Quarterly Report at 31 March 2018

vimetco
alro

CONTENTS

Interim condensed consolidated financial statements for the first three months ended 31 March 2018

Alro S.A. and its subsidiaries

Interim consolidated statement of profit or loss and other comprehensive income for the three months ended 31 March 2018 - unaudited

in RON '000,
unless otherwise stated

	Note	Three months ended 31 March 2018	Three months ended 31 March 2017
Revenue from contracts with customers	5	749,242	681,432
Cost of goods sold		-581,920	-510,791
Gross profit		**167,322**	**170,641**
General, administrative and selling expenses	7	-66,341	-52,200
Other operating income		2,023	2,210
Other operating expenses		-1,579	-1,275
Operating result (EBIT)		**101,425**	**119,376**
Interest expenses		-9,604	-13,238
Gains from derivative financial instruments, net	12	54,052	87
Other financial costs, net	8	-3,563	-1,916
Net foreign exchange gains / (losses)		7,836	2,950
Result before income taxes		**150,146**	**107,259**
Income tax	9	-25,525	-17,040
Result for the period		**124,621**	**90,219**
Other comprehensive income / (expense), net of tax:			
Items that will not be reclassified subsequently to profit or loss			
Remeasurements of post-employment benefit obligations		-13	-7
Items that may be reclassified subsequently to profit or loss:			
Translation adjustment		3,498	-2,334
Other comprehensive income / (expense) for the period, net of tax		**3,485**	**-2,341**
Total comprehensive income / (expense) for the period		**128,106**	**87,878**
Result attributable to:			
Shareholders of Alro SA		**124,568**	**90,151**
Non-controlling interest		**53**	**68**
		124,621	90,219
Total comprehensive income / (expense) attributable to:			
Shareholders of Alro S.A.		**128,032**	**87,824**
Non-controlling interest		**74**	**54**
		128,106	87,878
Earnings per share			
Basic and diluted (RON)	10	0.175	0.126

The accompanying notes are an integral part of these interim condensed consolidated financial statements.
These financial statements were authorized for issue by the management on 14 May 2018.

Interim consolidated statement of financial position as at 31 March 2018 - unaudited

in RON '000

	Note	31 March 2018	31 December 2017
Assets			
Non-current assets			
Property, plant and equipment	11	1,020,812	1,015,035
Intangible assets		8,074	8,611
Goodwill		85,393	87,485
Long-term loans receivable	19	53,775	54,345
Deferred tax asset	9	74,389	98,845
Other non-current assets		57,785	58,147
Total non-current assets		**1,300,228**	**1,322,468**
Current assets			
Inventories	14	711,887	670,805
Trade receivables, net	15	106,084	76,853
Current income tax receivable		41	309
Other current assets	16	91,255	79,532
Derivative financial instruments liability, current	12	54,761	3,298
Restricted cash	17	45,914	67,009
Cash and cash equivalents	17	356,121	320,828
Total current assets		**1,366,063**	**1,218,634**
Total assets		**2,666,291**	**2,541,102**
Shareholders' Equity and Liabilities			
Shareholders' equity			
Share capital		356,091	356,091
Share premium		86,351	86,351
Other reserves		335,049	331,542
Retained earnings		439,947	49,409
Result for the period		124,568	390,581
Equity attributable to shareholders of Alro S.A.		**1,342,006**	**1,213,974**
Non-controlling interest		1,448	1,374
Total shareholders' equity		**1,343,454**	**1,215,348**
Non-current liabilities			
Bank and other loans, non-current	18	819,216	844,944
Finance leases, non-current	18	4,154	4,300
Provisions, non-current		33,000	30,769
Post-employment benefit obligations		41,499	41,569
Government grants, non-current portion		28,925	27,558
Other non-current liabilities		2,292	2,091
Total non-current liabilities		**929,086**	**951,231**
Current liabilities			
Bank and other loans, current	18	66,590	66,894
Finance leases, current	18	2,491	2,411
Provisions, current		26,427	26,830
Trade and other payables		206,601	183,647
Current income taxes payable		2,172	5,635
Government grants, current portion		1,592	1,592
Other current liabilities		87,878	87,514
Total current liabilities		**393,751**	**374,523**
Total liabilities		**1,322,837**	**1,325,754**
Total shareholders' equity and liabilities		**2,666,291**	**2,541,102**

The accompanying notes are an integral part of these interim condensed consolidated financial statements.
These financial statements were authorized for issue by the management on 14 May 2018.

Interim consolidated statement of changes in shareholders' equity for the three months ended 31 March 2018 - unaudited

	Share capital	Share premium	Other reserves
Balance at 1 January 2017	336,703	69,446	363,644
Profit for the period	-	-	-
Other comprehensive income / (expense)			
Translation adjustment	-	-	-
Remeasurements of post-employment benefits	-	-	-
Other comprehensive income / (expense)	-	-	-
Total comprehensive income / (expense) for the period	-	-	-
Transactions with owners of the company recognized directly in equity			
Distributions to owners of the company			
Appropriation of prior year result	-	-	-
Balance at 31 March 2017	336,703	69,446	363,644
Balance at 1 January 2018	356,091	86,351	364,519
Profit for the period	-	-	-
Other comprehensive income / (expense)			
Translation adjustment	-	-	-
Remeasurements of post-employment benefits	-	-	-
Other comprehensive income / (expense) for the period	-	-	-
Total comprehensive income / (expense) for the period	-	-	-
Transactions with owners of the company recognized directly in equity			
Distributions to owners of the company:			
Appropriation of prior year result	-	-	30
Balance at 31 March 2018	**356,091**	**86,351**	**364,549**

The accompanying notes are an integral part of these interim condensed consolidated financial statements.
These financial statements were authorized for issue by the management on 14 May 2018.

in RON '000

Translation reserve	Total other reserves	Retained earnings	Result for the period	Attributable to shareholders of Alro SA	Non-controlling interests	Total shareholders' equity
-24,592	**339,052**	**83,322**	**71,531**	**900,054**	**904**	**900,958**
-	**-**	-	90,151	**90,151**	68	**90,219**
-2,320	**-2,320**	-	-	**-2,320**	-14	**-2,334**
-	**-**	-7	-	**-7**	-	**-7**
-2,320	**-2,320**	**-7**	**-**	**-2,327**	**-14**	**-2,341**
-2,320	**-2,320**	**-7**	**90,151**	**87,824**	**54**	**87,878**
-	**-**	71,531	-71,531	**-**	-	**-**
-26,912	**336,732**	**154,846**	**90,151**	**987,878**	**958**	**988,836**
-32,977	**331,542**	**49,409**	**390,581**	**1,213,974**	**1,374**	**1,215,348**
-	**-**	-	124,568	**124,568**	53	**124,621**
3,477	**3,477**	-	-	**3,477**	21	**3,498**
-	**-**	-13	-	**-13**	-	**-13**
3,477	**3,477**	**-13**	**-**	**3,464**	**21**	**3,485**
3,477	**3,477**	**-13**	**124,568**	**128,032**	**74**	**128,106**
	30	390,551	-390,581	**-**	-	**-**
-29,500	**335,049**	**439,947**	**124,568**	**1,342,006**	**1,448**	**1,343,454**

The accompanying notes are an integral part of these interim condensed consolidated financial statements.
These financial statements were authorized for issue by the management on 14 May 2018.

Interim consolidated statement of cash flows for the three months ended 31 March 2018 - unaudited

in RON '000

	Note	Three months ended 31 March 2018	Three months ended 31 March 2017
Cash flow from operating activities			
Result before income taxes		150,146	107,259
Adjustments for:			
Depreciation and amortisation		31,438	33,832
Impairment of property, plant and equipment		-6	-
Movement in provisions		1,823	-137
Change in allowance for impairment of inventory	14	9,449	-4,127
Change in allowance for impairment of doubtful receivables	7	860	465
Loss on disposal of property, plant and equipment		579	190
Net foreign exchange losses on loans revaluation		-6,836	-6,083
Interest income	8	-2,233	-1,456
Interest expense		9,604	13,238
Effect of derivative financial instruments	12	-54,052	-87
Changes in working capital:			
Change in inventories	14	-50,109	9,188
Change in trade receivables and other assets		-34,506	-28,751
Change in trade and other payables		31,345	2,303
Income taxes paid		-5,482	-50
Interest paid		-6,065	-7,754
Payments from derivatives, net		-4,593	-1,570
Net cash generated by / (used in) operating activities		**71,362**	**116,460**
Cash flow from investing activities			
Purchase of property, plant and equipment and intangible assets, net		-45,312	-39,605
Government grants received		239	-
Proceeds from sale of property, plant and equipment		185	411
Change in restricted cash	17	21,095	222
Loans to related parties	19	-	-3,633
Interest received		1,211	450
Net cash used in investing activities		**-22,582**	**-42,155**
Cash flow from financing activities			
Proceeds from loans and leasing		643	728
Repayment of loans	18	-14,077	-11,297
Dividends paid		6	-
Net cash provided by/(used in) financing activities		**-13,428**	**-10,569**
Net change in cash and cash equivalents		**35,352**	**63,736**
Cash and cash equivalents at beginning of period		**320,828**	**285,850**
Effect of exchange rate differences on cash and cash equivalents		-59	-4
Cash and cash equivalents at end of period	**17**	**356,121**	**349,582**

The accompanying notes are an integral part of these interim condensed consolidated financial statements.
These financial statements were authorized for issue by the management on 14 May 2018.

This is a free translation from the original Romanian binding version

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 one of the largest vertically integrated aluminium producers, by capacity in Europe. 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 have its customers primarily in Central and Eastern Europe.

These interim condensed consolidated financial statements were authorised for issue by the Board of Directors on 14 May 2018.

2. Basis of preparation

Statement of compliance

These interim condensed consolidated financial statements of Alro and its subsidiaries (further named "Condensed financial statements") for the 3 months ended 31 March 2018 are unaudited and have been prepared in accordance with *IAS 34 Interim financial reporting* as adopted by the European Union (EU). The accounting policies are in accordance with the Ministry of Public Finance Order no. 2844/2016, with subsequent amendments, which is in accordance with the International Financial Reporting Standards (IFRS) adopted by the European Union (EU)*.

Selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the last annual consolidated financial statements as at and for the year ended 31 December 2017. These condensed consolidated interim financial statements do not include all the information required for full annual financial statements and should be read in conjunction with the annual financial statements of the Group for the year ended 31 December 2017.

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

Going concern

These interim condensed 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.

*The Ministry of Public Finance Order no. 2844/2016, with subsequent amendments, 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, except for the provisions of IAS 20 Accounting for Government Grants regarding the recognition of revenue from green certificates, and except for the provisions of IFRS 15 Revenue from contracts with customers regarding the revenue from taxes of connection to the distribution grid. These exceptions do not affect the compliance of the consolidated financial statements of the Group with IFRS.

Functional and presentation currency

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

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

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

The accounting policies adopted by the Group in the preparation of these condensed interim financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2017, except for the adoption of new standards effective as of 1 January 2018.

The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The Group applies, for the first time, IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers. Several other amendments and interpretations apply for the first time in 2018, but do not have an impact on the interim condensed consolidated financial statements of the Group.

Standards and interpretations effective in 2018 that the Group has applied to these financial statements:

The Group has adopted the following new standards and amendments to standards, including any consequential amendments to other standards, with a date of initial application of 1 January 2018.

IFRS 9 Financial instruments

IFRS 9 Financial Instruments replaces IAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

The Group has taken the exemption in paragraph 7.2.15 of IFRS 9 from restating prior periods in respect of IFRS 9's classification and measurement (including impairment) requirements. Therefore, comparative periods have not been restated. At the same time, due to the immaterial impact of RON 736 thousand that would result from the restatement at 1 January 2018, the effect of the restatement was not recognized in the retained earnings, but in the profit or loss account for the 3-month period ended 31 March 2018.

(a) Classification and measurement

The Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

Under IFRS 9, debt financial instruments are subsequently measured at fair value through profit or loss (FVPL), amortised cost, or fair value through other comprehensive income (FVOCI). The classification is based on two criteria: the Group's business model for managing the assets; and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding (the 'SPPI criterion').

The new classification and measurement of the Group's debt financial assets are, as follows:

- *Debt instruments at amortised cost* for financial assets that are held within a business model with the objective to hold the financial assets in order to collect contractual cash flows that meet the SPPI criterion. This category includes the Group's Trade and other receivables and Long-term loans receivable.

- *Financial assets at FVPL* comprise derivative instruments. This category includes the 100% collar of Asian options on aluminium (for details see Note 12).

The assessment of the Group's business models was made as of the date of initial application, 1 January 2018 and the management concluded that the reclassification for these instruments is not required.

The accounting for the Group's financial liabilities remains largely the same as it was under IAS 39.

(b) Impairment

The adoption of IFRS 9 has changed the Group's accounting for impairment losses for financial assets by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach.

IFRS 9 requires the Group to record an allowance for ECLs for all loans and other debt financial assets not held at FVPL.

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the asset's original effective interest rate.

For Contract assets and Trade and other receivables, the Group has applied the standard's simplified approach and has calculated ECLs based on lifetime expected credit losses. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For other financial assets (i.e. Long-term loans receivable), the ECL is based on the 12-month or lifetime ECL for the instrument, according the evolution of the credit risk between the granting date and the balance sheet date. The 12-month ECL is the portion of lifetime ECLs that results from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL

IFRS 15 Revenue from contracts with customers

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

The new revenue standard supersedes all prior revenue recognition requirements under IFRS. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after 1 January 2018. The Group has adopted the new standard on the required effective date using the cumulative effect method. During 2017, the Group performed a preliminary assessment of the impact of IFRS 15 on the Group.

The Group has adopted IFRS 15 using the cumulative effect method, with the effect of initially applying the standard, if any, recognized at the date of initial application (i.e. 1 January 2018). As a consequence of the analysis performed by the Group, no impact was identified from adopting IFRS 15 that would require the restatement of the retained earnings, therefore no restatement adjustment was included in the retained earnings.

At the same time, adopting IFRS 15 using the cumulative effect method does not foresee that the Group should apply the requirements of IFRS 15 to the comparative period presented. If the Group had continued to apply IAS 18 for the 3 months ended 31 March 2018, its revenues from contracts with customers would have been higher by RON 761 thousand, due to the fact that before adopting IFRS 15 the Group estimated and recognized a part of the revenue deductions (mainly discounts to clients) in the end of the financial year.

Sales of goods
Until 31 December 2017, revenue was measured at the fair value of the consideration received or receivable. Revenue was reduced by estimated customer returns, rebates and other similar allowances.

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

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

The Group has concluded that revenue should be recognized at the point in time when control of the asset is transferred to the customer, generally on delivery of the goods.

In adopting IFRS 15, the Group has considered the following:

Variable consideration
Some contracts with customers provide volume rebates, financial discounts, price concessions or a right of return for quality claims. Prior to the adoption of IFRS 15, the revenue from these sales was recognized based on the price specified in the contract, net of returns and allowances, trade discounts and volume rebates booked on an accrual basis when a reasonable estimate of the revenue adjustments could be made.

Under IFRS 15, variable consideration is required to be estimated at contract inception. Revenue is recognized to the extent that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur. As a consequence, for those contracts for which the Group are unable to make a reasonable estimate of return, revenue is expected to be recognized sooner than when the return period lapses or a reasonable estimate can be made. To estimate the variable consideration to which it will be entitled, the Group applied the expected value method. At the same time, the cases of quality claims (rights of return) are isolated and historically immaterial in such a way that the Group cannot make a reasonable estimate of such reversal of revenue at year end. The impact on retained earnings and NCI at 1 January 2018 from the treatment of variable returns as a result of the adoption of IFRS 15 is immaterial.

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

The Group has concluded that they are the principal in all of their revenue arrangements since they are the primary obligor in all the revenue arrangements, have pricing latitude and are also exposed to inventory.

Recognition of revenue from distinct performance obligations
The Group has analyzed its contracts with customers to determine all its performance obligations. According to some delivery conditions, denominated according to INCOTERMS (such as CIP “Carriage and Insurance Paid To” or CFR “Cost and Freight”, etc.), the Group may provide services such as transport to a specified destination beyond the moment of transfer of control of goods to the clients. IFRS 15 requires an entity to account for each distinct good or service as a separate performance obligation. Freight services may meet the definition of a distinct service, but a full understanding of the terms of the trade is required to ensure that this is the case. A performance obligation for transportation generally meets the criteria for a performance obligation that is settled over a period of time, and revenue will be recognized over the period of transfer to the customer. If it does not meet the criteria, the performance obligation would be settled at a point in time, and revenue would likely be recognized when the customer receives the goods. This could result in the recognition of a portion of the revenue from the contract with the customer when control of the goods passes and recognition over time for the portion of revenue relating to the freight services. There cannot be a separate obligation for an entity to transport its own goods (that is, prior to transfer of control of the goods to the customer).

Following this analysis, the Group did not identify any distinct performance obligation that should be accounted for in accordance with IFRS 15.

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

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

Amendments to IFRS 2: Classification and Measurement of Share-based Payment Transactions
The amendments provide requirements on the accounting for the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments, for share-based payment transactions with a net settlement feature for withholding tax obligations and for modifications to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled. These amendments do not have any impact on the Group's consolidated financial statements.

in RON '000, except per share data

Amendments to IAS 28 Investments in Associates and Joint Ventures - Clarification that measuring investees at fair value through profit or loss is an investment-by-investment choice

The amendments clarify that an entity that is a venture capital organisation, or other qualifying entity, may elect, at initial recognition on an investment-by-investment basis, to measure its investments in associates and joint ventures at fair value through profit or loss. If an entity, that is not itself an investment entity, has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture, at the later of the date on which: (a) the investment entity associate or joint venture is initially recognised; (b) the associate or joint venture becomes an investment entity; and (c) the investment entity associate or joint venture first becomes a parent. These amendments do not have any impact on the Group's consolidated financial statements.

Amendments to IAS 40 Transfers of Investment Property

The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. These amendments do not have any impact on the Group's consolidated financial statements.

IFRIC Interpretation 22 Foreign Currency Transactions and Advance Considerations

The Interpretation clarifies that, in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration. The Group's practice was in line with the Interpretation, therefore it doesn't have any effect on the consolidated financial statements.

4. Estimates

The preparation of condensed 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'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 2017, except for the changes disclosed in Note 3.

5. Revenue from contracts with customers

Set out below is the disaggregation of the Group's revenue from contract with customers:

Three months ended 31 March 2018

Segments	Bauxite	Alumina	Primary aluminium	Processed aluminium	Others	Total
Type of good or service						
Sale of bauxite	68,193	-	-	-	-	**68,193**
Sale of alumina	-	170,283	-	-	-	**170,283**
Sale of primary aluminium	-	-	606,722	-	-	**606,722**
Sale of processed aluminium	-	-	-	367,610	-	**367,610**
Other revenues and services performed	7,220	112	-	426	8,962	**16,720**
Total revenue from contracts with customers	**75,413**	**170,395**	**606,722**	**368,036**	**8,962**	**1,229,528**

Three months ended 31 March 2017

in RON '000, except per share data

Segments	Bauxite	Alumina	Primary aluminium	Processed aluminium	Others	Total
Type of good or service						
Sale of bauxite	65,428	-	-	-	-	**65,428**
Sale of alumina	-	137,877	-	-	-	**137,877**
Sale of primary aluminium	-	-	539,348	-	-	**539,348**
Sale of processed aluminium	-	-	-	367,486	-	**367,486**
Other revenues and services performed	5,783	57	-	-	7,579	**13,419**
Total revenue from contracts with customers	**71,211**	**137,934**	**539,348**	**367,486**	**7,579**	**1,123,558**

The Group recognised impairment losses on receibables, included under " General, administrative and selling expenses" in the consolidated statement of profit or loss, amounting to RON 860 thousand and RON 465 thousand for the three months ended 31 March 2018 and 2017, respectively.

The increase in the Group revenue was mainly due to the Primary and Processed Aluminium segments, as well as due to the alumina segment following the increase of the aluminium quotations in the international markets and of the favourable conditions for the sale of alumina and hydrate.

Set out below, is the reconciliation of the revenue from contracts with customers with the amounts disclosed in the segment information:

Three months ended 31 March 2018

Revenue	Bauxite	Alumina	Primary aluminium	Processed aluminium	Others	Total
External customer	16,556	42,728	320,283	367,972	1,703	749,242
Inter-segment	58,857	127,667	286,439	64	7,259	**480,286**
Total revenue	75,413	170,395	606,722	368,036	8,962	**1,229,528**
Adjustments and eliminations	-58,857	-127,667	-286,439	-64	-7,259	**-480,286**
Total revenue from contracts with customers	**16,556**	**42,728**	**320,283**	**367,972**	**1,703**	**749,242**

Three months ended 31 March 2017

Revenue	Bauxite	Alumina	Primary aluminium	Processed aluminium	Others	Total
External customer	15,010	12,310	284,687	367,486	1,939	681,432
Inter-segment	56,201	125,624	254,661	-	5,640	**442,126**
Total revenue	71,211	137,934	539,348	367,486	7,579	**1,123,558**
Adjustments and eliminations	-56,201	-125,624	-254,661	-	-5,640	**-442,126**
Total revenue from contracts with customers	**15,010**	**12,310**	**284,687**	**367,486**	**1,939**	**681,432**

6. Segment information

For management purposes, the Group is organized on a vertically integrated basis into divisions: bauxite, alumina, primary aluminium and processed aluminium. For the purpose of resource allocation and assessment of segment performance the divisions are the basis on which the Group reports its segment information to the chief operating decision maker. The bauxite segment is located in Sierra Leone. The alumina segment 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. No operating segments have been aggregated to form the above reportable operating segments.

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

The management monitors interest income and expense on a net basis.
Segment assets include all operating assets used by a segment and consist principally of operating cash, receivables, inventories

in RON '000, except per share data

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 three months ended 31 March 2018 and 2017 by segment were as follows:

	Bauxite	Alumina	Primary aluminium	Processed aluminium	Others	Inter-segment operations	Total
Three months ended 31 March 2018							
Sales to external customers	16,556	42,728	320,283	367,972	1,703	-	**749,242**
Inter-segment sales	58,857	127,667	286,439	64	7,259	-480,286	**-**
Total sales	75,413	170,395	606,722	368,036	8,962	-480,286	**749,242**
Segment results (gross profit)	20,777	8,427	108,510	27,757	1,159	692	**167,322**
Other operating income & expenses, net							-65,897
Interest and other finance costs, net							40,885
Net foreign exchange gains / (losses)							7,836
Result before income taxes							**150,146**
Three months ended 31 March 2017							
Sales to external customers	15,010	12,310	284,687	367,486	1,939	-	**681,432**
Inter-segment sales	56,201	125,624	254,661	-	5,640	-442,126	**-**
Total sales	71,211	137,934	539,348	367,486	7,579	-442,126	**681,432**
Segment results (gross profit)	22,751	12,292	86,501	55,336	3,059	-9,298	**170,641**
Other operating income & expenses, net							-51,265
Interest and other finance costs, net							-15,067
Net foreign exchange gains / (losses)							2,950
Result before income taxes							**107,259**

In the first quarter of the year 2018, the processed aluminium segment result was lower than the result for the same period of last year by RON 27,759 thousand 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. The profit for the Primary Aluminium segment increased by RON 22,009 thousand reflecting the tight relationship between the sales price of primary aluminium products and the evolution of the metal quotations in international markets. At the same time, the alumina sales recorded growth compared to the previous analyzed period, but at the same time the segment had higher costs due to the prices of raw materials and utilities specific for the activity, so that the higher sales could not be reflected into a higher gross profit for the segment. As regards the bauxite segment, the gross profit in Q1 2018 was slightly lower than the one in Q1 2017 due to increases in some expenses related to the mining operations of the Group in Sierra Leone (such as fuel and oil, materials, certain specifical services performed by contractors). At Group level, the gross profit varied insignificantly, with the increase in revenues of RON 67,810 thousand being offset by the increase in costs of goods sold by RON 71,129 thousand due to the factors mentioned above.

Segment assets and liabilities at 31 March 2018 and 31 December 2017, respectively, were as follows:

	Bauxite	Alumina	Primary aluminium	Processed aluminium	Others	Inter-segment balances	Total
31 March 2018							
Total assets	177,998	566,843	1,227,807	572,027	1,284,444	-1,162,828	**2,666,291**
Total liabilities	306,457	310,082	171,078	148,997	1,003,307	-617,084	**1,322,837**
31 December 2017							
Total assets	168,165	514,941	1,184,166	565,760	1,224,406	-1,116,336	**2,541,102**
Total liabilities	309,593	259,538	167,389	131,718	1,025,409	-567,893	**1,325,754**

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

in RON '000, except per share data

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

Other operations include services to related entities and external customers.

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

7. General, administrative and selling expenses

	Three months ended 31 March 2018	Three months ended 31 March 2017
Staff costs	-32,983	-23,345
Third party services	-13,450	-10,661
Consulting and audit	-5,861	-6,101
Consumables	-3,109	-2,720
Taxes other than income taxes	-2,165	-1,687
Depreciation and amortisation	-1,993	-1,567
Insurance	-1,739	-1,841
Marketing and public relations	-1,284	-980
Travelling	-1,126	-973
Other	-1,771	-1,860
Change in allowance for doubtful debts	-860	-465
Total	**-66,341**	**-52,200**

During the 3 months ended 31 March 2018 staffs cost increased as a result of an increase in the salary fund due to the negotiations of the Collective Labour Contract and certain bonuses for good performance granted to the Group's personnel.

The category "Staff costs" includes an amount of RON 2,226 thousand for Q1 2018 representing a provision in line with the Collective Labour Contract (in Q1 2017: nil).

8. Other financial costs, net

	Three months ended 31 March 2018	Three months ended 31 March 2017
Interest income	2,233	1,456
Bank commissions	-1,853	-699
Other financial gains / (losses), net	21	73
Commissions paid in relation with factoring agreements	-3,964	-2,746
Total	**-3,563**	**-1,916**

The interest income of the Group includes an amount of RON 1,018 thousand (in the first 3 months of the year 2017: RON 1,006 thousand) related to a borrowing agrement concluded by a subsidiary with the Parent company of Alro Group, namely Vimetco NV (refer to Note 19 as well).

9. Income tax

At 31 March 2018, the Group had a net deferred income tax asset of RON 74,389 thousand (at 31 December 2017: RON 98,845 thousand), of which RON 71,466 thousand is for fiscal losses carried forward (at 31 December 2017: RON 97,148 thousand), 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 3 months ended 31 March 2018 is 17.00% (for the same period of 2017: 15.89%).

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

in RON '000, except per share data

	Three months ended 31 March 2018	Three months ended 31 March 2017
Income tax		
Current income tax	-2,443	-532
Deferred income tax	-23,082	-16,508
Income tax expense	**-25,525**	**-17,040**
Income tax recognised in other comprehensive income	-	-
Total income tax	**-25,525**	**-17,040**

10. Earnings per share

	Three months ended 31 March 2018	Three months ended 31 March 2017
Net result attributable to the owners of the Entity	124,568	90,151
Weighted average number of ordinay shares	713,779,135	713,779,135
Basic and diluted earnings per share (RON/share)	0.175	0.126

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

On 26 March 2018, the Board of Directors approved the distribution of dividends out of the net profit realized by the Parent Company in 2017 amounting to RON 317,686 thousand and of the retained earnings amounting to RON 64,350 thousand, which resulted into a gross dividend payable of 0.53523 RON/share. This proposal was approved by the Ordinary General Shareholders' Meeting on 27 April 2018.

11. Property, plant and equipment

During the 3 months ended 31 March 2018 the Group acquired property, plant and equipment amounting to RON 40,709 thousand (during the 3 months ended 31 March 2017: RON 41,614 thousand), continuing the investment projects dedicated to the research infrastructure for high qualification industrial applications, the investment project dedicated to the research of aluminum hydroxide technology (dry and wet), which are co-financed by the European Fund for Regional Development, by the Competitiveness Operational Program 2014-2020. At the same time, the Group dedicated resources to the replacement of the existing equipment in order to sustain the level of the budgeted production by performing overhauls of the electrolysis pots at Alro, as well as the investments to maintain and improve the equipment parameters at Alum.

Simultaneously with the investment activity within the technological processes, the Group performed various refurbishing works and purchased equipment necessary to support the mining activity in Sierra Leone.

The depreciation expense for the first 3 months of 2018 was RON 32,157 thousand (during the comparative period of 2017 RON 32,227 thousand).

The borrowing costs capitalized in the property, plant and equipment during the 3 months ended 31 March 2018 were of RON 1,390 thousand at an average interest rate of 5.66% p.a. (during the 3 months ended 31 March 2017: RON 537 thousand at an average interest rate of 5.17 % p.a.).

From January to March 2018, the Group disposed of property, plant and equipment in the net amount of RON 764 thousand (during the 3 months ended 31 March 2017: RON 601 thousand).

At 31 March 2018, the net book value of property, plant and equipment pledged for securing the Group's borrowings amounts to RON 673,480 thousand (31 December 2017: RON 685,616 thousand).

in RON '000, except per share data

12. Derivative financial instruments

Details of the fair value of derivative financial instruments are set out below:

	Assets	Liabilities
31 March 2018		
Commodity options	54,761	-
Total	**54,761**	**-**
Thereof:		
Non-current	-	-
Current	54,761	-
31 December 2017		
Commodity options	3,298	-
Total	**3,298**	**-**
Thereof:		
Non-current	-	-
Current	3,298	-

Commodity options

In the end of 2017, the Group entered into several transactions with financial institutions consisting of 100% collar of Asian options by taking long positions on put options and short positions on call options for a quantity of approximately 61,300 tonnes aluminium, for which a minimum price of 2,200 USD/tonne to 2,400 USD/tonne was secured, with exercising dates during January-December 2018.

Also in January 2018, on the purpose of protecting its revenues against the volatility of aluminium price, the Group entered into several transactions with financial institutions consisting of 100% collar of Asian options by taking long positions on put options and short positions on call options for a quantity of approximately 30,700 tonnes aluminium, for which a minimum price of 2,200 USD/tonne to 2,400 USD/tonne was secured, with exercising dates during February-December 2018.

In the first 3 months of the year 2018, options for an approximate quantity of 15,800 tonnes were exercised due to the fact that the LME quotations were below the minimum price of 2,200 USD/tonne. The gain from the exercise of options exercised in Q1 2018 of RON 3,023 thousand (in Q1 2017: nil) is included in the category "Gains from derivative financial instruments, net" in the Consolidated statement of profit or loss.

The unrealized net gain resulting from the mark-to-market of these options at 31 March 2018 amounting to RON 51,029 thousand (in Q1 2017: nil) is included in the category "Gains from derivative financial instruments, net" in the Consolidated statement of profit or loss.

As at 31 March 2018 the fair value of the options amounted to RON 54,761 thousand (31 December 2017: RON 3,298 thousand).

The fair value of these options was determined by using an evaluation model developed by an international, reputed, company that is specialized in financial information. The respective model is Black-Scholes type and uses market data to retrieve the value of the option at the required date, for the specified contractual dates. The contracted options generally have identical characteristics, the only variable part being the contracted quantity and the exercise date. The inputs for the valuation model include, besides the contracted aluminium quantity, the strike price, the exercise date and the valuation date, also observable elements such as the LME (aluminium price) curve, implied volatilities, interest rate. The valuation model is highly sensitive to aluminium price input.

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

Commodity swap contracts

In 2016, in order to hedge its sales at fixed price from adverse market fluctuations, the Group concluded swap agreements with a highly reputed counterparty for a quantity of approximately 600 tonnes at an average fixed price of 1,430 EUR/t and it will receive from the counterparty a floating price valid at the time of sales.

in RON '000, except per share data

At 31 March 2017 the Group no longer had aluminium swap agreements, all the contracts having been settled during January-February 2017 and the realized gain in the first 3 months of year 2017 of RON 87 thousand was included under the category "Gains from derivative financial instruments, net" in the Consolidated statement of profit or loss.

The fair value of the swap contracts was obtained from the financial institutions from which these financial instruments were acquired. The Management has concluded that their prices were determined in accordance with the requirements of IFRS 13.

The commodity swaps 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 does not have level 3 derivative financial instruments.

In 2018 there were no significant changes in the business or economic circumstances that affect the fair value of the Group's financial assets and financial liabilities, except for the normal volatility of aluminium prices on international markets, and of foreign exchange rates.

13. Financial instruments

Set out below, is an overview of financial assets and financial liabilities held by the Group as at 31 March 2018 and 31 December 2017.

Categories of financial instruments

	31 March 2018	31 December 2017
Financial assets		
Cash and bank balances	402,035	387,837
Fair value through profit or loss (FVTPL)	54,761	3,298
At amortised cost (loans and receivables)	255,513	230,917
Total financial assets	**712,309**	**622,052**

	31 March 2018	31 December 2017
Financial liabilities		
Fair value through profit or loss (FVTPL)	-	-
Amortised cost	1,169,424	1,183,110
Trade and other payables	276,973	264,561
Non-current bank and other loans	823,370	849,244
Current bank and other loans	69,081	69,305
Total financial liabilities	**1,169,424**	**1,183,110**

There were no reclassifications between the categories of financial assets during Q1 2018 and Q1 2017.

Fair value of financial instruments

The fair values of financial assets and financial liabilities are determined as follows:

• The fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets is determined with reference to quoted market prices (includes listed redeemable notes, bills of exchange, debentures and perpetual notes).

• The fair value of other financial assets and financial liabilities (excluding derivative instruments) is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.

• The fair value of derivative instruments is calculated using quoted prices. Where such prices are not available, the fair value of financial instruments is determined by using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each reporting date. The fair value of LME forward swap over-the-counter derivatives is determined using LME aluminium quotes for each settlement dates provided by dealers.

in RON '000, except per share data

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

• Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

• Level 2 fair value measurements are those derived from valuation techniques containing inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

• Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Group does not have level 3 financial instruments.

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

The Management consider that the fair values of financial assets and financial liabilities recognised at amortised cost in the financial statements approximate their carrying amounts largely due to the short term maturities, low transaction costs of these instruments as of financial position date, and for the long-term borrowings due to the fact that thery were recently contracted.

The fair value of the following financial assets and liabilities approximate their carrying amount:
- Trade and other receivables;
- Other current financial assets;
- Cash and cash equivalents;
- Trade and other payables;
- Borrowings.

14. Inventories

	31 March 2018	31 December 2017
Raw and auxiliary materials	343,224	304,386
Work in progress	203,844	161,296
Finished goods	189,158	220,303
Less: allowance for obsolescence	-24,339	-15,180
Total	**711,887**	**670,805**

The value of inventories pledged for securing the Group's borrowings amounts RON 507,959 thousand (31 December 2017: RON 515,457 thousand).

The increase in inventories was mainly due to the variation of the raw materials, of RON 38,838 thousand, as the necessary raw material was assured for Group operations, such as the bauxite for the planned production of alumina. Also the production mix in Q1 required a greater usage of electrolytical aluminium and less of aluminium scrap, thus leading to the increase of the recycled aluminium stock at 31 March 2018.

The increase in work in progress was partly offset by the decrease in finished goods.

in RON '000, except per share data

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

	Three months ended 31 March 2018	Three months ended 31 March 2017
Balance at beginning of the year	-15,180	-21,278
(Charge) to cost of goods sold	-9,449	-
Reversal to cost of goods sold	-	4.127
Translation adjustments	290	107
Balance at end of the period	**-24,339**	**-17,044**

Charge to cost of goods sold relates mainly to the write down of work in progress to its net realisable value as the result of the decrease of LME and the appreciation of RON against USD at 31 March 2018 comparing to 31 December 2017.

15. Trade receivables, net

	31 March 2018	31 December 2017
Foreign trade receivables	69,029	46,563
Domestic trade receivables	40,077	32,452
Allowance for doubtful receivables	-3,022	-2,162
Total	**106,084**	**76,853**

The increase in trade receivables at 31 March 2018 was mainly caused by higher sales of alumina and bauxite to external customers amounting to approximately RON 14,000 thousand.

A part of the Group receivables (RON 42,027 thousand at 31 March 2018 and RON 30,130 thousand at 31 December 2017) are pledged to secure the loans obtained from banks.

16. Other current assets

	31 March 2018	31 December 2017
VAT recoverable	47,096	51,146
Other current assets	9,783	4,482
Advances to suppliers	11,850	8,704
Prepayments	22,573	15,247
Allowance for other doubtful debtors	-47	-47
Total other current assets	**91,255**	**79,532**

At 31 March 2018, under "Other current assets" an amount of RON 3,688 thousand, represents receivables resulting from the exercise of LME options in March 2018 which will be collected in April 2018 (at 31 December 2017: nil). For more details see Note 12 "Derivative financial instruments".

As at 31 March 2018, the Group recognized prepayments of local taxes and fees amounting to RON 3,633 thousand for the period April - June 2018 (31 December 2017: nil) in the category "Prepayments".

17. Cash and cash equivalents

	31 March 2018	31 December 2017
Cash at banks in RON	8,030	7,739
Cash at banks in other currencies	348,047	313,046
Petty cash and cash equivalents	44	43
Total	**356,121**	**320,828**

As at 31 March 2018 and 31 December 2017 the bank accounts of the Group are pledged to secure its borrowings.

in RON '000, except per share data

The change in cash and cash equivalents was an increase of RON 35,352 thousand during the 3-month period ended 31 March 2018, as compared to an increase of RON 63,736 thousand during the 3-month period ended 31 March 2017 due to the following main factors:
- the change in inventories was a cash out of RON 50,109 thousand in Q1 2018 (see note 14), compared to a cash inflow of RON 9,188 thousand in Q1 2017;
- the change in restricted cash was a cash inflow of RON 21,095 thousand in Q1 2018 (see below) as compared to a cash inflow of RON 222 thousand in Q1 2017.

The cashflows from operating activities before the changes in working capital did not record significant changes in Q1 2018 compared to Q1 2017, due to the fact that the increase of the result before taxes was due to the unrealized change in fair value of derivative financial instruments.

Restricted cash:

	31 March 2018	31 December 2017
Restricted cash	45,914	67,009
Total	**45,914**	**67,009**

As at 31 March 2018 the amount of RON 45,914 thousand represents mainly cash collateral at banks for letters of credit issued for the acquisition of property, plant and equipment (31 December 2017: RON 66,926 thousand).

The change in restricted cash amounting to RON 21,095 thousand included in the Consolidated statement of Cashflows for the 3 months ended 31 March 2018 is mainly due to the fact that in January 2018, a letter of credit guaranteed from own funds was replaced with amounts pledged from a non-cash facility contracted by the Group in the end of 2017.

18. Borrowings and financial lease

	31 March 2018	31 December 2017
Long-term borrowings		
Long-term bank loans	885,511	911,453
Less: Short-term portion of long-term bank loans	-66,295	-66,509
Bank loans, non-current	***819,216***	***844,944***
Finance leases	4,154	4,300
Total long-term borrowings and finance lease	**823,370**	**849,244**
Short-term borrowings		
Short-term bank loans	295	385
Short-term portion of long-term bank loans	66,295	66,509
Short-term bank loans, total	***66,590***	***66,894***
Finance leases	2,491	2,411
Total short-term borrowings and finance lease	**69,081**	**69,305**
Total borrowings and finance lease	**892,451**	**918,549**

The bank borrowings of the Group will mature until 2022 and the related interest rates ranged between 2.80% for EUR and 23% for SLL (Sierra Leone Leones) in 2018 (in 2017: between 0.40% for EUR and 21% for SLL).

In November 2017, the Group signed with a syndicate of banks the extension of the revolving loan agreement in the amount of USD 137,000 thousand concluded in December 2015 and also signed the contract for an additional non-cash facility amounting to USD 30,000 thousand for issuing letters of credit and bank guarantees, both facilities having the maturity on November 2020.

in RON '000, except per share data

At the same time, in December 2017 the Group signed the extension until November 2020 of another revolving loan amounting to RON 180,000 thousand contracted from a commercial bank in December 2015.

At 31 March 2018, the Group had the amount of RON 703 thousand undrawn from the loan facilities contracted with the banks and the amount of RON 461 thousand of a SLL 1,500,000 thousand overdraft for working capital obtained by the Group subsidiary in Sierra Leone. At 31 December 2017, an amount of RON 594 thousand was undrawn from the facilities that the Group had contracted with banks.

At 31 March 2018, the Group had the amount of RON 6,645 thousand unutilized and available from non-cash faciliy for letter of credit and letters of guarantee of RON 46,000 thousand (at 31 December 2017, it had RON 5,289 thousand).

From the USD 30.000 thousand non-cash facility for letters of credit and letters of guarantee obtained in the end of 2017, the Group had the amount of RON 40,200 thousand available at 31 March 2018 (at 31 December 2017 it had RON 41,489 thousand).

The Group borrowings are secured with accounts receivable amounting to RON 42,027 thousand (at 31 December 2017: RON 30,130 thousand), with current accounts opened with the lending banks, with collateral deposits of RON 45,200 thousand (at 31 December 2017: RON 45,200 thousand), with property, plant and equipment (land, buildings, equipment) with a net book value of RON 673,480 thousand (2017: RON 685,616 thousand) and with inventories of RON 507,959 thousand (2017: RON 515,457 thousand).

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 9,131 thousand at 31 March 2018 (31 December 2017: RON 8,945 thousand).

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

19. Related parties transactions

The Group 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 which the Group has 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.

This is a free translation from the original Romanian binding version

in RON '000, except per share data

The primary related party transactions are described below:

Sales of goods and services	Three months ended 31 March 2018	Three months ended 31 March 2017
Companies under common control	323	786
Total goods and services provided to related parties	**323**	**786**

Goods and services purchased from related parties:

Companies under common control	-61,654	-49,045
Total goods and services purchased from related parties	**-61,654**	**-49,045**

Interest income from related parties:

	Three months ended 31 March 2018	Three months ended 31 March 2017
Vimetco N.V.	1,018	1,006
Total interest income from related parties	**1,018**	**1,006**

Furthermore, the following balances were outstanding at 31 March 2018 and 31 December 2017:

Trade and other accounts receivable:

	31 March 2018	31 December 2017
Companies under common control	3,503	3,579
Allowance for doubtful receivables	-374	-374
Total trade and other accounts receivable from related parties	**3,129**	**3,205**

Trade and other accounts payable:

	31 March 2018	31 December 2017
Companies under common control	3,785	1,607
Total trade and other accounts payable to related parties	**3,785**	**1,607**

Borrowings to related parties:

	31 March 2018	31 December 2017
Vimetco NV	53,775	54,345
Total borrowings to related parties	**53,775**	**54,345**
Thereof:		
Short-term portion of borrowings	-	-
Long-term portion of borrowings	53,775	54,345

A Group subsidiary has a borrowing agreement with the major shareholder Vimetco NV for an amount of up to USD 11,700 thousand, of which USD 11,695 thousand were utilized at 31 March 2018 (at 31 December 2017: USD 11,695 thousand). The borrowing has the maturity in July 2019, and the interest accrued for it at 31 March 2018 was RON 9,592 thousand (at 31 December 2017: RON 8,834 thousand).

Management compensation

The total compensation of the Group's key management personnel included in "General, administrative and selling expenses" in the Interim Consolidated Statement of Profit or Loss and other Comprehensive Income amounts to RON 3,938 thousand (during the first 3 months of the year 2017: RON 1,599 thousand), while the expense for determined contribution plan (social contributions) during the first 3 months of the year 2018 was RON 926 thousand (during the first 3 months of the year 2017: RON 122 thousand).

in RON '000, except per share data

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 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:

	Three months ended 31 March 2018	Three months ended 31 March 2017
Goods and services purchased from entities controlled by key management personnel or their close family members	15	19
Benefits paid to close family members of the key management personnel	-	-
Total	**15**	**19**

20. Commitments and contingencies

Commitments

Investment commitments

As at 31 March 2018, the Group's commitments pertaining to the investments amounted to RON 139,353 thousand (31 December 2017: RON 126,708 thousand).

Raw material purchase contracts

As at 31 March 2018, the Group has contracts for purchases of raw materials, other consumables and utilities in amount of RON 1,018,371 thousand (31 December 2017: RON 1,248,365 thousand).

Contingencies

Litigations

As at 31 March 2018 the Group was 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.

In May 2015, the Parent Company acknowledged a legal civil action at the Bucharest Court of Law, brought by Hidroelectrica S.A., regarding material claims by the electricity producer for alleged unrealized benefits from the bilateral contract with Alro S.A. In December 2015, the Primary Court rejected a significant part of the claims of Hidroelectrica as being time-barred, and consequently only remaining claims are under discussion, related to a short period from the contract of less than 2 months, which were subsequently dismissed in first instance by the Court in June 2016. In the appeal stage, the Bucharest Court of Appeal has also dismissed Hidroelectrica appeal action, and the Company reported this information to the investors and interested public. Hidroelectrica has filed a second appeal whose ruling by the High Court of Cassation and Justice is in progress. Based on Management's best estimate, it is not possible to make a reliable estimation of the outcome of the legal case. As a consequence, the Company did not recognize a provision in relation to the legal case at 31 March 2018.

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.

21. Events after the reporting date

The general Shareholders' Meeting dated 27 April 2018 approved the distribution into dividends of the net profit realized by the Parent Company in 2017 amounting to RON 317,686 thousand and of the result carried forward amounting to RON 64,350 thousand , which resulted into a gross dividend payable of 0.53523 RON/share.

In April 2018, the Group's Parent Company was subject to an audit of the Customs General Directorate regarding the use of excisable energy products. At the beginning of May, the audit was concluded without fiscal consequences.

As of the approval date of these Quarterly Consolidated Financial Statements, the Group's Parent Company is being subject to an audit of the General Directorate for Fiscal Anti-fraud regarding the performed activity involving excisable products within the period January 2017 - April 2018. The Parent Company estimates no significant impact following this audit.

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

Ratios in accordance with Appendix 30B from Regulation 1/2006 issued by FSA

Ratio description	Formula	Three months ended 31 March 2018	Three months ended 31 March 2017
Current ratio	Current assets/ Current liabilities	3.47	1.09
Gearing ratio	Long-term borrowings/ Equity x 100	61.29	23.88
	Long-term borrowings/ Capital employed x 100	38.00	19.28
Receivables turnover	Receivables average balance/ Turnover x 90	10.99	11.97
Non-current assets turnover	(Turnover x 360/ 90)/ Non-current assets	2.30	2.23

In the 3-month period ended 31 March 2018, the "Current Ratio" as well as the "Gearing ratio" increased as compared to the same period of the year 2017 as a result of the classification from short term to long term at 31 December 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, as a result of the refinancing of the two loans at the end of 2017.

Statement of the Persons in Charge

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

> We confirm to the best of our knowledge that the interim condensed consolidated financial statements of Alro Group 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 for the three months ended 31 March 2018.

The Board of Directors represents the interests of the Group, of the Parent-company, Alro S.A. 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 follows:

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

The interim condensed consolidated financial statements of Alro Group for the three months ended 31 March 2018 are unaudited.

President of the Board of Directors
Marian-Daniel Nastase

CEO
Gheorghe Dobra

CFO
Genoveva Nastase

14 May 2018