Annual Report
in accordance with No.5/2018 of Regulation Romanian National Securities Commission for financial exercise of 2018

Date of the report: 31.12.2018

Name of the company: **ALUM SA TULCEA**
Headquarter address: Tulcea, 82 Isaccei Street
Telephone/fax: 0240.535.022 / 0240.535.495
Registration no. in Commerce Registry: J36/29/1991
Unique Identifier at European Level (EUID): ROONRC J36/29/1991
LEI Code (Legal Entity Identifier): 254900TPAV17KVG33J81
Fiscal Code: 2360405
Regulated market on which the issued shares are transactioned: AeRO
Social capital subscribed and paid: 488,412,907.85 RON
Class, type, number and main details about securities issued by SC ALUM SA: 82,086,203 shares at a nominal value of 5.95 lei/share.

1. Activity of the company

1.1. a) Main activity class is (as per NACE classification): Manufacture of basic precious and other non-ferrous metals (NACE code 244) and the main activity object is aluminum metallurgy (NACE code 2442).

In addition to the main activity object, there are the following secondary activities:

- Support services to forestry (NACE code 0240);
- Extraction of crude petroleum (NACE code 0610);
- Extraction of natural gas (NACE code 0620);
- Mining of other non-ferrous metal ores (NACE code 0729);
- Support activities for petroleum and natural gas extraction (NACE code 0910);
- Support activities for other mining and quarrying (NACE code 0990);
- Manufacture of other food products n.e.c. (NACE code 1089);
- Manufacture of made-up textile articles, except apparel (NACE code 1392);
- Manufacture of work wear (NACE code 1412);
- Sawmilling and planing of wood (NACE code 1610);
- Manufacture of veneer sheets and wood-based panels (NACE code 1621);
- Manufacture of assembled parquet floors (NACE code 1622);
- Manufacture of other builders' carpentry and joinery (NACE code 1623);
- Manufacture of wooden containers (NACE code 1624);
- Manufacture of other products of wood; manufacture of articles of cork, straw and plaiting materials (NACE code 1629);
- Manufacture of paper and paperboard (NACE code 1712);
- Manufacture of corrugated paper and paperboard and of containers of paper and paperboard (NACE code 1721);
- Manufacture of other articles of paper and paperboard (NACE code 1729);
- Other printing n.c.a. (NACE code 1812);

- Manufacture of coke oven products (NACE code 1910);
- Manufacture of refined petroleum products (NACE code 1920);
- Manufacture of industrial gases (NACE code 2011);
- Manufacture of other inorganic basic chemicals (NACE code 2013);
- Manufacture of other organic basic chemicals (NACE code 2014);
- Manufacture of other technical ceramic products (NACE code 2344);
- Manufacture of other non-metallic mineral products n.e.c. (NACE code 2399);
- Production of ferrous metals in primary forms and ferroalloy (NACE code 2410);
- Cold forming or folding (NACE code 2433);
- Other non-ferrous metal production (NACE code 2445);
- Casting of iron (NACE code 2451);
- Casting of steel (NACE code 2452);
- Casting of light metals (NACE code 2453);
- Manufacture of metal structures and parts of structures (NACE code 2511);
- Manufacture of doors and windows of metal (NACE code 2512);
- Treatment and coating of metals (NACE code 2561);
- Machining (NACE code 2562);
- Manufacture of tools (NACE code 2573);
- Manufacture of light metal packaging (NACE code 2592);
- Manufacture of other fabricated metal products n.e.c.(NACE code 2599);
- Manufacture of electronic components (NACE code 2611);
- Manufacture of communication equipment (NACE code 2630);
- Manufacture of instruments and appliances for measuring, testing and navigation (NACE code 2651);
- Manufacture of electric motors, generators and transformers (NACE code 2711);
- Manufacture of electricity distribution and control apparatus (NACE code 2712);
- Manufacture of wiring devices (NACE code 2733);
- Manufacture of electric lighting equipment (NACE code 2740);
- Manufacture of other electrical equipment (NACE code 2790);
- Manufacture of lifting and handling equipment (NACE code 2822);
- Manufacture of other general-purpose machinery n.e.c. (NACE code 2829);
- Manufacture of metal forming machinery (NACE code 2841);
- Manufacture of other machine tools (NACE code 2849);
- Manufacture of machinery for metallurgy (NACE code 2891);
- Manufacture of machinery for mining, quarrying and construction (NACE code 2892);
- Manufacture of other special-purpose machinery n.e.c. (NACE code 2899);
- Manufacture of railway locomotives and rolling stock (NACE code 3020);
- Manufacture of medical and dental instruments and supplies (NACE code 3250);
- Other manufacturing n.e.c. (NACE code 3299);
- Repair of fabricated metal products (NACE code 3311);
- Repair of machinery (NACE code 3312);
- Repair of electronic and optical equipment (NACE code 3313);
- Repair of electrical equipment (NACE code 3314);
- Repair and maintenance of other transport equipment. (NACE code 3317);
- Repair of other equipment (NACE code 3319);
- Installation of industrial machinery and equipment (NACE code 3320);
- Production of electricity (NACE code 3511);
- Transmission of electricity (NACE code 3512);

- Distribution of electricity (NACE code 3513);
- Trade of electricity (NACE code 3514);
- Distribution of gaseous fuels through mains (NACE code 3522);
- Trade of gas through mains (NACE code 3523);
- Steam and air conditioning supply (NACE code 3530);
- Water collection, treatment and supply (NACE code 3600);
- Sewerage (NACE code 3700);
- Collection of non-hazardous waste (NACE code 3811);
- Collection of hazardous waste (NACE code 3812);
- Treatment and disposal of non-hazardous waste (NACE code 3821);
- Treatment and disposal of hazardous waste (NACE code 3822);
- Dismantling of wrecks (NACE code 3831);
- Recovery of sorted materials (NACE code 3832);
- Remediation activities and other waste management services (NACE code 3900);
- Development of building projects (NACE code 4110);
- Construction of residential and non-residential buildings (NACE code 4120);
- Construction of roads and motorways (NACE code 4211);
- Construction of railways and underground railways (NACE code 4212);
- Construction of bridges and tunnels (NACE code 4213);
- Construction of utility projects for fluids (NACE code 4221);
- Construction of utility projects for electricity and telecommunications (NACE code 4222);
- Construction of other civil engineering projects n.e.c. NACE code 4299);
- Demolition (NACE code 4311);
- Site preparation (NACE code 4312);
- Electrical installation (NACE code 4321);
- Plumbing, heat and air-conditioning installation (NACE code 4322);
- Other construction installation (NACE code 4329);
- Joinery installation (NACE code 4332);
- Floor and wall covering (NACE code 4333);
- Painting and glazing (NACE code 4334);
- Other building completion and finishing (NACE code 4339);
- Roofing activities (NACE code 4391);
- Other specialised construction activities n.e.c. (NACE code 4399);
- Maintenance and repair of motor vehicles (NACE code 4520);
- Agents involved in the sale of fuels, ores, metals and industrial chemicals (NACE code 4612);
- Agents involved in the sale of timber and building materials (NACE code 4613);
- Agents involved in the sale of machinery, industrial equipment, ships and aircraft (NACE code 4614);
- Agents involved in the sale of a variety of goods (NACE code 4619);
- Wholesale of electrical household appliances (NACE code 4643);
- Wholesale of computers, computer peripheral equipment and software (NACE code 4651);
- Wholesale of electronic and telecommunications equipment and parts (NACE code 4652);
- Wholesale of machine tools (NACE code 4662);
- Wholesale of mining, construction and civil engineering machinery (NACE code 4663);
- Wholesale of office furniture (NACE code 4665);
- Wholesale of other office machinery and equipment (NACE code 4666);
- Wholesale of other machinery and equipment (NACE code 4669);
- Wholesale of solid, liquid and gaseous fuels and related products (NACE code 4671);

- Wholesale of metals and metal ores (NACE code 4672);
- Wholesale of wood, construction materials and sanitary equipment (NACE code 4673);
- Wholesale of hardware, plumbing and heating equipment and supplies (NACE code 4674);
- Wholesale of chemical products (NACE code 4675);
- Wholesale of other intermediate products (NACE code 4676);
- Wholesale of waste and scrap (NACE code 4677);
- Non-specialised wholesale trade (NACE code 4690);
- Carried out Retail stores, stalls and markets (NACE code 4799);
- Freight transport by road (NACE code 4941);
- Removal services (NACE code 4942);
- Transport via pipeline (NACE code 4950);
- Sea and coastal passenger water transport (NACE code 5010);
- Sea and coastal freight water transport (NACE code 5020);
- Inland passenger water transport (NACE code 5030);
- Inland freight water transport (NACE code 5040);
- Warehousing and storage (NACE code 5210);
- Service activities incidental to water transportation (NACE code 5222);
- Cargo handling (NACE code 5224);
- Other transportation support activities (NACE code 5229);
- Other food service activities (NACE code 5629);
- Book publishing (NACE code 5811);
- Publishing of directories and mailing lists (NACE code 5812);
- Publishing of newspapers (NACE code 5813);
- Publishing of journals and periodicals (NACE code 5814);
- Other publishing activities (NACE code 5819);
- Publishing of computer games (NACE code 5821);
- Other software publishing (NACE code 5829);
- Sound recording and music publishing activities (NACE code 5920);
- Radio broadcasting (NACE code 6010);
- Television programming and broadcasting activities (NACE code 6020);
- Wired telecommunications activities (NACE code 6110);
- Wireless telecommunications activities (NACE code 6120);
- Satellite telecommunications activities (NACE code 6130);
- Other telecommunications activities (NACE code 6190);
- Computer programming activities (NACE code 6201);
- Computer consultancy activities (NACE code 6202);
- Computer facilities management activities (NACE code 6203);
- Other information technology and computer service activities (NACE code 6209);
- Data processing, hosting and related activities (NACE code 6311);
- Web portals (NACE code 6312);
- Activities of holding companies (NACE code 6420);
- Buying and selling of own real estate (NACE code 6810);
- Renting and operating of own or leased real estate (NACE code 6820);
- Real estate agencies (NACE code 6831);
- Management of real estate on a fee or contract basis (NACE code 6832);
- Accounting, bookkeeping and auditing activities; tax consultancy (NACE code 6920);
- Activities of head offices (NACE code 7010);
- Public relations and communication activities (NACE code 7021);
- Business and other management consultancy activities (NACE code 7022);

- Architectural activities (NACE code 7111);
- Engineering activities and related technical consultancy (NACE code 7112);
- Technical testing and analysis (NACE code 7120);
- Research and experimental development on biotechnology (NACE code 7211);
- Other research and experimental development on natural sciences and engineering (NACE code 7219);
- Research and experimental development on social sciences and humanities (NACE code 7220);
- Market research and public opinion polling (NACE code 7320);
- Other professional, scientific and technical activities n.e.c. (NACE code 7490);
- Renting and leasing of cars and light motor vehicles (NACE code 7711);
- Renting and leasing of trucks (NACE code 7712);
- Renting and leasing of construction and civil engineering machinery and equipment (NACE code 7732);
- Renting and leasing of office machinery and equipment (including computers) (NACE code 7733);
- Renting and leasing of other machinery, equipment and tangible goods n.e.c. (NACE code 7739);
- General cleaning of buildings (NACE code 8121);
- Combined facilities support activities (NACE code 8110);
- Other building and industrial cleaning activities (NACE code 8122);
- Other cleaning activities (NACE code 8129);
- Technical and vocational secondary education (NACE code 8532);
- Sports and recreation education (NACE code 8551);
- Cultural education (NACE code 8552);
- Other education n.e.c. (NACE code 8559);
- Educational support activities (NACE code 8560);
- Other human health activities (NACE code 8690);
- Repair of computers and peripheral equipment (NACE code 9511);
- Repair of other personal and household goods (NACE code 9529).

b) The Company was set up as a Commercial Society in 1991.

c) During 2018, the shareholding structure changed, at December 31st, 2018 being as follows:

No.	Shareholder	Number of shares	Percentage (%)
1	ALRO SA	81,595,860	99.4026
2	Other shareholders (natural persons)	487,778	0.5942
3	Other shareholders (legal persons)	2,565	0.0031
Total		**82,086,203**	**100.00**

At December 31st, 2018, the share capital of the Company is **RON 488,412,907.85** and the number of issued shares is **82,086,203** at a nominal value of **RON 5.95** per share.

d) Acquisitions or transfer (sale) of property
During 2018, the Company bought fixed assets with a gross book value of RON 50,351,978.

Total assets of the Company at the date of December 31st, 2018 are:

RON

	01.01.2018	31.12.2018	Differences
A. Non-current assets	164,997,509	179,133,661	14,136,152
B. Current assets	347,903,767	360,279,153	12,375,386
Total assets	512,901,276	539,412,814	26,511,538

e) Company's activity evaluation - Description of main results

Indicators that define the activity of the company in 2018 are described bellow:

SYNTHETIC INDICATORS	Actual 2017	Actual 2018	Difference as compared to 2017	%
	RON	RON	RON	
TURNOVER	**636,079,551**	**876,424,730**	**240,345,179**	**138**
TOTAL OPERATING REVENUES	**636,549,992**	**895,976,082**	**259,426,090**	**141**
TOTAL OPERATING EXPENSES	**614,964,996**	**841,017,713**	**226,052,717**	**137**
of which:- raw material and material expenses	381,336,712	517,760,232	136,423,520	136
- other expenses (non-stocked, inventory objects)	1,857,024	1,961,774	104,750	106
- energy and water expenses	148,817,556	195,845,288	47,027,732	132
- staff expenses	44,349,013	53,612,918	9,263,905	121
- depreciation expenses	17,573,308	18,845,068	1,271,760	107
- third parties services	21,210,512	33,328,170	12,117,659	157
-merchandise expenses	129,972	90,761	(39,211)	70
-fixed assets expenses	4,359,171	3,256,825	(1,102,346)	75
-value adjustments	(4,668,273)	16,316,675	20,984,948	(350)
Operating result	**21,584,997**	**54,958,369**	**33,373,373**	**255**
FINANCIAL REVENUES	**25,713,470**	**50,250,198**	**24,536,727**	195
FINANCIAL EXPENSES	**33,869,351**	**39,106,087**	**5,236,735**	115
Financial result	**(8,155,881)**	**11,144,111**	**19,299,992**	**(137)**
TOTAL REVENUES	**662,263,462**	**946,226,280**	**283,962,817**	143
TOTAL EXPENSES	**648,834,347**	**880,123,799**	**231,289,452**	136
GROSS PROFIT	**13,429,115**	**66,102,480**	**52,673,365**	**492**
PROFIT TAX	-	**11,924,475**	**11,924,475**	
SPECIFIC TAX	-	**42,875**	**42,875**	
NET PROFIT	**13,429,115**	**54,135,130**	**40,706,015**	**403**

1,1,1 Elements of general evaluation:

	RON
Profit (loss)	54,135,130
Turnover	876,424,730
Cash and cash equivalents	4,088,184

1.1.2. Technical evaluation of the Company

a) In 2018 the main incomes of the Company were obtained from sales of the followings:
- calcined alumina;
- hydrate;
- scrap iron;
- utilities.

b) New products taken into consideration for the future financial exercise, that requires to allocate a substantial assets volume and the actual development stage of those products.

Not the case.

1.1.3. Evaluation of procurement activity

The main raw materials and utilities, as percentage of total expenses with raw material and utilities are: bauxite, caustic soda, natural gas and electricity.

1.1.4. Sales activity evaluation

a) In the year 2018 Alum's recorded turnover was 876,425 th RON consisting in:

sales of alumina to Alro	602,761	th RON
sales of alumina to other clients	148,572	th RON
sales of hydrate	123,768	th RON
scrap sales revenues	367	th RON
sales of utilities	517	th RON
revenues from various activities	440	th RON

b) Alum SA is the sole calcined alumina producer in Romania, so, there are no internal competitors.
Since the market is challenging, Alum must continue its strategy of cost reducing. This can be achieved by reducing consumptions, developing new environmental friendly 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 was developed in 24 months (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 September 2018 was concluded an addendum that extended the project period with 6 months, until March 2019.

In 2017-2018 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 1,091 th. EUR and were opened letters of credit in amount of 2,547 th. EUR. As of November 2018 the construction works for all three equipments have been finalized and were started the activities for training the personnel and setting up the parameters.

In 2018 the Company received as non-refundable funds the amount of RON 3,244 thousand(2017: RON 1,598 thousand).

c) Description of any significant dependence of the Company beside a sole client or a group of clients and whose loss could have a negative impact in relation to Company's revenues,
Not the case.

1.1.5.a) Average number of staff for 2018 was 765, with the following structure:

Management	15
Administrative staff	145
Workers	605

Trade-union rating of work force is 98.69%,

b) Relationship between managers and employees are of co-operation,
In 2018, the relations between the executive management of the Company and the employees represented by unions were fair, regulated by the Collective Labour Agreement and the specific legislation in force, There were no major conflicts recorded, likely to influence the normal activities or business continuity.

1.1.6. Assessing aspects of the business impact against environment

S.C. Alum S.A. main activity is the production of calcined alumina by Bayer process. The technological process assumes the existence of alkaline solutions to various degrees of dilution.
From the technological circuit for obtaining calcined alumina, are resulting gas emissions, used technological waters and a serie of wastes that are treated properly, according to the actual legislation.
Noxes resulting from the burning of natural gas are discharged into the atmosphere through the dispersion baskets from the CET section and the Calcinare plant, their impact on air being insignificant.
The noxious resulting into heavy oil/gas combustion process from boilers and furnaces calcinations are monitored continuously trough monitoring system commissioned in February 2006. Data monitored are on a daily basis reported to the local environmental authorities in accordance with the approved Self-Monitoring programme and the obligations imposed in the integrated environmental permit.
In 2018, Alum SA has completed the National Transition Plan measure to reduce NOx emissions so that it falls within the maximum limit of 100 mg / Nmc.
The impact generated by the resulted gas emissions on protected areas, from aria of influence of the society is insignificant.
The impact on the environment factor, water, consists in discharging through the sewage system of the Company, of different categories of water: pluvial and "conventionally clean", technological waste and household.
Before discharging in the Danube river, the wasted water is neutralized in the cleaning station, being transferred in the retention basin and then discharged, Rainwater and conventionally clean are discharged through the rainwater collector in Somova Pond and the sewage is discharged in the municipal sewage system.
Permanent monitoring of the indicator "pH" is achieved through placement of "pH" continuous measuring device, both in the offtake of pluvial water and neutralizing station and retention basin,
The impact on the environment factors, soil, consists in possible release of dust on the ground, in case of malfunction of various installations, and the solid residue resulting from processing bauxites.
Soil analyses carried out in the impact zone of society have highlighted the insignificant impact of the activity of S.C. ALUM S.A. on soil quality in the area.
Monitoring is also done at the red mud lake for: the water level in the red mud lake, state of contour dams, the system of pumping mud and water, the groundwater quality in the drillings control located in the area of red mud lake, the condition of the pluvial water offtake, the quality of environmental factors with the help of the meteo station placed near the red mud thickener, etc.

Also, the heap wetting system is constantly monitored to avoid entrainment of solid particles in air. Also in this regard, the forest curtain created along the two sides of the sludge deposit is maintained, in order to prevent the dispersion of any dust to the inhabited areas.
In 2018, Alum SA obtained a new integrated environmental permit, with a 10-year validity and implemented an integrated Quality-Medium-SSO-Energy system.
Through the approved environmental policy, S.C. ALUM S.A. is oriented towards business performance, achieved on a sustainable path, by targeting processes to the best available technologies, both in terms of the quality of the products and the impact on the environment.

S.C. ALUM S.A. has no disputes for violations of environment legislation.

In 2019 the refinery has the following investments program:

No.	Investment objective	Values (thousand $)
1	Red mud pipe, length 4,5 km (refinery to red mud pond)	850
2	Reducing emissions and increasing energy efficiency by installing a low NOx combustion system at boiler no. 4	350
3	Burned gases fan for Steam Boiler no 2	300
4	Acquisition and installation a disc filter for coarse seed	870
5	Filtering process control efficiency enhancing by acquiring and installing vertical filters	1,800
6	Different acquisition (PPE, MCE, ENDOWMENTS) approved in 2018	1,351
7	Alum Increasing competitiveness by installing equipment to obtain wet and dry hydrate: - Drying hydrate equipment - Hydrate grinding and classifying equipment - Wet hydrate classifying equipment	60
8	Increasing the storage capacity of the red mud pond by elevating the height of the perimetral dykes. Installing press filters	500
9	Increasing recirculated water cooling system capacity of Precipitation Installation	550
10	Investments for maintenance and improvement of equipment parameters - Alum (PPE) 2019	453
11	Replacing the obsolete equipment, Endowments 2019	447
12	Maintenance Capex (Digestion modernization - autoclaves registers and agitators for 1 Digestion and Evaporation batteries)	450
13	Packaging, storage and distribution of new Alum products	120
14	Optimization of steam lines and installing steam traps in 1 Digestion battery / steam pressure reduction station	200
TOTAL		**8,301**

1.1.7. Development and investigation activity evaluation
Not the case.

1.1.8. Assessing commercial activity on risk management (description of the Company exposure to price risk, credit, liquidity and cash flow)

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.
On 17 May 2018, Alum concluded a loan in amounting to USD 20 million with Black Sea Trade and Development Bank and USD 5 million with Garanti Bank Romania S.A., respectively. The scope of these loan facilities are mainly investments, and they will be repaid in seven half-yearly instalments after a grace period of two years. On 31 December 2018 the amount drawn down from these loans was of USD 15,000 thousand.
The bank borrowings of the Company will mature until 2023. In 2018, the interest rates ranged between 5.62% and 6.39%.

Also, in 2018, 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, 2018 was RON 821,933 (31 December 2017: RON 1,151,637).
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 2018 to RON 174,339 (in 2017: 94,531 RON).

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.

Cash flow risk

By the nature of the activity, the Company is not subject to a risk of change in the projected cash flows, both from financial instruments fluctuation and the changing interest rate.

Market risk

The Romanian economy is developping continuously, Due to the fact that almost 90% of the production of calcined alumina is sold to ALRO Slatina, the main shareholder of SC ALUM SA Tulcea, the management considers that the market risk is low.

1.1.9. Elements of perspective on the business company

a) Presentation and analysis of trends, items, events or factors of uncertainty that affects or could affect the liquidity of the company compared to the same period of previous year.

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;

- 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.

b) The financial resources for supplying are provided from company's own resource.

c) Main development directions of S.C. ALUM S.A.

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 succinctly:

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 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;
   - 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;
   - 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.

2. Tangible assets of the Company

2.1. Emplacement and main characteristics of productions capacities of the Company

The Alumina Plant from Tulcea was commissioned in 1973, with the destination of processing of raw material from import. The emplacement of this factory at Tulcea, on the right side of the Danube, was choosing for its transportation facilities of raw material (bauxite). Also, the alumina process is high water consumer and such placement would cover the required quantity of water to the process.
The designed capacity of the factory is 400,000 MTA, from which 395,000 MTA is calcinated alumina and 5,000 MTA as hydrate (aluminium hydroxide). This capacity was reached in 3 stages; the last stage was completed in 1980.
In 2001, the static kiln was put into function. That increased the production up to 600,000 MT of calcined alumina.
The main raw material from which alumina is extracted is the bauxite ores from import. The content of aluminium oxide is between 47 to 55%.
The others raw materials necessary to obtain alumina are: caustic soda, industrial lime, industrial flour, sulfuric acid etc, and natural gas as fuel.
The extraction of aluminium hydroxide from bauxite is based on Bayer process that is moist hydro - metallurgical process. The dissolving process is realized with caustic soda.
The bauxite is transported with ore ships to Constanta port where is transferred into barges then transported and downloaded in port of Tulcea. From there, the bauxite is transported inside the plant (Alum), at the bauxite site.
The technological process is developed inside Alum, The location of Alum's premises is on the west side of Tulcea city, 82 Isaccei Street, The productive area is of 393,215 sqm. The main operation units are:

- **The storage system of bauxite** - Bauxite managing site. This includes: downloading system (tilter, rail bridge with clamp bucket), transporting system (belt conveyors), stocking system, stocking machine, (in two large space of stocking), feeding equipment and heavy equipment (bulldozers).
- **Bauxite grinding**: through this operation, the bauxite granulation is reduced to 60 microns; the purpose is to speed up the digestion of bauxite.
  At this stage, the strong liquor is dosed properly (is added to the process). The grinding operation is done by 6 grinding mills with a capacity of 100-125MT/hr each, depending of the bauxite type.
- **The lime milk preparation**: this operation is meant to bring calcium oxide into the process. The lime milk is produced inside of 3 lime slaking drums. Discharging and storing is done at lime storage are, with a capacity of 1,000 MT, provided with gantry crane and clamp bucket bridge.
- **De-silication:** this process is done inside 12 tanks of 1,000 cubic meters each.
- **Slurry transportation** is made under pressure by 15 pumps (Duplex pump type)
- **The digestion**: this process is made inside digestors (digestion tanks); these are grouped in 4 lines of digestion (called "batteries"): "A" battery consists in 17 tanks, "B" battery of 10 tanks, "C" and "D" batteries of 16 tanks each. Also there are other tanks: 8 flash tanks (liquor expansion tanks), 5 pure condensate pots and 1 vaporiser. The digestion process is taken place at a temperature of 145 to 245 Celsius degrees depending on the type of bauxite processed.
- **The control filtration is** realized in 8 settlers (each has 35 m diameter, total volume of 5,700 cm), 6 settlers (each has 20 m diameter, total volume of 1,400 cm) with a productivity of 0,81 MT/sqmhr and 13 units of Kelly filters.
- **The muds in the washing line** are sent to red mud pond that is located at 3,6 km far from the plant. The actual remaining capacity of this pond is of 1,8 bill cm. The red mud is sent in the thickener installed at the red mud lake in 2010. The resulting water from settling process is

pumped back to the plant and sent to treatment area - neutralization collector- where is treated with sulphuric acid, then is cleaned and pumped to the Danube. The red mud, evacuated in dense phase, having a concentration of minimum 52% solids, is stored in the red mud lake.

- **The precipitation installation** of pregnant liquor includes 37 vessels, with 2,000 cm capacity and two hydro-separators by 750 cm capacity each.
- **The filtering installation** for coarse seed includes 6 disc filters with a filtering area of 100 sqm and 3 disk filters with 80 sqm filtering area. The hydrate filtration is made on drum filters and an horizontal filter installed in 2012.
- **Evaporation installation** includes 2 evaporation batteries Kestner type, 2 super-concentrators of solution, a VN evaporation battery. The Kestner battery is a battery with multiple effects, is working in counter-current and includes 6 evaporation units, each of them including a separators and a boiling vessel, 4 pre-heaters of mixing, 4 expanders- auto-evaporators, 3 pure condensate auto-evaporators, 4 auto-evaporators for impure condense, vacuum installation, etc.
- **Hydrate storage:** Aluminium hydroxide is taken over from white filtration unit by a belt conveyor named "701" and sent to hydrate buffer storage or straight to the calcinations kiln; the storage is provided with a clamp bucket bridge, loading bunkers, bucket transporters etc, Hydrate deposit is equipped with traveller crane, loading hopper, conveyor with buckets, etc.
- **Kiln Installation** Hydrate calcinations process is realized in three rotate kilns with a length of 112 m and/or one vertical kiln (calcinations in suspension) put into operation in February 2001. Alumina is cooled in kiln coolers and transported to the silos with a pneumatic transportation system. Waste burning gasses are passed through dust removal system and evacuated through funnel.
- **Alumina storage** –alumina is stored in five silos with a capacity of 2,000 MT each. The alumina production activity implies, beside technological base, utility and services sectors which mainly concerns primary materials supplying (bauxite), auxiliary materials and services (sodium hydroxide solution, heavy fuel, steam, acids, industrial water, technological air, lime, etc), workshops for repairs and maintenance, supplying of circulating means, waters evacuation systems (waste, sewage, rain water), solid residue deposits (red mud pond, solid waste deposit, etc).
- **Power plant installation** generates thermal and electrical energy for calcined alumina production. The facility structure consists in heavy fuel unloading facility (unloading and pumping heavy fuel oil station, heavy fuel tanks by 3000 MT), demineralization water facility, central heating system (one boiler by 105 to of steam/h) and power plant building (3 boilers each with 120 to of steam/h, electrical power generator CKTR 12 MW, and CSL 12 MW, 5 Sigma feeding pumps), etc.
- **Installation for cooling water** – is compounded by three cooling towers with 3000 cm/h cooling capacity, a forced circulation cooling tower installed in 2011 with a capacity of 1,300 cm/h, a forced circulation cooling tower installed in 2014 with a capacity of 250 cm/h and two pumping station;
- **Compressed air installation** – is designed in three parts, Centrifugal compressor hall with two centrifugal equipments K 250-61-2 manufactured VPDS, with functional parameters: V=250 cm/min, p=9ata, n=10923rot/min, The hall L100 is endowed by 5 "Resita" compressors with rate flow = 94,3 cm/min,, p ref,=8 ata, Atlass hall is equipped with 5 Atlass-Copco type compressors, p=7,5 ata and 4 Ingesol compressors p=7,5 ata.

Utilities area

- **Water intake facility is 66,580 mp area -** Water intake is done from Danube river into a tank fitted pocket type, positioned upstream of Tulcea city, mile no, 39 + 500m. The captation of water is made by two floating pumping station equipped with 4 Bratesh 500 type electro-pumps, Q=2400 cm/hr, H=2,5cmA, N=132 kW, n=739 rot/min. The water is repressed through two pipes into one buffer collector by 1500 cm capacity. From collector the water is pumped

(step I of pumping) with two Brates 500 type electro-pumps through 3 Dn 800 pipe lines till the node 'B" from where is supplied Water treatment station.

- **Water treatment station** is spread on a 27,422 sqm area, Water treatment station is positioned on industrial road which made the connection with Industrial port, half way from the plant. Water treatment station is equipped with 3 suspension decanters by 500 L/s, one underground water reservoir with 5000 cm capacity, station with sand filters, two clarified water decanters by 200 L/s, lime unload station, water pumping station (step II) to plant, etc.
- **Red mud pond** has 794,039 sqm areas. The red mud pond is positioned at about 3.6 km west of plant and Tulcea city, on the road DN 22, being made by closing a wide valley – named "Flam valley", by building a dam, actually at a level of + 44,00 m RMN. The red mud storage area is equipped with red mud discharge pipes, pipes for clear liquid taking over, pumping station, emergency collector, etc. The connection between pumping station and plant is assured by three pipe lines (red mud, clarified liquors and spare line) on concrete trestles.

2.2. Description and analysis of wear degree of company's buildings and equipment

The company construction activities were initiated in 1969 – 1970. The first facility was put into function in 1973, and functioned continuously till present, appreciatively 45 years. Is normal that some buildings to be affected, taking into account mechanical and also chemical stress they are subject.

The installations and equipments which were considered with advanced wear degree were restored, replaced permanently to continue the production flux. The affected installations which not longer had technological interest were disaffected. Example: bauxite step II crushing installation, evaporation VN type Oradea installation, etc, or restored: sulphuric acid unloading installation etc. Because of alkaline processes of calcined alumina production were affected especially concrete structures, reinforced and prefabricated and also bricks closing elements. The structures from steel (iron materials) resisted better at alkaline attack of aerosols.

From affected structures with a difficult restoration can be highlighted the sewerage system. Difficult functioning of sewerage because of evacuated waters chemistry conducted at an increasing of level of groundwater, process which seems to be stabilized in the last period due to new measures for water management and to fluidization operations of some portions of sewerage system. The operation is still monitored by decisional factors.

Because the level of the groundwater increased, were identified some corrosions on some bearing structures, for which are underway consolidation works for the following buildings or affected areas: foundation of the Precipitation tanks, crushing building, caustification building, laboratory building, chemical treatment building.

To increase the degree of safety for the red mud pond dam action was taken and works were made to improve exploitation conditions by modification of discharge system and the erection of a deep settler with technology provided by Neyrtec Mineral (France) that allows to deposit thickened red mud with a concentration of minimum 52% solids and also performing red mud pond dam consolidation operations. Also, in parallel with the dam, at a distance of approx 80 m inside the red mud lake, there has been built a separation dam and a surface of 4,8 acres have been ecologized. During 2013 the Company finalized an extensive work to capture the rainwaters from the hills around the red mud lake through a collector channel to prevent them from entering in the red mud pond. Also, starting from 2011, on the ecologized surface there have been planted over 67,313 willow trees, acacia, rosehips and thuja.

The facilities affected by chemical corrosion are: caustic unloading area, unloading sodium hydroxide unit, white filtration unit, grinding unit etc. At this buildings are intended to make rehabilitation work.

2.3. Analyzing the wear degree of our company' s properties can be concluded that:

- Functionally point of view, technological installations are maintained, restored or replaced, eliminating at a high degree physical wear, and trying both with own forces and cooptation of new technologies in advance (implementation in calcination process the fluidized bed calcinations technology, the use of new calculation system, process calculators, etc) to minimized moral depreciation of facilities. In this purpose are foresighted aspects regarding environmental protection.
- All buildings have a good status, especially for metallic structures and there are in the process of rehabilitation and maintenance of the technological equipments. The buildings will support during the time some rehabilitation works, which is a normal process for continuing the plant activity.

3. Company's Stock and Shares market

3.1. Company's shares are operated by Bucharest Stock Exchange – AeRO segment.

3.2. Description of Company's policy regarding its dividends.
For the 2018 year, the company registered profit which has been distributed as follows: 5% to legal reserves and the rest to cover the loss from previous years.

3.3. Description of any intend of the Company to buy its own shares.
In 2018 ALUM didn't purchase or detained its own shares.

3.4. If the company has any branch, state the number of shares and nominal value issued by the mother company and detained by the branch
Not the case.

3.5. In case that the Company has issued bonds and/or outstanding debts, should be indicated the proceeding of clearing its duties toward such securities holder.
Not the case.

4, Company's management

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

For the period 01.01.2018 – 31.12.2018 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

In 2018 the members of the Board of Directors attented to 21 meetings.

The remuneration of the members of the Board of Directors and the CEO during 2018 was in amount of RON 560,384.

4.1.a) Details about the members of the Board of Directors

Dobra Gheorghe (1959), President of the Board, Executive Member of the Board of Directors

Mr. Gheorghe Dobra, PhD, Executive MBA, graduated from the Bucharest Polytechnic Institute, Romania. Mr. Dobra joined Alro in 1984 and held various engineering and executive positions since then. Starting with 2005 Mr. Dobra became CEO of Alum, being currently also the president of the Board of Directors of the Company.
Mr. Dobra's main achievements in the Company are:

- The increase of the Company financial performances;
- Both technical and technological modernization;
- Increase of production quality;
- Substantial investments for environment protection that led to the improvement of the working conditions and overall greening of the Company;
- Decrease of the production costs, with a high accent on the increase of the energy efficiency.

Barabanov Aleksandr (1979), Vice-President of the Board, Non-executive Member of the Board of Directors

Mr. Aleksandr Barabanov graduated cum laude from the Moscow State Institute of International Relations and is a Certified Internal Auditor, a member of the Chartered Alternative Investment Analyst Association (CAIA) and an ACCA fellow member. Mr. Barabanov has an extensive experience of more than 16 years in accounting, reporting and auditing of large industrial companies, which activate mainly in the energy and mining and metals industries. He joined Rinco Group/Vi Holding in 2006 and is currently Head of Accounting and Corporate Reporting Department and prior to its employment at Rinco Group/ViHolding. Mr. Barabanov was the Senior Manager of the Financial Analysis Department at JSC Tatnelf. He also worked as an audit consultant at CJSC PricewaterhouseCoopers Audit, in the Energy and Mining Department.

Cilianu Marin (1965), Non-executive Member of the Board of Directors

Mr. Cilianu Marin holds a degree in Metallurgical Engineering issued by the Bucharest Polytechnic Institute, where he claimed and received his PhD in 2004. Mr. Cilianu also holds an MBA degree issued by the University of Washington and Romanian School of Business ASEBUSS.
Mr. Cilianu entered the aluminum industry in 1991 at CEPRAL Slatina where he worked until 1994. In 1994, Mr. Cilianu started his career in Alro Slatina, where he fullfilled various management positions over time.
Mr. Cilianu currently serves as Chief Operating Officer of the Primary Aluminium Division at Alro Slatina. He had and has supported scientific activity in the metallurgy of aluminum field being a visiting professor at WSAIB Gdynia, Poland.

Popa Ioan (1950), Non-executive Member of the Board of Directors

Mr. Popa Ioan was Director of International Economic Relations Department of the Faculty of International Economic Relations, Academy of Economic Studies Bucharest. The main tasks were to develop the curriculum of the Department of International Economic Relations, Master coordination of the Department of International Economic Relations and organization of scientific meetings.
Between 1991 and 2004, Mr. Popa was Dean of the Faculty of International Economic Relations and has made major contributions to:

- Establishment of the Faculty of International Economic Relations, Development of the curriculum of the Faculty of International Economic Relations;
- Entering and managing the following courses: international capital markets, international commodity Scholarship, risk management in international business, international business transactions, commercial negotiation, engineering operations of foreign trade, international management, international payments engineering;
- Coordination Module for Advanced Studies “international business management";
- Development and coordination of the inter-university partnership in European programs Tempus and Temper;
- Development, in partnership Tempus and Temper, of the the curricula of partner faculties by introducing new disciplines and coordinating the publication of course materials;
- Establishing and coordinating the Centre for Research in International Economic Relations, NURC accredited.

Chairman of the Editorial Board of the Journal of Economic (Romanian Economic Journal)
Founding member and President of the Foundation "REI 50" organization with educational and research purposes.
Visiting Professor at the Université de Lille I, France, 1-2 months/year.

Duralia Mihaela (1976), Executive Member of the Board of Directors

Mrs. Mihaela Duralia graduated Romanian-American University, Bucharest, Faculty of Computer Science Management, having academic skills in Investment Banking, Financial Management, Corporate Finance, Financial and Managerial Accounting, Options & Futures, Financial Risk Management, Operational Research & Statistics, Computer Science.
Mrs. Duralia is part of Alum’s team since 2000 and advanced from the position of economist to the executive management of the Company. Starting with May 2005 Ms. Duralia acts as CFO of the Company and has the following main responsibilities: business development, strategy, financial planning, Corporate & Project Finance, recruitment, budgeting, supervision of financial control and reporting, investor relations and focus on financial risk management.
Mrs. Duralia is a member of the Board of Directors of Alum SA Tulcea since 2013.

4.1.b) Any agreement, understanding or family connection between administrators and other persons

Alum is administered under a unitary system and the Board of Directors members are elected in the General Shaeholders Meeting based on the vote of shareholders and in compliance with applicable legal requirements.
Therefore the Board of Directors members are not elected by a certain person or a certain shareholder and thus there are no such agreements/contracts concluded, to be detailed in this sub-section.
Also, no agreements or understandings between administrators and others due to which those persons have been appointed administrator.

4.1.c) Participation of the members of the Board of Directors to the Company share capital

At the date of this report Alum’s Board of Directors members do not hold shares in the capital of the Company.

4.2. Details about Company management

4.2.a) Between 01.01.2018 – 31.12.2018 the Company's management was provided by:

Dobra Gheorghe	-	General Director
Anghelovici Nicolae	-	Operational Director – 01.01-04.09.2018
Iliev Sorin Gheorghe	-	Operational Director – 05.09-31.12.2018
Iliev Sorin	-	Technical Manager – 01.01-04.09.2018
Coteţ Ioan Lucian	-	Technical Manager Deputy – 01.01-04.09.2018
Coteţ Ioan Lucian	-	Technical Manager – 05.09-31.12.2018
Durău Nicu	-	HR Director
Duralia Mihaela	-	Financial Director
Gheorghe Serghei	-	Logistics-Sales Acquisitions Director
Bărbulescu Aurel	-	Procurement and Logistics Manager
Feodorof Mariana	-	HR Manager & General Services
Jugănariu Marian	-	Production Manager
Ion Marcel	-	Deputy Production Manager
Țiu Dorin Gabriel	-	M.E. Manager
Dadinopol Eduard Valentin	-	Energy Manager

4.2.b) Participation of Alum's management to the Company share capital

At the date of this report the members of Alum's management that hold shares in the Company capital are as follows:

No,	Name and surname	Function	Number of shares
1	Țiu Dorin Gabriel	M.E. Manager	39
2	Dadinopol Eduard Valentin	Energy Manager	40

5. Financial Statement

a) Assets that are representing at least 10% of total assets and liquid assets:

	2016	2017	2018
	RON	RON	RON
Tangible assets	145,935,278	147,804,242	179,110,414
Stocks	291,333,335	303,648,202	342,305,191
Receivables	19,724,738	36,001,638	13,885,778
Cash and bank accounts	979,311	8,253,926	4,088,184

b) Profit and Loss Account

	2016	2017	2018
	RON	RON	RON
Net turnover	635,519,848	556,144,083	876,424,730
Operational revenues	610,226,779	573,861,606	895,976,082
Operational expenses	622,973,690	597,176,267	841,017,713
Financial revenues	83,062,164	65,926,659	50,250,198
Financial expenses	62,952,437	59,244,599	39,106,087
Gross result	7,362,816	(16,632,600)	66,102,480
Net result	6,377,830	(16,632,600)	54,135,130

c) Cash flow

	Year ended December 31, 2017	Year ended December 31, 2018
Cash flows from operations		
Net profit	**13,429,115**	**66,102,480**
Adjustments for:		
Amortization/depreciation of intangible and tangible assets	17,573,308	18,845,068
Adjustment for the impairment of tangible and financial assets	(3,676)	(5,865)
Adjustments for the impairment of receivables	(5,337,619)	(4,129,427)
Provisions	658,583	3,535,670
Adjustments for the impairment of inventories	14,201	16,916,297
Profit/(Loss) from foreign exchange differences	9,769,705	600,303
Net earning pertaining to disposals of tangible assets	(18,643)	(392,002)
Interest income	(2,049,470)	(1,032,785)
Interest expenses	1,208,072	2,115,036
Dividend income		(14,540,732)
Cash from operations before changes to working capital	**35,243,576**	**88,014,043**
Increase of inventories	(4,205,320)	(44,741,440)
(Increase)/decrease of trade receivables and other receivables	(1,403,447)	32,288,637
Increase in trade payables and other payables	21,625,978	(100,612,626)
Cash flow from operations	**51,260,787**	**(25,051,386)**
Interests received	243,636	1,741,615
Interests paid	(608,004)	(1,910,641)
Dividends received	-	14,540,732
Income tax paid	323,289	(7, 240,047)
Net cash from operations	**51,219,708**	**(17,919,727)**
Cash flow from investment activities		
Purchases of tangible and intangible assets	(24,777,743)	(49,916,451)
Government grants received	1,598,500	3,244,436
Net cash used for investment activities	**(23,179,243)**	**(46,672,015)**
Cash flow from financing activities		
Loans granted	-	60,426,000
Repayment of bank loans	(20,885,000)	-
Net cash from/(used in) financing activities	**(20,885,000)**	**60,426,000**

	Year ended December 31, 2017	Year ended December 31, 2018
Cash and cash equivalents at the beginning of the year	1,098,461	8,253,926
Net increase/(decrease) in cash and cash equivalents	7,155,465	(4,165,742)
Cash and cash equivalents at the end of the year	**8,253,926**	**4,088,184**

General Director,
Ph.D. Gheorghe Dobra

Financial Director,
Ec. Duralia Mihaela