,229,946)**	**72**	**30,061,715**	**(81)**

The turnover has been higher than the budgeted value mainly due to the increase of the sales of calcined alumina and hydrate, the main variations being as follows:

		Value:	
- turnover	+	12,889	th RON
The difference from forecasts was mainly determined by:			
- alumina sales	+	2,554	th RON
- hydrate sales	+	8,945	th RON
- revenues from scrap sales	+	410	th RON
- revenues from utilities sales	+	542	th RON
- other operating revenues	+	437	th RON

Operational expenses have been higher than the budget by RON 12,245 thousand due, mainly, to the increase of the alumina production with 15,606 mt compared to the budget, the main variations being as follows:

		Value:	
- raw materials and materials expenses	-	4,464	th RON
- raw materials expenses	-	7,974	th RON
- other material expenses (fuel, spare parts, auxiliary materials)	-	3,510	th RON
- energy and water expenses	-	2,730	th RON
- natural gas expenses	-	5,216	th RON
- goods expenses	+	130	th RON
- staff expenses	+	5,210	th RON
- value adjustments (provisions)	-	4,668	th RON
- depreciation expenses	+	1,369	th RON
- other operating expenses (sponsorships, taxes, social aids, work protection)	-	7	th RON
- other expenses (penalties, ceased assets, other operating expenses)	+	4,359	th RON
- third parties services (commissions, insurrances, transport, processing, advertising, import – export services, etc.)	-	2,668	th RON

There were no impairment indications identified for the company, therefore no impairment test of the property, plant and equipment was performed as at 31 December 2017.
According to the impairment test performed by CMF Consulting, an independent valuation company, as of December 31, 2017 there is a potential loss from receivables from SMHL in amount of RON 51,278 thousand (USD 13,177 thousand) lower than the provision recorded by the Company as of December 31, 2016 in amount of RON 56,211 thousand (USD 13,062 thousand).

- As for the financial revenues, they were excedeed by 25,713 th RON, being due to:

		Value:	
✓	revenues from exchange rate differences	+ 23,602	th RON
✓	revenues from interests	+ 2,111	th RON

- Financial expenses were exceded by 32,059 th RON and factorially, they were due to:

		Value:	
✓	expenses with exchange rate differences	+ 31,865	th RON
✓	expenses with interests	+ 194	th RON

Concluding, at the end of 2017 ALUM registered a profit of 13,429 th RON compared to the budgeted profit of 18,659 th ron.

❖ **Fiscally non-deductible expenses**

The fiscally non-deductible expenses amount to 5.12 million RON of which the most important are the following:
- expenses with fiscally non-deductible value adjustments in the amount of 1.06 million RON out of which:
  - 0.01 million RON value adjustment for potential loss in receivables
  - 1.00 million RON value adjustment for pensions and similar obligations
  - 0.04 million RON value adjustment for tangible assets depreciation
- depreciation expenses for fixed assets revalued in 2009 in amount of 0.43 million RON
- depreciation expenses for fixed assets revalued in 2012 in amount of 0.38 million RON
- depreciation expenses for spare parts treated as fixed assets 0.21 million RON
- depreciation for the value adjustment for the estimated expenses to close the red mud lake 1.49 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, fuel) in the amount of 1.55 million RON.

❖ **Investments**

ALUM had forecasted and approved for 2017 an investment program in amount of 9,156 th USD.

The status of 2017 investments achievements is as follows:

No.	Investment project	Budget (th. USD)	Actual (th. USD)	Difference (th. USD)
1	Reinforcing the perimetral dykes for the red mud pond - left bank embankment and improve the sprinkle system for preventing the dust formation	500	760	260
2	Purchasing press filters for disposal bauxite residue moisture decreasing	100	0	(100)
3	Red mud pipe, length 4,5 km (refinery to red mud pond)	600	16	(584)
4	Particle emissions monitoring system for bag filters	150	150	(0)
5	Burned gases fan for Steam Boiler no 2	100	0	(100)
6	Consolidation foundations Precipitation tanks	220	115	(105)
7	Warning system for fire protection	200	152	(48)
8	Investments for maintenance and improvement of equipment parameters - Alum (PPE)	1,978	985	(993)
9	Plant economic lightning	50	7	(43)
10	Replacing the obsolete equipments, Endowments 2017	728	781	53
11	New natural gas burners at Steam Boiler no 1	1,360	1,111	(249)
12	Optimization of steam lines and installing steam traps in Digestion	150	0	(150)
13	Maintenance Capex (Digestion modernization - autoclaves registers and agitators for 2 lines)	150	167	17
14	Modernization 6 kV electrical installations (capacitors, electric cells, electric circuits)	100	0	(100)
15	Acquisition and installation frequency converter devices	200	44	(156)
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	2,020	2,948	928
17	A site arrangement and installation of hydrate drying, grinding and classification equipment	550	244	(306)
TOTAL		**9,156**	**7,479**	**(1,677)**

❖ **Litigations status**

On 31.12.2017 ALUM is involved in some litigations as a result of its normal activity.

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.

In 2017, a claim against Alum was served by Fednav International Ltd. at the Arbitration Court in London for the recovery of the expenses with demurrage and surveyors fees in amount of USD 170,000 for a bauxite freight in 2015. The ship had heavy delays due to the captain's refusal to load the bauxite, which, in his opinion, was in danger of liquefaction (high humidity).

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, 2017 the Company had in its balance the amount of 212,757 RON for uncertain clients or under litigation, amount for which value adjustment is registered.

2.2 Economic indicators chart

Caption	2016	2017
Liquidity ratios		
Current liquidity ratio (current capital ratio)	1.46	1.48
Quick liquidity ratio (acid test)	0.13	0.19
Risk ratios		
Gearing	-	-
Interest cover ratio	(6.85)	11.42)
Activity ratios (management ratios)		
Turnover of inventories	1.91	1.94
Days in store	191.11	187.82
Turnover of trade receivables – days	5.29	10.05
Turnover of trade payables – days	42.22	32.17
Turnover of fixed assets	3.50	3.86
Turnover of total assets	1.13	1.24
Profitability ratios		
Profitability of capital employed	(0.06)	0.06
Result per share RON	(0.20)	3.39
Gross margin from sales – %	(4.19)	0.16

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

- the inventory turnover increased as compared to the previous year due to the increase of cost of sales more than the increase of stocks;
- as regards the receivables recovery period, respectively the period for reimbursing the debts, ALUM collects its receivables at 10 days and pays its commercial debts at 32 days.
- regarding the fixed assets turnover, it increased due to the increase of turnover more than the increase of the fixed assets.
- the turnover of the total assets increased due to the increase of the turnover more than 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 2017

For the period 01.01.2017 – 31.12.2017 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 2017.

CHAIRMAN OF THE BOARD OF DIRECTORS
PhD Eng Gheorghe Dobra