

Half-year report 2017

Content

Directors Consolidated Report

Alro Group – Overview

Financial highlights	3
Letter from the Chairman	5
Significant events in H1 2017	6

Alro Group figures

General information	7
Overview	8
Financial review	10
Business environment	12
Corporate Social Responsibility	18
Changes with impact on share capital and the management of the Company	20
Significant transactions	20
Outlook for 2017	21
Abbreviations and definitions used in the report	22

Financial results 2017 (unaudited)

Condensed consolidated and separate financial statements for the six months ended 30 June 2017	23
Separate Financial Results for Q2 2017 compared to Q2 2016	47

Statement of Management Responsibilities	57
---	-----------

Financial highlights

Alro Group

Indicator	H1 2017	H1 2016
Primary aluminium production (tonnes)	139,459	137,883
Processed aluminium production (tonnes)	55,888	54,008
Alumina production (tonnes)	217,689	231,212
Bauxite production (tonnes)	921,238	679,137
Sales (thousand RON)	1,378,150	1,203,471
EBITDA ¹ (thousand RON)	291,553	136,762
EBITDA margin (%)	21%	11%
Adjusted net result ² (thousand RON)	218,566	55,911
Net result (thousand RON)	186,847	35,033

Alro S.A.

Indicator	H1 2017	H1 2016
Primary aluminium production (tonnes)	139,459	137,883
Processed aluminium production (tonnes)	42,932	41,553
Primary aluminium sales (tonnes)	76,374	79,533
Processed aluminium sales (tonnes)	43,276	41,754
Sales (thousand RON)	1,260,640	1,111,091
EBITDA ¹ (thousand RON)	227,473	118,225
EBITDA margin (%)	18%	11%
Adjusted net result ² (thousand RON)	186,658	63,944
Net result (thousand RON)	155,951	39,078
Adjusted net result ² per share (RON)	0.262	0.090
Net result per share (RON)	0.218	0.055

¹ EBITDA earnings before interest, taxes, depreciation, amortization and impairment;

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

LEGAL DISCLAIMER

This Report is provided to you solely for your information and may not be reproduced in any form, redistributed or passed on, directly or indirectly, to any other person or published, in whole or in part, by any medium or for any purpose. Failure to comply with this restriction may constitute a violation of applicable laws.

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

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

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

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

The condensed consolidated and separate financial statements for the six month period ended on 30 June 2017 included in this report are not audited and present the consolidated and individual financial results of Alro Group and Alro prepared in accordance with IAS 34 *Interim financial reporting* as adopted by the European Union (EU) according to the Ministry of Public Finance Order no. 2,844/2016, which is in accordance with the International Financial Reporting Standards (IFRS) adopted by the European Union (EU), except for IAS 21 *The effects of changes in foreign exchange rates* regarding functional currency.

Alro's financial results for Q2 2017 compared to Q2 2016 included in this report are not audited and present Alro's figures in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU in accordance with the Ministry of Public Finance Order no. 2,844/2016.

The indicators/ figures included in this report may be rounded to the nearest whole number and therefore minor differences may result from summing and comparison with exact figures mentioned in the financial statements.

Note 2: A list of all abbreviations and definitions used in this report can be found on page 23.

Letter from the Chairman

Dear Shareholders,

We have the great pleasure of coming in front of you with significantly improved results for the first half of 2017, and our expectations for the rest of the year are also positive. The Group's strategy of vertical integration and the growth of value-added products production and sales have helped us to get out of the recession period of our industry, stronger and more efficient.

Our sustained efforts done in the past years to continue investing in equipment upgrading and streamlining the production flows, while closely monitoring the market evolution so that we can take advantage of the opportunities offered by it, are now reflected in these positive results, significantly improved profit margins and, at the same time, in the Company's ability to generate liquidity. We are proud to report in H1 2017 an EBITDA at Group's level amounting RON 291,553 thousand compared to RON 136,762 thousand in H1 2016, while the net profit was RON 186,847 thousand in the first half of 2017 compared to RON 35,033 thousand in the similar period of the previous year. The same extraordinary results were reported also at Alro's level, which achieved an EBITDA level of RON 227,473 thousand, almost double compared with H1 2016, while the net profit was four times higher in the first half of 2017 compared to the similar period of last year.

The last five years have been difficult and during this time we have had to struggle in unfavourable market conditions with stricter regulations that determined us to look for the best solutions for streamlining the work activities for all our Group's operations, by improving specific consumption rates, by increasing productivity, by negotiating better prices and better payment terms for the raw materials acquired, and by focusing on value added products with higher margins. Nowadays, in the context of improved market conditions, with a higher level of aluminium price and an increasing demand, we have managed to transform the efforts made in the last years by the entire Alro's team into profits for our shareholders.

We succeeded to optimize the production costs through a detailed investment plan, while we have intensified our actions to expand the clients portfolio and to increase the sales for our end users.

More than that, for 2017 Alro allocated an investment budget of almost USD 41 million; for us the investment component has

been and remains a key element for the Group's future to ensure organic and sustainable growth. We aimed and assumed the role of a "green organisation" a few years ago when social corporate and environment responsibility was still at an incipient phase in Romania and when the priorities of those active in the aluminium market were to remain a viable player in a fragile industry marked by a survival fight. Under these circumstances, we have continued to closely monitor the effects of our activity on the environment in order to diminish and offset them and we have always been an active member of the communities in which we operate, through actions and events with a strong social, cultural and educational character.

The Parent-company, Alro, is the only producer of primary aluminium and aluminium alloys in Romania, an important name for the Romanian industry and a top employer – all these titles make us proud, while creating additional responsibility towards those who are directly or indirectly affected by Alro's activity and operations – shareholders, employees, local communities and, last but not least, potential investors and all other third parties interested and affected by the Company's activity. Alro remained faithful to its organizational structure of a leading by example organisation in Romania and continued to give a special importance to one of its most valuable assets – people; thus the results have certainly showed up – research and engineering teams within the Group have been rewarded with several awards for innovative projects that have a strong message in respect of environmental protection, while constantly reducing the utilities consumption (electricity, industrial water etc.) through sustained investments for upgrading the existing structure and equipments.

For us, this year represents the moment when we succeeded to meet the promises of the past years and the moment when we can take the opportunity to thank to our shareholders for the trust they granted us in the past years. Our promise is to consolidate these remarkable results in the coming period as well and to reinvent ourselves and constantly evolve into a world that is changing and developing at an astonishing speed.

Considering the actual aluminium price, our expectations are in the direction of a significant increase in the full year 2017 results and our Group will be able benefit from these favourable conditions.

Marian Nastase,
President of Board of Directors

Significant events in H1 2017

The main events for H1 2017 are listed below:

April

- On 28 April 2017, the Ordinary General Shareholders Meeting took place and among others, the financial statements, consolidated BoD report for financial year 2016 and the income and expenses budget, Alro's activity program and investment plan for 2017 were approved. At the same time, the OGSM reappointed Ernst & Young Assurance Service SRL as the Company's financial auditor for 2017;
- Within the same OGSM, the Company approved the payment of a gross dividend of RON 0.09417/share, starting with 25 May 2017 (Payment Date). The distribution of dividends is done through the 'Depozitarul Central' Bucharest, the participants in the clearing-settlement and registry systems (Participants) and Transilvania Bank - the payment agent.
- In H1 2017, the Group's subsidiary, SMHL reported a record bauxite production of more than 900,000 tonnes, up by 35% compared to the same period last year. Management efforts done during the past years of organizing and streamlining Sierra Leone's activity, as well as the investments made for equipment upgrades used for the extraction, washing and drying of bauxite are reflected in these figures, the best ones achieved since the Group took over this company's activity;
- Between January and June 2017 several projects within the Company's Investment Plan were completed for the benefit of both the Primary and Processed Aluminium Segments. Moreover, in H1 2017 within the financing contract co-funded by non-refundable European funds, signed in September 2016 the acquisition of research and development equipment was started;

June

- On 27 June 2017, another OGSM and an Extraordinary General Shareholders Meeting took place for approving the structure of the Board of Directors as a consequence of the election of a board member (i.e. Mr. Adrian Manaicu for a four-year term mandate, from 29 June 2017 to 29 June 2021, respectively);
- Between 19-25 June 2017, Alro team took part at the 52 edition of the International Paris Air Show Le Bourget, France, which is organized every two years. This is a fair with tradition and a landmark for the aerospace industry worldwide, several major aviation companies and from other related industries being present here, as well as official delegations beside visitors from the general public. At the 2017 edition, out of the seven days of the fair, four were dedicated and opened only to companies and business meetings, while the remaining three days were open to the general public; during the show, over 150 flight machines were presented and several air shows took place. This year, as well, Alro team participated as part of the Romanian delegation which had its own stand at Le Bourget and actively participated in various meetings with current/potential clients and suppliers;
- In the first six months of 2017, the aluminium price recorded a steady growth trend, this being reflected in the H1 2017 average of USD 1,880 / tonne compared to the same period of last year when it was USD 1,544 / tonne. This upward trend recorded in the first six months of 2017 culminated with a value of USD 1,909/tonne on 30 June 2017 compared to USD 1,635 / tonne on 30 June 2016.

General information

Alro

Company's address	No. 116 Pitesti Street, Slatina, Olt County
Telephone number	+40 (0)249-413901/902/903/904
Fax number	+40 (0)249-437500
Registration number in the Trade Register	J28/8/1991 at 31.01.1991
Fiscal code	RO1515374
Class, type, number and main features of the financial instruments issued by the Company	Registered dematerialized and ordinary shares
Subscribed share capital, fully paid up	356,889,568 RON
Organized market on which shares and stocks are traded	Bucharest Stock Exchange - Regulated Market
Total market value for each class of shares	Standard Category – 1.206.286.738 RON ¹

Alro Group - entities

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

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

¹Calculated based on the BSE quotation available on 30 June 2017 - the last day of H1 2017 when Alro's shares were traded (713,779,135 shares*1. 69 RON/ share)

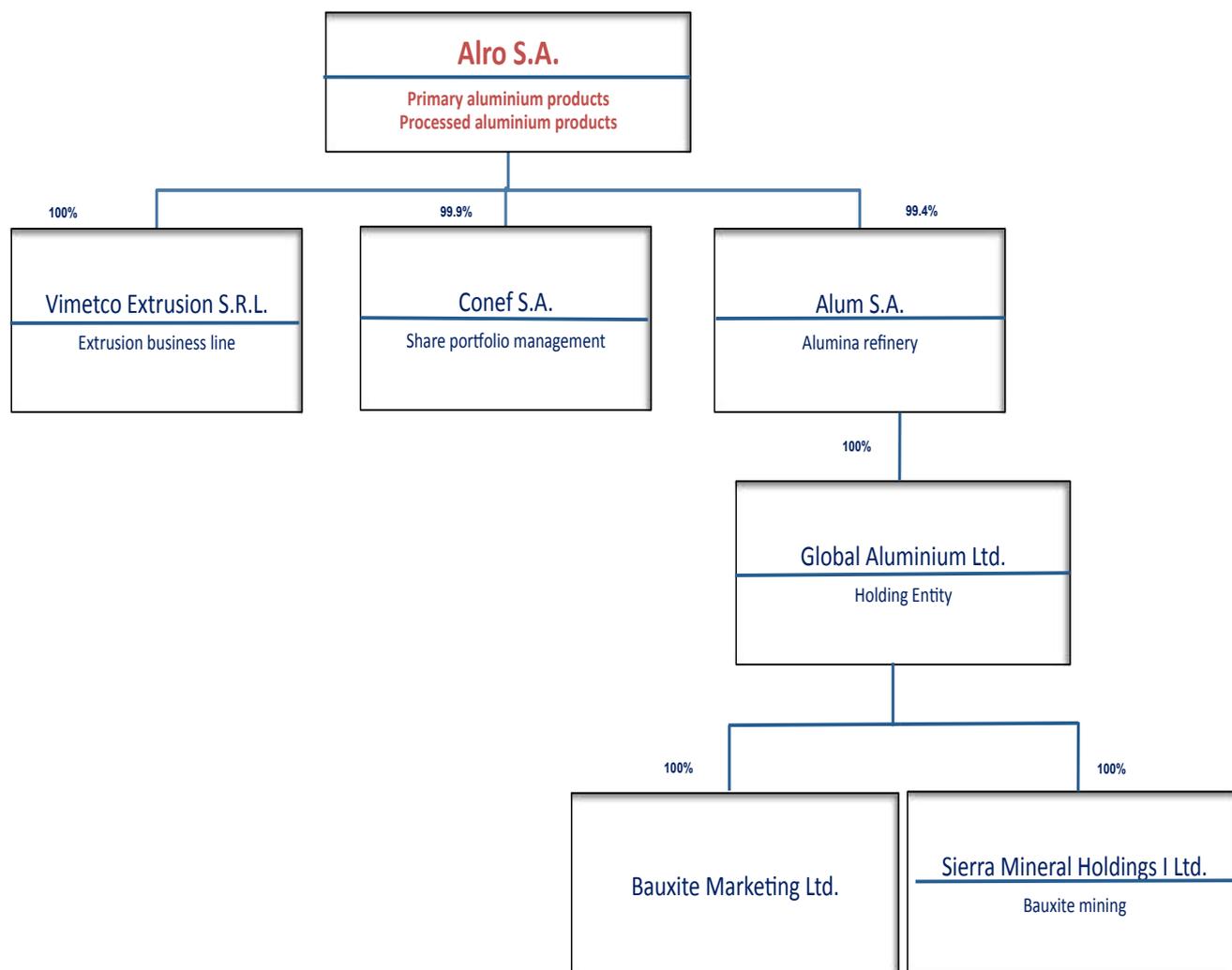
Overview

Alro ("the Company" or "the Parent-company") is a listed company established in 1991 in Romania and is part of an integrated group that produces aluminium, which covers the entire technological process, from bauxite to obtaining processed products. Alro is the largest aluminium producer in Continental Europe (excluding Russia and Scandinavia). The shares of Alro S.A. are traded on the Bucharest Stock Exchange under the symbol "ALR". The major shareholder of Alro S.A. is Vimetco N.V. (the Netherlands), which holds 84.19% of the Company's share capital. Vimetco N.V is a privately held company and its registered office is at Strawinskylaan 403, World Trade Center, A Tower, 4th floor, 1077 XX Amsterdam, The Netherlands. The Company's ultimate controlling entity is Maxon Limited (Bermuda).

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

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

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



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

Alro is structured in two divisions:

- Primary Aluminium, with Anode plant, Aluminium Smelter, Casting House, Eco-Recycling Facility, repairs and spare parts production units, road and rail transport and other additional sections. After investing in modernizing its equipment and in new technology, Alro reached a production capacity of 265,000 tonnes of primary aluminium and 340,000 tonnes of processed aluminium. At the same time all necessary anodes for the electrolysis of alumina are internally produced;
- Processed Aluminium has a processing capacity of 95,000 tonnes of processed aluminium, depending on the production mix. Currently, an increasing capacity program is running to reach a capacity up to 120,000 tonnes by 2021;

Alro is ISO 9001 certified for quality management and has NADCAP, as well as EN 9100 certifications for aerospace production, and also the ISO TS/IATF 16949 certification for automotive industry, its products being certified by the international standards for quality assurance for primary aluminium as set by the London Stock Exchange and those for flat rolled products, as well.

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

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

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

The main markets for the aluminium manufactured by Alro are within the European Union (Germany, Italy, Poland, Czech Republic and Romania). The Company also sells its products in USA and Asia.

In H1 2017, the Company continued its strategy of increasing its high value added products sales in terms of volume, especially those related to the processed aluminium segment, compared to the similar period of 2016. Thus, Alro registered a volume sales increase of the processed aluminium products by 3.6%, mainly due to the sales volume increase of aluminium sheets by 11% in H1 2017 compared with H1 2016. Alro's sales increased in value terms, this increase being in line with the evolution of the aluminium prices on the international market during the first half of 2017.

Regarding Alro's investment program, the Company approved an investment budget of almost USD 41 million and aims, besides increasing energy efficiency and upgrading the existing equipment, expanding its clients portfolio, increasing competitiveness and the quality of its products. Out of its total investment budget for 2017, in H1 2017 investments of more than USD 16 millions were finalized for the benefit of both segments, i.e. Primary Aluminium and Processed Aluminium.

Financial review

The Group's consolidated sales in the first half year of 2017 were of RON 1,378,150 thousand, an approximate 15% increase compared to the level reported in the similar period of 2016 (respectively RON 1,203,471 thousand), as the group succeeded to reflect within its results the positive trend of the aluminium prices on the international market. Alro's contribution within Group's consolidated sales made to third parties was RON 1,260,640 thousand in H1 2017, representing approximately 91.5% of Group's total sales (H1 2016: RON 1,111,091 thousand, 92.3%).

Consolidated sales

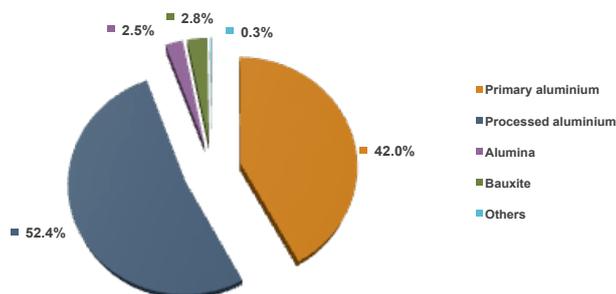
H1 2017: RON 1,378,150 thousand

H1 2016: RON 1,203,471 thousand

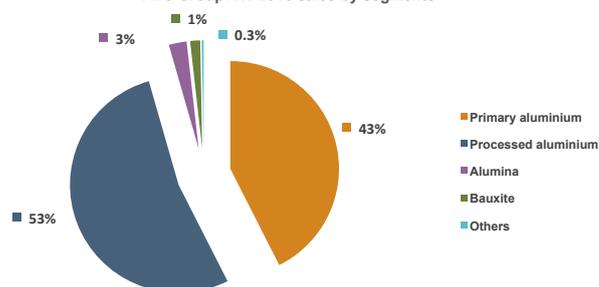


The contribution of the third parties sales of the Primary Aluminium segment was RON 579,188 thousand in H1 2017 and represented 42% of the Group's total revenues (H1 2016: RON 512,295 thousand; 43%). Third parties sales of Processed Aluminium segment represented 52.4% of the Group's total revenues in H1 2017, being of RON 722,205 thousand (H1 2016: RON 637,975 thousand; 53%).

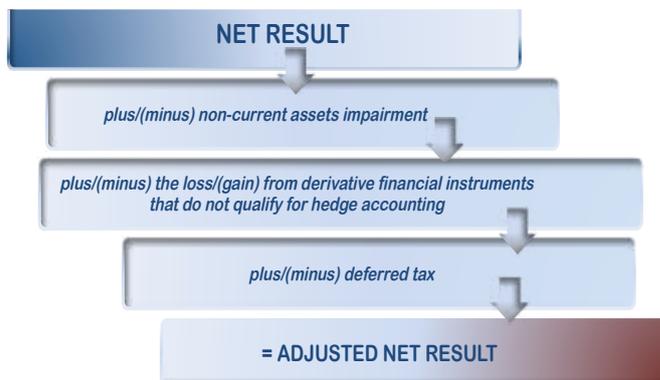
Alro Group: H1 2017 sales by segments



Alro Group: H1 2016 sales by segments



Group net result for the first half of 2017 was a net profit of RON 186,847 thousand, a significantly improved result compared to H1 2016, when the reported level was of RON 35,033 thousand based on an increased turnover, higher by approximately 15% and thanks to Group's management's efforts done during the past years to reduce its operational costs for all its subsidiaries. In the same period, Alro reported significantly improved results for H1 2017, the result being a net profit almost three times higher than that reported in the same period of last year (H1 2017: RON 155,951 thousand, compared to a net profit of RON 39,078 thousand, in H1 2016).



The reconciliations between the Net Result and the Adjusted Net Result at Alro Group level, and for Alro, respectively for H1 2017 and H1 2016 are detailed below:

Alro Group

Description (RON th)	H1 2017	H1 2016
NET RESULT	186,847	35,033
Plus/(minus) non-current assets impairment	-	(844)
Plus/(minus) the loss/(gain) from derivative financial instruments that do not qualify for hedge accounting	(87)	17,230
Plus/(minus) deferred tax	31,806	4,492
ADJUSTED NET RESULT	218,566	55,911

Alro

Description (RON th)	H1 2017	H1 2016
NET RESULT	155,951	39,078
Plus/(minus) non-current assets impairment	-	(844)
Plus/(minus) the loss/(gain) from derivative financial instruments that do not qualify for hedge accounting	(87)	17,230
Plus/(minus) deferred tax	30,794	8,480
ADJUSTED NET RESULT	186,658	63,944

In the first half of the financial year 2017, the Group reported an increase of processed product sales from 54,519 tonnes to 56,374 tonnes, advertising and marketing activities on international markets being focused on these high value added products, in order to attract new clients, while also penetrating new markets.

Regarding the **cost of goods sold**, the Group reported a slight decrease from RON 1,042,896 thousand in H1 2016 to RON 1,030,263 thousand in H1 2017, while the evolution at Alro's level was a similar one, but in the opposite direction, as the Company reported a cost level of the goods sold slightly increased from RON 978,502 thousand in H1 2016 to RON 992,020 thousand in H1 2017, mainly due to a slight increase in some of the raw materials prices.

The **Group's gross profit** doubled in H1 2017 being of RON 347,887 thousand compared to the same period of the last year when it was RON 160,575 thousand, the **gross profit margin** also significantly increasing from 13% in H1 2016 to 25% in H1 2017. As for Alro, the same upward trend was reported at the level of the Parent-company, the **gross profit** of H1 2017 being RON 268,620 thousand compared to the similar period of last year when it was RON 132,589 thousand with a **gross profit margin** of 21% in H1 2017 compared to 12% in H1 2016.

The Group's **operating results** for H1 2017 had a positive evolution, based on a growing turnover, in line with the upward trend in aluminum prices over the period under review. In this context, the Group reported for H1 2017 a significantly improved **EBIT** of RON 227,631 thousand compared to RON 72,845 thousand in H1 2016. The same positive evolution was visible also at Alro's level, the Parent-company, which reported an **EBIT**

of 185,578 thousand RON in the first half of 2017 compared to a positive EBIT of RON 78,827 thousand in H1 2016.

A significant improvement in the results was reported in H1 2017 in terms of **cash flows generated from the Group's operating activities**, as well, which reported a positive flow, almost 1.5 times higher than that reported in the similar period of the last year of 249,268 thousand RON compared to RON 103,917 thousand in H1 2016. Alro in its stand-alone financial statements reported a positive flow from its operating activities of RON 216,296 thousand in H1 2017, compared to RON 100,903 thousand reported in H1 2016. These cash-flows reflect mainly the Company's ability to generate significant liquidities from its aluminium production activity, while being, as well an achievement of the management's efforts done during the past years to improve as much as possible the operational area, while keeping under control the costs and managing in a cautious manner the cash inflows and outflows.

The **cash flows generated from financing activities** reported negative values in H1 2017, mainly due to the dividends payments done for the financial year 2016 and to the repayments of loans that were made during the period under review both by the Parent-company and by the Group's subsidiaries. At the sametime, during this period, the Group did not have cash inflows from any loans disbursements, compared to H1 2016 when these were quite significant.

As of 30 June 2017, the Group reported **cash and cash equivalents** of RON 344,385 thousand and restricted cash of RON 60,578 thousand (the latest consists of collateral deposits for a revolving credit facility granted to the Parent-company), compared to RON 285,850 thousand and restricted cash of RON 45,566 thousand at 31 December 2016. As for Alro, the same upward trend was visible and the Company reported a level of **cash and cash equivalents** of RON 335,534 thousand and restricted cash of RON 60,318 thousand compared to the amount of RON 282,374 thousand and RON 45,082 thousand, respectively at 31 December 2016.

Group's total assets reported as at 30 June 2017 were in amount of RON 2,386,911 thousand compared to RON 2,301,262 thousand as at 31 December 2016, out of which non-current assets were in amount of RON 1,219,238 thousand, a slightly decreased level compared to the previous period (31 December 2016: RON 1,228,280 thousand). Regarding Alro, the Company reported at 30 June 2017 a level of total assets of RON 2,472,260 thousand, up by more than 3% compared to 31 December 2016, while the non-current assets slightly increased to RON 1,266,935 thousand (31 December 2016: RON 1,265,040 thousand).

Group's current assets increased to RON 1,167,673 thousand as of 30 June 2017 from RON 1,072,982 thousand as of 31 December 2016, mainly due to the increase in cash and cash equivalents and other current assets. And at Alro's level, the same trend was visible and the current assets grew by almost 7% to RON 1,205,325 thousand at 30 June 2017. Alro's inventories level decreased by 5% as of 31 December 2016, representing a significant cash inflow by their sale.

Group's long-term liabilities decreased by more than RON 36,500 thousand at 30 June 2017 (31 December 2016: RON 328,073 thousand), mainly due to the repayments of loans made in the first half of 2017 by the Parent-company and by the Group's subsidiaries. Therefore, the same downward trend was also visible for Alro, which reported long-term liabilities lower by 12%, being RON 249,212 thousand at 30 June 2017 (31 December 2016: RON 282,510 thousand).

Group's short-term liabilities slightly increased in the first half of 2017 and amounted to RON 1,081,147 thousand at 30 June 2017 compared to RON 1,072,231 thousand at 31 December 2016. The same trend was registered for Alro, which reported a level of short-term liabilities of RON 1,002,656 thousand at 30 June 2017 (31 December 2016: RON 980,660 thousand), mainly due to the increase in short-term provisions and of trade and other payables.

In H1 2017, the Group continued its **investment plan** in energy efficiency, in extending its clients portfolio, while also ensuring the continuity and safety of its technological processes. Alro allocated for 2017 an investments budget of almost USD 41 million. During H1 2017 the investments done by the Group were RON 91,162 thousand, out of which RON 70,919 thousand were done by the Parent-company compared to RON 59,473 thousand in H1 2016 and RON 40,830 thousand, respectively. Upgrading its operations, which aim is to increase the unit's efficiency, the recycling capacity, while extending the products portfolio represent necessary measures for Alro to maintain its competitiveness on international markets, while being fully compliant with the environmental protection regulations, while minimizing at the same time its footprint. The Management of the other Group's companies pays a special attention, as well to investments which have as a final objective the environment protection, especially where its activity has a significant footprint (as per example in Sierra Leone).

Business environment

Operational analysis

Alro Group reported in H1 2017, a total production of primary aluminium of 139,459 tonnes, a slightly higher level compared to the one reported in the same period of last year (H1 2016: 137,883 tonnes). The same positive evolution was registered for processed aluminium production which increased in H1 2017 to 55,888 tonnes compared to 54,008 tonnes in H1 in 2016. The alumina production was of 217,689 tonnes in H1 2017, a slightly lower level compared to the one reported in the same period of the last year when it was 231.212 tonnes due to unfavorable weather conditions in Romania (e.g winter storms, blizzards and frosty days) during the first part of the year that made the supply of raw materials really difficult and therefore for ensuring the continuity of the production flow, the production was diminished to a level appropriate for that period. Bauxite production recorded a significant increase in H1 2017, the reported level being 921,238 tonnes compared to 679,137 tonnes in 2017, this increase of 36% representing a direct result of the investments made to streamline operations and improve the production flow.

Alro

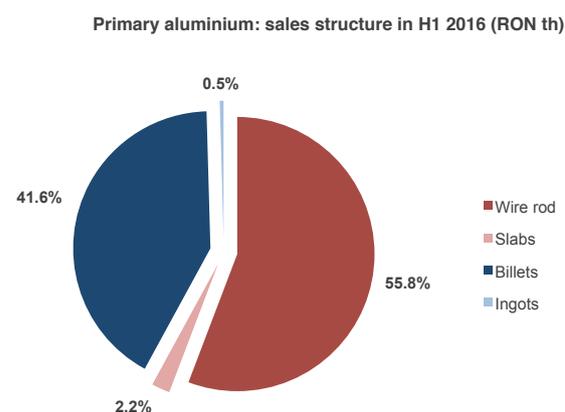
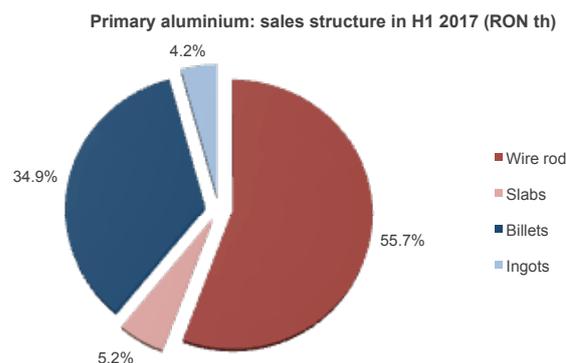
In the first six months of 2017, the Company reported a slightly increase in the primary aluminium production compared to the same period of 2016, respectively an increase of 1% (higher with 1,576 tonnes), while the processed aluminium production increased by 3% in the analyzed period, being in H1 2017 of approximately 43,000 tonnes. In H1 2017 the primary aluminium sales slightly decrease and reached the level of 76,374 tonnes, compared to 79,533 tonnes in H1 2016, and processed aluminum sales increased by 3.6% in the analyzed period, being in H1 2017 of 43,276 tonnes compared to 41,754 tonnes in S1 2016.

Primary Aluminium Segment

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

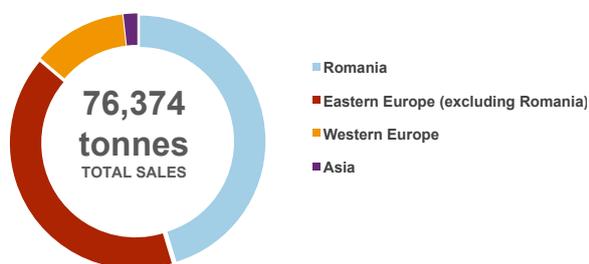
In H1 2017, the Company continued to improve the mix of products sold, as a result of the implementation of the strategy that is focused on high value added products.

The structure of primary aluminium sales based on product types in H1 2017, compared to H1 2016, is presented below:



The main primary aluminium markets in H1 2017 are detailed below:

Primary aluminium: main markets in H1 2017 (tonnes)



The processed aluminium markets in H1 2017 are detailed below:

Processed aluminium: main markets in H1 2017 (tonnes)



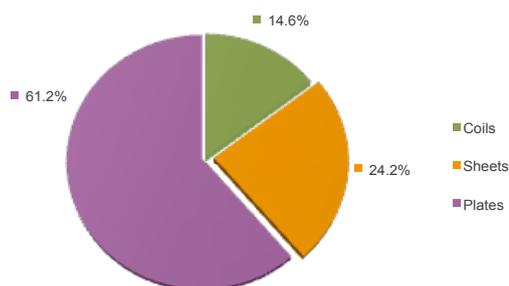
Processed Aluminium Segment

Alro sells its processed aluminium products, both on domestic and external markets. These products are presented in a diversified range and are produced with high value added, being sold with a superior profit margin compared to the primary aluminium products.

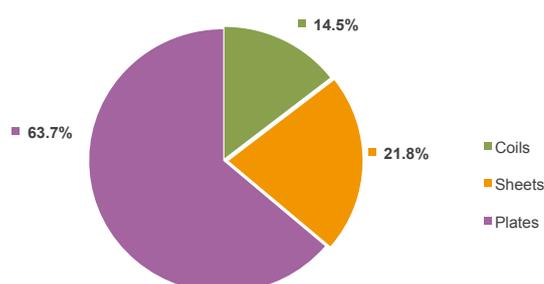
The processed aluminum sales recorded an increased level for all three product categories in H1 2017 as compared to H1 2016, but a significant increase was recorded for aluminum sheets. The main markets for Alro's products in H1 2017 were besides Romania, Germany, Italy, Poland, France, Spain, Czech Republic and also Turkey, Great Britain and USA.

The structure of processed aluminium sales based on product types in H1 2017, compared to H1 2016, is detailed below:

Processed aluminium: Sales structure in H1 2017



Processed aluminium: Sales structure in H1 2016



Other information

- the Company is not dependent on a client or a group of clients due to its diversified portfolio;
- during the six months period ended 30 June 2017, Alro did not buy or hold its own shares;
- during H1 2017 no mergers or reorganizations occurred;
- during the six months period ended 30 June 2017, there were no increases or decreases of the shares held in affiliated entities;
- the equipment status ensures safe operation and the achievement of the proposed objectives, with no problems related to the ownership of the Company's tangible assets;
- by upgrading its production machines and equipment, the Company is technically and technologically similar to the main aluminum producers on the international market.

Alum

Alum (Tulcea) is the only alumina refinery producer in Romania, with a production capacity of 600,000 tonnes/year. Alum is listed on ATS segment, AeRO category on the BSE, since May 2015.

Alum is mainly the supplier of alumina for Alro, part of the integrated production chain, also selling alumina and/ or hydrate to third parties.

At the date of this report, Alum's Executive Management is composed of Mr. Gheorghe Dobra - CEO and Mrs. Mihaela Duralia - CFO. Alum's Board of Directors is composed of five members: Gheorghe Dobra (Chairman), Aleksandr Barabanov (Vicepresident), Marian Cilianu, Mihaela Duralia and Ioan Popa (independent member).

In H1 2017, Alum had a production of 217,689 tonnes of alumina, a decrease compared to the similar period of previous year (H1 2016: 231,212 tonnes), due to severe weather conditions which created dysfunctionalities on the national railway system, river transportation and port operation level, in the first part of the year that made supply of raw materials more difficult and therefore daily

consumption of raw materials was diminished to ensure the continuity of production flow, which was reflected directly in the amount of alumina produced. However, in H1 2017 Alum achieved a turnover of RON 281,990 thousands, up by 9% compared to the same period of the last year (H1 2016: RON 257,938 thousands) thanks to the prices on the alumina market that showed an increasing trend during the first half of 2017.

The competition on the alumina market is impacted by the selling price and by the quality of products. Therefore, Alum will continue its strategy for reducing costs by optimizing its consumption levels and developing new environmental-friendly technologies, by obtaining beneficial prices for its raw materials and by investing in technology and in human capital.

In the short and medium term Alum aims to achieve the following objectives:

- investments with effect in decreasing production costs and increasing competitiveness, the environment protection and the corporate social responsibility active contribution;
- upgrading its equipment to meet high economic efficiency;
- providing raw materials and energy resources in the most advantageous economic terms;
- diversification of products range and increasing the turnover and production volumes;
- retention of the current external clients and attraction of new clients by offering a diversified range of products;
- development and implementation of new research and development projects.

In September 2016, Alum announced that it started to implement the project "Endowment of Alum's Research and Development Department with independent installations, performances in research to support economic competitive growth and business development", project which is co-funded from the European Fund for Regional Development by Competitiveness Operational Programme 2014-2020 – „Investment in sustainable development strategy". The project aims to enhance the research, development and innovation capacity in order to increase the innovation level and the market competitiveness of the company by purchasing and commissioning research and development equipment. The project implementation period is of 24 months and the project is of more than RON 20 million, out of which non-refundable financial contribution is over RON 6 million. In H1 2017 all the activities mentioned in Financing Agreement to be carried out so far in relation to this project have been completed and progress reports as requested in this Agreement have been submitted.

Vimetco Extrusion

Vimetco Extrusion, Romania's largest extruder and also an important supplier of aluminum profiles on the European market, continued in 2017 its strategy to extend its products portfolio, especially that of the value added products and the clients portfolio, as well.

Vimetco Extrusion Executive Management is composed of Mr. Razvan Pop - General Manager, Mrs. Stefania Yaksan - Financial Manager and Mr. Vladislav Lychkouski – Acquisitions & Logistics Manager. Vimetco Extrusion Board of Directors is composed

of five members: Igor Higer (Chairman), Aleksandr Barabanov (Vicepresident), Arie Shimon Meisel, Per Lyngaa and Razvan Pop. In H1 2017, Vimetco Extrusion reported total sales of 13,098 tonnes, an increased level compared to the similar period of last year (H1 2016: 12,765 tonnes) and an increased turnover by 14%, that reached in H1 2017 a level of RON 158,215 thousand. The operational results decreased in H1 2017 compared to the similar period of last year, mainly due to a decline in sales of customized products that benefit of higher premiums as compared to standard products.

Vimetco Extrusion produces a wide range of extruded products, which are used in various industries, ranging from lightweight construction to civil and industrial constructions, solar panels to the transport industry and automotive industry. Currently, 95% of Vimetco Extrusion products are sold abroad.

The market on which Vimetco Extrusion operates is highly demanding, but the investments done during the last years and the management efforts to increase the production capacity and the sales volume will allow Vimetco Extrusion to produce a wider range of high quality products at competitive prices, while the new technology implemented has as a direct result the increase of productivity, while lowering the fixed costs, as well. Moreover, through extensive use of technological scrap, the company managed to reduce its raw materials costs.

The main competitors of Vimetco Extrusion are companies from countries like Bulgaria, Poland, Slovakia, Turkey, Greece, Italy and Spain. Customer relationship, products quality, a high level of customer service, excellent communication and partnerships built over the years are the key factors that maintain Vimetco Extrusion as a preferred choice by customers.

Vimetco Extrusion continues to rely on loyalty of existing customers, while entering new markets and finding new customers, offering value-added and high-quality products with a high degree of processing at competitive prices and flexible delivery terms.

Vimetco Extrusion is also involved in the life of local communities and encourages the communication between educational institutions and the private sector.

Sierra Mineral Holdings I, Ltd. (SMHL)

SMHL represents one component of the Group's technological chain, being at the base of this integrated production chain: mining of bauxite. The bauxite obtained by SMHL is sold to Alum to be refined and the production of calcinated alumina serves in the aluminium production at Alro.

In H1 2017, SMHL produced 921,238 tonnes of bauxite compared to 679,137 tonnes produced in H1 2016. In terms of sales for H1 2017, SMHL also registered an increase and took advantage of the opportunities offered by the market to deliver its surplus production to third parties, the total quantity of sales to them being three times higher in H1 2017 compared to the similar period of 2016.

In the first six months of 2017, previous research and development investments have had a positive impact on the company's sales, as SMHL has been able to improve the quality of bauxite mined by

extracting a new type of high-quality bauxite but which is conditioned by its extraction and processing only in the dry season.

Moreover, the efforts made during the last years through the investments made for the efficiency of its operations were reflected in H1 2017 by registering a profit of over RON 23,500 thousand (H1 2016: profit of over RON 12,000 thousand), while the EBITDA increased significantly, during the analyzed period being by 48% higher than the one reported during the similar period last year.

Some of the main factors that contributed to the increase in company's performance during H1 2017 were:

- a better organization of the production process through outsourcing of the excavation and transportation activities;
- increasing the operational effectiveness through implementation of a regular program of repairs and maintenance for the used equipment with directly results in reduction of production losses;
- making investments for modernisation of equipments used in excavation, washing and drying of bauxite;
- improving the bauxite quality parameters by performing an optimal mix of production;
- implementing a new reorganization program of the company's activity and maintaining qualified personnel necessary to achieve quantitative and qualitative production parameters.

The positive results achieved in 2016 are encouraging and management makes efforts to maintain them in the coming years, as well. SMHL continues to implement costs reduction measures in all its activities areas – excavation and transportation; optimization of the number of active mines; activity effectiveness through a correct sizing of employees number and properly training them; improving the indicators for the river transportation, such as the loading rates and a more effective management of the existing fleet. Moreover, the Group's management is closely monitoring the activity in Sierra Leone, in order to take necessary measures to improve performance in real time.

Locally, SMHL is an active member within the communities in Sierra Leone, a special attention being paid to environment protection, considering the footprint of the mining activity, while sustaining programs for social and educational activities.

Conef S.A.

Conef is a company established according to GD no. 30/1991. The Company's shares are not traded on a regulated market. The share capital of the Company is of RON 6,692 thousand, representing 2,676,661 ordinary shares with a nominal value of RON 2.50, fully subscribed by its shareholders. Its main activity consists in managing the shares held in Alro.

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

In May 2015, the Parent Company acknowledged a legal civil action at the Bucharest Court of Law, brought by Hidroelectrica S.A., regarding material claims by the electricity producer for alleged unrealized benefits from the bilateral contract with Alro S.A. In December 2015, the Primary Court rejected a significant part of the

claims of Hidroelectrica as being time-barred, and consequently only remaining claims are under discussion, related to a short period from the contract of less than two months, which were subsequently dismissed in first instance by the Court in June 2016. As at the reporting date, the appeal has been filed at the Bucharest Court of Appeal, and the Company reported this information to the investors and interested public.

As at 30 June 2017 the Group and the Company were subject to a number of lawsuits resulting from the normal course of the business. Management believes that these actions, will not have a significant impact on the financial performance and financial position of the Group and/or of the Company.

At the beginning of 2016, Alro took note of the conclusions of the Competition Council investigation regarding the contract signed with Hidroelectrica and emphasized once again that it did not conclude any horizontal or vertical agreements in respect of this contract and had a fair commercial relationship with Hidroelectrica in compliance with all the legal requirements that regulate the energy sector in Romania. Alro is a final energy consumer, so it did not resell the electricity purchased from Hidroelectrica, using it exclusively in the Group's aluminium production process. However, in April 2016, Alro received a decision by which the Competition Council fines the Company with more than RON 21,000 thousand, representing 1.05% of its 2014 turnover, for an alleged breach of the competition legislation on the energy market on production and trading of electricity. The Company continues to maintain its view as it was published in January 2016 and continues to pay attention to this issue, given that both financial and brand implications may result for Alro from this subject. The next trial date was set for 13 September 2017. The Company is committed to timely informing the public and investors about the status of this legal case.

Regarding the LME's evolution on international markets, in the first half of the year, the aluminum price quotations on the London Metal Exchange continued to show increased levels, with the H1 2017 average being USD 1,880/tonne, compared to the same period of last year USD 1,544/ tonne.

On 30 June 2017, the Company complied with all the covenants imposed by the contracts with banks. Also, on 30 June 2017, a percentage of 10% of Alro's shares held by the major shareholder Vimetco N.V. is pledged with lending banks for the borrowing contracts concluded by the Company with them (31 December 2016: 10% of Alro's shares held by the major shareholder Vimetco N.V. were pledged).

During the first six months of the financial year 2017 there were no significant changes in the economic and operating conditions affecting the fair value of the Company's assets and liabilities, except the normal volatility of the aluminum price on international markets and the foreign exchange rate.

Main investments made during the reporting period –strategic projects

In 2017, the Group continued its investment program, as well and only for its Parent-Company, Alro, allocated a budget of almost USD 41 million for investments focused on increasing energy and

equipment efficiency, for expanding its clients portfolio, increasing competitiveness and products quality, as follows:

- investment projects necessary to reduce the energy dependence of the Company by increasing the energy efficiency of the existing processes and optimizing the waste recycling process in the Eco Cast House. Through this new facility, Alro managed to ensure some of the liquid aluminium from alternative sources, partially replacing the aluminium produced by electrolysis, process that requires a significant consumption of electricity;
- investment projects needed to expand the clients portfolio by increasing the production capacity of the Processed Aluminium Segment (for example: to increase the quantity of heated rolled products with high added value: heat treated plates, clad products);
- investment projects needed to increase the quality of Alro products in order to meet the most demanding quality requirements imposed by Alro clients for cast and heated rolled products;
- investment projects needed to improve the efficiency of existing equipment, as part of the continuous improvement programs;
- investment projects needed to increase Alro's competitiveness by improving delivery times for heated rolled products, with a major impact on Alro's customer satisfaction;
- investment projects necessary to ensure the safety and continuity of Alro's technological processes in order to achieve the budgeted production.

In S1 2017, Alro made capital expenditures amounting to over USD 16 million in investments for:

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

A special attention continues to be paid to the impact on environment, considering that the industry in which Alro operates is one with an important ecological footprint, and thus investments were made constantly which led in the past to reduced CO₂ emissions by at least 450,000 tonnes per year and this subject is constantly monitored.

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

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

Energy efficiency investments projects and other investments done by Alro

During the last five years, Alro made capital expenditures for investments of more than USD 100 million.

The main projects carried in this respect were:

Alro Primary Aluminium

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

Alro Processed Aluminium:

- upgrading the combustion and thermal insulation systems from the furnaces with heat treatment;
- upgrading the production and distribution systems for compressed air and thermal energy by decentralize production points;
- improving the energy management system within Alro Processed Segment;
- installing variable-speed drives (VSD) on motors from the technological process.
- installation of inverters on the recirculation fan motors in the aging oven.

Moreover, in September 2016, Alro signed a financing agreement having as object the allocation of a non-reimbursable funding for the implementation of the project "Investments in the Research and Development Department for the improvement of research infrastructure for the heat treated aluminium alloy plates with highly qualified industrial applications". Starting with this date, the activities included in the financing application timetable were started and implemented. The project will be implemented for a period of 24 months and the project scope is to purchase research –development equipment: independent equipment for the research of the aluminium alloy sheets quenching, independent equipment for the research of the residual stress removal process for the aluminium alloy sheets

with thickness lower than 20 mm, independent equipment for the research of the aluminium alloy plates aging process. In S1 2017, the signing of the acquisition contracts for three research piece of equipment, the object of the present financing project was completed, the procurement contracts were concluded, with the first two payments tranches being paid and the result of the procedure was communicated to all participants by being published on the portal for projects co-financed by European funds. Until now, the project was carried out without any deviation from the program approved through the financing agreement, which was also confirmed by the approval received from the Ministry of European Funds, which repaid without any corrections the amount requested by Alro in the first Reimbursement Application.

Other information regarding Alro's activity

Alro's training policy

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

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

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

The training activity has as internal support:

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

The policy to implement the training activity:

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

- periodical professional training;
- programs for initiation, qualification, requalification, authorization and specific certification carried inhouse or in collaboration with specialised companies;
- training and specialisation, organised with well-known consulting companies "in-house" or outside the Company;
- participation to different programs of comprehensive studies, post graduate programs, MBA etc.;

- participation in activities like team-building, symposiums, conferences, workshops, fairs and exhibitions, in Romania and abroad;
- consultancy services provided by well-known specialists in the aluminium production field;
- additional training methods using formal and informal ways.

In H1 2017, within Alro, qualification and requalification professional courses were organized such as: nonferrous metallurgist, laminator etc., as well as courses authorizing employees to practice occupations which require additional qualifications besides the document that certifies the respective occupation (for example: training and authorization courses for NDT operators, ISCIR authorizations, authorization of operators carrying out activities in the field of natural gas, etc.). The aim of these trainings is to comply with the legal stipulations for ensuring a proper correlation between the employees' qualifications and jobs, to secure the positions in the organizational chart with well trained employees, to bring the skill levels of employees at the technical modernization and technological developments and to facilitate the increasing internal mobility of employees in case any changes in the organizational structure of the Company would be required.

In 2017 professional training and specialization of the employees involved in the Aero and Auto projects continues. A focus will be kept on changing employees' view regarding self-control, quality, cost reduction, efficient use of the resources needed to carry out activities, complying with system and operational procedures, improving communication, in most cases being provided by external consultants.

In H1 2017, TESA employees from all areas of activity (such as, technical, industrial automation, IT, economic areas and others) followed professional development training programs or specialisation programs in order to access the most advanced information and best practices in their activity fields and in other areas of interest for the Company. Professional development programs such as the Executive MBA or training and specialization programs were held, such as: IATF 19949: 2016 - quality management systems, programmable automation courses, error measurement methods for counters electricity, evaluation and certification regarding the achievement of dynamic balances, fiscal programs, programs in the field of environmental protection, specific programs for the authorization of the responsible persons within the Company, programs on the management of classified information, personal data protection and others.

In H1 2017, a number of 20 employees within the Group who have started in October 2016 an Executive MBA program have continued their studies in the management area. This Executive MBA is done in partnership with Kennesaw State University (KSU), Atlanta - Georgia, USA and is considered one of the top Executive MBA programs in USA. This type of action reflects, once again that the Management is permanently preoccupied to invest in its employees, both as an incentive initiative, while

having qualified personnel who will be in this way able to fulfill their daily management tasks in a better manner.

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

Another important method for professional development training is the participation of certain specialists of the Company at seminars, fairs, expositions and workshops, in Romania and abroad.

Alro encouraged the interest of its employees for professional and personal development and has supported its staff to follow post-secondary schools, universities, masters, postgraduate or doctorate programs.

Anticipated professional training

The main goal is to train in advance potential employees (i.e. pupils from vocational schools, pupils from vocational high-schools, students, other categories of young people etc.) and this is carried out through the following methods:

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

- The partnership between Alro and Slatina Metallurgical Technical College for the organization of the first dual vocational education class in Olt County. Alro will be an active part of the training and professional qualification process, providing qualified staff, workshops and space for practical classes, providing logistics and equipment, so that students can obtain and apply the skills required to perform the qualifications chosen;
- Facilitate specialized internships at Alro for vocational schools students – classes of rolling mill operators, numerical control machine tool operators, Cast-House operators and electromechanics;
- Support some employees to follow high-school or post-secondary schools;
- Conduct joint projects (e.g. provide equipment for schools' laboratories, organize educative activities with pupils etc.);

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

- Internships – practice periods in Alro are organized each year for more than 50 students each year from different faculties and specialisations. In H1 2017, more than 20 students from universities in Bucharest, Craiova, Pitesti did internships at Alro;
- Academic papers prepared by students, final papers for Bachelor's Degree or Master's Degree on different case studies based on their experience gained at Alro;

- Conducting different joint activities with universities (i.e. students documentation visits to Alro, meetings between Alro's specialists and students held inside the universities campuses, preparing research papers, participation to career fairs, etc.).
- Support given by Alro in activities carried by certain faculties or by student associations (for example, Alro helped the Physics Department from the University of Craiova in organising the event "Researchers' night"; implementing some EU co-funded projects by Politehnica University from Bucharest).

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

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

Corporate Social Responsibility

Corporate Social Responsibility (CSR) represents the management process, integrated part of the Group's business strategy, through which it aims at contributing to the development of a sustainable and performing society in every area where it operates.

The Group has a policy through which are constantly identified individuals that may be interested in its activities, recognizes their legal rights and encourages their cooperation with the companies within the Group, to create wealth, jobs, and in order to ensure sustainability of a financially sound enterprise.

The Group constantly tries to be involved in solving the social problems of the community where it operates and gives consideration to the interests of the society, having responsibility towards its employees, shareholders, community and environment. Alro Group is actively involved in the life of the community by engaging in corporate responsibility programs, from the reconstruction of the homes destroyed by natural disasters to education, sports and health programs.

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

Alro believes in the sustainable development of the Society, being constantly concerned with improving and developing partnership and sponsorship policy, promoting and encouraging

CSR practices and principles by integrating them into managers and employee performance evaluation criteria, youth education, a better knowledge of Romanian art and culture, and also, the promotion of a clean environment and a healthy lifestyle.

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

At the same time, Alro is responsible for the safety of its products and customers. The Company contributes to the Romanian capital growth, to the development of the national economy, while ensuring a large number of jobs. Guidelines of measures related to social responsibility within Alro are published in the Social Responsibility section on page: www.alro.ro.

In H1 2017, Alro has contributed to numerous, cultural, sports, educational and social activities:

- Sponsorships for supporting events and actions in fields such as: social-cultural, education and schools, health, religion, sports, associations and foundations with activities in cultural areas, educational and social-humanitarian;
- The project "We Give Heat" - people aged over 60 years, who were registered in the Red Cross Olt, were the main beneficiaries of the solid fuel for heating, distributed during this project, carried out in January and February;
- Donation of wood material were made by the Society when Olt County was facing severely weather conditions, i.e. warnings of abundant snow and frost for the most vulnerable people in the county;
- The project "We help our grandparents to smile - Free dental prosthesis for the institutionalized elderly people" has been carried out for a period of two months (May-June 2017);
- The Green Guerilla Project - the first ecological movie caravan in Romania - Slatina, 31 May 2017. The caravan program has developed educational programs in schools, cinematographic projections, conferences, debates and contests. On its 15th edition, Green Guerilla launched an eco-mentoring program through which the young people from Slatina learned even from the employees of the Company in respect of the knowledge they will need to follow a career in this field;
- On 31 May the "Circular Economy in Slatina - a partnership between the industry and the community" conference was held in Slatina with Alro's support;
- The Company donated equipment and laboratory tools to the Slatina Metallurgical Technical College to conduct practical laboratory classes;
- Sponsorships for supporting events and actions in areas

such as social and cultural, education and learning, health, religion and cults, sports, partnerships with associations and foundations, active in cultural, educational and social - humanitarian fields;

- Several partnerships with high-schools, postgraduates and universities were signed (i.e. Technical Metallurgical High School, University Politehnica of Bucharest, Transilvania University of Brasov, University of Craiova etc.) to facilitate the specialized practice of students, documentation visits at Alro and in writing their final papers for bachelor's degree, master's degree or other academic papers on various research subjects etc.;
- Continuing the partnership with the City Hall of Slatina and with Olt County School Inspectorate and the Technical Metallurgical High School for organizing internships at Alro during the academic year 2016/2017 of some vocational classes through the professional school, in jobs of interest for Alro. This partnership will continue in the academic year 2017/ 2018, as well;
- Active participation of Alro's representatives at local social dialogue organizations, such as the Social Dialogue Commission with Olt Prefecture or Tripartite Consultative Council with Olt Labor Inspectorate;
- Involvement with good outcomes as a member in the organization UniRomSider;
- Improving the communication means with mass-media and local community;
- A special attention was paid to the relations with trade unions and federations of the Company and their affiliated parties as an important factor of stability, social peace and achievement in terms of mission and objectives of the Company's performance.
- Alro is an important contributor to local and national budgets.

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

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

A dialogue with trade unions was continuously carried in order to precisely implement the terms of the applicable Collective Labour Agreement, while preventing possible social tensions.

The other Group's subsidiaries are actively involved, as well in the activity and welfare of the communities in which they operate.

Alum is a company present in the local community through events or activities with a strong social character. Thus, in H1 2017 Alum was also involved as an active member in a partnership with the Red Cross, known as "With grandparents to the dentist", whose main objective was to provide free dental services for the elderly assisted in the " Sfantul Nectarie" from Tulcea.

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

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

Changes with impact on share capital and the management of the Company

Changes in the Board of Directors and executive Management

During the reporting period, no changes took place within the BoD or in the management structure, except for the extension

of Mr. Adrian Manaicu mandate as a member of the BoD during the OGM held on 27 June 2017. Mr. Manaicu's mandate is valid for a period of four years, respectively, from 29 June 2017 to 29 June 2021.

Other information regarding Alro

During the reporting period, the Company did not face the situation of not being able to meet its financial obligations.

Moreover, during H1 2017 there were no amendments regarding Alro's shares owner rights.

Significant transactions

The Group enters into transactions with its main shareholder, with companies under common control, with directors and key management personnel, under normal commercial terms.

During H1 2017, the transactions between the related parties were based on bilateral agreements and took place on arm's length.

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

For more information, please see Note 22 - *Related parties* from the condensed consolidated and separate financial statements for the six months ended on 30 June 2017 included in this report.

Outlook for 2017

The Group's results achieved in H1 2017 demonstrate once again that the strategy applied in recent years was the right one and, therefore the Management will continue in the same direction, monitoring at the same time the aluminium price evolution on international markets, as well as the opportunities offered by the market. Starting with the second half of the last year, the aluminium prices have had an upward trend, while the expectations for H2 2017 being the stabilization of the aluminium price at the current level. However, even if the market conditions are favourable nowadays, the Group's Management will continue to pay a special attention to decrease consumption, while improving the operational efficiency, with a direct effect in keeping costs under control.

Moreover, we are constantly investing in innovation, the research and development activity being considered a priority for the Group's activity. The aluminium industry is highly competitive and the capacities opened in recent years are benefiting from

the latest technologies; therefore, in order to be able to directly compete with these new factories, Alro Group must constantly invest in modernizing its existing structures and, while having the ability to reinvent itself and expanding its clients' portfolio and maintaining its quality standards. The projects co-funded by European funds and started in 2016 both within Alro and its subsidiary, Alum, for making strategic investments for clients and products portfolios are an example of actions taken in this direction.

Within the other subsidiaries, the first semester of 2017 was one with positively and significantly improved results compared to the same period of the last year. These significantly improved results at Group's level, altogether with the current aluminium price, make us optimistic in respect of the the whole year 2017 results and we expect this to be a benchmark year for Alro and the Group's results.

Abbreviations and definitions used in this report

BoD	Board of Directors
BSE	Bucharest Stock Exchange
CAGR	Compound Annual Growth Rate
COP	Competitiveness Operational Program
EBITDA	Earnings Before Interest, Taxes, Depreciation and Amortization
EC	European Commission
EGSM	Extraordinary General Shareholders Meeting
FSA	Financial Supervisory Authority, Romania
H1/H2	Half-year 1/ Half-year 2
IAS	International Accounting Standards
IATF	International Automotive Task Force
IFRS	International Financial Reporting Standards
NSF	National Securities Commission, Romania -currently FSA, Instruments and Financial Investments Sector
OGSM	Ordinary General Shareholders Meeting
Q1/Q2	Quarter 1/ Quarter 2
ROBOR	Romanian Interbank Offered Rate
SIBCLI	State Inspection for Boiler Control, Pressure Vessels and Lifting Installations
TAS	Trading alternative system on BSE
TESA	Technical, economic, social and administrative staff
USA	United States of America

**Condensed consolidated and separate financial statements
for the six months ended 30 June 2017**

Alro S.A. and its subsidiaries

Consolidated and separate statement of profit or loss and other comprehensive income for the six months ended 30 June 2017 - unaudited

in RON '000,
unless otherwise stated

	Note	Alro Group		Alro Stand-alone	
		Six months ended 30 June 2017	Six months ended 30 June 2016	Six months ended 30 June 2017	Six months ended 30 June 2016
Sales	5	1,378,150	1,203,471	1,260,640	1,111,091
Cost of goods sold		-1,030,263	-1,042,896	-992,020	-978,502
Gross profit		347,887	160,575	268,620	132,589
General, administrative and selling expenses	6	-122,571	-97,338	-84,916	-62,995
Other operating income	7	4,369	13,753	2,848	10,802
Other operating expenses	7	-2,054	-4,145	-974	-1,569
Operating profit (EBIT)		227,631	72,845	185,578	78,827
Interest expenses	8	-32,298	-33,899	-31,062	-31,829
Gains/(losses) from embedded derivatives	14	-	-11,704	-	-11,704
Other financial gains / (losses), net	9	1,801	-2,890	1,114	-2,322
Net foreign exchange gains / (losses)		22,694	16,536	31,115	14,586
Profit before income taxes		219,828	40,888	186,745	47,558
Income tax	10	-32,981	-5,855	-30,794	-8,480
Profit for the period		186,847	35,033	155,951	39,078
Other comprehensive income / (expense), net of tax:					
<i>Items that may be reclassified subsequently to profit or loss:</i>					
Translation adjustment		-8,836	-1,804	-	-
Other comprehensive income / (expense) for the period, net of tax		-8,836	-1,804	-	-
Total comprehensive income / (expense) for the period		178,011	33,229	155,951	39,078
Profit attributable to:					
Shareholders of Alro SA		186,702	35,152	155,951	39,078
Non-controlling interest		145	-119	-	-
Total comprehensive income / (expense) attributable to:		186,847	35,033	-	-
Shareholders of Alro S.A.		177,918	33,359	155,951	39,078
Non-controlling interest		93	-130	-	-
		178,011	33,229	-	-
Earnings per share					
Basic and diluted (RON)	11	0.262	0.049	0.218	0.055

The accompanying notes are an integral part of these condensed consolidated and separate financial statements.

Consolidated and separate statement of financial position as at 30 June 2017 - unaudited

in RON '000

	Note	Alro Group		Alro Stand-alone	
		30 June 2017	31 December 2016	30 June 2017	31 December 2016
Assets					
Non-current assets					
Property, plant and equipment	12	966,823	946,139	729,754	699,701
Investment properties		-	-	4,791	4,937
Intangible assets		5,589	5,401	4,547	4,834
Investments		-	-	423,645	423,645
Goodwill	13	89,326	95,066	-	-
Long-term loans receivable	22	53,582	52,035	-	-
Deferred tax asset	10	78,526	110,332	72,082	102,876
Other non-current assets	15	25,392	19,307	32,116	29,047
Total non-current assets		1,219,238	1,228,280	1,266,935	1,265,040
Current assets					
Inventories	16	591,543	590,783	427,592	450,276
Trade receivables, net		77,837	78,877	151,368	142,755
Current income tax receivable		1,541	1,813	-	-
Other current assets	17	91,789	69,422	230,513	208,633
Derivative financial instruments asset, current	14	-	671	-	671
Restricted cash	18	60,578	45,566	60,318	45,082
Cash and cash equivalents	18	344,385	285,850	335,534	282,374
Total current assets		1,167,673	1,072,982	1,205,325	1,129,791
Total assets		2,386,911	2,301,262	2,472,260	2,394,831
Shareholders' Equity and Liabilities					
Shareholders' equity					
Share capital		356,091	336,703	370,037	370,037
Share premium		86,351	69,446	86,351	86,351
Other reserves		330,320	339,052	306,191	306,191
Retained earnings		53,821	83,322	301,862	301,862
Profit for the period		186,702	71,531	155,951	67,220
Equity attributable to shareholders of Alro S.A.		1,013,285	900,054	1,220,392	1,131,661
Non-controlling interest		997	904	-	-
Total shareholders' equity		1,014,282	900,958	1,220,392	1,131,661
Non-current liabilities					
Bank and other loans, non-current	19	193,851	234,716	193,851	232,160
Finance leases, non-current	19	5,347	4,814	4,664	4,214
Provisions, non-current	21	33,041	33,520	1,216	1,193
Post-employment benefit obligations		36,738	36,884	32,242	32,220
Government grants, non-current portion	20	21,712	17,480	16,769	12,313
Other non-current liabilities		793	659	470	410
Total non-current liabilities		291,482	328,073	249,212	282,510
Current liabilities					
Bank and other loans, current	19	782,965	813,063	767,396	785,911
Finance leases, current	19	2,413	1,973	1,814	1,504
Provisions, current	21	13,780	177	13,772	-
Trade and other payables		199,837	185,308	149,247	137,424
Current income taxes payable		781	-	-	-
Government grants, current portion	20	1,592	1,592	1,146	1,146
Other current liabilities		79,779	70,118	69,281	54,675
Total current liabilities		1,081,147	1,072,231	1,002,656	980,660
Total liabilities		1,372,629	1,400,304	1,251,868	1,263,170
Total shareholders' equity and liabilities		2,386,911	2,301,262	2,472,260	2,394,831

The accompanying notes are an integral part of these condensed consolidated and separate financial statements.

Consolidated statement of changes in shareholders' equity for the 6 months ended 30 June 2017 - Alro Group - unaudited

	Share capital	Share premium	Other reserves
Balance at 1 January 2016	336,703	69,446	363,644
Profit for the period	-	-	-
Other comprehensive income / (expense)			
Translation adjustment	-	-	-
Other comprehensive income / (expense)	-	-	-
Total comprehensive income / (expense)	-	-	-
Transactions with owners of the company recognized directly in equity			
Distributions to owners of the company			
Appropriation of prior year result	-	-	-
Balance at 30 June 2016	336,703	69,446	363,644
Balance at 1 January 2017	336,703	69,446	363,644
Profit for the period	-	-	-
Other comprehensive income / (expense)			
Translation adjustment	-	-	-
Other comprehensive income / (expense)	-	-	-
Total comprehensive income / (expense)	-	-	-
Transactions with owners of the company recognized directly in equity			
Distributions to owners of the company:			
Appropriation of prior year result	-	-	-
Dividends distribution	-	-	-
Reclassification of share capital and share premium*	19,388	16,905	-
Balance at 30 June 2017	356,091	86,351	363,644

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

The accompanying notes are an integral part of these condensed consolidated and separate financial statements.

in RON '000

Translation reserve	Total other reserves	Retained earnings	Result for the period	Attributable to shareholders of Alro S.A.	Non-controlling interests	Total shareholders' equity
-24,483	339,161	83,701	-129	828,882	939	829,821
-	-	-	35,152	35,152	-119	35,033
-1,783	-1,783	-10	-	-1,793	-11	-1,804
-1,783	-1,783	-10	-	-1,793	-11	-1,804
-1,783	-1,783	-10	35,152	33,359	-130	33,229
-	-	-129	129	-	-	-
-26,266	337,378	83,562	35,152	862,241	809	863,050
-24,592	339,052	83,322	71,531	900,054	904	900,958
-	-	-	186,702	186,702	145	186,847
-8,732	-8,732	-52	-	-8,784	-52	-8,836
-8,732	-8,732	-52	-	-8,784	-52	-8,836
-8,732	-8,732	-52	186,702	177,918	93	178,011
-	-	71,531	-71,531	-	-	-
-	-	-64,687	-	-64,687	-	-64,687
-	-	-36,293	-	-	-	-
-33,324	330,320	53,821	186,702	1,013,285	997	1,014,282

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

The accompanying notes are an integral part of these condensed consolidated and separate financial statements.

Consolidated statement of changes in shareholders' equity for the 6 months ended 30 June 2017- Alro Stand-alone - unaudited

	Share capital
Balance at 1 January 2016	370,037
Profit for the period	-
Other comprehensive income / (expense)	-
Total comprehensive income / (expense)	-
Transactions with owners of the company recognized directly in equity	
Distributions to owners of the company	
Appropriation of prior year result	-
Balance at 30 June 2016	370,037
Balance at 1 January 2017	370,037
Profit for the period	-
Other comprehensive income / (expense)	-
Total comprehensive income / (expense)	-
Transactions with owners of the company recognized directly in equity	
Distributions to owners of the company	
Appropriation of prior year result	-
Dividends distribution	-
Balance at 30 June 2017	370,037

The accompanying notes are an integral part of these condensed consolidated and separate financial statements.

in RON '000

Share premium	Other reserves	Total other reserves	Retained earnings	Result for the period	Total
86,351	306,191	306,191	326,313	-24,036	1,064,856
-	-	-	-	39,078	39,078
-	-	-	-	-	-
-	-	-	-	39,078	39,078
-	-	-	-24,036	24,036	-
86,351	306,191	306,191	302,277	39,078	1,103,934
86,351	306,191	306,191	301,862	67,220	1,131,661
-	-	-	-	155,951	155,951
-	-	-	-	-	-
-	-	-	-	155,951	155,951
-	-	-	67,220	-67,220	-
-	-	-	-67,220	-	-67,220
86,351	306,191	306,191	301,862	155,951	1,220,392

The accompanying notes are an integral part of these condensed consolidated and separate financial statements.

Consolidated and separate statement of cash flows for the 6 months ended 30 June 2017 - unaudited

in RON '000

	Note	Alro Group		Alro Stand-alone	
		Six months ended 30 June 2017	Six months ended 30 June 2016	Six months ended 30 June 2017	Six months ended 30 June 2016
Cash flow from operating activities					
Profit before income taxes		219,828	40,888	186,745	47,558
<i>Adjustments for:</i>					
Depreciation and amortisation		63,922	64,760	41,895	40,242
Impairment of property, plant and equipment	7	-	-844	-	-844
Movement in provisions	21	13,603	-26,315	13,772	-26,212
Change in allowance for impairment of inventory	16	107	-10,904	107	-7,418
Change in allowance for impairment of doubtful receivables	6	44	-863	485	-107
Gain / (Loss) on disposal of property, plant and equipment	7	324	-1,025	42	76
Net foreign exchange losses on loans revaluation		-42,286	-17,678	-48,482	-18,042
Interest income	9	-3,066	-2,473	-1,900	-2,382
Interest expense	8	32,298	33,899	31,062	31,829
Effect of derivative financial instruments		-87	17,230	-87	17,230
<i>Changes in working capital:</i>					
Change in inventories		-2,292	75,713	21,970	86,345
Change in trade receivables and other assets		-19,484	16,887	-24,833	-16,141
Change in trade and other payables		15,256	-51,388	23,369	-21,580
Income taxes paid		-214	-2,352	-	-
Interest paid	8	-27,115	-31,618	-26,279	-29,651
Payments from derivatives, net		-1,570	-	-1,570	-
Net cash generated by / (used in) operating activities		249,268	103,917	216,296	100,903
Cash flow from investing activities					
Purchase of property, plant and equipment and intangible assets, net		-73,551	-59,203	-60,840	-40,457
Proceeds from sale of property, plant and equipment		731	3,996	-	3,643
Change in restricted cash	18	-24,094	2,632	-24,318	3,000
Loans to related parties	22	-3,621	-7,030	-	-
Interest received		1,045	1,204	1,767	1,883
Net cash used in investing activities		-99,490	-58,401	-83,391	-31,931
Cash flow from financing activities					
Proceeds from loans and leasing		2,359	238,080	1,782	191,014
Repayment of loans		-29,522	-73,756	-14,932	-48,347
Repayment of loans, related parties	22	-	-24,996	-	-24,996
Dividends paid	11	-64,062	-4,239	-66,595	-4,239
Net cash provided by/(used in) financing activities		-91,225	135,089	-79,745	113,432
Net change in cash and cash equivalents		58,553	180,605	53,160	182,404
Cash and cash equivalents at beginning of period		285,850	130,972	282,374	126,977
Effect of exchange rate differences on cash and cash equivalents		-18	-3	-	-
Cash and cash equivalents at end of period		344,385	311,574	335,534	309,381

The accompanying notes are an integral part of these condensed consolidated and separate financial statements.

Notes to the condensed consolidated and separate interim financial statements - unaudited

in RON '000, except per share data

1. Organisation and nature of business

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

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

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

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

These financial statements were authorised for issue by the Board of Directors on 10 August 2017.

2. Basis of preparation

Statement of compliance

These condensed consolidated and separate financial statements of Alro and its subsidiaries (further named "Condensed financial statements") for the 6 months ended 30 June 2017 have been prepared in accordance with IAS 34 *Interim financial reporting* as adopted by the European Union (EU) according to the Ministry of Public Finance Order no. 2,844/2016, which is in accordance with the International Financial Reporting Standards (IFRS) adopted by the European Union (EU), except for IAS 21 *The effects of changes in foreign exchange rates* regarding functional currency. For the 6 months ended 30 June 2016, the Group prepared condensed consolidated financial statements in accordance with IFRS as adopted by the EU, with the comparative figures being treated as per Public Finance Ministry Order no. 2844/2016 in these condensed consolidated financial statements, but this re-treatment has not resulted in any modification of values.

These financial statements should be read in conjunction with the annual financial statements of the Group and the Company for the year ended 31 December 2016.

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

Going concern

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

Functional and presentation currency

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

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

3. Significant accounting policies

The accounting policies adopted by the Group and the Company in the preparation of these condensed interim financial statements are consistent with those followed in the preparation of the Group and the Company's annual financial statements for the year ended 31 December 2016. There were no new standards and interpretations adopted by the Group and the Company effective as of 1 January 2017.

The following new standards, amendments to standards and interpretations have been issued in 2017 but are not effective for the financial year beginning 1 January 2017 and have not been early adopted by the Group and the Company:

- IFRS 17 *Insurance Contracts*, issued on 18 May 2017 (effective for annual periods beginning on or after 1 January 2021), not yet adopted by the EU. The standard establishes the principles for the recognition, measurement, presentation and disclosure of Insurance contracts, including reinsurance contracts issued, reinsurance contracts held and investment contracts with discretionary participation features issued, provided the entity also issues insurance contracts. The new standard is not expected to have an effect on financial statements of the Group and the Company.

- IFRIC 23 *Uncertainty over Income Tax Treatments*, issued on 7 June 2017 (effective for annual periods beginning on or after 1 January 2019), not yet adopted by the EU. The Interpretation clarifies the application of recognition and measurement requirements in IAS 12 *Income Taxes* when there is uncertainty over income tax treatments. The Interpretation specifically addresses the following: Whether an entity considers uncertain tax treatments separately, the assumptions an entity makes about the examination of tax treatments by taxation authorities, how an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates and how an entity considers changes in facts and circumstances. The management is currently evaluating the impact on financial statements resulting from this IFRIC.

4. Estimates

The preparation of condensed interim financial statements requires the Management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. The actual results may differ from these estimates.

In preparing these condensed interim financial statements, the significant judgements made by the management in applying the Group and the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the financial statements for the year ended 31 December 2016.

5. Segment information

For management purposes, the Group is organized on a vertically integrated basis into divisions: bauxite, alumina, primary aluminium and processed aluminium. For the purpose of resource allocation and assessment of segment performance the divisions are the basis on which the Group and the Company report its segment information to the chief operating decision maker. The bauxite segment is located in Sierra Leone. The alumina segment, located in Tulcea, Romania, uses bauxite to produce alumina, which is the principal raw material for aluminium smelting. The Primary aluminium division manufactures primary aluminium products like wire rod, slabs, billets and ingots and the Processed aluminium segment develops and sells flat rolled products, such as sheets, plates and coils, and extruded products. Both the Primary and Processed aluminium divisions are located in Slatina, Romania.

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

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

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

Alro Group revenues and results for the six months ended 30 June 2017 and 2016 by segment were as follows:

	Bauxite	Alumina	Primary aluminium	Processed aluminium	Other operations	Inter-segment operations	Total
Six months ended 30 June 2017							
Sales to external customers	39,094	34,149	579,188	722,205	3,514	-	1,378,150
Inter-segment sales	94,988	247,773	531,901	-	11,136	-885,798	-
Total sales	134,082	281,922	1,111,089	722,205	14,650	-885,798	1,378,150
Segment results (gross profit)	40,800	22,820	202,864	77,697	5,629	-1,923	347,887
Other operating expenses, net							-120,256
Interest and other finance costs, net							-30,497
Net foreign exchange gains / (losses)							22,694
Profit before income taxes							219,828
Six months ended 30 June 2016							
Sales to external customers	17,885	31,837	512,295	637,975	3,479	-	1,203,471
Inter-segment sales	103,668	226,101	435,898	27	10,982	-776,676	-
Total sales	121,553	257,938	948,193	638,002	14,461	-776,676	1,203,471
Segment results (gross profit)	29,699	-21,693	40,111	100,505	11,739	214	160,575
Other operating expenses, net							-87,730
Interest and other finance costs, net							-48,493
Net foreign exchange gains / (losses)							16,536
Profit before income taxes							40,888

In 2017, the processed aluminium segment result was lower than the result for the same period of last year due to the increase of the LME reference price that is considered when determining the primary aluminium sales between the segments of the Parent company, which is used for the purpose of this segmentation note.

Segment assets and liabilities at 30 June 2017 and 31 December 2016, respectively, were as follows:

Alro Group

	Bauxite	Alumina	Primary aluminium	Processed aluminium	Other activities	Inter-segment operations	Total
30 June 2017							
Total assets	111,891	507,865	1,098,883	491,819	1,277,755	-1,101,302	2,386,911
Total liabilities	311,450	262,838	176,259	144,544	1,064,309	-586,771	1,372,629
31 December 2016							
Total assets	106,141	495,380	1,103,412	434,522	1,238,945	-1,077,138	2,301,262
Total liabilities	345,503	253,565	159,475	114,408	1,106,092	-578,739	1,400,304

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

Alro's revenues and results for the six months ended 30 June 2017 and 2016 by operating segment were as follows:

	Primary aluminium	Processed aluminium	Other operations	Inter- segment operations	Total
Six months ended 30 June 2017					
Sales to external customers	682,068	564,774	13,798	-	1,260,640
Inter-segment transfers	429,021	-	-	-429,021	-
Total sales	1,111,089	564,774	13,798	-429,021	1,260,640
Segment results (gross profit)	202,864	60,979	4,777	-	268,620
Other operating expenses, net					-83,042
Interest and other finance costs, net					-29,948
Foreign exchange gains/(losses)					31,115
Profit before income taxes					186,745
Six months ended 30 June 2016					
Sales to external customers	597,042	500,196	13,853	-	1,111,091
Inter-segment transfers	351,151	-	-	-351,151	-
Total sales	948,193	500,196	13,853	-351,151	1,111,091
Segment results (gross profit)	40,111	81,345	11,133	-	132,589
Other operating expenses, net					-53,762
Interest and other finance costs, net					-45,855
Foreign exchange gains/(losses)					14,586
Profit before income taxes					47,558

Alro Stand-alone assets and liabilities

	Primary aluminium	Processed aluminium	Other activities	Inter- segment operations	Total
30 June 2017					
Total assets	1,098,883	378,705	994,672	-	2,472,260
Total liabilities	176,259	55,706	1,019,903	-	1,251,868
31 December 2016					
Total assets	1,103,412	340,842	950,577	-	2,394,831
Total liabilities	159,475	40,139	1,063,556	-	1,263,170

The category "Other operations" refers to sundry services performed towards related or third parties, which are not allocatable to the identified segments.

Total assets representing "Other activities" include mainly investments in subsidiaries, administrative buildings, deferred tax asset and embedded derivatives.

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

6. General, administrative and selling expenses

	Alro Group		Alro	
	Six months ended 30 June 2017	Six months ended 30 June 2016	Six months ended 30 June 2017	Six months ended 30 June 2016
Staff costs	-62,899	-43,398	-45,863	-27,012
Third party services	-22,059	-20,159	-15,613	-14,216
Consulting and audit	-13,403	-12,608	-10,706	-10,498
Consumables	-6,015	-4,990	-3,212	-2,934
Taxes other than income taxes	-3,356	-3,833	-2,386	-2,139
Depreciation and amortisation	-3,164	-2,825	-1,630	-1,641
Insurance	-4,077	-3,075	-2,168	-1,961
Marketing and public relations	-1,908	-2,236	-782	-332
Travelling	-2,037	-1,566	-550	-726
Other	-3,609	-3,511	-1,521	-1,643
Change in allowance for doubtful debts	-44	863	-485	107
Total	-122,571	-97,338	-84,916	-62,995

The category "Staff costs" includes an amount of RON 13,772 thousand for H1 2017 representing a provision in line with the Collective Labour Contract.

7. Other operating income and expenses

	Alro Group		Alro	
	Six months ended 30 June 2017	Six months ended 30 June 2016	Six months ended 30 June 2017	Six months ended 30 June 2016
Other operating income				
Rental income	128	121	783	779
Income from unused provision reversals	-	4,972	-	4,972
Income from claims and penalties	333	1,938	157	1,923
Reversal of impairment of property, plant and equipment	-	844	-	844
Net gain on disposal of property, plant and equipment	-	1,025	-	-
Other income	3,908	4,853	1,908	2,284
Total other operating income	4,369	13,753	2,848	10,802

	Alro Group		Alro	
	Six months ended 30 June 2017	Six months ended 30 June 2016	Six months ended 30 June 2017	Six months ended 30 June 2016
Other operating expenses				
Idle plants depreciation expenses	-585	-805	-585	-805
Net loss on disposal of property, plant and equipment	-324	-	-42	-76
Claims, fines and penalties	-44	-839	-6	-287
Other expenses	-1,101	-2,501	-341	-401
Total other operating expenses	-2,054	-4,145	-974	-1,569

Other operating income

The category "Other income" at Group level includes an amount of RON 796 thousand and of RON 573 thousand at Company level in 2017 and 2016 representing government grants from EU funds received by the Company in 2013 for the investment in a processed products finishing line and by a subsidiary of the Company in 2014 for an extrusion equipment. The grants are recognized as income linearly during the useful life of the equipments for which they were received. Refer to Note 20.

Other operating expenses

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

8. Interest expenses

	Alro Group		Alro	
	Six months ended 30 June 2017	Six months ended 30 June 2016	Six months ended 30 June 2017	Six months ended 30 June 2016
Interest expense	-26,538	-29,107	-25,350	-27,068
Interest and commissions paid in relation with factoring agreements	-5,760	-4,792	-5,712	-4,761
Total	-32,298	-33,899	-31,062	-31,829

Interest expense includes the amount of RON 6,357 thousand for Group and the amount of RON 6,253 thousand for Company (in 2016: RON 6,938 thousand for Group and RON 6,737 thousand for Company) representing transaction costs on loans obtained or extended, recognized during the period as interest expense based on the effective interest rate method.

9. Other financial gains/ (losses), net

	Alro Group		Alro	
	Six months ended 30 June 2017	Six months ended 30 June 2016	Six months ended 30 June 2017	Six months ended 30 June 2016
Interest income	3,066	2,473	1,900	2,382
Bank commissions	-1,410	-1,887	-873	-1,226
Unrealized net losses from derivative financial instruments	-	-3,478	-	-3,478
Other financial gains, net	145	2	87	-
Total	1,801	-2,890	1,114	-2,322

The interest income of the Group includes an amount of RON 2,021 thousand (in 2016: RON 1,269 thousand) related to a borrowing agreement concluded by a subsidiary with Vimetco NV (refer to Note 22 as well).

The "Unrealized net losses from derivative financial instruments" in H1 2016 represented the loss from the mark to market of the option hedging contracts on aluminium price concluded by the Company, with settlements during the second half of the year 2016. For further details please see Note 14.

10. Income tax

At 30 June 2017, the Group and the Company had a net deferred income tax asset of RON 78,526 RON thousand at Group level and RON 72,082 thousand at Company level (at 31 December 2016: RON 110,332 thousand for Group and RON 102,876 thousand for Company), of which RON 71,215 thousand is for fiscal losses carried forward at Group level and RON 68,961 thousand at Company level (at 31 December 2016: RON 112,831 thousand for Group and RON 101,453 thousand for Company), as the management believes there will be sufficient taxable profits in future against which these fiscal losses carried forward could be used.

Income tax expense is recognized based on management's best estimate of the annual income tax rate expected for the full financial year applied to the pre-tax income of the interim period. The effective income tax rate for the 6 months ended 30 June 2017 is 15% at Group level and 16.49% at Company level (for the same period of 2016: 14.32% for Group and 17.83% for Company).

The main components of the income tax expense in the statement of profit or loss and other comprehensive income are:

	Alro Group		Alro	
	Six months ended 30 June 2017	Six months ended 30 June 2016	Six months ended 30 June 2017	Six months ended 30 June 2016
Income tax				
Current income tax	-1,175	-1,363	-	-
Deferred income tax	-31,806	-4,492	-30,794	-8,480
Income tax expense	-32,981	-5,855	-30,794	-8,480
Income tax recognised in other comprehensive income	-	-	-	-
Total income taxes	-32,981	-5,855	-30,794	-8,480

11. Earnings per share

	Alro Group		Alro	
	Six months ended 30 June 2017	Six months ended 30 June 2016	Six months ended 30 June 2017	Six months ended 30 June 2016
Net result attributable to the owners of the Entity	186,847	35,033	155,951	39,078
Weighted average number of ordinary shares	713,779,135	713,779,135	713,779,135	713,779,135
Basic and diluted earnings per share (RON/share)	0.262	0.049	0.218	0.055

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

The general Shareholders' Meeting dated 28 April 2017 approved the distribution into dividends of the net profit realized by the Parent Company in 2016 amounting to RON 67,220 thousand, which results into a gross dividend payable of 0.09417 RON/share.

Until the reporting date, Alro paid RON 66,595 thousand of the dividends declared for 2016 (in H1 2016 RON 4,239 thousand were paid in respect of dividends declared in 2012 and deferred for payment to the majority shareholder Vimetco N.V.).

12. Property, plant and equipment

During the 6 months ended 30 June 2017 the Group and the Company acquired property, plant and equipment amounting to RON 91,162 thousand at Group level and RON 70,919 thousand at Company level (during the 6 months ended 30 June 2016: RON 59,473 thousand for Group and RON 40,830 thousand for the Company). The acquisitions of the Group and the Company include mainly advance payments for the investment projects dedicated to the research infrastructure for high qualification industrial applications, which are co-financed by the European Fund for Regional Development, by the Competitiveness Operational Program 2014-2020.

From January to June 2017, the Group and the Company disposed of property, plant and equipment in the net amount of RON 1,054 thousand at Group level and RON 42 thousand at Company level (during the 6 months ended 30 June 2016: RON 6,054 thousand for Group and RON 3,719 thousand for Company).

At 30 June 2017, the net book value of property, plant and equipment pledged for securing the Group and Company's borrowings amounts to RON 782,777 thousand for Group and RON 641,866 thousand for Company (31 December 2016: RON 799,324 thousand at Group level and RON 647,230 thousand at Company level).

13. Goodwill

	Alro Group	
	2017	2016
Balance 1 January	95,066	92,201
Translation adjustment	-5,740	-1,570
Balance at 30 June	89,326	90,631

The goodwill is allocated to the cash generating units as follows (after conversion into RON at the period end exchange rate):

	Alro Group	
	30 June 2017	31 December 2016
Alro Group	70,543	74,849
Global Aluminium Ltd.	18,357	19,791
Goodwill at acquisition of Vimetco Extrusion	426	426
Total	89,326	95,066

Impairment test

Goodwill is tested for impairment annually (as at 31 December) and when circumstances indicate the carrying value may be impaired. The Group's impairment test for goodwill is based on fair value less costs of disposal, estimated using discounted cash-flow techniques and applying a market-based measurement.

As there were no indicators for impairment of any of the CGUs at 30 June 2017, the management has not updated the impairment calculations made as at 31 December 2016.

14. Derivative financial instruments

	Alro Group		Alro	
	Active	Datorii	Active	Datorii
30 June 2017				
Aluminium swaps	-	-	-	-
Total	-	-	-	-
Thereof:				
Non-current	-	-	-	-
Current	-	-	-	-
31 December 2016				
Aluminium swaps - cashflow hedges	671	-	671	-
Total	671	-	671	-
Thereof:				
Non-current	-	-	-	-
Current	671	-	671	-

Commodity swap contracts

The outstanding balance of RON 671 thousand at 31 December 2016 represents the fair value of the aluminium swap contracts concluded by the Group and the Company in the end of 2016 in order to hedge its sales at fixed price against adverse market fluctuations. The swap agreements were concluded with highly reputed counterparties for a quantity of approximately 600 tonnes at an average fixed price of 1,430 EUR/t, for which the counterparty would pay a floating price valid at the time of sales.

At 30 June 2017 the Group and the Company no longer had aluminium swap agreements, all the contracts having been settled during January-February 2017 with the realized gain for 2017 of RON 87 thousand being presented under note 9 "Other financial gains / (losses), net".

The commodity swaps were classified within Level 2 of the fair value measurement hierarchy.

Commodity options

In 2016, for the purpose of protecting its revenues against the volatility of the aluminium price, the Group and the Company entered into several transactions with financial institutions consisting of 100% zero-cost collar of Asian options by taking long positions on put options and short positions on call options for a quantity of 50,000 tonnes aluminium, by securing for the respective quantity a minimum price of 1,583 USD/t. The options were settled on a monthly basis during July - December 2016, so that as at 31 December 2016 and 30 June 2017 no option contract was outstanding.

The unrealized net loss resulting from the mark-to-market of these options at 30 June 2016 amounting to RON 3,478 thousand was included in the note 9 "Other financial gains / (losses), net".

The options were classified within Level 2 of the fair value measurement hierarchy.

Embedded derivatives

In 2010, the Group and the Company entered into a long-term electricity purchase contract valid until January 2018. The agreed pricing contains an LME-linked price adjustment, and a foreign exchange linked price adjustment, which were not clearly and closely related to the host contract and therefore they represented an embedded derivative which was separated from the host contract and accounted for at fair value through profit or loss. The contract went through more modifications since its initial date (refer to the Financial Statements for 31 December 2016 for further details).

In June 2016, the Company exercised its option not to purchase energy for 2017 on the basis of this contract, so that Group and the Company do not have embedded derivatives outstanding at 31 December 2016 and 30 June 2017. The loss from the change in fair value of the embedded derivative instrument during the 6-month period ended 30 June 2016, amounting to RON 11,704 thousand was debited to the profit or loss account, being presented under "Gains/(Losses) from embedded derivatives", while an amount of RON 2,048 thousand was debited to the statement of profit or loss as "energy cost" under "Cost of goods sold", being the fair value of the monthly derivative instruments settled during the reporting period.

The embedded derivatives were classified within Level 2 of the fair value measurement hierarchy.

There were no transfers between levels of the fair value hierarchy used in measuring the fair value of financial instruments.

The Group and the Company does not have level 3 financial instruments.

In 2017 there were no significant changes in the business or economic circumstances that affect the fair value of the Group and Company's financial assets and financial liabilities, except for the normal volatility of aluminium prices on international markets, and of foreign exchange rates.

15. Other non-current assets

	Alro Group		Alro	
	30 June 2017	31 December 2016	30 June 2017	31 December 2016
Collateral deposits	9,102	-	9,102	-
Amounts paid in advance	16,290	19,307	16,290	19,307
Other non-current assets	-	-	6,724	9,740
Total	25,392	19,307	32,116	29,047

"Collateral deposits" at 30 June 2017 represent cash placed with a bank until December 2018 as a pledge for a non-cash facility contracted by the Company. They were classified as "Other non current assets" due to the term longer than one year until their maturity (refer also to Note 18 *Cash and cash equivalents*).

At 30 June 2017, the category "Amounts paid in advance" represents payments for compliance with the regulations in force regarding the renewable energy supported by green certificates, which the Company estimates to recover in more than one year from the reporting date.

Other non-current assets represent mainly receivables from one of the subsidiaries resulting from various services performed or utilities invoiced during the reporting year, which are reflected as long term assets by the Company in accordance with the agreed terms of receipt.

16. Inventories

	Alro Group		Alro	
	30 June 2017	31 December 2016	30 June 2017	31 December 2016
Raw and auxiliary materials	264,501	273,616	188,451	197,619
Work in progress	189,458	140,607	119,447	88,916
Finished goods	158,171	197,838	129,980	173,920
Less: allowance for obsolescence	-20,587	-21,278	-10,286	-10,179
Total	591,543	590,783	427,592	450,276

The value of inventories pledged for securing the Group's and the Company's borrowings amounts RON 427,592 thousand (31 December 2016: RON 450,276 thousand).

The movement in allowance for the impairment of inventories is the following:

	Alro Group		Alro	
	Six months ended 30 June 2017	Six months ended 30 June 2016	Six months ended 30 June 2017	Six months ended 30 June 2016
Balance at beginning of the year	-21,278	-35,573	-10,179	-21,259
(Charge) to cost of goods sold	-430	-1,274	-430	-1,274
Reversal to cost of goods sold	323	12,178	323	8,692
Translation adjustments	798	218	-	-
Balance at end of the year	-20,587	-24,451	-10,286	-13,841

17. Other current assets

	Alro Group		Alro	
	30 June 2017	31 December 2016	30 June 2017	31 December 2016
VAT recoverable	51,083	42,224	30,807	36,480
Other current assets	10,035	16,144	6,399	13,695
Advances to suppliers	12,508	6,351	180,138	154,943
Prepayments	18,210	4,750	13,198	3,544
Allowance for other doubtful debtors	-47	-47	-29	-29
Total other current assets	91,789	69,422	230,513	208,633

18. Cash and cash equivalents

	Alro Group		Alro	
	30 June 2017	31 December 2016	30 June 2017	31 December 2016
Cash at banks in RON	48,744	57,103	43,788	55,835
Cash at banks in other currencies	295,596	228,702	291,717	226,523
Petty cash and cash equivalents	45	45	29	16
Total	344,385	285,850	335,534	282,374

At 30 June 2017 and 31 December 2016, a great part of cash was held in current accounts opened with reputable private banks in Romania or with State owned banks.

As at 30 June 2017 and 31 December 2016 the bank accounts of the Group are pledged to secure its borrowings.

Restricted cash

	Alro Group		Alro	
	30 June 2017	31 December 2016	30 June 2017	31 December 2016
Restricted cash	60,578	45,566	60,318	45,082
Total	60,578	45,566	60,318	45,082

As at 30 June 2017 the restricted cash included an amount of RON 36.000 thousand consisted of a collateral deposit for a revolving credit facility obtained by the Company and an amount of RON 24,318 thousand related to a letter of credit for a supplier for fixed assets.

At 30 June 2017 an amount of RON 9,102 thousand representing the RON equivalent of a EUR 2,000 thousand collateral deposit for a non-cash facility obtained from a commercial bank was classified as "Other non-current assets" in the Statement of Financial Position due to the fact that the facility was extended until December 2018 (refer to Note 15 as well). At 31 December 2016, this collateral deposit was disclosed in the category "Restricted cash" as the valid maturity of the facility was within 1 year from the reporting date.

19. Borrowings and finance lease

	Alro Group		Alro	
	30 June 2017	31 December 2016	30 June 2017	31 December 2016
Long-term borrowings				
Long-term bank loans	976,812	1,046,871	961,247	1,018,071
Less: Short-term portion of long-term bank loans	-782,961	-812,155	-767,396	-785,911
Bank loans, non-current	193,851	234,716	193,851	232,160
Finance leases	5,347	4,814	4,664	4,214
Total long-term borrowings and finance lease	199,198	239,530	198,515	236,374
Short-term borrowings				
Short-term bank loans	4	908	-	-
Short-term portion of long-term bank loans	782,961	812,155	767,396	785,911
Short-term bank loans, total	782,965	813,063	767,396	785,911
Finance leases	2,413	1,973	1,814	1,504
Total short-term borrowings and finance lease	785,378	815,036	769,210	787,415
Total borrowings and finance lease	984,576	1,054,566	967,725	1,023,789

The bank borrowings of the Group and the Company will mature until 2022 and the related interest rates ranged between 0.40% for EUR and 23% for SLL (Sierra Leone Leones) in 2017 at Group level (in 2016: between 0.40% for EUR and 21% for SLL) and at Company level between 0.40% for EUR and 5.29% for USD (in 2016: between 0.40% for EUR and 5.60% for USD).

At 30 June 2017, the Group and the Company did not have undrawn amounts from the loan facilities contracted with the banks, except for the amount of RON 794 thousand of a SLL 1,500,000 thousand overdraft for working capital (the equivalent of RON 798 thousand at 30 June 2017) obtained by the Group subsidiary in Sierra Leone. At 31 December 2016, an amount of RON 6,912 thousand was undrawn from the facilities that the Group and the Company had contracted with banks.

From the EUR 10.000 thousand non-cash facility for letters of credit and letters of guarantee, extended in February 2017 until December 2018, the Company had the amount of RON 12,353 thousand available at 30 June 2017 (RON 13,807 thousand at 31 December 2016).

According to the existing borrowing agreements the Group and the Company are subject to certain restrictive covenants. These covenants require the Group and the Company, among other things, to refrain from paying dividends to its shareholders unless certain conditions are met, and to maintain a minimum or maximum level for certain financial ratios, including: debt service coverage ratio, debt to worth leverage ratio, current ratio, minimum debt to EBITDA (earnings before interest, taxation, depreciation and amortisation).

At 30 June 2017, the one of the Group's company was in breach of covenants in respect of one of its loans. The Group subsidiary discussed the situation with the bank and received the necessary waiver. The loan balance is classified as short term in the Consolidated Statement of Financial Position due to the contractual maturity of the borrowing within less than one year from the reporting date.

The Group and the Company borrowings are secured with accounts receivable, current account opened with the lending banks, with property, plant and equipment (land, buildings, equipment), the latter with a net book value of RON 782,777 thousand for the Group and RON 641,866 thousand for the Company (31 December 2016: RON 799,324 thousand for the Group and RON 647,230 thousand for the Company), with inventories of RON 427,592 thousand (31 December 2016: RON 450,276 thousand), and also with the shares held by the Company in its subsidiaries Alum and Conef.

A percentage of 10% of Alro shares held by the major shareholder Vimetco N.V. is pledged with lending banks for the borrowing contracts concluded by the Company with them.

Finance leases relate to leases of equipment and vehicles with lease terms of up to 5 years. The net book value of leased assets at Group level was RON 9,178 thousand at 30 June 2017 (31 December 2016: RON 8,040 thousand) and at Company level was RON 8,035 thousand (31 December 2016: RON 6,908 thousand).

The Group and the Company have estimated that the fair value of the borrowings and finance leases equals their carrying amount, mainly due to the fact that their maturity is within less than one year from the reporting date, and due to the fact that the long term loans have variable interest. Their fair value belongs to the level 3 of the fair value measurement hierarchy.

20. Government grants

	Alro Group		Alro	
	Six months ended 30 June 2017	Six months ended 30 June 2016	Six months ended 30 June 2017	Six months ended 30 June 2016
Balance at 1 January	19,071	20,664	13,459	14,605
Grants received	5,029	-	5,029	-
Released to the statement of profit or loss	-796	-796	-573	-573
Balance at 30 June	23,304	19,868	17,915	14,032
Thereof:				
Current	1,592	1,592	1,146	1,146
Non-current	21,712	18,276	16,769	12,886

In 2017, the Parent company obtained the authorisation for the first tranche of the subsidies obtained through the European Regional Development Fund, by the Competitiveness Operational Program 2014 – 2020. The tranche was received in July 2017.

Government grants outstanding at 01 January 2017 consist of subsidies from EU funds received by the Parent company in 2013 for a finishing line in its Processing section, and by a subsidiary in 2014 for the investment in a production line of extruded products.

The grant income recognized during the year in the Statement of profit or loss and other comprehensive income of the Group and the Company are included in the category "Other operating income" (refer to Note 7).

21. Provisions

At 30 June 2017 the Parent Company recognized a short-term provision amounting to RON 13,772 thousand for remunerating the employees in accordance with the provisions of the Collective Labour Contract (2016: nil).

22. Related party transactions

The Group and the Company enter, under normal terms of business, into certain transactions with its major shareholder, companies under common control, directors and management. The transactions between the related parties are based on mutual agreements, are not secured, and the management considers such transactions to be on an arm's length basis.

The main related parties with whom the Group and the Company had transactions during the period are:

Related party	
Vimetco N.V.	Major shareholder
Alum S.A.	Subsidiary
Vimetco Extrusion SRL	Subsidiary
Conef S.A.	Subsidiary
Sierra Mineral Holdings 1, Ltd	Subsidiary
Vimetco Trading SRL	Common control
Vimetco Management Romania SRL	Common control
Vimetco Power Romania SRL	Common control
Conef Gaz SRL	Common control
Conef Energy SRL	Common control
Centrul Rivergate SRL	Common control
Rivergate Rating Group	Common control
Rivergate Fire SRL	Common control

Group transactions are eliminated on consolidation.

The primary related party transactions are described below:

Sales of goods and services:

	Alro Group		Alro	
	Six months ended 30 June 2017	Six months ended 30 June 2016	Six months ended 30 June 2017	Six months ended 30 June 2016
Subsidiaries	-	-	114,228	96,145
Companies under common control	1,586	1,550	586	557
Total goods and services provided to related parties	1,586	1,550	114,814	96,702

Goods and services purchased from related parties:

Subsidiaries	-	-	-248,755	-226,867
Companies under common control	-99,673	-110,790	-37,217	-38,924
Total goods and services purchased from related parties	-99,673	-110,790	-285,972	-265,791

Interest expense to related parties:

Vimetco N.V.	-	-135	-	-135
Total interest expense to related parties	-	-135	-	-135

Interest income from related parties:

Subsidiaries	-	-	855	1,182
Vimetco N.V.	2,021	1,269	-	-
Total interest income from related parties	2,021	1,269	855	1,182

Furthermore, the following balances were outstanding at 30 June 2017 and 31 December 2016:

Trade and other accounts receivable:

	Alro Group		Alro	
	30 June 2017	31 December 2016	30 June 2017	31 December 2016
Subsidiaries	-	-	281,800	246,240
Companies under common control	4,586	6,729	607	883
Allowance for doubtful receivables	-351	-351	-163	-163
Total trade and other accounts receivable from related parties	4,235	6,378	282,244	246,960
- non-current	-	-	6,724	9,741
- current	4,235	6,378	275,520	237,219

Trade and other accounts payable:

	Alro Group		Alro	
	30 June 2017	31 December 2016	30 June 2017	31 December 2016
Subsidiaries	-	-	1,624	1,411
Vimetco N.V.	-	-	-	-
Companies under common control	2,515	1,387	2,094	1,383
Total trade and other accounts payable to related parties	2,515	1,387	3,718	2,794

Borrowings to related parties:

	Alro Group		Alro	
	30 June 2017	31 December 2016	30 June 2017	31 December 2016
Vimetco NV	53,582	52,035	-	-
Total borrowings to related parties	53,582	52,035	-	-
Thereof:				
Short-term portion of borrowings	-	-	-	-
Long-term portion of borrowings	53,582	52,035	-	-

A Group subsidiary has a borrowing agreement with the major shareholder Vimetco NV for an amount of up to USD 11,700 thousand, of which USD 11,695 thousand were utilized at 30 June 2017 (at 31 December 2016: USD 10,845 thousand). The borrowing has the maturity in July 2019, and the interest accrued for it at 30 June 2017 was RON 6,900 thousand (at 31 December 2016: RON 5,366 thousand).

Management compensation

The total compensation of the Group and the Company's key management personnel included in "General, administrative and selling expenses" in the Statement of profit or loss and other comprehensive income amounted to RON 4,073 thousand for the Group and RON 3,146 thousand for the Company, of which the expense for defined contribution plan (social contributions) during the first 6 months of the year 2017 was RON 482 thousand for the Group and RON 380 thousand for the Company. During the first 6 months of the year 2016, the remuneration of the key management personnel of the Group was RON 3,600 thousand, and of RON 2,822 thousand at Company level.

Key management personnel transactions

A number of key management personnel, or their close family members, hold positions in other companies that result in them having control or significant influence over these companies.

A number of these companies transacted with the Group and the Company during the year. The terms and conditions of these transactions were no more favourable than those available, or which might reasonably be expected to be available, in similar transactions with non-key management personnel related companies on an arm's length basis.

The transactions concluded between the Group and the related parties were as follows:

	Alro Group		Alro	
	Six months ended 30 June 2017	Six months ended 30 June 2016	Six months ended 30 June 2017	Six months ended 30 June 2016
Goods and services purchased from entities controlled by key management personnel or their close family members	58	47	53	41
Benefits paid to close family members of the key management personnel	-	-	-	-
Total	58	47	53	41

23. Commitments and contingencies

Commitments

Investment commitments

As at 30 June 2017, the Group's and the Company's commitments pertaining to the investments amounted to RON 138,698 thousand (31 December 2016: RON 37,249 thousand) at the Group level and to RON 115,395 thousand (31 December 2016: RON 30,984 thousand) at the Company level.

Raw material purchase contracts

As at 30 June 2017, the Group and the Company had contracts for purchases of raw materials, other consumables and utilities in amount of RON 584,155 thousand (31 December 2016: RON 880,117 thousand) for the Group and in amount of RON 533,848 thousand (31 December 2016: RON 1,225,577 thousand) for the Company.

Contingent liabilities

The Parent Company has a commitment concluded with the financing bank of one of its subsidiaries (Vimetco Extrusion) whereby it is mentioned, among others, that the Company should not, by its actions, cause circumstances in which the subsidiary might not be able to discharge its liabilities towards the financing bank. In the opposite case, the exposure of the Parent Company towards the financing bank of the subsidiary cannot exceed the minimum between USD 3,000 thousand and the outstanding balance of the relevant subsidiary towards the bank (which at 30 June 2017 is RON 3,669 thousand). The Management does not expect that this commitment might materialize into cash outflows from the Company, as the conditions imposed by it are totally under the control of Alro.

As at 30 June 2017, the Parent Company and one of its subsidiaries are undergoing an audit by the Fiscal Anti-Fraud Department. At the date of approval of these half-year financial statements, these inspections have not been finalized. The Parent Company and its subsidiary do not expect any significant impact from this fiscal audit.

Litigations

As at 30 June 2017 the Group and the Company were subject to a number of lawsuits resulting from the normal course of the business. Management believes that these actions, will not have a significant impact on the financial performance and financial position of the Group and/or of the Company.

In May 2015, the Parent Company acknowledged a legal civil action at the Bucharest Court of Law, brought by Hidroelectrica S.A., regarding material claims by the electricity producer for alleged unrealized benefits from the bilateral contract with Alro S.A. In December 2015, the Primary Court rejected a significant part of the claims of Hidroelectrica as being time-barred, and consequently only remaining claims are under discussion, related to a short period from the contract of less than 2 months, which were subsequently dismissed in first instance by the Court in June 2016. As at the reporting date, appeal has been filed at the Bucharest Court of Appeal, and the Company reported this information to the investors and interested public. Based on Management's best estimate, it is not possible to make a reliable estimation of the outcome of the legal case. Consequently, the Company did not recognize a provision in relation to the legal case at 30 June 2017.

In 2016, the Parent Company also contested before the Court of Law a decision of the Competition Council that fined the Company by RON 21,239 thousand for an alleged vertical agreement on the energy market, which was firmly challenged by the Company, as well as several Romanian Energy Regulatory Authority ("ANRE") orders regarding the calculation of green certificate quota for the Company's energy consumptions in 2015 and regarding the quota settlement methodology. The disputes are ongoing before the competent Courts of Law.

24. Events after the reporting date

At the date when these interim financial statements were authorized for issue, negotiations with the banks were still ongoing in respect of the terms and conditions for extending the two revolving loans expiring in November and December 2017, respectively.

There were no material subsequent events that could have a significant impact on these financial statements.

Quarterly report Q2 2017

**Separate financial results for the second quarter 2017
(Q2 2017) compared to the second quarter 2016 (Q2 2016)
(unaudited)
Alro S.A.**

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

Quarterly Report Q2 2017

Separate statement of profit or loss and other comprehensive income – unaudited

in RON '000
except per share data

Q2 2017	Q2 2016		H1 2017	H1 2016
626,988	547,033	Sales	1,260,640	1,111,091
-494,982	-466,682	Cost of goods sold	-992,020	-978,502
132,006	80,351	Gross profit	268,620	132,589
-51,244	-32,300	General, administrative and selling expenses	-84,916	-62,995
1,539	9,177	Other operating income	2,848	10,802
-416	-947	Other operating expenses	-974	-1,569
81,885	56,281	Operating profit (EBIT)	185,578	78,827
-15,768	-16,243	Interest expenses	-31,062	-31,829
-	-5,499	(Losses) from embedded derivatives	-	-11,704
579	-2,765	Other financial gains / (losses), net	1,114	-2,322
26,538	-17,771	Net foreign exchange gains / (losses)	31,115	14,586
93,234	14,003	Profit before income taxes	186,745	47,558
-15,016	-2,181	Income tax	-30,794	-8,480
78,218	11,822	Profit for the period	155,951	39,078
93,234	23,160	Adjusted net result*	186,658	63,944
-	-	Other comprehensive income / (expense) for the period, net of tax	-	-
78,218	11,822	Total comprehensive income / (expense) for the period	155,951	39,078
		Earnings per share		
0.110	0.017	Basic and diluted (RON)	0.218	0.055

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

in RON '000

	30 June 2017	31 December 2016
Assets		
Non-current assets		
Property, plant and equipment	729,754	699,701
Investment properties	4,791	4,937
Intangible assets	4,547	4,834
Investments	423,645	423,645
Deferred tax asset	72,082	102,876
Other non-current assets	32,116	29,047
Total non-current assets	1,266,935	1,265,040
Current assets		
Inventories	427,592	450,276
Trade receivables, net	151,368	142,755
Other current assets	230,513	208,633
Derivative financial instruments asset, current	-	671
Restricted cash	60,318	45,082
Cash and cash equivalents	335,534	282,374
Total current assets	1,205,325	1,129,791
Total assets	2,472,260	2,394,831
Shareholders' Equity and Liabilities		
Shareholders' equity		
Share capital	370,037	370,037
Share premium	86,351	86,351
Other reserves	306,191	306,191
Retained earnings	301,862	301,862
Result for the period	155,951	67,220
Equity	1,220,392	1,131,661
Non-current liabilities		
Bank and other loans, non-current	193,851	232,160
Finance leases, non-current	4,664	4,214
Provisions, non-current	1,216	1,193
Post-employment benefit obligations	32,242	32,220
Government grants, non-current portion	16,769	12,313
Other non-current liabilities	470	410
Total non-current liabilities	249,212	282,510
Current liabilities		
Bank and other loans, current	767,396	785,911
Finance leases, current	1,814	1,504
Provisions, current	13,772	-
Trade and other payables	149,247	137,424
Government grants, current portion	1,146	1,146
Other current liabilities	69,281	54,675
Total current liabilities	1,002,656	980,660
Total liabilities	1,251,868	1,263,170
Total shareholders' equity and liabilities	2,472,260	2,394,831

	Share capital
Balance at 1 January 2016	370,037
Result for the period	-
Other comprehensive income / (expense)	-
Total comprehensive income / (expense)	-
Transactions with owners of the company recognized directly in equity	
Distributions to owners of the company	
Appropriation of prior year result	-
Balance at 30 June 2016	370,037
Balance at 1 January 2017	370,037
Result for the period	-
Other comprehensive income / (expense)	-
Total comprehensive income / (expense)	-
Transactions with owners of the company recognized directly in equity	
Distributions to owners of the company	
Appropriation of prior year result	-
Dividends distribution	-
Balance at 30 June 2017	370,037

in RON '000

Share premium	Reserves	Retained Earnings	Result for the period	Total
86,351	306,191	326,313	-24,036	1,064,856
-	-	-	39,078	39,078
-	-	-	-	-
-	-	-	39,078	39,078
-	-	-	-	-
-	-	-24,036	24,036	-
86,351	306,191	302,277	39,078	1,103,934
86,351	306,191	301,862	67,220	1,131,661
-	-	-	155,951	155,951
-	-	-	-	-
-	-	-	155,951	155,951
-	-	-	-	-
-	-	67,220	-67,220	-
-	-	-67,220	-	-67,220
86,351	306,191	301,862	155,951	1,220,392

Quarterly Report Q2 2017

Separate statement of cash flows - unaudited

in RON '000

Q2 2017	Q2 2016		H1 2017	H1 2016
		Cash flow from operating activities		
93,234	14,003	Profit before income taxes	186,745	47,558
		<i>Adjustments for:</i>		
19,290	19,701	Depreciation and amortisation	41,895	40,242
-	-844	Impairment of property, plant and equipment	-	-844
13,772	-26,212	Movement in provisions	13,772	-26,212
4,234	-6,511	Change in allowance for impairment of inventory	107	-7,418
-	-107	Change in allowance for impairment of doubtful receivables	485	-107
2	-7	Loss on disposal of property, plant and equipment	42	76
-42,292	26,101	Net foreign exchange losses on loan revaluation	-48,482	-18,042
-995	-1,071	Interest income	-1,900	-2,382
15,768	16,243	Interest expense	31,062	31,829
-	10,001	Effect of derivative financial instruments	-87	17,230
		<i>Changes in working capital:</i>		
-13,942	18,084	Change in inventories	21,970	86,345
13,101	24,706	Change in trade receivables and other assets	-24,833	-16,141
34,488	7,090	Change in trade and other payables	23,369	-21,580
-16,306	-14,343	Interest paid	-26,279	-29,651
-	-	Payments from derivatives, net	-1,570	-
120,354	86,834	Net cash generated by/(used in) operating activities	216,296	100,903
		Cash flow from investing activities		
-29,982	-22,081	Purchase of property, plant and equipment and intangible assets, net	-60,840	-40,457
-1	-	Proceeds from sale of property, plant and equipment	-	3,643
-24,318	-	Change in restricted cash	-24,318	3,000
1,166	1,271	Interest received	1,767	1,883
-53,135	-20,810	Net cash generated by/(used in) investing activities	-83,391	-31,931
		Cash flow from financing activities		
1,054	2,980	Proceeds from loans and leasing	1,782	191,014
-10,815	-329	Repayment of loans	-14,932	-48,347
-	-	Repayment of loans, related parties	-	-24,996
-66,595	-	Dividends paid	-66,595	-4,239
-76,356	2,651	Net cash generated by/(used in) financing activities	-79,745	113,432
-9,137	68,675	Net change in cash and cash equivalents	53,160	182,404
344,671	240,706	Cash and cash equivalents at beginning of period	282,374	126,977
335,534	309,381	Cash and cash equivalents at end of period	335,534	309,381

Separate financial results for the second quarter 2017 (Q2/2017) compared to the second quarter 2016 (Q2/2016) - unaudited

in RON '000 except per share data

1. General Information

Alro S.A. (the "Company" or "Alro") is a joint-stock company established in Romania in 1961 and is the largest aluminium producer in Continental Europe, except Russia and Scandinavia. The Company's shares are traded on the Bucharest Stock Exchange under the symbol "ALR".

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

2. Basis of preparation

These financial figures have been prepared in accordance with the International Financial Reporting Standards as adopted by the European Union ("EU"), which is in accordance with the Public Finance Minister's Order no. 2844/2016. The Company's functional and reporting currency is the Romanian leu (RON). This quarterly report is prepared in RON thousand, rounded to the nearest unit.

The financial information for the period January - June 2017 has not been audited and has not been subject to an external auditor's review.

3. Significant accounting policies

The same accounting policies and methods of computation have been followed in this separate quarterly report as those applied in preparing the Company's separate financial statements as at 31 December 2016.

This separate quarterly report has been prepared on a going concern basis, which assumes the Company will be able to continue in operation for the foreseeable future and to discharge its liabilities in the normal course of business.

4. Explanatory notes

4.1 Separate statement of profit or loss and other comprehensive income

Q2 2017	Q2 2016		H1 2017	H1 2016
347,485	290,781	Revenues from sales of primary aluminium	682,068	597,042
272,914	249,320	Revenues from sales of processed aluminium	564,774	500,196
6,589	6,932	Other	13,798	13,853
626,988	547,033	Total	1,260,640	1,111,091

In the second quarter of the year 2017 the aluminium sales were similar from the quantitative point of view with the sales recorded in the second quarter of the year 2016, while the sales revenues were higher by 15%. This growth of the sales revenues was sustained by the favourable dynamics of the aluminium price on the world market: the aluminium quotations at the London Metal Exchange (LME) continued to record the same upward trend as in the first part of the year 2017, the LME average cash-seller in the period April – June 2017 was 1,910 USD/ ton, by 330 USD/Mt higher than the average of the same period in 2016, which was of 1,572 USD/ton.

Also, a positive impact on the sales revenues resulted from the appreciation of the USD against the RON in the second quarter of the year 2017, when the average USD/RON rates were of 4.1375, compared to the average of 3.9838 USD/RON in the second quarter of 2016.

The cost of goods sold in the second quarter of the year 2017 compared with the same period of the year 2016 increased by RON 28,300 thousand, i.e. 6%, in the light of increase of the raw materials prices in the international markets.

Under these circumstances, in the second quarter of 2017 **the gross margin** of the Company improved, reaching 21% as compared to the 15% in the same period of the year 2016, and the **operational profit** of the Company reached the level of RON 81,885 thousand, as compared to the same period of the year 2016 when an operational profit of RON 56,281 thousand was recorded. The *General, administrative and selling expenses* were higher in the Q2 2017 as compared to Q2 2016 due to the created provisions for the employees participation in the profit in accordance with the Collective Labour Agreement provisions. But the increase of the *General, administrative and selling expenses* was lower than the increase of the gross margin, which inclusively lead to the improvement of the operational profit margin from 10.2% in Q2 2016 to 13.06% in Q2 2017.

The net profit of the Company was also significantly influenced by the net gain from the foreign exchange differences, amounting to RON 26,538 thousand in the Q2 of 2017, mainly due to reassessment of the loans and other liabilities in foreign currency resulted from the appreciation of RON against the USD on 30 June 2017 compared to 31 March 2016, as compared to the Q2 of the year 2016, when a foreign exchange negative difference amounting to RON 17,771 thousand was recorded due to RON depreciation.

In the second quarter of the year 2017, due to the mentioned favourable factors, the Company reported a **net profit** of RON 78,218 thousand, significantly better than the RON 11,822 thousand net profit reported in the same period of the previous year and even better than the one for the entire year of 2016.

At the same time the *Adjusted Net Result* significantly improved, which Alro monitors as being a more relevant indicator for the Company's performance than the net result. The reconciliation between the net result and the adjusted net result is detailed below:

Q2 2017	Q2 2016		H1 2017	H1 2016
78,218	11,822	Net result	155,951	39,078
-	-844	Impairment of non-current assets	-	-844
-	10,001	Derivative financial instruments that do not qualify for hedge accounting	-87	17,230
15,016	2,181	Deferred tax	30,794	8,480
93,234	23,160	Adjusted net result	186,658	63,944

4.2. Separate Statement of Financial Position

Non-current assets

In the second quarter of the year 2017, the *Non-Current Assets* in the Statement of Financial Position increased mainly because the Company contracted and purchased equipment within its investment project dedicated to the research infrastructure for high qualification industrial applications, which project is co-funded by the European Fund for Regional Development, by the Competitiveness Operational Program 2014 – 2020.

On the other hand, the deferred tax asset decreased by RON 30,794 thousand as compared to 31 December 2016 mainly due to recognizing the amount of RON 32,493 thousand as a deferred income tax expense having in view that in 6 months 2017 the Company has utilized RON 203,079 thousand from the tax losses cumulated in the prior years.

Current assets

As at 30 June 2017, the current assets were higher by RON 75,534 thousand compared to 31 December 2016, due to the improvement of the liquidities (the *Cash and cash equivalents* increased by RON 53,160 thousand in the 6-month period analyzed), of the *Trade receivables* amid a higher turnover and of *Other current assets* by RON 21,880 thousand, which include advance payments or various other assets related to the activity.

The *Inventory* dropped by 5% from 31 December 2016, from RON 450,276 thousand to RON 427,592 thousand as at 30 June 2017, being harnessed through sales and/or utilization in the production process.

Equity

As at 30 June 2017, the equity reached a level of RON 1,220,392 thousand, increasing by 8% as compared to the end of the year 2016 thanks to the net profit of RON 155,951 thousand generated in the reporting period.

The General Shareholders' Meeting dated 28 April 2017 approved the distribution into dividends of the net profit for the year 2016 amounting to RON 67,220 thousand, dividends which were paid during the second quarter of 2017.

Liabilities

The *Non-current liabilities* of the Company dropped by 12% from RON 282,510 thousand as at 31 December 2016 to RON 249,212 thousand as at 30 June 2017, particularly due to the RON appreciation against the USD as at 30 June 2017 as compared to 31 December 2016 as well as of classification to short term of a credit instalment with a maturity within less than a year from the reporting date. The long term subsidies recorded an increase from RON 12,313 thousand to RON 16,769 thousand as Alro obtained the authorisation for the first tranche from the subsidies obtained through the European Regional Development Fund, by the Competitiveness Operational Program 2014 – 2020.

The *Current liabilities* were at a level of RON 1,002,656 thousand as compared to RON 980,660 thousand at 31 December 2016, due to the increase of the investment suppliers by RON 8,764 thousand. The *Current liabilities* include contracted credit facilities with a nominal value of RON 180,000 thousand, USD 97,000 thousand and EUR 35,748 thousand whose contract due dates are in November/December 2017, but that are now in the progress of negotiation to extend their maturities / to refinance.

4.3. Separate Statement of Cash Flows

As at 30 June 2017, the Company recorded cash and cash equivalents amounting to RON 335,534 thousand, as compared to RON 282,374 thousand at the end of the year 2016.

In the second quarter of 2017 a significant improvement of the results occurred in respect of the cash flows generated by the Company's operations, as the Company reported a positive net cash inflow of RON 120,354 thousand (in Q2 2016 it amounted to RON 86,834 thousand), mainly due to the turnover increase. In addition, the positive flows from the variation of receivables and other assets as well as from the debts variation reflect the Company's efforts to manage as efficiently as possible the cash flows and to optimise the working capital.

The net cash outflows related to the investment activity in the second quarter of 2017 amounting to RON 53,135 thousand include mainly advance payments for the investments co-financed by the European Regional Development Fund, payments for electrolysis pots reconditioning in the Alro Primary Aluminium Division and various improvements made to certain equipments. Variation of the restricted cash consists in opening of letters of credit for the investment projects amounting to RON 24,318 thousand.

The net cash flow from financing in the second quarter of the year 2017 was mainly influenced by the repayment of final installments from the loan granted by a financing bank and by the payment of dividends distributed from the profit of the year 2016.

4.4 Ratios

Ratio description	Formula	H1 2017	H1 2016
Current ratio	Current assets/ Current liabilities	1.20	4.06
Gearing ratio	Long-term borrowings/ Equity x 100	16.27	88.13
	Long-term borrowings/ Capital employed x 100	13.99	46.85
Receivables turnover	Receivables average balance/ Turnover x 180	21.00	23.03
Non-current assets turnover	(Turnover x 360/ 180)/ Non-current assets	1.99	1.68

In the 6-month period ended 30 June 2017, the "Current Ratio" as well as the "Gearing ratio" decreased as compared to the same period of the year 2016 as a result of the classification from long term to short term at 30 June 2017, of the revolving credit facility amounting to USD 137,000 thousand granted by a bank syndicate and of the revolving credit facility amounting to RON 180,000 thousand contracted

from a commercial bank, both of them having the contractual maturity by the end of the year 2017. Currently, the Company is negotiating the terms and conditions for extending the two credit facilities.

To ensure the comparability of the ratios "Current Ratio" and "Gearing Ratio", the ratios for the 6-month period ended 30 June 2017 are presented below, adjusted with the two aforementioned credit facilities by including them in the *Long term borrowings* and *Capital employed* and excluding them from the *Current liabilities* category. Thus, an improvement in real terms of both the ratios can be noted.

Ratio description	Formula	H1 2017	H1 2016
Adjusted current ratio	Current assets/ Current liabilities	4.42	4.06
Adjusted gearing ratio	Long-term borrowings/ Equity x 100	76.08	88.13
	Long-term borrowings/ Capital employed x 100	43.21	46.85

Statement of Management Responsibilities

Pursuant to the legal stipulations of the Regulation no. 1/2006 issued by the Romanian National Securities Commission (RNSC), currently the Financial Supervisory Authority (FSA) – Instruments and Financial Investments Sector for issuers and operations with securities and of Law no. 24/2017 on issuers of financial instruments and market operations, the Management states the following:

1. We confirm to the best of our knowledge that the condensed consolidated financial statements of Alro Group and its subsidiaries and condensed separate financial statements of Alro for the period ended on 30 June 2017 and Alro's quarterly financial results for Q2 2017 prepared in accordance with the applicable set of accounting standards give a true and fair view of the financial position, financial performance and cash-flow of the Group and of the Company for the six months ended 30 June 2017;

2. The Consolidated Directors' Report gives a true and fair view of the development and the performance of the Group and of the Company, as well as a description of the main risks and uncertainties associated with the expected development of the Group and of the Company.

The Board of Directors represents the interests of the Group, of the Parent-company and of its shareholders and is responsible for the overall management.

At the date of this report, Alro's Board of Directors consists of seven members as it follows:

1. Marian-Daniel Nastase	President
2. Serghei Gheorghe	Vicepresident
3. Gheorghe Dobra	Member
4. Pavel Machitski	Member
5. Adrian Manaicu	Member
6. Artem Anikin	Member
7. Aleksandr Barabanov	Member

The condensed consolidated financial statements of Alro Group and its subsidiaries and condensed separate financial statements of Alro for the period ended on 30 June 2017 and Alro's quarterly financial results for Q2 2017 are not audited.

President of Board of Directors
Marian-Daniel Nastase

Chief Executive Officer
Dr. Eng. Gheorghe Dobra

Chief Financial Officer
Ec. Genoveva Nastase

10 August 2017