2018 Annual Report

vimetco
alro

Contents

Financial and operational highlights for the year 2018

ALRO Group

Indicator	2018	2017
Primary aluminium production (tonnes)	282,810	282,074
Processed aluminium production (tonnes)	100,501	108,972
Alumina production (tonnes)	571,772	472,606
Bauxite production (tonnes)	1,938,461	1,787,716
Sales (thousand RON)	2,982,501	2,726,272
EBITDA[1] (thousand RON)	485,694	566,456
EBITDA margin (%)	16.3%	20.8%
Adjusted net profit[2] (thousand RON)	249,078	402,626
Net profit (thousand RON)	235,327	391,106

ALRO S.A.

Indicator	2018	2017
Primary aluminium production (tonnes)	282,810	282,074
Processed aluminium production (tonnes)	77,086	83,742
Primary aluminium sales (tonnes)	153,473	150,988
Processed aluminium sales (tonnes)	77,916	82,393
Sales (thousand RON)	2,598,735	2,466,032
EBITDA[1] (thousand RON)	354,740	455,611
EBITDA margin (%)	13.7%	18.5%
Adjusted net profit[2] (thousand RON)	227,132	355,069
Net profit (thousand RON)	225,957	317,686
Adjusted net earnings[2] per share (RON)	*0.318*	*0.497*
Net earnings per share (RON)	*0.317*	*0.445*

[1] ***EBITDA:*** Earnings before tax, other financial gains and losses, amortisation and impairment;

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

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 securities laws.

Certain statements included within this presentation contain (and oral communications made by us or on our behalf may 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, 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 markets, particularly prices, supply and demand and competition, (e) results of operations, (f) margins, (g) growth rates, (h) risk management, as well as (i) statements 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 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 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 financial statements included in this report are audited and present the individual and consolidated financial results of ALRO and ALRO Group that have been prepared in accordance with 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 I*AS 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, except for the provisions of *IFRS 15 Revenue from contracts with customers* regarding the revenue from taxes of connection to the distribution grid and except for the accounting treatment of interim dividends, which, according to the Ministry of Public Finance Order no. 3067/2018, are recorded in the consolidated statement of financial position at 31 December 2018 as receivables on the position 'Other current assets' and as liabilities on the position 'Other current liabilities'.These exceptions do not affect the compliance of the financial statements of the Group and the Company with IFRS.

The indicators/ figures included in this report are 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 58.

Letter to shareholders

Marian NASTASE, Chairman

Gheorghe DOBRA, CEO

Dear readers and shareholders,

2018 was a rocky year for ALRO Group being filled with several major and important events that bring a fresh perspective over the Company, as its free-float increased on the Bucharest Stock Exchange and ALRO has a new shareholders' structure starting from the end of 2018. We also did some steps-forward in 2018 to get closer to our target of becoming a *Green Factory, Next Generation Factory, Innovating and Sustainable* by continuing to invest in state-of-the-art technology.

Throughout 2018, we kept our focus on increasing the HVAPs and VHVAPs products supply for the aerospace and automotive industries with the final aim to generate value-added for our shareholders, while remaining committed to our long term plan of sustainable development while minimising the Company's footprint and maintaining our competitiveness on international market.

Accelerated private placement offer for 33.77% of ALRO shares

At the end of the year, ALRO successfully closed the largest private placement of shares on the Bucharest Stock Exchange in 2018 and thus, we started 2019 with a new and fresh shareholders structure. Vimetco N.V. continues to be the majority shareholder holding 54.19%, Paval Holding became the second largest shareholder with a holding of 23.21%, Fondul Proprietatea continues to hold 10.21% and the other minority shareholding represent 12.39%. We believe that this transaction will bring medium and long-term benefits to both the Company and its investors, by improving the liquidity and visibility of ALRO on the Romanian and international capital markets. Moreover, this transaction brings Romania closer to its target of being upgraded to the status of an Emerging Market and ALRO confirms again, after more than 20 years from its listing on BSE that it is one of the top Romanian companies.

Dividends distributed of more than RON 694 million in 2018

In 2018, once again, we managed to create value for our shareholders and a distribution of dividends of more than RON 694 million was approved last year by the General Shareholders Meeting. Thus, ALRO remains one of the most attractive companies on the Romanian capital market, which manages to constantly deliver strong dividends to reward its shareholders for keeping their commitment and interest in ALRO during the past years which proved to be difficult and marked by uncertainty.

Full-Year 2018 Results

Management commitment and favourable market conditions, i.e. higher prices for alumina and aluminium products, helped us improve our revenues and report a higher Group's turnover by 9% in 2018 as compared to 2017. Thus, we demonstrated that we managed to seize the market opportunities, while benefiting from our strategy to increase the value of HVAPs and VHVAPs products for automotive and aerospace industries.

EBITDA margin was above 16%, with a level of RON 486 million in 2018, compared to RON 566 million earned in 2017. The year-on-year improvement in line with the focus on HVAPs and

supported by higher alumina and aluminium sales prices, was partially offset in 2018 by higher costs for raw materials and utilities purchase prices, in line with the prices on the dedicated markets.

Cash from operations in 2018 was RON 319 million, cash used in financing activities was RON 373 million and cash used for investing activities was RON 63 million. ALRO Group invested up to RON 305 million in return-seeking capital projects which will also enhance the Group's profitability and competitive position.

We can also note that during 2018, in SMHL, our bauxite subsidiary we managed to obtain a higher production by 9%, while the alumina production increased by almost 21% in 2018, as compared to 2017 and Vimetco Extrusion continued to be one of the main choices for extruded products clients in 2018.

Romanian energy market evolution and implications in 2018

Regarding the Romanian energy market, there are posibilities to further improve. In the recent years, it had been possible to acquire most of the electricity quantities needed to supply the planned aluminium production from OPCOM (Romanian Energy Market Operator) centralized markets, while only a few of the total transactions having been done on the day ahead market (PZU). But currently approximately 40% of the national electricity consumption is covered by supply from transactions done on the PZU market, which leads to severe price distortions. Since the share of the PZU market has increased within the overall electricity market, the PZU prices have significantly influenced the other OPCOM's wholesale forward markets, with prices reaching high levels, such as EUR 100/MWh during certain time frames.

As PZU market is highly volatile, during the last five years the spot prices have reached very high levels, thus having a negative impact on final consumers, particularly on energy-intensive users, such as ALRO. Higher energy prices further translate into higher production costs for the Company and let limited room for keeping our competitiveness on international markets.
Consequently, the Romanian energy market needs more sophisticated trading instruments and modernised rules of procedures that would ensure greater liquidity and stricter enforcement actions that would guarantee a fully transparent level playing field for all participants.

ALRO is a founding member of ARIR (Romanian Investor Relations Association)

In 2018, we were part of one of the most promising projects on the Romanian capital market, ARIR, which aims to implement the best communication practices with investors for the Romanian listed companies. ALRO is one of the founding members and we supported this project from the beginning, as we consider IR best practices are an indispensable tool for listed or to-be listed companies on BSE to help them apply the best communication techniques with investors in Romania and worldwide.

Stable performance of ALRO's share in 2018

As a result of the positive development and growth of ALRO and of the Group, the Company's share price showed stability throughout 2018, considering the turmoil in the aluminium industry. ALRO's share has appreciated by 150% since the beginning of 2017 and reached its highest level on 29 June 2018 (i.e. 4.27 RON/share), while reporting an average value of 3.43 RON/share in 2018, compared to 1.95 RON/share in 2017. The total market value of the Company at 31 December 2018 was of almost RON 2.2 billion.

Our aim for the next period is to improve our operational and financial performance and to continue to deliver outstanding results and strong dividends, while being prepared to face the challenging environment in which we activate.

Significant events in the financial year 2018

January - December 2018
ALRO Group: Market overview

LME evolution

- During 2018, the aluminium price recorded a steady growth trend, this being reflected in the 2018 average which was of 2,110 USD/tonne, compared to 1,969 USD/tonne in 2017. This upward trend recorded in 2018 culminated with a value of 2,603 USD/ tonne on 19 April 2018, while the highest value reported for 2017 was of 2,246 USD/tonne at the end of December 2017. However, in Q4 the LME level started to fall and by the end of the year dropped under 2,000 USD/tonne.

Market evolution

- Significant market growth for alumina, primary aluminium and flat rolled products, during the first part of 2018;

- The international market was strongly affected by decisions, such as:

    - USA decision to impose a 10% tariff on aluminium products amongst other countries, to member states of the European Union, starting from 1 June 2018;
    - Sanctions against Rusal from the US Government;
    - Closure announcements for high-cost smelters are emerging, including 300 ktpa capacity in Spain and 400 ktpa capacity in Gansu and Shanxi;
    - In October Norsk Hydro's Alunorte, the world's largest alumina refinery announced that the plant is preparing for full curtailment of its operation. However, the company subsequently announced that after additional discussions with the authorities it resumed production at half capacity and discussions to fully resume operations are "ongoing".

- Throughout 2018, increases in global alumina production were visible, while worries were sent in the market about weakening demand in China, balanced by shortage pressures coming from Alunorte capacity cut;

- In 2018, the previous predictions as of the beginning of the year, regarding aluminium demand and consumption growth confirmed that the worldwide market was in deficit.

20 December 2018
ALRO: New shareholder – Paval Holding

- Following the transaction initiated by ALRO's majority shareholder Vimetco N.V. together with the shareholder Conef S.A., the Company announced the market that it has a new shareholder with a stock-holding of more than 20% (i.e. 23.21%), namely Paval Holding.

- Subsequently, on the same day, the Company announced that Mr. Marian-Daniel Nastase (Chairman of ALRO Board of Directors) and Mrs. Genoveva Nastase (CFO of ALRO) bought each a number of 300,000 ALRO's shares.

19 December 2018
ALRO: Accelerated Private Placement Offer

- ALRO's majority shareholder, Vimetco N.V together with the shareholder Conef S.A., launched at the end of 2018 an accelerated private placement offers for a package of ALRO shares, representing a cumulative percentage of 33.77% of the share capital of the issuer. Following this operation, Conef S.A. disposed of its entire shareholding in ALRO and the majority shareholder Vimetco N.V. continued to hold a 54.19% stake of ALRO's share capital.

  ALRO believes that the transaction made by its shareholders will bring medium and long-term benefits to both the Company and its investors by significantly improving the liquidity and visibility of the Company on the capital market.

13 December 2018
ALRO: Interim dividends announcement for the 9 month-period ended 30 September 2018

- In accordance with OGSM's Decision no. 608/13.12.2018, the distribution of a gross dividend amounting to RON 0.45756/share for the 9 months ended 30 September 2018 was approved with the payment starting on 18 January 2019 (Payment Date). The Registration Date was 8 January 2019 and the Ex-Date was 7 January 2019 as approved by the OGSM's Decision no. 609/ 13.12.2018.

- ALRO obtained the licence for electricity trading in Bulgaria. This licence will allow ALRO to purchase electricity in the Bulgarian market for usage in its own aluminium production processes, whenever conditions are favourable and prices are competitive. However by the end of the year the Company had not performed any transactions under this licence.

13 November 2018
ALRO: Reappointment of Chairman and Directors

- Mr. Marian-Daniel Nastase was re-appointed in the position of Chairman of the Board of Directors on 13 November 2018 for a four-year mandate. During the same OGSM, Mrs. Svetlana Pinzari, Mr. Pavel Machitski and Mr. Aleksandr Barabanov were re-appointed as Directors for a four-year mandate.

Significant events in the financial year 2018 (continued)

23-25 October 2018
ALRO: European Aluminium Association Autumn Meeting, Bucharest

- At the end of October, the European Aluminium Association ("EAA") held its Autumn Meeting 2018 in Bucharest. It was for the first time when EAA organized one of its meetings in the Eastern side of Europe and this was mainly thanks to ALRO's importance as a member within this Association and as a sole aluminium producer in Romania and one of the largest vertically integrated aluminium producers in Europe by production capacity.

23 October 2018
ALUM: Investments in reducing energy consumption

- The Company continues its modernization and upgrading programme by investing USD 14.4 million in 2018 in environmental protection measures, technological processes, reduction of the specific consumption of heat, electricity and raw materials and for products diversification. Besides the technological upgrade with a direct impact on specific consumption, the company has a USD 1.7 million programme to increase its energy efficiency. With such programmes, ALUM managed to reduce the natural gas consumption by 28% over the past seven years, while the electricity usage was down by 19% over the past five years.

12 October 2018
ALUM: BSTDB and Garanti Bank finance ALUM's environmental investment plan

- The Black Sea Trade and Development Bank ("BSTDB") and Garanti Bank Romania provided a USD 25 million loan to ALUM, the sole alumina producer in Romania.

  BSTDB's financing amounts to USD 20 million, while the remaining amount was provided by Garanti Bank. The funding will be mainly used to continue the Company's investments aimed at reducing its carbon footprint, which have begun a decade ago.

  "ALUM has implemented in the last years an extensive investment programme aimed to increase its energy and processes efficiency while complying with the environmental regulations in place. This new financing obtained from reliable business partners such as BSTDB and Garanti Bank represents a new step forward for continuing our long-term investment programme, focussed on technology upgrading, products portfolio's diversification, development of new value-added products and safety and environmental protection projects", said Gheorghe Dobra, CEO ALUM.

9 October 2018
ALRO: Participation to ALUMINIUM 2018, Dusseldorf, Germany

- In 2018, ALRO remained focused on the optimization of the products mix and the quality increase, along with the overall efficiency increase to support its goals to boost its market share. Additionally, the Company supports its operational improvements with a strong marketing strategy that includes ALRO being present to one of the most important worldwide trade fairs, namely ALUMINIUM 2018, the12th World Trade Fair & Conference, held in Dusseldorf during 9-11 October 2018, which features more than 1,000 exhibitors from the aluminium industry, and has around 25,000 visitors at each edition.

20 September 2018
ALUM: Red mud turns acid soils into fertile ones, proper for agricultural purposes

- ALUM implemented a complex modernization plan for the red mud storage, with positive impact on the environment started a few years ago, on-field studies conducted at Agricultural Research Station Albota, Pitesti, Arges County with the support of ICPA Bucharest, which in 2018 showed good results in corn growing on acid soils.

  This programme is part of the Company's strategy to identify solutions to convert the red mud into a commercially usable product. The multi-stage research-programme consisted in an experiment where various quantities of red mud were combined with organic and chemical fertilizers in different scenarios for the quantities used; the results in corn growing were compared from a production process and plant growth point of view. The researchers looked at two main indicators: soil alkalinity and plants response to applied treatments. The usage of red mud on moderate acid soils increases the alkalinity of the soil, making it proper for plants growth. ALUM's by-product also proved to be efficient in terms of corn production. Thus, the usage of red mud contributes to rises in plants waist, green mass and dried mass, as well as in significant gains in vegetal mass and in cobs and grains yield. Moreover, red mud application to such acid soils is very effective for reducing the phosphorus leaching, ameliorates soil acidity and above all reduces the heavy metals availability in the soil by their ionic adsorption on the surface of the red mud particles.

Significant events in the financial year 2018 (continued)

28 June 2018
ALRO: Secondary Public Offering

- ALRO together with its shareholders Vimetco N.V. and Conef S.A. ("Shareholders") announced the launching of a Secondary Public Offering ("Offer") for up to 383,791,140 shares with the main objective to create shareholder value by increasing the free float to better reflect the underlying value of the business in ALRO's share price.

  However, on 20th July 2018, the Company subsequently announced that no Pricing Agreement had been agreed between the Company, the Shareholders and the Managers in relation to this SPO and, therefore, the conditions for a successful closing of the Offer had not been met.

6 June 2018
ALUM: CSR initiatives

- ALUM continued its investments in environmental protection projects in 2018, as well. Therefore, the company reported excellent results and achievements for the water withdrawal which decreased by more than 36% over the last five years; the energy intensity was also reduced by 15.77% in 2017, compared to the 2013 level and steps forward were done for the modernization of the red mud storage, with positive impact on the environment.

  ALUM has been present in the Romanian economy for more than 45 years and represents a landmark for the economy of Tulcea county, where it is one of the biggest contributors to local employment.

  ALUM is the only calcined alumina producer in Romania and its production facility was thoroughly modernized in 2007 for the purpose of increasing its efficiency and overall competitive performance. USD 10 million were invested in 2007 in this complex upgrading process, followed by other constant investments targeting the increase of environmental sustainability.

12 June 2018
ALRO - Other events

- ALRO participated to the 14th Central Eastern Europe Regional Energy Forum - FOREN 2018 with the main theme: "Central and Eastern Europe in the New Era of Energy Transition: Challenges, Investment Opportunity and Technological Innovations".

31 May 2018
ALRO Group: CSR initiatives

- ALRO Group launched its first Sustainability Report for 2017 which covers the last five years of activity for its most important topics and outlines the permanent concern of the Group for investing in energy efficiency, environmental, social protection and sustainability.

  Some of the main achievements outlined within this report mention that the Company reduced its energy consumption and saved almost 1,000 TJ which represents the equivalent of the annual energy consumption of a city with two million inhabitants. Moreover, since 2012, ALRO recycled more than 300,000 tonnes of aluminium scrap, enough to produce 30 million bicycles.

  ALRO Group invested almost 10 million USD in projects aimed at reducing Greenhouse Gas (GHG) Emissions since 2012.

  "We remain committed to the objectives of the European Aluminium Sustainability Roadmap and we take environmental stewardship very seriously. Reducing the environmental impact of our activities, the efficient utilisation of resources and energy efficiency are amongst our strong commitments throughout the whole aluminium value chain". Marian Nastase, Chairman of the Board of Directors, ALRO.

- Starting 2017, ALRO set up its first dual professional education class in Slatina, which will qualify 27 students in the field of industrial mechanics; this project continues in 2019, as well and ALRO believes that this project will be a successful one and continues to treat the human resources area as a core line for the Company's future.

9 May 2018
ALRO: Investments

- ALRO signed an agreement with Aluminium Pechiney (Rio Tinto Aluminium) to implement the AP12LE Technology at the plant in Slatina that will allow ALRO to reduce the amount of electricity needed to produce aluminium.

  "Over the past 15 years we placed a strong emphasis on investments to increase the operational efficiency and reducing the energy consumption has always been a significant part of this programme. While the past investments helped us become one of the most efficient aluminium smelters in Europe, we still need fine tuning solutions to further lower the electricity consumption. We are confident that this agreement signed with Aluminium Pechiney will support our operational efficiency plans and will get us closer to our goal of becoming a Green Factory, Next Generation Factory, Innovating and Sustainable". Gheorghe Dobra, CEO ALRO.

27 April 2018
ALRO: Other events

- *Auditor's approval:* Ernst & Young Assurance Service SRL was reappointed as the Company's financial auditor for 2018 by the OGSM held on this date.

- *Approval of the financial statements:* the Consolidated and Separate financial statements of ALRO, the Consolidated Directors' Report for the year ended on 31 December 2017 and the Activity Program for year 2018 were approved during the same OGSM.

Significant events in the financial year 2018 (continued)

- *Dividends approval & important dates:* a gross dividend of RON 0.53523 for one share and the "Payment Date" of May 25, 2018, in accordance with the applicable legislation were approved during the EGSM held on this date.

23 March 2018
ALRO: Other events

- *New Board Member:* Mrs. Svetlana Pinzari was appointed as a Board member, for a mandate valid from 23 March 2018 until 19 December 2018 by the OGSM held on this date, previously holding the position of interim member of the Board of Directors starting with 19 February 2018, after Mr. Artem Anikin's resignation.

- *Audit Committee set-up:* the organization of the Audit Committee was approved by the EGSM held on this date. The Audit Committee is made of three members, (an independent non-executive member of the Board of Directors and two members, from which at least one must be independent from the Company) and was set under the GSM supervision. The Audit Committee's composition at the date of this Report is as follows: Mr. Adrian Manaicu, Mr. Serghei Catrinescu and Mr. Dorel Mihai Paraschiv.

- *Important dates:* the "Registration Date" was 17 April 2018 and the "Ex-Date" was 16 April 2018 decided the OGSM held on this date, in accordance with the applicable legislation currently in force.

15 March 2018
ALRO: Other events

ALRO participated to the 7th edition of the EnergyCenter Gala and received the Excellence Diploma for the achievements and for the investments done in the energy efficiency area.

2 February 2018
ALRO: Other events

- The OGSM took place and the shareholders approved ALRO's Budget for 2018 and Investment Plan for 2018 forecasting the achievement of investments in a total amount of USD 61 million.

31 January 2018
ALRO: CSR initiatives

- ALRO is sustaining the education by offering a sponsorship to the Romanian Olympic winners in Physics from Ion Maiorescu National College, Giurgiu. This sponsorship's aim was to ensure that these students have the necessary equipment for supporting their performance and that their studies are carried out at the highest standards.

  "Traditionally, Romanian students have had outstanding results in the international Physics or Mathematics competitions, and these students can become the specialists we need in the future". Gheorghe Dobra, CEO ALRO.

General information

ALRO S.A.

Company's address	116 Pitesti Street, Slatina, Olt County
Telephone number	+40 249 431 901
Fax number	+40 249 437 500
Registration number in the Trade Register	J28/8/1991 of 31.01.1991
Fiscal code	RO1515374
Class, type, number and main features of the financial instruments issued by the company	Registered dematerialised and ordinary shares
Subscribed share capital, fully paid up	RON 356,889,567.5
The European Unique Identifier (EUID)	ROONRCJ28/8/1991
Legal Entity Identifier (LEI) Code	5493008G6W6SORM2JG98
Organised market on which shares and stocks are traded	Bucharest Stock Exchange - Regulated Market (market symbol: ALR)
Total market value for each class of shares	Standard Category – 2,198,439,736[1] RON

ALRO Group – entities

Company	Parent	Shareholding (%)
ALRO S.A.	Vimetco NV	54.19
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 with FSA as per Decision no. A/632/ 26 November 2013.

*[1]Calculated based on the BSE quotation available on 31 December 2018 - the last day of 2018 when ALRO's shares were traded (713,779,135 shares * RON 3.08 / share)*

Overview

Information about the Group

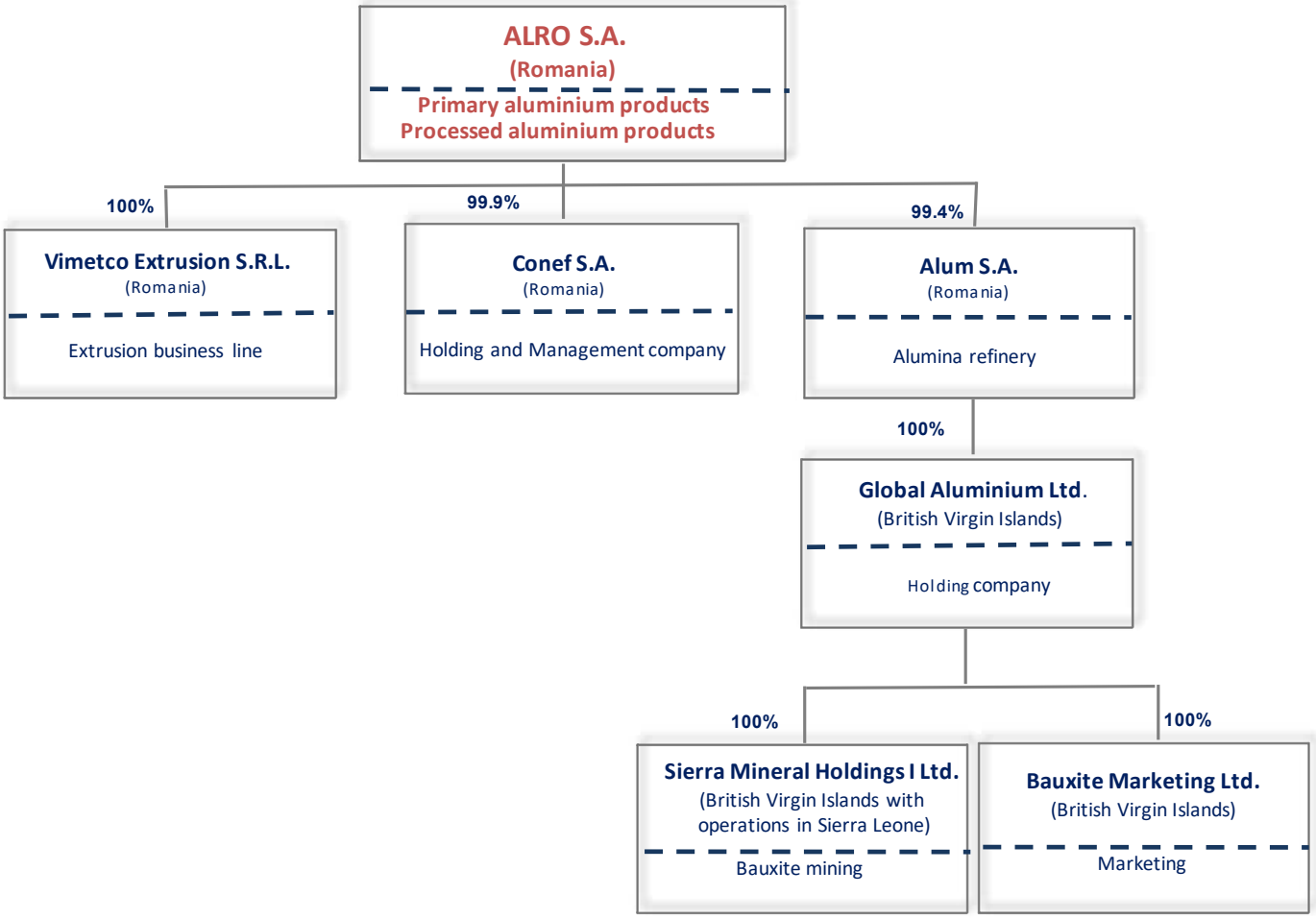
ALRO S.A. together with its subsidiaries ("ALRO Group" or "the Group") is one of the largest vertically integrated aluminium producers in Europe, measured by production capacity. With operations throughout all major stages of aluminium production, the Group consists of upstream and downstream divisions, from the mining and refining of raw materials to the production and sale of primary and processed aluminium products.

ALRO ("the Company" or "the Parent-company") was established in 1961 and founded for an unlimited period of time under the form of a joint-stock commercial company in accordance with Romanian Government Decision no. 30 of 14 January 1991 on the establishment of commercial companies in the non-ferrous metallurgy sector. The Company's administrative and managerial offices are located in Romania. ALRO is part of an integrated Group that produces aluminium, which covers the entire technological process, from bauxite mining to obtaining processed products. The Company was registered under the trade name "ALRO S.A." and has been listed on the Bucharest Stock Exchange since 16 October 1997. The Company's Shares 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 54.19% of the Company's share capital (as of 31 December 2018). 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 Group includes the following companies:

- ALRO – manufacturer of aluminium – primary & processed ("FRPs") products (a company listed on the Bucharest Stock Exchange, Premium Tier Category);
- Alum – producer of alumina (a company listed on BSE, ATS market, AeRo Category);
- Sierra Mineral Holdings (SMHL) – bauxite mining;
- Vimetco Extrusion – extrusion business line;
- Conef – holding and management company;
- Global Aluminium – holding company, and
- Bauxite Marketing - marketing.



The Group is vertically-integrated, its operations being organized, for management purposes, in four segments: Bauxite, Alumina, Primary Aluminium and Processed Aluminium. In this way, the resources are efficiently allocated and the segments performance is properly evaluated being the basis on which the Group reports information to its management:

- Bauxite segment consisting of the bauxite mine operated by the Group in Sierra Leone (Africa) and which includes SMHL, Global Aluminium and Bauxite Marketing;
- Alumina segment, consisting of the Group's alumina production operations, which is the principal raw material for aluminium smelting and which includes Alum;
- Primary Aluminium segment, manufactures primary aluminium products such as wire rod, slabs, billets and ingots (occasionally) and which mainly includes the Anodes section, Electrolysis section, the Casting House and Eco-Recycling Facility;
- Processed Aluminium segment which develops and sells flat rolled products ("FRPs") such as sheets, plates and coils, and extruded products.

Both smelting and processing mills are located in Slatina, while the alumina refinery is located in Tulcea, Romania (Europe).

The following chart shows the vertical flow of the Group's upstream and downstream divisions:

In this way, the Group managed to provide an integrated production chain, securing the raw materials for ALRO.

ALRO is structured in **two divisions**:

- **Primary Aluminium Division** includes the Company's primary aluminium internal division, and comprises the anodes section, the electrolysis section, the casting house, the aluminium Eco Recycling Facility, repairs and spare parts production units, road and rail transportation and other ancillary sections. After investing in modernizing its equipment and in new technology, ALRO reached a production capacity of 265,000 tonnes of electrolytic aluminium per annum and, through the additional input of recycled aluminium from the Eco Recycling Facility, with a total primary cast aluminium capacity of 340,000 tonnes per annum. At the same time all necessary anodes for the electrolysis of alumina are internally produced;
- **Processed Aluminium Division (FRP)** depends on the specific product range produced at any one time, the Group's facilities generally have a capacity of 90,000 tonnes per annum of FRPs and 25,000 tonnes per annum of extruded profiles. The Group intends to increase its FRP production capacity from 90,000 tonnes per year to 120,000 tonnes per year by 2022.

The Group's subsidiaries hold several certifications. For example, ALRO is ISO 9001 certified for quality management and has NADCAP, as well as EN 9100 certifications for aircraft 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.

A detailed list containing all the certifications hold by the Group facilities as at 31 December 2018 is presented below:

Location	Function	Certifications
Tulcea	Alumina refinery	ISO 9001:2015, ISO 14001:2015, SR OHSAS 18001:2008 (BS OHSAS 18001:2007), SR EN ISO 50001:2011 (ISO 50001:2011);
Slatina	Smelting and Casting	ISO 9001:2015, ISO 14001:2015, SR OHSAS 18001:2008 (BS OHSAS 18001:2007), EN 9100:2009 (equivalent to AS 9100C and JISQ 9100:2009), ISO TS/IATF 16949:2016, SR EN ISO 50001:2011 (ISO 50001:2011);
Slatina	Processing (FRPs and extrusion)	ISO 9001:2015; OHSAS 18001:2008 (BS OHSAS 18001:2007), EN 9100:2009 (equivalent to AS 9100C and JISQ 9100:2009), ISO TS/IATF 16949:2016, SR EN ISO 50001:2011 (ISO 50001:2011), EN AW-5083 & EN AW-5754, DNV GL VL 5083 & VL 5754, EN 15088:2005, BV 5083, BV 5754; NADCAP-HT, NADCAP—NDT, PED/97/23/EC, AD2000-Merkblatt W0.
Sierra Leone	Bauxite mining	ML/F/SA/400 dated 11.06.2018 - certification of factory name for 2018 “GONDAMA PLANT SITE” for bauxite mining ML/F/SA/401 dated 11.06.2018 - certification of factory name for 2018 “MATTA CAMP” for bauxite mining ML/F/SA/402 dated 11.06.2018 - certification of factory name for 2018 “NITTI HARBOUR SITE” for bauxite mining ML/F/SA/217 dated 11.06.2018 - certification of factory name for 2018 “MATTA CAMP” for storage of petroleum products (AGO) for use by the institution ML/F/SA/215 dated 11.06.2018 - certification of factory name for 2018 “GONDAMA PLANT SITE” for storage of petroleum products (AGO) for use by the institution ML/F/SA/216 dated 11.06.2018 - certification of factory name for 2018 “NITTI HARBOUR SITE” for storage of petroleum products (AGO) for use by the institution Certificate of transportable moisture SML/HornbeamF/220218/0125 limit issued on 16.03.2018

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

- aluminium and aluminium alloyed wire rod;
- homogeneous aluminium and AlMgSi billets;
- aluminium and aluminium alloyed slabs;
- aluminium and aluminium alloyed plates (heat treated and not heat treated);
- aluminium and aluminium alloyed sheets and coils;
- aluminium alloyed cladded sheets and coils;
- aluminium and aluminium alloyed ingots.

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 produced by the Group are in the European Union (including Romania), but the Group also sells its FRPs in the USA and Asia. The global aluminium market has been lately characterised by significant consolidation in the last decade and competition is mainly driven by sale price and product quality. The Group’s main competitors on the international aluminium market are: Impol, Aleris, Amag, Constellium and several Chinese producers for FRPs and Trimet, Hydro Aluminium, Alcoa, Dubal, Alba and Egyptalum for primary aluminium. In addition to global competitors, the Group competes with Slovalco-Hydro Aluminium, ADG, Talum and Aluminij Mostar in Central as well as Southern and Eastern Europe.

In 2018, the Company continued its strategy of increasing its high value added products (“HVAPs) and very high value added products (“VHVAPs”) sales in terms of volume, especially FRPs, compared to the similar period of 2017. The Group considers all of its FRPs to be HVAPs and refers to products such as cladded sheets and coils, and aero heat-treated plates as VHVAPs. Within extruded products, the Group considers its special products to be HVAPs and the machined, painted and anodized or powder coated products to be VHVAPs.

Regarding its investment programme, the Group’s overall plan for 2018 involved several projects that reflect the Group’s strategy to increase its production capacities within HVAPs and VHVAPs, and the overall efficiency of its plants and operations. The Group has invested almost 77 million USD in 2018 to implement the following strategic priorities:

- focus on downstream production expanding the Group’s FRP product portfolio with an emphasis on increasing the share of HVAPs and VHVAPs;
- expand and diversify the Group’s product mix in order to align itself to customer needs and enter into sophisticated markets;
- enhance the Group’s profitability and competitive position by continuing to focus on productivity and cost control within its existing infrastructure; and
- enhance environmental sustainability of the Group’s plants and operations.

ALRO Group has a strong presence in many industry sectors of the international markets and its expertise and increased focus on flat rolled and extruded HVAPs enables it to meet specialized technical and production standards demanded by certain customers. It also increasingly targets sophisticated industries such as the aeronautic, automotive, marine and construction industries with products the Group considers to be VHVAPs and for which it is able to negotiate higher premiums. The Group has an increasingly diverse customer base. In 2018, the Group sold the majority of its primary products to end-users, and the majority of its processed aluminium products to service centers, metal traders and distributors. In the same period, the Group’s primary

products, FRPs and extruded products measured by revenues were exported, predominantly within Europe.

In particular, the Group is aiming at increasing its FRPs production capacity from 90,000 tonnes per year to 120,000 tonnes per year by 2022. Amongst the investments that are currently in progress, the Group is increasing its production capacities and exposure to HVAPs and VHVAPs for instance by improving the quantity of hot-rolled products with higher value added and higher premium, in particular the production of heat-treated plates, sheets and cladded products, in order to diversify its product range and meet the most demanding quality requirements of its customers in sophisticated industries.

In 2018, the Primary Aluminium Division focused on producing more to take advantage of the market opportunities. Electrolysis production was by 2% higher compared with the same period of 2017 (around 4,300 metric tonnes more). The wire rod represents the main product sold, followed by billets and slabs.

In 2018, primary aluminium sales were higher by 9% thanks to the positive trend of LME and to higher quantities sold. In Q4 2018, the sales amount was at similar level last year, due to the negative evolution of the LME in Q4 2018, offset by the RON depreciation against USD compared to the Q4 2017. The factors that favoured the increase in sales of primary aluminium are detailed below:

- *wire rod sales* - higher by 4,000 tonnes in 2018 compared to 2017, thanks to the strong market, as well as a very good performance of the production;
- *billets sales* to 3rd parties - higher by 2,000 tonnes in 2018 than 2017, thanks to an increase in demand during 2018.

In terms of quantities, sales of primary aluminium increased in 2018 by 3% compared to the previous year, and in money terms, the Group's sales of primary aluminium were RON 1,250,331 thousand in 2018, which is an increase of RON 104,115 thousand compared to the similar period of 2017 (RON 1,146,216 thousand). The sales of processed aluminium decreased in 2018 by RON 17,053 thousand, as well as in quantity terms by 6% compared to 2017 due to the fact that, starting from July 2018, ALRO initiated a modernization program for one of its rolling mills. During this time, thanks to our flexibility in allocating capacity among different product types, we limited the interruption's impact and we managed to compensate the lower sales of certain processed aluminium products, as we steered the sales and output efforts towards other aluminium products, nevertheless monitoring a product mix which could ensure advantageous profit margins. The technological upgrade is another step in the Group's capacity expansion plans for value added flat rolled products (towards 120,000 tpa).

For all the Group companies, ongoing improvement of product quality and range of products are done and the audits performed in 2018 had as a result the approval & renewal of all the certifications in place.

Moreover, ALRO Group has a long-standing commitment to sustainability. For this reason, several projects with the aim to reduce the energy consumption were started in 2018, out of which one of the most important for ALRO is: the AP12LE project which aims at reducing the specific energy consumption by approximately 300 kWh/tonne of aluminium, while maintaining the current production; some others were replacing the classic burners with regenerative burners and the installation of an electromagnetic stirrer; replacing the normal light bulbs with LED ones.

Production efforts were done in order to improve the overall efficiency and FRP Division is committed to satisfy its customer requirements, while increasing its presence in the aircraft and automotive markets. Moreover, within the FRP Division the following milestones were achieved during 2018:

- Starting implementation of an Advanced Production Planning Systems for flat rolling production;
- Starting implementation of the marking and traceability system for flat rolling production;
- Improvements on lean manufacturing activities with involvement of the operators on 5S, Value Stream Mapping, Total Productive Maintenance and Predictive Maintenance;
- For energy efficiency reasons, four furnaces were revamped (two pit furnaces and two horizontal furnaces).

In line with the Group's objective of implementing a new aluminium plant concept based on research and development, a high degree of digitalization and automation, eco-friendly technologies, zero emissions and zero waste, the Group aims at reducing the Group's energy consumption rates. Given that aluminium recycling requires only approximately 5% of the energy required to produce primary aluminium, the Group is currently increasing the use of recycled metal quantities. To this end, the Group is focusing on increasing the processing capacity of the Eco Recycling Facility, with the objective to reach a total waste processing capacity of 100,000 metric tonnes per year by 2020. Through this new facility, the Group has managed to ensure some liquid aluminium from alternative sources, partially replacing the aluminium produced by electrolysis. In addition, the Group has been continuously upgrading the combustion system of the melting furnaces, increasing the water recirculation rate by building industrial water recirculation stations for the billets and wire rod plants, rodding shop and paste plant, and improving the energy management system. In addition, the Group is currently implementing new technologies in its alumina refinery for the research of dry aluminium hydroxide, for the grinding and sorting of dry aluminium hydroxide, and for the classification of wet aluminium hydroxide, all of which are new alumina products with special destination. The Group is continuing technological upgrading programmes within all its divisions, with the main objective of improving the efficiency of the existing equipment and its day-to-day operations.

In the primary aluminium sector, starting in 2018, the Group began to invest in improving the performance of the electrolysis sector by implementing a new pot replacement methodology using a new design that is expected to generate a reduction in energy consumption in line with the Group's strategies and commitments.

On 2nd February 2018, ALRO Investment Programme for the year 2018 amounting to USD 61 million was approved during an OGSM. In 2018, some of the projects included in the Company's Investment Programme have been continued, while other projects have been started both in the Primary Aluminium Division and in the Processed Aluminium Division. These investments aim

to reduce ALRO's energy dependence, increasing energy efficiency and upgrading the current equipment, expanding the client portfolio, increasing the competitiveness and the quality of the hot rolled products and ensuring production reliability.

In December 2018, ALRO obtained the licence for electricity trading in Bulgaria. This licence will allow ALRO to purchase electricity in the Bulgarian market for usage in its own aluminium production processes, whenever conditions are favourable and prices are competitive. However by the end of the year the Company had not performed any transactions under this licence.

Goals and Strategy

ALRO Group main objectives are to continuously assess operations on long – term basis, ensure economic viability and deal with the challenges and requirements of the highly competitive aluminium industry.

The main goals of the medium and long term development strategy implemented by ALRO Group are:

- investments in state-of-the-art technology which allows the companies within the Group to expand its range of products, improving the quality and decrease the delivery time, and also to increase the operating efficiency and to decrease the production costs;
- continuous improvement of the activities, processes and products;
- focus on high value added aluminium production (i.e. in sheets and coils for ALRO) and on the continuous development of the products range (i.e. ALRO aims to produce more for the aeronautic and automotive industries);
- increasing the energy efficiency across the entire production chain, both through technology investments and investment in research and development;
- reducing costs and shortening production cycles;
- development of the technological production processes to incorporate the latest developments in the field, so that the highest production standards can be achieved in terms of quality and cost for its products;
- vertical integration, thus ensuring the availability of the necessary raw materials, in order to decrease the production costs and to increase the operating efficiency;
- continuous compliance with the environmental protection rules, effective waste management in accordance with the economic objectives, but with minimal impact on the environment and natural resources.

Throughout the last years, the energy efficiency was boosted in all ALRO sectors, due to an ambitious policy to effectively implement the concept of "factory of the future", which translates in lower energy consumption rates, lower emissions, more friendly environment, increased reliability of the assets and quality of all its operations and products.

The company projected and developed in-house an active monitoring system for measuring consumption rates, which allows a better control and allocation of all resources (e.g. the internal services power consumption has decreased by 5% and the specific industrial water recirculation increased to almost 90%). The current efficiency in Electrolysis sector was maintained at a level of the energy consumption above 95.3% and shows a decreasing trend.

Meantime, ALRO as a supplier for automotive and aircraft industries, oriented its downstream processes toward VHVAPs production and towards a highly-reliable and efficient assets utilization. In this respect, among other achievements, ALRO consolidated a strong and modern set of devices for preventive technical investigations for the condition of its equipment, which lead to the increase of the availability of all production lines to over 85%, the Overall Equipment Effectiveness (OEE) being over 80% which significantly decreased the repairs costs. Moreover, on a regular basis maintenance works are performed for assets, such as predictive maintenance, scheduled preventive repairs of the equipment and subsequent control of the quality of rendered services for repairs and operation of each equipment.

Additionally, very important achievements were obtained in the health and safety areas, especially in the Electrolysis sector where ALRO ranked on 1st place from 15 smelters from Europe with the lowest TRI figure (total recordable Incident) and LTI (lost time incident).

ALRO - Products portfolio

Expanding the range of products represents a strategic direction for ALRO, which focuses on high and very high value added aluminium production for key-industries, such as:

- *aeronautic industry* – ALRO holds the EN 9100 certification (for the aircraft and defence industries) awarded by the German certification organisation DQS GmbH for the Company's quality management system. The Company is NADCAP certified for special processes (i.e. heat treatments, lab tests and non-destructive testing) and also for the aircraft and defence industries, awarded by the Performance Review Institute within the Society of Automotive Engineers (USA). Airbus, the leading aircraft manufacturer, selected ALRO as a provider for aluminium. The agreement is for a multi-year period, starting 2017. Under the terms of the Contract, ALRO supplies Aluminium flat rolled products for aircraft manufacturing;

- *automotive industry* – the Company holds the ISO TS/IATF 16949 certification (for automotive industry) awarded by the German certification organisation DQS GmbH for the quality management system. The Company is an accredited supplier for the production and mechanical processing of aluminium and aluminium alloys for the automotive industry;

- *construction industry* - the Company holds the CE certification for its products designed for the construction field, awarded by TUV Rheinland and TUV SUD (Germany) organisations;

- *shipbuilding industry* - ALRO's products designed for shipbuilding industry are certified by organisations such as Det Norske Veritas, Bureau Veritas and Germanische Lloyd.

Production

ALRO – the factory of the future

ALRO development strategy – *the factory of the future* is based on the following key pillars:

- *Green Energy*
    - using green power produced from renewable energy sources, on long term basis, for the electrolysis process and for all of the other ALRO's technological processes;
    - these sources should be as cheap and predictable as possible and the objective is to obtain it through a long-term partnership with renewable energy producers/ sources (RES);

- *Zero waste/ scrap, zero emissions*

  - reduce the overall emissions and waste/ scrap generation, in order to ensure a sustainable future by shifting to a competitive low carbon industry;

  - implement projects aiming to reduce the emissions and waste generated in the production process, while reducing the landfilled waste and thus comply with the new EU goals regarding utilization increase and circular economy;

- *Energy efficiency* - amid the permanent global concern to increase the sustainability and efficiency of industrial operations and given the more stringent legislation enforced by the EU regarding the energy consumption and CO_2 emissions, ALRO is committed to continue its research work and to further develop its energy efficiency processes to achieve emissions reduction, power supply security and economic competitiveness in a challenging and unpredictable market (as an example, the implementation of the program AP12LE with RTA (Rio Tinto Alcan) is estimated to help the Company rank amongst the world's top 10 Primary Aluminium companies (except China) in terms of low specific energy consumption, i.e. under 13 MWh/t electrolytic aluminium;

- *Competitiveness increase*: the last decades' globalization trend means that ALRO operates now in an open and highly challenging economy, being exposed to the competition from foreign companies, both from inside and outside EU. Therefore, the program will include measures to guarantee the use of state-of-the art technologies, while increasing the HVAPs and VHVAPs production (i.e. FRP production's objective is to increase its capacity to 120,000 tonnes/year);

- *Recycling:* resource recovery plays an important role in the EU economy model. Aluminium has a major and unique contribution to support product recycling to the benefit of the whole society. Therefore, the development program is focused on the increase of the scrap recirculation rate in the production process, (i.e.: increase the aluminium scrap processing capacity from 30 ktpa up to 100 ktpa);

- *Research, Development and Innovation:* the creation and use of knowledge have become vital sources of boosting the global wealth. However, the transition from the competitiveness based business (i.e. labour, natural resources and investments) to innovations based competitiveness requires the development of research capacities in high-tech areas, determining a very high added value output, with the potential to generate exports and involve other production and research centres, i.e. the ongoing project *"Investments in the Research and Development Department of ALRO aiming at improving the research infrastructure for the aluminium alloy heat treated plates with high qualification industrial applications"* under which the Company, using EU grants, installs and will operate the following equipment:

  - equipment for the research of the aluminium alloy plates heat treatment process;
  - equipment for the research of the residual stress removal process for the aluminium alloy plates with thickness lower than 20 mm;
  - equipment for the research of the aluminium alloy plates aging process;

  All the equipment is located into a dedicated area and will be operated by research and development personnel (engineers and operators).

  The targets of this project are to establish new technologies to obtain plates for industrial application, while expanding the products portfolio with new products.

- *Health, Safety and Environment:* sustainable development can only be achieved by providing the employees, contractors, visitors, stakeholders and to the environment proper safety and protection conditions. Through effective occupational and environmental management practices the incidents or accidents that might result from abnormal operating conditions can be prevented. In this way the adverse effects are reduced to a minimum and the normal operating conditions are ensured.

- *Digitalization:* using more and more electronic devices and models for better monitoring and control, while decreasing the usage of paper/ hard-copy documents. The digitalization concept will integrate the data from all the departments within ALRO and will be a key enabler for the operating system with constant monitoring and immediate analysis which facilitates proactive and intelligent manufacturing decisions. Digitalization concept is to be adopted as part of the business operating system to continuously deliver value, and achieving significant savings, i.e.: Production Planning and Production Traceability; SAP Automated Warehouse Management; SAP Automated Management Report Generation.

2018 Digital Transformation

ALRO is placing its digital transformation on the top of its strategic agenda. For production companies the digital transformation process is known as the *Industry 4.0* concept and it refers to interconnecting the Company's cybernetic and physical systems (CPS) in an industrial environment.

The first step towards the digital transformation is represented by connectivity, meaning connecting the equipment automations systems, video surveillance systems, maintenance systems and the production tracking systems.

In 2018 ALRO conducted massive operations for introducing video systems connected to production processes, for connecting the automation systems to databases and to its predictive maintenance tracking system and displaying them on an intranet portal.

Additionally, the Company implemented and/or upgraded the control rooms that are part of this connectivity, i.e. the Cast-House, Anode plant, Rectifiers, Electrolysis and Production Dispatch. A major step in achieving this connectivity is the introduction of handheld devices: mobile phones and tablets. In this way, one pot room has already been connected to a system which is available from such devices and which is under constant development and improvement.

Moreover, being a production company, ALRO is a major energy consumer, and this is why monitoring the power and gas consumption is performed with the support of a monitoring system, at all levels: equipment/ machinery, production section, production facility and within the entire Group.

This system relies on more than 800 devices that monitor the energy usage of every equipment located in ALRO and ALUM. All the data is stored in the cloud and is available from both workstations and mobile devices.

The second step is represented by the digital transformation which collects large quantities of data (big data) that allow and support complex analysis and learning, including machine learning.

The smelter pot rooms already benefit from a data collection system that turned into big databases, which enabled classification and grouping functions that support the optimization of the operating parameters for the aluminium electrolysis cells.

Investment strategy

The Company aims and believes in a durable and sustainable development and this is why ALRO Investment Program consists of investment projects, which are in line with the above mentioned measures and targets, out of which some of them are detailed below:

- increase the energy efficiency of the current equipment by using highly energy efficient solutions/ equipment;
- increase the energy efficiency of the technological process by increasing the scrap recycling ratio in the production mix and reducing the environmental impact;
- increase the Company's profitability by extending the client portfolio and reducing the fixed costs;
- ensure the safety and continuity of the technological processes within the Company.

Based on this development strategy, in 2018 ALRO implemented new investment projects and continued the ones started in the previous years, which were directed towards the following major goals:

- increase the percentage of HVAPs and VHVAPs by implementing state of the art equipment for the research of plate stock for highly specialized applications, which is expected to have positive impact on the Company results;
- implement new equipment/ upgrade the existing facilities, in order to increase the technological process efficiency through a better energy efficiency and loss recovery;
- ensure the reliable continuity and safety of the Company's operations.

ALRO's investment plan for 2018 included projects aiming at increasing the share of HVAPs and VHVAPs and expanding the production mix, development projects which focus on implementing new technology for the production of aluminium heat treated plates for highly specialized industrial applications and for the aircraft and automotive industries as well as sustaining investments meant to provide a safe and reliable business operations. In line with this, ALRO implemented the project *"Investments for the Research Development Department of ALRO aiming at improving the research/ innovation infrastructure for the aluminium alloy heat treated plates with high qualification industrial applications",* co-funded by EU grants within the Research and Development Programme, involving the purchase of heat treatment and stretching research equipment amounting to approximately USD 29 million, out of which approximately USD 9 million represent non-refundable grants.

The equipment purchased under this project was commissioned and put into service in 2019 and are expected to provide to ALRO advanced means of research in the field of plates designed for highly specialized industrial applications, thus increasing the Company's know-how and ability to manufacture highly specialized products which may generate benefits for the Company and increase ALRO's competitiveness on the market.

Moreover, in 2018, ALRO remained focused on the implementation of some critical projects necessary to reach the planned capacity of 120,000 tonnes per year in the FRP Department, namely the project *"Modernization of Cold Rolling Mill #2"*, and it is estimated that the mill is to be 100% productive at the end of March 2019. Additionally, the installation of the first out of two homogenizing furnaces and of one cooling chamber has been completed and the installation of the second one for slabs started. The production to be achieved from these machines will generate better results for the Company in terms of production quantity, variety and quality, but also in terms of metal recovery.

Additionally, ALRO continued to invest in energy efficiency projects consisting in upgrading the combustion equipment of melting furnaces, which are using up-to-date low energy technology and for installing new metal stirring equipment which led to a reduced consumption of gas. These projects will result in lower energy consumption and CO_2 emissions, and are part of the commitments undertaken by ALRO and agreed by the ANRE (National Power Regulatory Authority).

ALRO's commitment to improve the smelter operations and reduce the energy consumption is supported by the large programme planned to be carried out in the next several years, involving the implementation, during the smelter pots relining, of a new and advanced Low Energy Lining technology developed by Pechiney part of Alcan Rio Tinto, a world leader in this field. The project is part of ALRO's strategy for decreasing the dependency on the power supply and it is estimated to bring benefits in terms of electric power consumption.

2018 Research and Development Activity

In the last years the Research and Development Department continued to be an important activity for development, as well for improving the performance of ALRO products. This activity is organized as follows:

1. At Company's level through project managers, involving a large number of specialists;
2. A special department called the Research & Development Department, for the applied research.

More than 56 persons are directly involved in the research activity. The strategy of the applied research aims to support technically and scientifically the industrial sectors of ALRO in order to improve the technological flows to intensify the following aspects:

- decrease of the specific consumption, especially the energy consumption;
- improvement of the products quality;
- increasing the product competitiveness.
- the development of the new products.

The Research & Development Department develops activities in the following domains:

- monitoring the flows & technologies to determine the influences of the process parameters and finding optimization solutions;
- developing mathematical models to enhance the current technologies and to increase the assurance of quality of products;
- industrial research topics rising from the needs of the production processes;
- development within its own thermal treatment compartment, equipment acquired through the European financing project, the technologies for the production of thin heat treated sheets;
- the development within its own metallographic analysis laboratory, new analyses in accordance with quality requirement of customers from aircraft and automotive industries.

Among the programs that were successfully run in 2018 are stated:

- monitoring the evolution and performance of test electrolysis cells equipped with modified cathode design, with the target to reduce the electricity consumption rates per tonne of electrolytic aluminium;
- optimization of heated of electrolysis pots during start-up, with the target to decrease the energy consumption and the time life of the pots;
- reducing the level of inclusions by optimizing the entire process, depending on the amount of liquid metal used for slabs casting, with the target to use a higher quantity of alloy aluminium from Eco-Recycling;
- tests to use a digital device (tablet) for the introduction of operating data and for the evaluation of the operation of the electrolysis pots in one pot room, with the target to decrease the reaction time of staff to improve the operating parameters of electrolysis pots;
- new aluminium alloy development, i.e. slab from 7xxx series, with the target to increase HVAPs and VHVAPs production, especially for the aircraft industry;
- new aluminium alloy development, 2xxx series, from slab to the thin heat treat sheets, with the target to increase HVAPs and VHVAPs production, especially for the aircraft industry;
- development of new alloy for clad sheets and coils with high corrosion resistance, with the target to increase HVAPs and VHVAPs production, especially for the automotive industry.

Additionally, at the end of 2018 performance tests were started for:

- the research of aluminium alloys plates ageing process equipment;
- the research of aluminium alloys plates quenching process equipment;
- the research of residual stress removal process.

In respect of the Processed Aluminium Operations Division, in 2018, ALRO kept its focus to increase the percentage of the high value-added products ("HVAP") and very high-value added products ("VHVAP") in the production mix. For aircraft industry, ALRO has produced plates starting 2013 and the plates' production for this industry increased in 2018 by more than 30% compared with 2017. Moreover, the clad material production increased by 28% compared with the previous year.

Within the Processed Aluminium segment, efforts were done in order to improve the overall efficiency and to satisfy the customers' requirements, while increasing ALRO's presence in the aircraft and automotive industries.

Moreover, some of the main achievements of the Processed Aluminium Operations Division segment in 2018 are outlined below:

- a Company planner implementation and optimizer for scheduling under testing with Dassault – Quintiq company, as a part of an advanced production planning system;
- implementation of a marking and traceability system for flat rolled products for the entire production process;
- new cranes were commissioned for the hot rolling mill line and for the brushing line;

For 2019 year, the FRP aims to:

- maintain and improve the stability of the entire production process;
- improve the process KPI's;
- reducing at a minimum level the scrap generated in the technological processes through lean manufacturing activities

Additionally, the Management aims to increase the flat rolled products capacity, and as such, the revamping project of Cold Mill no. 2 with Danieli Fata Hunter will start the operations in March 2019.

Marketing and Sales

In 2018 the worldwide aluminium demand for primary metal has continued its annual growth of around 4-5%. Automotive and aircraft industries remain the main drivers of this growth supported by consolidation of the construction sector.

Additionally, in 2018 the LME evolution has been influenced especially by the US policy to impose sanctions over Rusal, which led to a maximum level of the LME of 2,603 USD/tonne on 19th April 2018, while at the beginning of the year LME showed levels around 2,250 USD/tonne.

The fundamental data within the Aluminium industry for raw materials and aluminium stock level on one side and Chinese aluminium restructuring process and environment policy on the other side contributed to raise expectations of market participants of further LME increase for the remaining year. The US sanctions against the Russian aluminium Rusal, supported these expectations. However, the contrary took place. The LME has gone continuously down from its highest level reached in April 2018 of 2,603 USD/tonne towards a low level of 1,870 USD/tonne on 31st December 2018.

The general economic and political context like worldwide trade and tariffs policies, sanctions against Iran and North Korea, UK Brexit, EU immigration, have started to slow down the general economic environment, as well. Within this context, ALRO sales activities in 2018 focused on:

- defending its position in wire rod as leading producer in Europe;
- consolidating its position in FRP despite the fact that due to the modernization of one of the cold mills only a limited product range for main part of the year has been available for ALRO clients;

- further development of its plates sales for aircraft industry;
- increasing its market position for heat treated plates on US market;
- taking advantage on the US situation due to antidumping on Chinese common alloy coils and serving US clients for this product;
- continuing the development of brazing material for heat exchangers in different market segments where analysts predict an annual growth rate of 6–7% until 2025:
  - cooling oil/water/air (passenger cars, light commercial vehicles, trucks, buses, mining / construction/ agriculture vehicles, trains);
  - separation of gas and air like in the chemical industry;
  - protection against different corrosive agents, industrial insulation and underground component;
- implementing the investment program for continuous modernization of ALRO Primary and FRP aluminium production to progress in the coming years the output of the plant and increase the part of high added value products;
- strengthening its relationship with the clients, sharing and exchanging its objectives with them, taking commitments and continuing to be their preferred supplier also in the future have been the main achievements at the “Aluminium Fair in Düsseldorf 2018” where more than 100 customers visited ALRO’s stand;
- delivering to 30 new clients in 13 countries, thus underlining ALRO dedication to enlarge its clients’ portfolio;
- increasing the sales of VHVAPs from 11.95% total invoiced sales in 2017 to 20.41% in 2018.

In the end of the first quarter of 2019 the actual modernization program will be implemented and ALRO will develop its position as a sustainable, reliable, quality and service oriented supplier of aluminium products towards increasing market shares for VHVAPs like brazing material for heat exchangers, heat treated hard alloys plates, hard alloys sheets.

Procurement and Logistics ("PLD")

The macroeconomic environment was challenging and highly unpredictable in 2018 with USA – China trade conflict, prospective but eventually cancelled sanctions on Rusal (with direct influence on raw materials suppliers’ conduct), disruptions in alumina production (latter with a positive contribution to ALRO’s performance).

PLD acquires two categories of commodities. First is commodities traded with no restrictions, such as calcined petroleum coke and coal tar pitch, both components of anodes production. Electrical energy and natural gas, some of most important cost items, are included in the second one and trading of these commodities is subject to domestic market particulars. All raw materials ALRO purchases from domestic and/or foreign suppliers are in strict compliance with European Union (EU) safety and environmental protection legislation including, but not limited to, European Commission (EC) legislation no. 1907/2006 (REACH) and EC legislation no. 1272/2008 (CLP).

In 2018, PLD managed to obtain competitive prices for the commodities in the first category in comparison with international quotations; however, the energy and gas costs inherently followed the ascendant trend of the domestic market evolution.

ALRO’s main reaction to massive increasing of electrical energy price is efficient recycling of aluminum scrap both internally generated and acquired from domestic and European suppliers. The acquisition price of aluminium scrap decreased in 2018 vs 2017 by 4.6% in terms of percentage of LME. In aggregate with the investments in scrap processing ALRO managed to secure a reliable and cost efficient alternative source of liquid metal. ALRO will continue and intensify the ascending trend of Eco Project in 2019 and further.

PLD actively contributed to implementing Group’s policy in the investments field by efficiently negotiating acquisition of equipment and services.

PLD performance in cost optimization in 2018 was achieved based on:

- Acquisitions of coke, aluminium fluoride, coal tar pitch and energy at competitive prices;
- Decreasing the overall production costs by reducing the aquisition price of aluminium scrap;
- Extensive use of the electronic procurement system for acquiring raw materials and services;
- Thorough management of indoor transportation fleet using GPS and remote fuel consumption control;
- Efficient management of resources and of the multimodal logistics that assured safe operation with minimum blockage of cash in stocks.

ALRO Group policy in structuring a vertically integrated Group paid off - the turmoil in alumina market (especially in Atlantic) was an opportunity to increase trading of alumina and hydrate outside the Group. PLD succeeded in widely enlarging the clients portfolio under favorable market conditions. The efficiency of export contracts was the main reason to increase Alum’s output to the historical maximum. Investments started in 2018 will provide PLD the means of trading higher added value products for non-metallurgical applications.

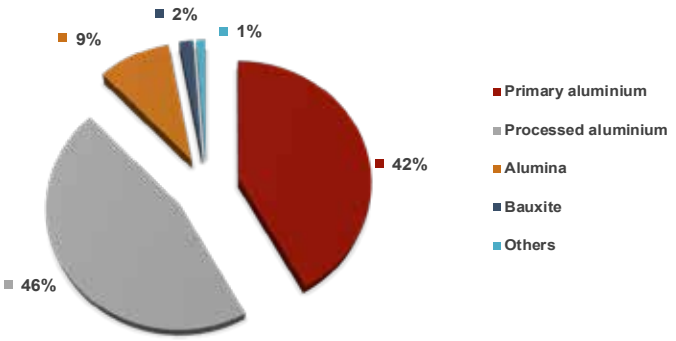
ALRO Group - figures

Financial and economic review

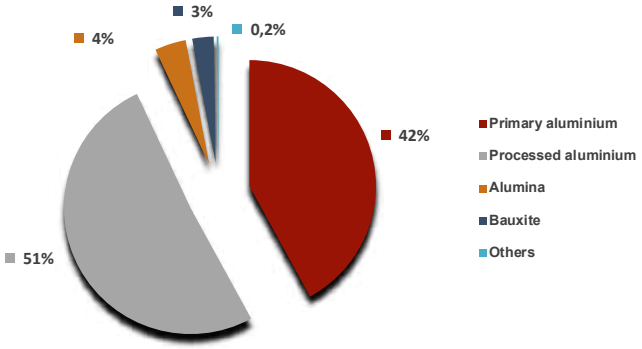
The **Group's consolidated sales** in 2018 were of RON 2,982,501 thousand, over 9% increase compared to the level reported in the similar period of 2017 (respectively RON 2,726,272 thousand), as the Group succeeded to reflect within its results the positive trend of the aluminium and alumina prices in the international markets. ALRO's sales were of RON 2,598,735 thousand in 2018 (2017: RON 2,466,032 thousand).

The contribution of the sales on the Primary Aluminium segment to third parties was RON 1,250,331 thousand and represented 42% of the Group's total revenues (2017: RON 1,146,216 thousand; 42%). Third party sales of Processed Aluminium were of RON 1,373,194 thousand which represents 46% of the Group's total revenues (2017: RON 1,390,247 thousand; 51%).

ALRO Group: 2018 sales by segments to external customers

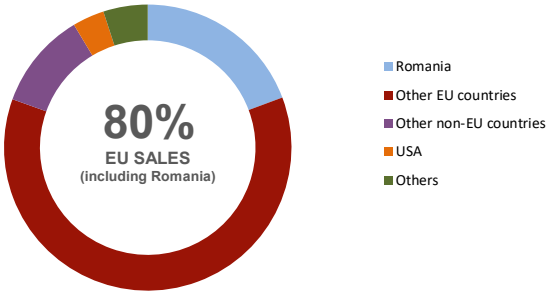


ALRO Group: 2017 sales by segments to external customers

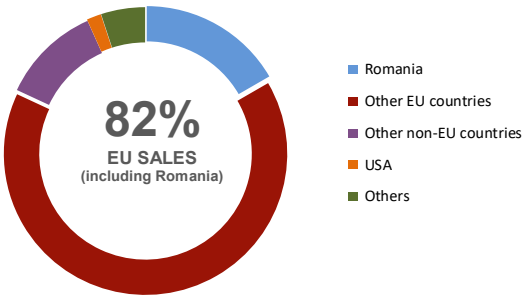


The main market for the products exported by the Group is represented by EU countries, about 61% of Group sales being made to this market; Romania also represents a significant market for ALRO's sales, approximately 19% of the Group's total sales being sold here.

Alro Group: Sales by region in 2018

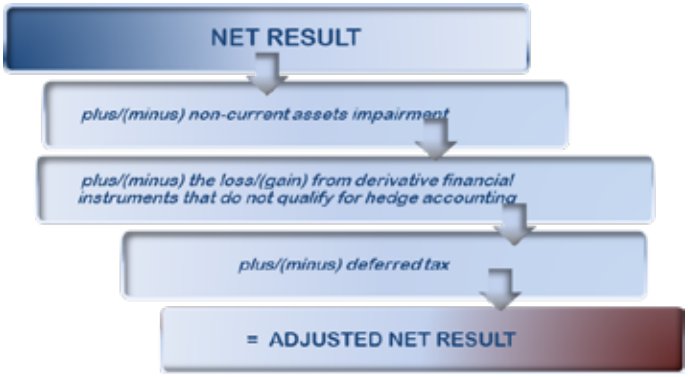


Alro Group: Sales by region in 2017



The reduction in the EU sales weight in total sales is due to the strategy implemented by ALRO to increase its presence in the USA and Asia.

Group net result was of RON 235,327 thousand, compared to a result of RON 391,106 thousand, reported in 2017. In the same period, the Company reported a net profit of RON 225,957 thousand, compared to RON 317,686 thousand, in 2017.



The reconciliations of the Adjusted Net Result at ALRO Group level, and for ALRO, respectively, for 2018 and 2017 are detailed below:

ALRO Group

	2018	2017
NET RESULT	**235,327**	**391,106**
Plus/(minus) charge/(reversal) of non-current assets impairment expense/(income)	(1,261)	184
Plus/(minus) the loss/(gain) from derivative financial instruments that do not qualify for hedge accounting	(35,161)	1,161
Plus/(minus) deferred tax expense/(income)	50,173	10,175
ADJUSTED NET RESULT	**249,078**	**402,626**

ALRO

	2018	2017
NET RESULT	**225,957**	**317,686**
Plus/(minus) charge/(reversal) of investments impairment expense/(income)	(1,284)	(23,912)
Plus/(minus) charge/(reversal) of non-current impairment expense/(income)	(521)	-
Plus/(minus) the loss/(gain) from derivative financial instruments that do not qualify for hedge accounting	(35,161)	1,161
Plus/(minus) deferred tax expense/(income)	38,141	60,134
ADJUSTED NET RESULT	**227,132**	**355,069**

The Group's ***cost of goods sold*** was was RON 2,312,624 thousand in 2018, compared to RON 2,038,400 thousand in 2017; the same increasing trend was also noted at ALRO's level - the ***cost of goods sold*** was of RON 2,133,538 thousand, a higher level compared to 2017 when it was of RON 1,933,679 thousand. These increases were mainly due to increase in purchase prices for some raw materials and utilities, in line with their prices on specific markets.

At Group level, the ***gross profit*** was RON 669,877 thousand in 2018 compared to RON 687,872 thousand in 2017. Under these circumstances the ***gross profit margin*** slightly decreased to 22% compared to 25% in 2017. The same trend was followed by ALRO, which reported a gross profit of RON 465,197 thousand in 2018 compared to 2017, when it was of RON 532,353 thousand, with the ***gross profit margin*** decreasing to 18% in 2018 compared to 22% in the similar period of 2017.

The Group's ***operating result (EBIT)*** for 2018 was RON 361,840 thousand compared to RON 438,946 thousand in 2017. The same trend was reported by ALRO which recorded an ***EBIT*** of RON 274,500 thousand, compared to an ***EBIT*** of RON 396,799 thousand in 2017. The Company continued its investment strategy in 2018, which has as a main objective its products portfolio diversification and the specific consumption rates reduction. Additionally, ALRO continued its expansion to consolidate its customer base in key sectors such as automotive and aircraft industries.

Other financial gains/(losses), net increased in 2018 to a loss of RON 14,961 thousand compared to a loss of RON 8,068 thousand in 2017 at Group's level, due to higher factoring costs reflecting higher sales and a better coverage of receivables by factoring agreements, and on the other side due to the increase of the interest rate according to which the factoring fees are calculated (specifically of the ROBOR component). At ALRO's level, the reported amount for 2018 was a gain of RON 22,820 thousands (2017: a loss of RON 9,457 thousand), out of which the amount of RON 37,201 thousand represents the dividends received during 2018 by the Parent-company from one of its subsidiaries (2017: nil).

In terms of ***consolidated cash flows generated by operating activities***, this was of RON 319,191 thousand, compared to RON 424,868 thousand in 2017. ALRO recorded a favourable trend and it reported in 2018 a ***positive cash flow from operating activities*** of RON 352,445 thousand, compared to RON 314,543 thousand reported in 2017. These cash flows primarily reflect the Company's ability to generate significant liquidity from the aluminium production activity and reflect all the Management efforts made over the past few years to optimise the operational activity as much as possible, to keep costs under control and to manage as prudently and efficiently as possible the cash inflows and outflows.

In terms of the ***cash flows used in financing activities***, these were negative in 2018 primarily due to dividend payments of RON 365,415 thousand related to 2017 net profit on a consolidated basis, and secondly, due to repayments of loans of RON 70,216 thousand made during the analysed period by the Parent-company, as well as by the Group's subsidiaries. At the same time, during the analysed period, one of the Group's subsidiaries (Alum) drew drown USD 15,000 thousand from a new credit facility of USD 25,000 thousand secured in 2018. During 2018 negotiations have been conducted by ALRO for contracting new facilities, which were finalized at the beginning of 2019. For more information, see *Note 24 - Borrowings*.

At 31 December 2018, the Group recorded ***cash and cash equivalents*** of RON 203,609 thousand (31 December 2017: RON 320,828 thousand) and ***restricted cash*** of RON 8,370 thousand (31 December 2017: RON 67,009 thousand). In respect of ALRO, the Company followed the same trend and recorded a decreasing level of ***cash and cash equivalents*** of RON 136,445 thousand (31 December 2017: RON 309,736 thousand) and ***restricted cash*** of RON 5,084 thousand (31 December 2017: RON 60,440 thousand).

Dividends - during the EGSM held on 27 April 2018, ALRO's shareholders approved the distribution of the distributable profit of RON 382,036 thousand, representing the entire net profit reported in 2017 (i.e. RON 317,686 thousand) plus the result carried forward from previous years (i.e. the undistributed profit – RON 64,350 thousand), namely, RON 0.53523/share (gross dividend). Until 31 December 2018, ALRO paid RON 379,803 thousand from these dividends. In 2017, the Company distributed a gross dividend of RON 0.09417/share, i.e. RON 66,806 thousand, in respect of dividends declared in 2016.

Based on the new legislation applicable in Romania in 2018, namely Order no. 3067/2018 regarding the distribution of dividends during the fiscal year, the GSM held on 13 December 2018 approved the distribution into ***dividends*** of the net profit realized by the Parent- Company during the 9 months ended 30 September 2018 amounting to RON 202,860 thousand and of the retained earnings amounting to RON 123,740 thousand and the payment of a gross dividend of 0.45756 RON/share starting from 18 January 2019.

Group's total assets reported as at 31 December 2018 were in amount of RON 2,939,444 thousand compared to RON 2,541,102 thousand as at 31 December 2017, out of which ***non-current assets*** were in amount of RON 1,391,132 thousand (31 December 2017: RON 1,322,468 thousand). In respect of ALRO, the Company reported as at 31 December 2018 total assets of RON 2,784,095 thousand (31 December 2017: RON 2,580,974 thousand). The same trend was recorded also for ***non-current assets***, the level of RON 1,400,481 thousand being reported (31 December 2017: RON 1,325,130 thousand).

Group's ***current assets*** increased to RON 1,548,312 thousand at 31 December 2018, from RON 1,218,634 thousand at 31 December 2017, mainly due to the increase in inventories and other current assets. At ALRO's level the trend was the same and current assets increased by 10% reaching the level of RON 1,383,614 thousand at 31 December 2018.

Non-current liabilities increased to RON 1,003,352 thousand at 31 December 2018 (31 December 2017: RON 951,231 thousand). In 2018, ALUM, one of the Group's subsidiary secured one capex loan of USD 25,000 thousand from BSTDB and Garanti Bank, while other loans were repaid by Group companies as per contractual schedules.

Current liabilities of the Group increased significantly to RON 763,268 thousand at 31 December 2018, compared to RON 374,523 thousand at 31 December 2017, mainly due to dividends declared of RON 326,600 thousand, representing interim dividends distributed by the Parent-Company from the profit realized during 9 months ended 30 September 2018. The same trend has been recorded for ALRO, which reported a level of current liabilities amounting to RON 665,834 thousand at 31 December 2018 (31 December 2017: RON 292,867 thousand).

During 2018, the Group continued its ***investments*** in energy efficiency, in extending its clients portfolio, but also in ensuring the continuity and safety of its technological processes. These investments are in line with the Group's and Company's investment strategy and were of RON 304,899 thousand, out of which RON 214,625 thousand were invested by the Parent-company. Upgrading its operations, with the aim to increase the unit efficiency and the recycling capacity, plus extending the products portfolio are necessary for ALRO to maintain its competitiveness on international markets, while being fully compliant with the environmental protection regulations, minimising at the same time its environmental footprint.

The ***investments*** were made in 2018 for acquiring new equipment and providing the existing ones with the latest technologies in the field, in order to improve and make the operations and technological processes more efficient. At the same time, the acquisition of state-of-the-art technology also aimed at increasing the production of value added products. Another objective of the investments made in 2018 was to ensure the operation under conditions of maximum safety and continuity of the technological processes of the Company.

The management pays a special attention also to the investments which have as a final objective the environmental protection, starting from Sierra Leone, continuing with Tulcea and ending in Slatina, where the smelter and the processing facilities are built.

Operational analysis

ALRO Group

ALRO Group recorded, in 2018, a total primary aluminium production of 282,810 tonnes, a slightly higher level than that achieved in the previous year (2017: 282,074 tonnes). The processed aluminium production was 100,501 tonnes in 2018 (2017: 108,972 tonnes). Alumina production increased in 2018, being of 571,772 tonnes, compared to 472,606 tonnes in 2017. A significant increase was registered for bauxite production that increased by 8%, recording in 2018 a record level of 1,938,461 tonnes, compared to 1,787,716 tonnes produced in 2017.

ALRO

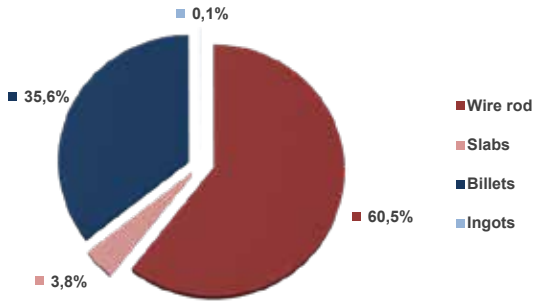
In 2018, the Company reported a slightly increased level of primary aluminium production compared to that reported in 2017, respectively of 282,810 tonnes (2017: 282,074 tonnes). The processed aluminium production was 77,086 tonnes in 2018, compared to 83,742 tonnes in 2017. Regarding the sales of primary aluminium, in 2018 these reached the level of 153,473 tonnes, compared to 150,988 tonnes in 2017, and processed aluminium sales were of 77,916 tonnes (2017: 82,393 tonnes).

Primary Aluminium Segment

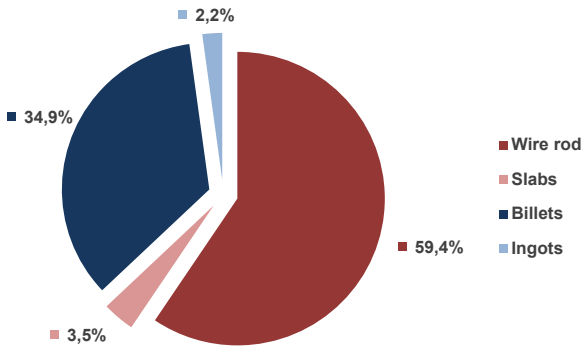
ALRO is the only producer of primary aluminium and aluminium alloys in Romania and one of the largest vertically integrated aluminium producers in Europe by production capacity.

The sales structure for the Primary Aluminium segment by types of products in 2018 compared to 2017 is presented below. The Company has adapted its mix of primary aluminium products in order to meet the market demand which in 2018 has proved favourable for wire rod sales.

Primary aluminium: sales structure in 2018 (RON th)

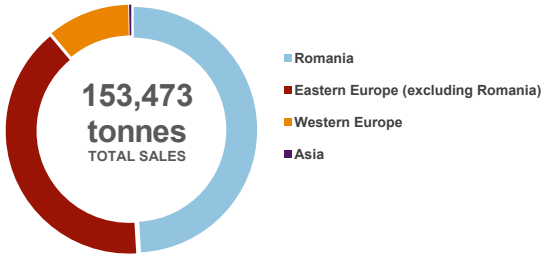


Primary aluminium: sales structure in 2017 (RON th)

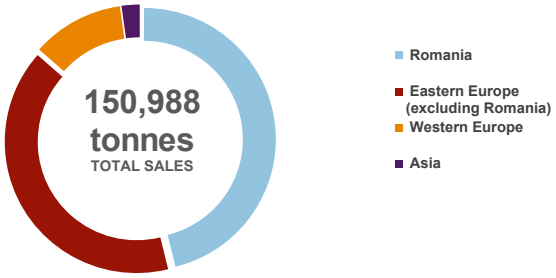


The main markets for the Primary Aluminium segment for 2018 and 2017 are detailed below:

Primary aluminium: main markets in 2018 (tonnes)



Primary aluminium: main markets in 2017 (tonnes)



The main markets for ALRO's primary aluminium products continued to be in 2018, besides Romania, the Czech Republic, Poland, Bulgaria, Hungary, Italy, Serbia, Germany, Bosnia and Herzegovina, Austria and Greece.

Competition

The main competitors for ALRO on the international aluminium market are: Rio Tinto-Alcan (Canada), Hydro Aluminium (Norway), Alcoa (USA), Dubal (Dubai), Alba (Bahrain), Egyptal (Egypt).

Aluminium market competitiveness is given by the selling price and the quality of products, and therefore, in order to gain more market share, producers are investing in increasing the operating efficiency and the quality of the aluminium delivered.

ALRO is constantly looking for solutions to reduce costs, improve products quality, products mix, as well as delivery time, in order to be able to maintain its market share, while entering new markets.

Processed Aluminium Segment

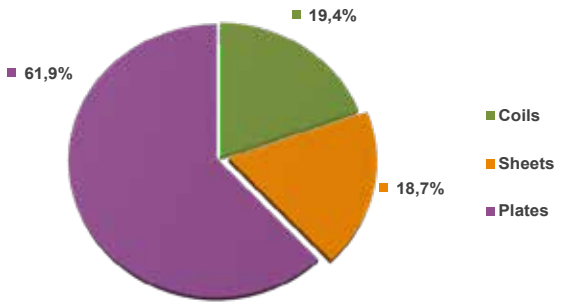
ALRO processed aluminium products are sold both to the internal and external markets. These products are presented in a diversified range, being high added value products, their sales being achieved at a superior profit margin as to the one of the primary aluminium products.

Note: The figures above are based on ALRO sales on a stand-alone basis, i.e. they include deliveries of billets to the subsidiary Vimetco Extrusion.

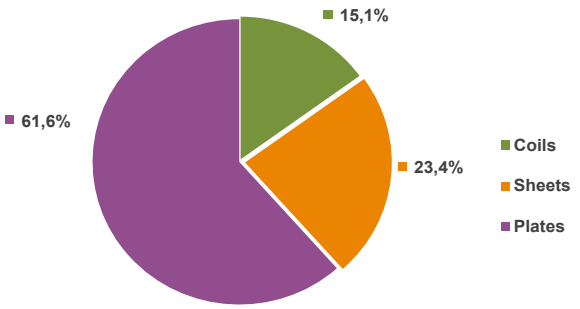
In 2018, the main markets for ALRO's products continued to be firstly the Western Europe: Germany, Italy, France, Austria, The Netherlands, Poland, Spain, UK, Switzerland followed by Romania and other countries such as: USA, Canada, Denmark, Turkey and Israel.

The sales structure of ALRO's Processed Aluminium segment by types of products in 2018 compared to 2017 is presented below:

Processed aluminium: Sales structure in 2018 (RON th)

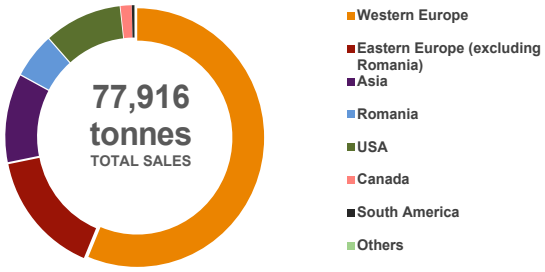


Processed aluminium: Sales structure in 2017 (RON th)

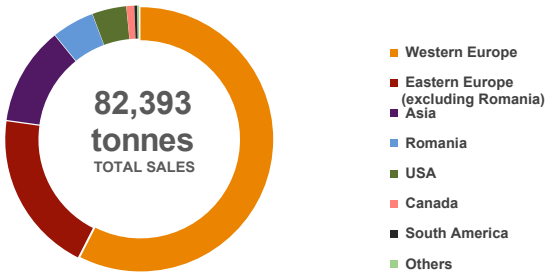


The main markets for ALRO's Processed Aluminium segment for 2018 and 2017 are detailed below:

Processed aluminium: main markets in 2018 (tonnes)



Processed aluminium: main markets in 2017 (tonnes)



ALRO intensified its presence to the USA markets spotting new opportunities and as a result of its efforts, to be recognised as a competitive international supplier.

Competition

The market of aluminium rolled products and aluminium alloys has features which completely differentiate it from the primary products market. ALRO's products, their quality and their price dictate the hierarchy on this market.

The main competitors for ALRO on the international processed aluminium market are, most of them, clients of ALRO for many years. These are: Amag, Aleris, Constelium, Kums, Kaiser Aluminium, Hydro and also the producers from China.

ALRO continues to invest in reducing costs and in increasing the sophistication level of its products, at the same time constantly adjusting its marketing policies and sales to the market conditions.

Note: The figures above are based on ALRO sales on a stand-alone basis, i.e. they include deliveries of billets to the subsidiary Vimetco Extrusion.

Other information

ALRO

- the Company is not dependent on a particular client or a group of clients due to its diversified portfolio;
- during 2018 no mergers or reorganisations occurred;
- the condition of its equipment allows operating in a safe manner and achieving the targeted objectives; no problems related to the ownership on the Company's tangible assets were identified;
- through the upgrades and provisions made with tools and new production equipment, ALRO reached a technical and technological level similar to that of the main aluminium producers on the international market;
- at the end of 2018 ALRO's majority shareholder, Vimetco N.V together with the shareholder Conef S.A. launched an accelerated private placement offers for a package of ALRO shares, representing a cumulative percentage of 33.77% of the share capital. Following this operation, Conef S.A. disposed of its entire shareholding in ALRO. No other similar transactions took place in 2018.

Alum

Alum is the sole calcined alumina producer in Romania, having a production capacity of 600,000 tonnes per year. Starting from May 2015, Alum has been listed on ATS segment – AeRO category of the Bucharest Stock Exchange (BSE).

Alum is mainly the supplier of raw material for ALRO and a part of the integrated production chain, while making sales of alumina and/or hydrate to third parties.

At the date of this report, Alum's executive management is provided by Mr. Gheorghe Dobra - CEO and Mrs. Mihaela Duralia - CFO. Alum's Board of Directors comprises five members, as follows: Gheorghe Dobra (Chairman), Aleksandr Barabanov (Vice-President), Marin Cilianu (Member), Mihaela Duralia (Member) and Ioan Popa (Independent Member).

In 2018, Alum achieved a production of alumina of 571,772 tonnes, a significant increase of 21% compared to the previous year (2017: 472,606 tonnes), in order to take advantage of the higher prices for alumina in the market. Additionally, due to a higher demand of alumina in the analysed period the sales of alumina and hydrate to third parties increased up to 151,917 tonnes, higher by 29% than the budgeted quantities for 2018. For 2018, Alum reported a turnover of RON 875,816 thousand, higher than the level reported in the previous year (2017: RON 635,446 thousand), due to higher selling prices for alumina and hydrate.

On a short and medium term, Alum aims at achieving the following goals:

- investments for decreasing production costs and increasing competitiveness, for environmental protection and for strong corporate social responsibility;
- upgrading its equipment to increase economic efficiency;
- providing raw materials and energy resources under the most advantageous economic terms;
- diversifying product ranges and increasing the turnover and production volumes;
- retaining the current external clients and attracting new clients by offering a diversified range of products;
- developing and implementing new research and development projects.

In 2018, Alum continued the implementation of the financing project "Endowment of Alum's Research and Development Department with independent reliable research installations to support the increase in economic competitiveness and business development", co-funded from the European Regional Development Fund through the Competitiveness Operational Programme 2014-2020 – „Investment in Sustainable Development". The purpose of the project is represented by the enhancement of the research, development and innovation capacity, in order to increase the level of innovation and market competitiveness of the company by purchasing and putting into use research and development equipment. The implementation period of this project is of 24 months; the total value of the project is of more than RON 20 million, out of which, more than RON 6 million represent the contribution as non-refundable grants. In 2018 Alum received non-refundable grants in amount of RON 3,244 thousand under this project. By the end of November 2018 the construction works for all three equipment have been finalized and the training of the personnel and the setting of the parameters were started.

In May 2018, ALUM contracted two new loan facilities amounting to USD 20 million with Black Sea Trade and Development Bank and USD 5 million with Garanti Bank Romania S.A., respectively. The funding will be mainly used to continue the company's investments aimed at reducing its carbon footprint and they will be repaid in seven half-yearly instalments after a grace period of two years. As of 31 December 2018, Alum was in compliance with all the financial covenants linked to this contract.

Vimetco Extrusion

Vimetco Extrusion, an important supplier of aluminium profiles on the European market and the largest extrusion company from Romania, reported an upward trend in 2018, keeping up with the growing market and continuing the direction of the Group's strategy to expand its value added products and to become the first choice for its customers.

The executive management of Vimetco Extrusion is provided by Igor Higer – CEO and Stefania Yaksan - CFO. The Board of Directors comprises five members: Igor Higer (Chairman), Aleksandr Barabanov (Vice-President), Arie Shimon Meisel (Member), Per Lyngaa (Member) and Razvan Pop (Member).

By offering mechanically machined profiles and / or surface treatments, Vimetco Extrusion has brought the aluminium profiles to another level, from extrusion, closer to the finished products. This offers the company a net advantage in terms of maintaining and improving the existing customer portfolio, as well as developing new markets and products.

Vimetco Extrusion is already a brand and represents the main supplier for the most important names in the distribution field, both in terms of standard profiles and of customized products, but also for important end users. Working with suppliers and consumers at European level Vimetco Extrusion is successfully involved in unique deliveries, permanently operating in the following fields: ground and roof installations for solar energy production; trucks and trailers for transportation sector, buildings and constructions, electric products, civil engineering (i.e. bridges, linear technology and conversion systems).

Vimetco Extrusion continues to focus on the supply of products to the European market, exporting about 95% of the products. The credibility and services provided to customers, and the consistent high-quality have been the key-factor in the significant development of the Company.

In 2018, Vimetco Extrusion reported sales of extruded profiles of 22,798 tonnes compared to the last year (2017: 25,078 tonnes) and a slightly increased turnover of RON 307,352 thousand compared to last year (2017: RON 306,921 thousand). The production of extruded products was of 23,415 tonnes in 2018 (2017: 25,230 tonnes).

The investment plan of Vimetco Extrusion is structured in two main directions: productive and non-productive investments. The aim is to increase the company's profitability by maintaining the existing equipment in the designed parameters, increasing capacity and capability compared to current products portfolio. Along with profitability, the investment budget contains activities in order to create a more professional, safe and friendly work environment.

Regarding the energy efficiency measures taken in 2018 by the company, it is worth to mention a new lighting system was installed in three departments; 67 new lighting devices more energy efficient were installed instead of the old ones. These measures will be continued in 2019, as well.

The market within which Vimetco Extrusion operates continues to be increasingly demanding; however, the investments made in recent years and the management efforts to increase production and sales will enable the production of a wider range of high quality products at competitive prices and the new technologies to be employed are deemed to have a direct effect the increase in the productivity. Also, the extensive use of technological waste has led to the reduction of raw materials costs. Furthermore, in order to boost its visibility in the market, every two years, Vimetco Extrusion participates in the most important event of the aluminium industry, i.e. "Messe Dusseldorf" in Germany.

Vimetco Extrusion main competitors are companies from countries such as Turkey, Spain, Italy, Greece, Bulgaria or China. Having a client-oriented approach, the quality of its products, the high level of services, an excellent communication and partnerships built over the years represent key factors that maintain Vimetco Extrusion as a preferred choice for its customers.

Vimetco Extrusion still relies on achieving the loyalty of its existing customers, while entering new markets and finding new customers, offering quality products with a high level of processing at competitive prices and flexible delivery terms.

Vimetco Extrusion is a company aware of the importance of its products quality, with the ultimate goal of maintaining the satisfaction of its clients at a high level. It is widely recognised that an adequate quality management improves the business, often having a positive effect on investments, market share, sales growth, sales margins, competitive advantage and avoidance of complaints. Since the beginning of its activity, one of Vimetco Extrusion's main objectives was to implement a quality management system, which would lead to a better development of the company, thus providing a clear picture of its evolution. All this was possible by obtaining the quality management system certification according to ISO 9001:2015. The production development as a consequence of the international trade that characterised Vimetco Extrusion, led to the identification of the need to certify products according to ISO EN 15088 - CE marking. This made possible for Vimetco Extrusion to continue to export its products at international standards.

Vimetco Extrusion Company is also involved in local community life and encourages communication between educational institutions and the private sector, organising every year internships within its production facilities.

Sierra Mineral Holdings I, Ltd. (SMHL)

SMHL represents one component of the Group's technological chain, being at the base of the integrated production system: mining of bauxite. The bauxite obtained by SMHL is sold to Alum to be refined into the production of calcined alumina, to be used for aluminium production within ALRO.

The executive management of SMHL consist of Alex Ivanov (CEO) and Abdul Bangura (CFO). The Board of Directors comprises three members, as follows: Pavel Machitski (Member), Steluta Despa-Niculae (Member) and Roman Bulat (Member).

In 2018, SMHL registered a record production of 1,938,461 tonnes of bauxite compared to 1,787,716 tonnes in 2017. In terms of sales, in 2018, SMHL also achieved a significant increase in sales which amounted to 1,957,280 tonnes compared to 1,687,213 tonnes in 2017, thanks to the fact that SMHL managed to take advantage of the market opportunities by selling its bauxite surplus to third parties.

Some of the main factors that contributed to the increase in the company's revenues in 2018 include:

- a better organisation of the production activity by outsourcing the excavation and transportation activities;
- increasing the operating efficiency through the implementation of a regular programme of repairs and maintenance for the equipment used, which directly resulted in a reduction of production losses;
- making investments for upgrading the equipment used in operations, mining and in processing and optimisation activities;
- improving the bauxite quality parameters by performing an optimal blend of mined and processed ores;
- implementing a new reorganisation programme for the company's activities and maintaining the qualified personnel necessary to achieve the quantitative and qualitative production parameters.

The positive results achieved in 2018 followed the same upward line started in 2015 that the management makes efforts to consolidate and to maintain. SMHL continues to implement costs reduction measures in all its operational areas – excavation and transportation; optimisation of the number of active mining sites; activity effectiveness through a correct sizing of employees' number and properly training them; making river transportation more effective, such as in terms of the loading rates and of a more effective management of the existing fleet.

Moreover, the Group's management is closely monitoring the activity in Sierra Leone also, 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 the environmental protection, considering the environmental footprint of the mining activity, and to the social projects for local community development.

Conef S.A.

Conef is a joint-stock company established based on GD no. 30/1991. The Company's shares are not traded on a regulated market, Conef being a closed-end company. The share capital is of RON 6,692 thousand, representing 2,676,661 ordinary nominative shares with a nominal value of RON 2.50, fully paid in by the shareholders. The main activity consists in the management of the shares held in ALRO and providing consultancy services for the Group. However, at the end of 2018, ALRO's majority shareholder, Vimetco N.V together with the shareholder Conef S.A. launched an accelerated private placement offers for a package of ALRO shares, representing a cumulative percentage of 33.77% of the share capital of the issuer. Following this operation, Conef S.A. disposed of its entire shareholding in ALRO.

The executive management of Conef is provided by Marian Nastase – CEO and Constantin Ciobanu – Sole Administrator.

Other information in accordance with the FSA Regulation no. 5/2018 - Financial Instruments and Investments Sector

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

In 2018 the Group continued its vertical integration strategy, which proved to be once again a successful one, in the context of upward trends in raw materials prices (such as alumina). By providing the raw materials needed through the internal supply chain, their costs could be strictly monitored, and with a rising aluminium price in 2018, the Company could benefit from market opportunities and significantly improved operating results. Also, the Eco Recycling Facility is another project that required sustained investments and resources in recent years, but with a significant contribution to the Company's results, which succeeded through this project to further reduce consumptions in 2018. The processing capacity of the Eco Recycling Facility is to be expanded so that to reach a capacity of 100,000 tonnes per year by 2020. In 2018, ALRO produced 30,940 tonnes of liquid aluminium by recycling waste.

In May 2015, the Company took note of a civil action with the Bucharest Law Court, initiated by Hidroelectrica S.A., concerning material claims of the electricity producer, for alleged unrealised benefits from the bilateral contract with ALRO. In December 2015, the court of first instance dismissed a large part of Hidroelectrica's claims as being time-barred, maintaining only claims relating to a short contractual period under two months, which were later dismissed by the court in June 2016. In September 2017, the Bucharest Court of Appeal dismissed as unfounded the appeal made by Hidroelectrica, the latter filling a second appeal. On 7 December 2018, the filter panel of judges no. 3 has admitted, in principle, the second appeal of the plaintiff Hidroelectrica against the civil decision no. 1346/A dated 26 September 2017, given by the Court of Appeal Bucharest – Section V Civil Law and ruled the date of 28 February 2019 for the judgement on merits of the second appeal, in public meeting, the parties to be summoned.

On the next hearing date held on 28 February 2019, the Court dismissed, as being ungrounded, the second appeal filed by Hidroelectrica in this case file. The decision is final and this information was posted on the website of the High Court of Cassation and Justice of Romania.

At 31 December 2018, the Group and the Company have a number of litigations resulting from the normal conduct of the business. The management believes that these disputes 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's investigation on the contracts concluded with Hidroelectrica and mentioned once again that the Company did not conclude any horizontal or vertical agreement regarding this contract and had a fair trade relationship with Hidroelectrica, in compliance with all the legal provisions of the Romanian energy sector. ALRO is a final consumer of electricity, so it has not resold the electricity purchased from Hidroelectrica, but used it exclusively in the aluminium production process within the Group. However, in April 2016, ALRO received from the Competition Council a decision sanctioning the Company with over RON 21,000 thousand, representing 1.05% of its 2014 turnover for an alleged violation of the competition law on the market for the production and marketing of electricity.

The company continues to maintain its view as it was published in January 2016 and continues to pay high attention to this subject, as both financial and image implications may be significant. In this way, the Company submitted claims to the court asking both the temporary suspension of the sanctioning decision of the Competition Council and also separately asking the annulment of the same decision on the merits.

In the matter of the annulment of the Competition Council decision, the latest trial date is set to April 1st, 2019 by the Bucharest Court of Appeal, in order for the Competition Council to take note and to respond to the Company's request that the Court of Justice of the European Union shall be asked to clarify some legal aspects of the matter.

In the matter of the temporary suspension of the enforcement proceedings of the sanction decision no. 82/2015 issued by the Competition Council, ALRO informed its shareholders and investors that on June 10th, 2016 the Bucharest Court of Appeal dismissed the claim as being ungrounded. Following the submittal of the second appeal with the High Court of Cassation and Justice of Romania, and this court, on the hearing date of November 14, 2018, dismissed the second appeal filed by ALRO against the decision no. 2014 of June 10, 2016 given by the Bucharest Court of Appeal, as well as the cross-appeal brought by the defendant Competition Council against the considerations of the same decision, as unfounded. The decision pronounced by the High Court is final. The Company considers that the rejection of the suspension claim has no impact on the Company, since it already paid the fine in 2016 and remains committed to send to the public and to investors updated information, whenever the case.

Regarding the LME evolution on international markets, starting with the first half of 2017, the aluminium price quotations on the London Metal Exchange continued to raise, with the average of 2017 being 1,969 USD/tonne, the maximum value for 2017 being of 2,246 USD/tonne recorded on 28 December 2017. In 2018, the aluminium price recorded a steady growth trend, this being reflected in the 2018 average of 2,110 USD/tonne, compared to 2017. This upward trend recorded in 2018 culminated with a value of 2,603 USD/ tonne on 19 April 2018, while the highest value reported for 2017 was of 2,246 USD/tonne at the end of December 2017.

In respect of the international market evolution, a significant market growth was registered for alumina, primary aluminium and flat rolled products. However, the international market was strongly affected by political decisions, such as:

- USA decision to impose a 10% tariff on aluminium products amongst other countries, to member states of the European Union, starting from 1st June 2018;

- Sanctions against Rusal from the US Government;
- Brazilian authorities impose 50% capacity reduction for alumina plant, following a negative impact due to strong rainfalls;
- Closure announcements for high-cost smelters are emerging, including 300 ktpa capacity in Spain and 400 ktpa capacity in Gansu and Shanxi;
- In October Norsk Hydro's Alunorte, the world's largest alumina refinery announced that the plant is preparing for full curtailment of its operation. However, the company subsequently announced that after additional discussions with the authorities it resumed production at half capacity and discussions to fully resume operations are 'ongoing'.

Additionally, during 2018, increases in global production were visible, while worries were sent in the market about weakening demand in China, balanced by shortage pressures coming from Alunorte capacity cut.

Moreover, in 2018, the previous predictions regarding the demand and consumption of aluminium growth confirmed that Europe was in deficit.

At 31 December 2018, the Company and the other Group's subsidiaries (where the case) complied with all the financial covenants imposed by the agreements signed with the banks. Also, at 31 December 2018, the Company no longer had shares pledged with banks with which it had financing agreements signed (31 December 2017: nil).

During 2018, there were no significant changes in the economic environment or in the Company's activity that might affect the fair value of the Company's financial assets and liabilities, except for the normal volatility of the aluminium price on the international markets and of the exchange rates. At the end of December 2018, the Emergency Ordinance no. 114 issued by the Romanian Government was voted bringing several new taxes and duties over banks, pension funds, oil, gas, energy and telecommunication companies and the entire economy was immediately affected with the first signal given by the local stock market which severely dropped. ALRO is one of the biggest energy consumers in Romania and this is why it is closely monitoring the market evolution, in order to be able to react in real time, in the benefit of the Company and of its stakeholders.

Changes with impact on share capital and of the Group's management

Changes in the Board of Directors and executive Management within ALRO Group

During the reporting period, the following changes took place within the Board or in the management structure of the Group:

- ALRO – Mrs. Svetlana Pinzari was appointed as a Board member, for a mandate valid from March 23, 2018 until December 19, 2018 during the OGSM held on March 23, 2018. During the OGSM held on November 13, 2018, Mrs. Pinzari, Mr. Machitski and Mr. Barabanov were re-appointed as Directors for a four-year mandate.
- ALUM – no changes;
- Vimetco Extrusion – starting with June 4, 2018, Mr. Igor Higer resigned from his positions of Chairman of Board of Directors and CEO, being replaced by Mr. Uladzislau Lychkouski; subsequently in October Mr. Higer was re-appointed as Chairman and starting from November as CEO of Vimetco Extrusion replacing Mr. Lychkouski.
- SMHL – no changes;
- Other companies – no changes.

Other information regarding ALRO Group

During the reporting period, the Group's companies did not face the situation of not being able to meet their financial obligations. Moreover, during 2018 there were no amendments regarding the shares owner rights.

At the end of June 2018, ALRO together with its shareholders Vimetco N.V. and Conef S.A. ("Shareholders") announced the launching of a Secondary Public Offering ("Offer") for up to 383,791,140 shares with the main objective to create shareholder value by increasing the free float to better reflect the underlying value of the business in ALRO's share price. However, on July 20, 2018, the Company subsequently announced that no Pricing Agreement has been agreed between the Company, the Shareholders and the Managers in relation to this SPO and, therefore, the conditions for a successful closing of the Offer have not been met.

The majority shareholder, Vimetco N.V. informed ALRO at the end of December 2018, that it had, together with the shareholder Conef S.A., launched an accelerated private placement offer of a package of ALRO shares, representing a cumulative percentage of approximately 33.77% of the share capital of the issuer. The transactions were settled by the end of the year and ALRO informed investors and the interested public about the new shareholders' structure, as required by law. Following this operation, Conef S.A. disposed of its entire shareholding in ALRO and the majority shareholder Vimetco N.V. continues to hold a stake of about 54.19% of ALRO share capital.

ALRO believes that the transaction made by its shareholders brings medium and long-term benefits to both the Company and its investors by significantly improving the liquidity and visibility of the Company on the capital market.

Significant transactions

ALRO Group enters into transactions with its main shareholder, with companies under common control, with directors and key management personnel and these transactions are concluded at arms' length.

The balances of acquisitions, debts and receivables (if applicable) regarding significant transactions with related parties on 31 December 2018 are presented in the Audited Consolidated Financial Statements. 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., Alum, Vimetco Extrusion, Conef, SMHL, Vimetco Trading, Vimetco Management Romania, Vimetco Power Romania, Conef Gaz, Conef Energy, Rivergate Center, Rivergate Rating Group, Rivergate Fire.

Moreover, the transactions primarily consist of an agreement for the provision of:

- *consultancy services* (concluded with Vimetco Management Romania) - under which Vimetco Management Romania provides services to the Company in connection with the review and analysis of financial and management reports, payroll, financial statements and other corporate and financial matters;
- *agency and service agreements* (concluded with Vimetco Trading) – under which Vimetco Trading identifies potential consumers for the Company's products, participates in negotiations, prepares draft supply contract; on the other hand, ALRO supplies various services to Vimetco Trading, such as: IT, enterprise resource planning (ERP), purchasing services.

In addition, at the date of this Report, Vimetco has obtained a Directors' and Officers' liability and corporate reimbursement four-layer insurance policy with worldwide coverage for the Group's directors and officers. On scheduled expiry, the Group intends to obtain similar coverage on behalf of its directors and officers.

During 2018, the transactions between the related parties were based on bilateral agreements and took place on arm's length and the transactions that took place are substantially the same as those set out above.

For more information, about significant transactions with related parties as defined by IAS 24 "Reporting Transactions with Related Parties" in accordance with IFRS at the date of this Report, please see *Note 30 - Related parties' transactions* of the Audited Individual and Consolidated Financial Statements as at 31 December 2018 included in this Report.

Other information

Relationship between management and employees and conflicting elements that characterise these relationships

Within the Group, there is a permanent dialogue between management and trade unions. The key-elements of the framework that shows the relationship between management and employees are the collective labour agreement and available internal regulations. In practice, all the steps or activities started that may have an impact on employees are previously discussed and agreed by both parties.

The average number of employees of the Group in 2018 was 4,111 (2017: 3,932), out of which 2,549 (2017: 2,501) persons are working at ALRO, while 98% of them are qualified workers.

The structure of ALRO's employees by level of education is detailed in the below table:

Level of education	%
Postgraduate studies	2
Undergraduate studies	18
Post-secondary studies	8
Secondary school	41
Professional schools	26
Gymnasium	5

The level of unionisation of ALRO's employees in 2018 was around 94% (2017: 94%). During 2018, the relations between the company's executive management and employees represented by unions were fair, regulated by the Collective Labour Agreement and the current specific legislation. No conflicts were reported that could affect the normal activity or continuity of operations.

Any agreement, understanding or family connection between Board members and others

ALRO is governed in a unitary system and the Board members are elected based on the vote of shareholders under OGSM and by full compliance with the legal requirements in force.

At the date of this report, there were no agreements or understandings that should be declared in this section.

Moreover, there are no agreements between Board members and other persons based on which these persons were elected as Board members.

At the date of this report, the list of the management members holding shares in the share capital of the Company is as follows:

Name	Title	Number of shares
Marian-Daniel NASTASE	Chairman of Board of Directors	300,000 shares
Genoveva NASTASE	Chief Financial Officer	300,000 shares
Marin CILIANU	Operations Director Primary Aluminium	1,000 shares
Ioan SAVA	Technical and Quality Director	145 shares
Gheorghe DOBRA	Chief Executive Officer	138 shares
Mircea POPA	Operations Director FRP	100 shares

Any agreement, understanding or family connection between Board members and executive management and others, due to which the person was appointed a member of the executive management

At the date of this report, ALRO has no information indicating the existence of such contracts or agreements.

Any disputes or administrative procedures which involved Board members and members of the executive management in the past five years

At the date of this report, ALRO has no information indicating the existence of disputes or administrative procedures against board or executive management members, to be directly related to their activities within the Group and/or the Company. Also, there is no information on which to conclude such actives could impact the Company's share price or on their ability to hold the position of a member of the above-mentioned management structures.

Corporate governance statement

ALRO is committed to implement and comply with high standards of corporate governance, as it believes that a good practice in this regard ensures clarity to relations between shareholders, Board members and Executive Management, and involves a higher level of transparency and thus the communication of the Company's activity to stakeholders is improved. Providing an organised working framework based on firm principles means, on a long term, to maximise the value for both shareholders and the interested public. Therefore, ALRO gives a greater importance to permanent improvement of corporate governance rules and uses as a foundation the principles stipulated in the Code of Corporate Governance (the "Code") issued by BSE.

In the context of strategic and specific goals of the Group's activity, the implementation and development of corporate governance principles is a measure to ensure a rigorous framework of functioning.

According to the provisions in article 94 from Title II and in article 4 from Title VI – Book I from BSE Code – market operator, updated edition from August 2016, the Group includes the Statement of Corporate Governance within the Annual Report.

As a support for the Statement of Corporate Governance, the Company is based on the following documents:

- The Company's articles of association, updated in November 2018 approved by the EGSM Resolution no. 606/13.11.2018, published on the website www.alro.ro, in the Investor Relations section, Shareholder Meeting and Corporate Governance sub-sections;
- The Organisation and Operation Rules of the Board approved by GSM Decision no. 588/23.03.2018 containing detailed information about the Board's activity.

ALRO has chosen a unitary management system; if a dual system is adopted, the Company will appropriately adapt and apply the provisions of the Code.

Code compliance statement

Status of compliance with the Bucharest Stock Exchange's Corporate Governance Code at 31 December 2018	Compliance	Non-compliance or partial compliance	Reason of non-compliance
Section A - Responsibilities			
A.1. All companies should have internal regulation of the Board which includes terms of reference/responsibilities for Board and key management functions of the company, applying, among others, the General Principles of this Section.	YES		
A.2. Provisions for the management of conflict of interest should be included in Board regulation. In any event, members of the Board should notify the Board of any conflicts of interest which have arisen or may arise, and should refrain from taking part in the discussion (including by not being present where this does not render the meeting non-quorate) and from voting on the adoption of a resolution on the issue which gives rise to such conflict of interest.	YES		
A.3. The Board of Directors or the Supervisory Board should have at least five members.	YES		
A.4. The majority of the members of the Board of Directors should be non-executive. Not less than two non-executive members of the Board of Directors should be independent, in the case of Premium Tier Companies. Each independent member of the Board of Directors, should submit a declaration that he/she is independent at the moment of his/her nomination for election or re-election as well as when any change in his/her status arises, by demonstrating the ground on which he/she is considered independent in character and judgement.	YES		
A.5. A Board member's other relatively permanent professional commitments and engagements, including executive and non-executive Board positions in companies and not-for-profit institutions, should be disclosed to shareholders and to potential investors before appointment and during his/her mandate.	YES		
A.6. Any member of the Board should submit to the Board, information on any relationship with a shareholder who holds directly or indirectly, shares representing more than 5% of all voting rights.	YES		
A.7. The company should appoint a Board secretary responsible for supporting the work of the Board.	YES		
A.8. The corporate governance statement should inform on whether an evaluation of the Board has taken place under the leadership of the chairman or the nomination committee and, if it has, summarize key action points and changes resulting from it. The company should have a policy/guidance regarding the evaluation of the Board containing the purpose, criteria and frequency of the evaluation process.		NO	The Company shall take the adequate measures in order to comply with CGC.
A.9. The corporate governance statement should contain information on the number of meetings of the Board and the committees during the past year, attendance by directors (in person and in absentia) and a report of the Board and committees on their activities	YES		
A.10. The corporate governance statement should contain information on the precise number of the independent members of the Board of Directors.	YES		
A.11. The Board of Premium Tier companies should set up a nomination committee formed of non-executives, which will lead the process for Board appointments and make recommendations to the Board. The majority of the members of the nomination committee should be independent.		NO	The Company shall take the adequate measures in order to comply with CGC.

Code compliance statement (continued)

Section B - Risk management and internal control system			
B.1. The Board should set up an audit committee, and at least one member should be an independent non-executive. The majority of members, including the chairman, should have proven an adequate qualification relevant to the functions and responsibilities of the committee. At least one member of the audit committee should have proven and adequate auditing or internal control system and the corporate governance practices. In the case of Premium Tier companies, the audit committee should be composed of at least three members and the majority of the audit committee should be independent.	YES		
B.2. The audit committee should be chaired by an independent non-executive member.	YES		
B.3. Among its responsibilities, the audit committee should undertake an annual assessment of the system of internal control.	YES		
B.4. The assessment should consider the effectiveness and scope of the internal audit function, the adequacy of risk management and internal control reports to the audit committee of the Board, management's responsiveness and effectiveness in dealing with identified internal control failings or weaknesses and their submission of relevant reports to the Board.	YES		
B.5. The audit committee should review conflicts of interests in transactions of the company and its subsidiaries with related parties.	YES		
B.6. The audit committee should evaluate the efficiency of the internal control system and risk management system. .	YES		
B.7. The audit committee should monitor the application of statutory and generally accepted standards of internal auditing. The audit committee should receive and evaluate the reports of the internal audit team.	YES		
B.8. Whenever the Code mentions reviews or analysis to be exercised by the Audit Committee, these should be followed by cyclical (at least annual), or ad-hoc reports to be submitted to the Board afterwards.	YES		
B.9. No shareholder may be given undue preference over other shareholders with regard to transactions and agreements made by the company with shareholders and their related parties.	YES		
B.10. The Board should adopt a policy ensuring that any transaction of the company with any of the companies with which it has close relations, that is equal to or more than 5% of the net assets of the company (as stated in the latest financial report), should be approved by the Board following an obligatory opinion of the Board's audit committee, and fairly disclosed to the shareholders and potential investors, to the extent that such transactions fall under the category of events subject to disclosure requirements.	YES		
B.11. The internal audits should be carried out by a separate structural division (internal audit department) within the company or by retaining an independent third-party entity.	YES		
B.12. To ensure the fulfilment of the core functions of the internal audit department, it should report functionally to the Board via the audit committee. For administrative purposes and in the scope related to the obligations of the management to monitor and mitigate risks, it should report directly to the chief executive officer.	YES		

Code compliance statement (continued)

Section C - Fair rewards and motivation			
C.1. The company should publish a remuneration policy on its website and include in its annual report a remuneration statement on the implementation of this policy during the annual period under review. The remuneration policy should be formulated in such a way that allows stakeholders to understand the principles and rationale behind the remuneration of the members of the Board and the CEO, as well as of the members of the Management Board in two-tier board systems. It should describe the remuneration governance and decision-making process, detail the components of executive remuneration (i.e. salaries, annual bonus, long term stock-linked incentives, benefits in kind, pensions, and others) and describe each component's purpose, principles and assumptions (including the general performance criteria related to any form of variable remuneration). In addition, the remuneration policy should disclose the duration of the executive's contract and their notice period and eventual compensation for revocation without cause. The remuneration report should present the implementation of the remuneration policy vis-à-vis the persons identified in the remuneration policy during the annual period under review. Any essential change of the remuneration policy should be published on the corporate website in a timely fashion.		PARTIAL	Currently, the remuneration policy is included in the GC Rules and the Company will take measures to comply with the new CGC regarding the review and completion of the information to be included in the remuneration policy. At the moment, the General Shareholders' Meeting establishes the remuneration due to directors for the current fiscal year and the general limit of the remunerations granted by the Board of Directors to the directors appointed with specific positions and to the managers.
Section D - Adding value through investors' relations			
D.1. The company should have an Investor Relations function - indicated, by person (s) responsible or an organizational unit, to the general public. In addition to information required by legal provisions, the company should include on its corporate website a dedicated Investor Relations section, both in Romanian and English, with all relevant information of interest for investors,including D.1.1. Principal corporate regulations: the articles of association, general shareholders' meeting procedures; D.1.2. Professional CVs of the members of its governing bodies, a Board member's other professional commitments, including executive and non-executive Board positions in companies and not-for-profit institutions D.1.3. Current reports and periodic reports (quarterly, semi-annual and annual reports); D.1.4. Information related to general meetings of shareholders; D.1.5. Information on corporate events; D.1.6. The name and contact data of a person who should be able to provide knowledgeable information on request; D.1.7. Corporate presentations (e.g. investor presentations, quarterly results presentations, etc.), financial statements (quarterly, semi-annual, annual), auditor reports and annual reports.	YES		
D.2. The company should have an annual cash distribution or dividend policy. The annual cash distribution or dividend policy principles should be published on the corporate website.		NO	The Company has no dividends policy and shall take the adequate measures in order to comply with CGC.
D.3. The company should have adopted a policy with respect to forecasts, whether they are distributed or not. The forecast policy should be published on the corporate webside.		NO	The Company has no forecasts policy and shall take the adequate measures in order to comply with CGC.
D.4. The rules of general meetings of shareholders should not restrict the participation of shareholders in general meetings and the exercising of their rights. Amendments of the rules should take effect, at the earliest, as of the next general meeting of shareholders.	YES		
D.5. The external auditors should attend the shareholders' meetings when their reports are presented there.	YES		
D.6. The Board should present to the annual general meeting of shareholders a brief assessment of the internal controls and significant risk management system, as well as opinions on matter subject to general meeting's decision.	YES		
D.7. Any specialist, consultant, expert or financial analyst may participate in the shareholders' meeting upon prior invitation from the Chairman of the Board. Accredited journalists may also participate in the general meeting of shareholders, unless the Chairman of the Board decides otherwise.		NO	The Company is working for the amending of the GC Rules in order to comply with the new CGC.

Code compliance statement (continued)

D.8. The quarterly and semi-annual financial reports should include information in both Romanian and English regarding the key drivers influencing the change in sales, operating profit, net profit and other relevant financial indicators, both on quarter-on-quarter and year-on-year terms.	YES		
D.9. A company should organize at least two meetings/ conference calls with analysts and investors each year. The information presented on these occasions should be published in the IR section of the company website at the time of the meetings/conference calls.	YES		
D.10. If a company supports various forms of artistic and cultural expression, sport activities, educational or scientific activities, and considers the resulting impact on the innovativeness and competitiveness of the company part of its business mission and development strategy, it should publish the policy guiding its activity in this area.		NO	The Company shall take the adequate measures in order to comply with CGC.

Responsibilities of the Board

General presentation

During the reporting period, the Company had the following corporate governance structures: Board of Directors and Executive Management, which keep the public informed about:

- the role and obligations of the Board;
- the Board's structure, mentioning the number of administrators (executive and non-executive, independent members);
- the manner of appointment of the Board members and the procedure of electing them;
- the prerogatives and responsibilities of each corporate governance structure;
- the Board and Executive Management members' remuneration policy.

The structure of the Board ensures that a balance between executive and non-executive members is maintained, the Board of Directors having a number of members that guarantees the efficiency of its ability to oversee, analyse and evaluate the work of directors and the fair treatment of shareholders. Moreover, the Company evaluates the independence of its members, applying the evaluation criteria established by the Corporate Governance Code, and thus, during 2018, ALRO's Board had at least one independent member.

However, the decisions-making process remains a collective responsibility of the Board, which will be held responsible for all decisions made while carrying out its competences. The Board is responsible for preparing all the necessary and useful documents to achieve the Company's main scope of business, except the ones required by law and statutory for GSM or for the Company's Directors.

The election of Board members is made through a formal, rigorous and transparent procedure. The Company publishes on its website the CVs of the candidates proposed for being elected as Administrators as well as the qualifications they hold. In addition, information on personal and professional qualifications for current members of the Board and Executive Management can be found on the company's website, www.alro.ro.

Every time, when a Board member is nominated, SGM aims to ensure a balanced structure of this management body, in line with the Company's activity. As a principle, the nomination by the Board members takes into consideration the graduation of long-term higher education studies, as well as one or more from the following personal and/ or professional qualifications:

- holding a technical qualification in the field in which the Company activates;
- significant management experience, no matter the field in which it was obtained;
- economic education, specialisation or training classes;
- effective communication skills;
- ability to contribute to the Company's development strategies;
- good moral conduct.

The Board of Directors activates in accordance with the Company's Articles of Association and the Rules of Organisation and Operation of the Board of Directors. The Board meets at least once every three months or whenever the situation requires it, the agenda of these meetings being in compliance with the role and obligations of the Board of Directors, in accordance with the law and the Articles of Association.

The Biography of the Board's members

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

At 31 December 2018, ALRO's Board of Directors consisted of seven members and its structure is as described below:

Marian Daniel Nastase Birth year: 1972 Date of first appointment: 11 November 2002 Reappointed: 13 November 2018 Term of office expires at: 12 November 2022 ***Principal position held within the Company:*** Chairman of the Board, Non-Executive Member of the Board of Directors ***Member in other Committees within the Company*** *Not applicable (please see Statement of compliance with the BSE Code)*	Marian Nastase graduated from the Academy of Economic Studies in Bucharest where he majored in foreign trade. Mr. Nastase has extensive experience in financial consulting and auditing. He has worked at Deloitte & Touche in Romania, amongst other accountancy firms. In 2002, he joined ALRO as the executive director in charge of all financial affairs of the Company. He was subsequently appointed as Vimetco Country Manager Romania and his current mandate covers all Vimetco Group operations in aluminium, natural gas and electric power in the country.	Marian Nastase is board member within the following companies: Vimetco NV, Vimetco Management Romania SRL, Vimetco Trading SRL, Everwide Industrial Ltd and he is the chairman of the Association of Big Industrial Energy Consumers Romania (ABIEC).
Serghei Gheorghe Birth year: 1960 Date of first appointment: 29 April 2014 Reappointed: 20 November 2016 Term of office expires at: 20 November 2020 ***Principal position held within the Company:*** Vice President of the Board, Executive Member of the Board of Directors* ***Member in other Committees within the Company*** *Not applicable (please see Statement of compliance with the BSE Code)*	Serghei Gheorghe graduated the Bucharest Polytechnic Institute in 1985 and holds a Ph.D. engineer degree since 1992. During 1987 – 1996, he worked in research and as an assistant (part time – associated professor) at the Bucharest Polytechnic Institute, Auto-vehicles and Materials Resistance Departments. During 1996 – 2000, he worked abroad, in the construction field, and during 2000 - 2004 he worked at Rompetrol Well Services. Serghei Gheorghe has been working for ALRO since the end of 2004, where he held positions such as Deputy Commercial Manager, Acquisitions and Logistics Manager and Chief Procurement Officer.	Serghei Gheorghe is also the Acquisitions and Logistics Manager within Alum SA.
Gheorghe Dobra Birth year: 1959 Date of first appointment: 6 November 2003 Reappointed: 3 November 2015 Term of office expires at: 3 November 2019 ***Principal position held within the Company:*** Executive Member of the Board of Directors ***Member in other Committees within the Company*** *Not applicable (please see Statement of compliance with the BSE Code)*	Gheorghe Dobra, Ph.D. engineer, Executive MBA graduated from the Bucharest Polytechnic Institute, Romania in 1984 and joined ALRO where he passed through all stages of a successful professional career. Since 1993, he is the CEO of the Company. His main achievements in the Company are: • successful privatization of the Company between 2000 - 2002 • increased the Company's economic and financial performance • technical and technological upgrade to the highest international standards • increased high and very high added value production • substantial investments in the environment, which led to improved working conditions and greening the whole company • reduced costs, focusing on increasing energy efficiency • re-engineering the organization with positive effects on business optimization • ALRO accreditation as a supplier for the demanding market of aircraft and automotive industries • increased the number of social programs for employees and the local community • increased the Company's creditworthiness on aluminium international market • vertical integration of production cycles within the Group.	Gheorghe Dobra is board member within the following companies: Vimetco NV and Vimetco Power Romania and he is the chairman of Alum SA.

** According to BSE' Corporate Governance Code*

At 31 December 2018, the Board of Directors of ALRO consisted of seven members as described below (cont.):

Adrian Manaicu Birth year: 1964 Date of first appointment: 15 March 2007 Reappointed: 29 June 2017 Term of office expires at: 29 June 2021 ***Principal position held within the Company:*** Independent Non-Executive Member of the Board of Directors ***Member in other Committees within the Company*** *Audit Committee*	Adrian Manaicu, PhD, graduated from the Academy of Economic Studies in Bucharest, Romania. He holds various positions as consultant and auditor and Mr. Manaicu is a member of the Chambers of Auditors within the Ministry of Finance. Moreover, Mr. Manaicu is a lecturer in accounting at the Academy of Economic Studies in Bucharest and at ASEBUSS (Romanian-American School of Business in Bucharest).	Adrian Manaicu is finance director of Institut for Business Administration IAAB and finance director and founding member of ASEBUSS Foundation. He holds the position of non executive member of the board within Porsche Bank Romania and RBS Bank Romania. Also, Adrian Manaicu is independent member of Internal Audit Comittee within Policolor SA and Sarantis Romania and senior consultant within PricewaterhouseCoopers Romania.
Pavel Machitski Birth year: 1983 Date of first appointment: 20 March 2013 Reappointed: 13 November 2018 Term of office expires at: 13 November 2022 ***Principal position held within the Company:*** Non-Executive Member of the Board of Directors ***Member in other Committees within the Company*** *Not applicable (please see Statement of compliance with the BSE Code)*	Pavel Machitski holds a diploma in Finance and International Business from New York University, Stern School of Business. Pavel Machitski has joined Vimetco N.V. as Deputy CFO in 2009. In 2011 he was appointed as Vice President of the Board of Directors for Alum and board member with conjunct power within Vimetco Management Romania, Vimetco Trading, Vimetco Power Romania and Conef. Pavel Machitski's role includes, among other responsibilities, business development, strategy, financial planning, mergers & acquisitions, financing, budgeting, controlling and reporting, investor relations and risk management. In 2013, he was appointed as member of ALRO's Board of Directors. Before joining Vimetco Group, Mr. Machitski worked at Morgan Stanley where he acted as an advisor in numerous transactions in EMEA region (Europe, Middle East and Africa) focusing on capital markets and mergers & acquisitions advisory.	Pavel Machitski is board member within the following companies: Vimetco NV, Vimetco Power Romania SRL, Global Aluminium Ltd., Bauxite Marketing Ltd. and Vi Holding LLC.
Svetlana Pinzari Birth year: 1961 Date of first appointment: 19 February 2018 Reappointed: 13 November 2018 Term of office expires at: 20 December 2022 ***Principal position held within the Company:*** Non-Executive Member of the Board of Directors ***Member in other Committees within the Company*** *Not applicable(please see Statement of compliance with the BSE Code)*	Svetlana Pînzari graduated at Columbia University, New York where she majored in Economics. She performed an internship at International Monetary Fund. Mrs. Pinzari has large experience in banking. She held management positions for several commercial banks and for Central Bank being responsible for corporate governance, investments, treasury, and national payment system. She acted as Head of Assets and Liabilities Committee, member of Credit Committee and as a member of Board of Directors. She joined ALRO as Deputy Financial Director; in 2006 she was subsequently appointed as Chief Financial Officer of ALRO's Group and as member of Board of Directors for ALRO's and Alum's until 2013. She was responsible for budgeting, reporting, accounting and treasury. Afterwards, she joined Vi Holding LLC as Economic Director. Mrs. Pinzari portfolio of responsibilities covered the following major areas: financial planning, budgeting, controlling and reporting.	

At 31 December 2017, the Board of Directors of ALRO consisted of seven members as described below (cont.):

Aleksandr Barabanov Birth year: 1979 Date of first appointment: 19 December 2014 Reappointed: 13 November 2018 Term of office expires at: 20 December 2022 ***Principal position held within the Company:*** Non-Executive Member of the Board of Directors ***Member in other Committees within the Company*** *Not applicable (please see Statement of compliance with the BSE Code)*	Aleksandr Barabanov graduated cum laude from the Moscow State Institute of International Relations and is a Certified Internal Auditor, CFA Charterholder, a member of the Chartered Alternative Investment Analyst Association (CAIA) and an ACCA (Association of Chartered Certified Accountants) fellow member. Mr. Barabanov has an extensive experience of more than 14 years in accounting, reporting and auditing of large industrial companies, mainly in the energy, mining and metals industries. He joined Rinco Group/ Vi Holding in 2006 and is currently Head of Accounting and Corporate Reporting Department and prior to its employment at Rinco Group/ Vi Holding, Mr. Barabanov was the Senior Manager of the Financial Analysis Department at JSC Tatnelf. He also worked as an audit consultant at CJSC PricewaterhouseCoopers Audit (Energy and Mining Department).	Aleksandr Barabanov is board member within the following companies: Alum SA, Vimetco Extrusion Srl, Henan Yulian Energy Group Co. Ltd., Everwide Industrial Limited, Oceanic Investment Limited and Power Shine International Limited.

ALRO's executive management - structure

The executive management of ALRO has delegated powers from Board of Directors and is legally representing the Company, being responsible for managing the daily operations. The Executive Management is appointed for a period of four years.

Gheorghe Dobra (1959) - General Director

Gheorghe Dobra, PhD, Executive MBA joined ALRO in 1984, occupying several positions, from specialist engineer, to executive manager. Gheorghe Dobra is currently the CEO of the Company, his current mandate being extended, in August 2015 by the Company's Board of Directors.

Genoveva Nastase (1975) - Chief Financial Officer

Genoveva Nastase graduated from the Executive MBA organized by ASEBUSS in partnership with Kennesaw State University, Atlanta, USA and previously she was the CFO of Vimetco Management Romania and worked as Deputy Finance Director for ALRO for over seven years, from 2002 until 2009. She has an extensive experience in corporate finance, in financial modelling, financial analysis and reporting. Genoveva Nastase's mandate as Chief Financial Officer was extended in February 2017.

Other information required by the Code

- At 31 December 2018, ALRO has appointed a secretary to the Board which is responsible for supporting the Board's activity (see the *Statement regarding the conformity with the Code, section A.7.*);
- Within the Statement regarding the conformity with the Code, the management of the Company states that, during 2018, no assessment of the Board conducted by the President or the nomination Committee took place (see the *Statement regarding the conformity with the Code, section A.8.*);
- The Company needs a policy/ guide on the Committee assessment, including the purpose, criteria and frequency of the evaluation process (please see the *Statement regarding the conformity with the Code, section A.8.*);
- In 2018, the Board of Directors met in 34 meetings, during which decisions were adopted concerning mainly the following:
  - approval of contracts that must be approved by the Board;
  - adopting the executive management reports;
  - acknowledgment of the main economic and financial indicators of the Company;
  - adoptions of the company's organisational structure changes;
  - SGM convocation in accordance with the terms of the Articles of Association;
  - approval of the Annual Report for 2017, including the financial statements for 2017.

For these 34 Board meetings, the quorum required by law as stipulated in the Company's Articles of Association was met and the average participation rate was of 82% (2017: 79%).

Risk management and internal control system

The management of the risk to which the Group is exposed

According to the new BSE's Code of Corporate Governance adopted by the Group in order to meet requirements of transparency, financial reporting, risk management and internal audit, the Board members have the necessary professional training or a significant and relevant managerial experience, allowing them to analyse the overall financial position of the Group, the risk management processes and its governance, ensuring that these mechanisms are functional and effective.

The Board members support, coordinate and actively get involved to improve the risk management system through continuous and direct monitoring. The risk management is conducted under policies approved by the Board. The treasury department identifies, evaluates and hedges financial risks in close collaboration with the operational units of the Group. The Board provides written principles for overall risk management, as well as written policies covering specific areas such as currency risk, interest rate risk, credit risk, price risk.

At the same time, risk management is an integral part of the decision making process within the Parent Company, ALRO, because each major project or the implementation of a new strategy or direction (respectively regarding the investments area or, for example changing the production mix) involves organising meetings with the top management of the Company and of the Group, involved in the respective project.

These meetings aim to examine these decisions from all points of view and, implicitly, to assess the risks associated with them, as well as to determine whether the expected results to be obtained after the implementation of a new project will be beneficial for the Group's business model. Also, in these meetings, relevant opinions of third party specialists with the necessary expertise are considered (e.g. internal audit and/or external consultants, depending on the situation) and are subsequently used for making the final decisions so that the final verdict is based on a comprehensive and objective analysis.

As far as the goals of the Group's risk management system are concerned, these are aimed at securing the Group's and Company's operations and their ability to provide positive economic added value on the medium and long term, through an effective management of the risks they are exposed to and through estimating their potential impact on cash flows by meeting the limits set by management regarding the risk appetite.

The Group's and / or Company's activities expose them to a variety of risks, both financial and non-financial, such as: market risk for traded products (including currency risk, interest rate risk, cash flow risk and price risk), credit risk, liquidity risk and operational event-type risk.

Overall Group's risk management programmes focus on the unpredictability of financial markets and seek to minimise the possible adverse effects on the Group's financial performance. The Group uses derivative financial instruments, only when it is feasible, for risk hedging.

Capital risk management

The Group's capital management goals refer to safeguarding the Group's ability to continue as a going concern, in order to create value for shareholders and benefits for third parties, while maintaining an optimal capital structure to reduce its cost.

The Group's capital structure consists of liabilities, which include borrowings net of cash and cash equivalents and equity, including share capital, share premiums, reserves and retained earnings.

The Group's management reviews the capital structure periodically. As part of this review, the management analyses the cost of capital and the risks associated with each class of capital. In order to maintain or adjust the capital structure, the Group and the Company may adjust the amount of dividends paid to shareholders (if the case), return capital to shareholders, issue new shares or sell assets using receipts to reduce debt.

Market risk

The Group's activities expose it primarily to the market price risk, foreign currency exchange differences and interest rate risks. The Group and the Company enter into a variety of contracts for derivative financial instruments to manage its exposure to market prices, such as:

- swaps to manage the commodity prices risks associated with sales of aluminium based on the London Metal Exchange price for High Grade Aluminium;
- commodity options to protect Group and Company cash flows from the adverse impact of falling aluminium prices.

The Group is exposed to market risk through the prices of traded products and the variations in cash flows generated by its activities: bauxite mining, refining alumina, obtaining primary and processed aluminium and extruded products. Therefore, this is a significant risk for the Group and Company and should be considered a strategic component in determining the Group's and Company's risk profile, due to its effects that might be directly visible in the Group's cash flows, respectively of the Parent-company. Consequently, this risk is closely monitored and analysed and reports that supervise the cash flows are prepared regularly, so that sufficient liquidities are permanently provided for the normal running of daily operations.

Throughout the financial year 2018, ALRO used hedging only to reduce the level of exposure against market risk; it did not contract or trade derivative financial instruments for speculative purposes. Derivative financial instruments are monitored and measured monthly at fair value. For further details, please see ***Note 31 – Risk management*** from the financial statements included in this report.

Foreign currency risk

By the nature of the activities carried out, the Group and the Parent Company are subject to foreign currency risk, being exposed to the volatility of the functional currency against other currencies such as USD and EUR (an important share of the aluminium sales are denominated in USD or EUR, while a large part of the operating costs depends on the functional currency, RON). Foreign currency risk is a result of future commercial transactions, of receivables and liabilities. Therefore, the effect of foreign currency risk on cash flows and the correlation with the aluminium price on the international markets are issues that are constantly monitored, with the aim to hedge the anticipated cash-flows in foreign currencies to the extent that the market allows doing this with reasonable costs within the limits of the available trading lines. The Group and the Company's risk management policy is to hedge up to 50% of anticipated cash flows (Romanian sales and purchases) in USD and EUR as far as the Management considers it appropriate and the market allows this at reasonable costs.

The Group's exposure to currency risk results from:

- highly probable future transactions (sales/ purchases) denominated in foreign currency;
- firm commitments denominated in foreign currency, and
- monetary items (mainly trade receivables, trade payables and borrowings) denominated in foreign currency.

During 2018, ALRO did not enter into transactions with derivative financial instruments to mitigate the foreign currency risk.

The interest rate risk

The Group and Company are also exposed to interest rate risk through its operations and financing agreements. Therefore, the volatility of interest rates such as LIBOR, EURIBOR or ROBOR can generate variations of cash flow resources needed to make interest payments related to liabilities contracted by the Group. These interest rate risks are constantly monitored and quantified.

The Group has no significant interest-bearing assets, revenues and cash flows being substantially independent of changes in market interest rates.

Commodity price risk

Commodity price risk is the risk that the Group and the Company's future earnings will be adversely impacted by changes in the market price of aluminium. The Group and the Company's internal policy is to manage the identified commodity price risk by natural hedge when possible and also for a part of the remaining quantity at risk by entering into derivative contracts such as aluminium swap agreements and ratio-collar transactions on aluminium, when market conditions are favourable. Commodity price risk receives a special attention from the Group's management having a strategic importance in the Group's risk profile because it has a direct impact in the short and medium term liquidity of the Group and/or the Company.

Commodity price risk is analysed in detail; its effects are constantly monitored and quantified, thus the potential adverse impact could be decreased for achieving the Group's medium and long-term goals.

Commodity options

In January 2018, the Group and the Company 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 protecting its revenues against the volatility of aluminium price. Therefore, 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 end of 2017, the Group and the Company 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 price of 2,200 USD/tonne to 2,400 USD/tonne was secured, with exercising dates during January - December 2018.

In 2018, options for an approximate quantity of 63,200 tonnes were exercised due to the fact that the LME quotations were below the minimum price of 2,200 USD/tonne. As at 31 December 2018 no more options contract was outstanding (31 December 2017: RON 3,298 thousand).

For further details, please see ***Note 31 – Risk management*** from the financial statements included in this report.

Credit risk

The credit risk refers to the risk that the counterparty might default on its contractual obligations, resulting in financial losses for the Group. To minimise this risk, the Company sells most of its accounts receivable to financial institutions through non-recourse factoring.

ALRO Group has adopted a policy by which it trades only with reliable counterparties and requests guarantees, when necessary, in order to mitigate the risk of financial losses resulting from non-fulfilment of the contractual obligations. The financial quality of the borrowers is permanently monitored and the Group's exposure to credit risk is distributed between agreed counterparties. The credit risk exposure is controlled through limits imposed on each borrower, which are analysed and approved by Group's management.

The accounts receivable consist of a large number of clients, from different industries and geographic areas. The Group permanently assesses their credit risk based on the financial performance, the payment history and, when applicable, requests insurance policies for the risk of default. Most of the Group's account receivables are sold to financial institutions through non-recourse factoring. Regarding the Group's concentration risk, please see ***Note 19 - Trade receivables*** from the financial statements included in this report.

Concerning the assets from derivative instruments, the maximum exposure to the credit risk is represented by the fair value at the reporting date.

The credit risk resulted from the transactions with banks and financial institutions are managed by the Treasury Department. Excess liquidity is invested only with approved banks and for credit lines and limits assigned to each counterparty. The counterparty credit limits are annually reviewed by management and may be updated during the year. The limits are set so as to minimise the concentration risk and thus to decrease the possible financial losses from default by the counterparty. It is estimated that there is no significant exposure from failing to settle the contractual obligations by counterparties regarding financial instruments.

Liquidity risk

Considering the current business environment, the Group and the Company focus on monitoring the liquidity risk, the operational and financial cash inflows and outflows being monitored and analysed monthly and, in some cases, on a daily basis, so that any unexpected change in the Group liquidity could be noticed immediately. Based on this analysis, the management can take the best decisions on the financing needs, for the Group and Company to have the necessary capital to be able to meet all current and future financial obligations and to ensure their solvability.

Cautious liquidity risk management implies maintaining sufficient cash and tradable values, financing availability with an adequate amount from committed credit facilities. The management regularly monitors rolling forecasts of liquidity reserves of the Company.

Operational risk

Regarding the operational risk, the Group is vertically integrated and has a diverse and complex portfolio of assets, production capacities, inventories. The Parent-company, ALRO, and also Alum or SMHL, are particularly exposed to risks related to the safety of production processes and to event risks like explosions, strategic equipment failure etc. For these types of risks, analyses are performed and incidence scenarios are developed and, afterwards, safety plans are set in case of occurrence. For the strategic equipment spare parts inventories were made, so that, in case of an unforeseen events, operations can be resumed as quickly as possible and the inherent losses in such situations are thus minimised.

In addition to these safety measures and plans, the Group has an active insurance policy that covers both the material damage for equipment and inventories, as well as any possible losses resulting from equipment failures, which could lead to the interruption of the operations for a certain period of time.

Taxation

Current income tax

The current tax payable is based on the taxable profit realised during the year. The taxable profit differs from the retained profit within the consolidated statement of profit or loss because of the revenues or expenses items that are taxable or deductible in some years and because of items that are never taxable or deductible.

The Group's and the Company's current income tax liability is determined using tax rates that are applicable according to the legislation in force during the reporting period.

Deferred tax

Deferred tax is recognised based on temporary differences between the book value of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the calculation of taxable profit. Liabilities regarding deferred tax are generally recognised for all temporary taxable differences.

Deferred tax assets are generally recognised for all deductible temporary differences as far as it is probable that taxable profits will be available, against which the deferred tax receivables can be used. Deferred income tax assets or liabilities are not recognised if the temporary difference is generated by the initial recognition of goodwill or from the initial recognition of an asset or a liability in a transaction that is not a business combination and, at the time of the transaction, does not affect the accounting profit, nor the taxable profit (tax loss).

Concerning investments in subsidiaries and associates, and interests in joint participations, deferred income tax liabilities are recognised as taxable temporary differences, except where the Group/ Company are able to control the restatement of the temporary difference and it is probable that the temporary difference will not be restated in the predictable future. Deferred tax assets resulting from temporarily deductible differences associated with such investments and interests are recognised only if it is probable that there will be sufficient taxable profits for which to use the benefits of the temporary differences and they are expected to be restated in the predictable future.

The carrying value of the assets to which the deferred tax is applied is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to fully or partly recover the assets. Deferred tax assets and liabilities are measured at the tax rate presumed to be applicable in the period when the recovery of the liability or the realisation of the asset is estimated, based on the tax rates (and on the tax laws) that are effective or will be effective until the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences in terms of what tax is expected to arise from the way in which the Group foresees to recover or deduct the accounting value of assets and liabilities at the end of the reporting period.

Annual current and deferred tax

Annual current and deferred tax are recognised in the consolidated statement of profit or loss unless they relate to items that are recognised in other comprehensive income or directly in equity, in which case the annual current and deferred tax are also recognised in other comprehensive income, respectively in equity.

Internal control system

The Group's and the Company's internal control system aims to ensure the compliance with the regulations in force, the good operation of the internal activity, in accordance with the decisions made by the management, and it also contributes to the operations effectiveness, to the efficient use of resources, the prevention and control of the risk of failing to achieve its set goals.

Internal control is applicable through operations performed by the Group and/or Company before, during and after the operations are performed. Internal audit aims to achieve at least the following goals:

- compliance with the regulations in force;
- implementation of the decisions taken by the management;
- the proper operation of the internal activity;
- the reliability of the financial information;
- the effectiveness of operations;
- the efficient use of resources;
- the prevention and control of risks to achieve the goals set.

The Group and the Company made efforts via the management structure and organisational culture to implement an internal control system that includes various activities for the prevention and detection of unexpected events and risks and potential fraud attempts, of errors or omissions, damage, non-compliance, unauthorised transactions, incorrect or misleading financial reporting, activities that may negatively affect the Group's and/ or the Company's image etc.

Through its internal procedures and regulations which represent the basis for an integrated internal control system, the Group and the Company have sought to include all relevant operations and activities that take place, to ensure that:

- all its operations are conducted in accordance with the law in force for each area in which it operates (for example: to meet local reporting and legal requirements in Sierra Leone, Romania), and in accordance with the internal organisation and operation rules;

- controls are implemented to prevent, identify and solve in a more efficient way frauds, errors or omissions that may have significant consequences over the Group's and/or Company's activity;
- an organisational culture exists and is maintained, concerning the risk of fraud or error and the employees are aware that providing misleading or wrong information can have serious consequences in the effective administration of daily operations.

Therefore, internal control procedures are designed:

- on the one hand, to ensure the compliance of the company's activity and of the staff conduct with the framework of applicable laws, values, norms and internal regulations of the Company and of the Group's, respectively, and
- on the other side, to verify the accuracy of reported financial, accounting and management information so that it can correctly reflect the Group's and Company's activity and position.

Internal control is also performed by the finance and internal financial control department, in accordance with the accounting policy manual, by monitoring, through a periodical programme of reviews, the compliance with these accounting procedures and policies, with the applicable financial reporting standards, the awareness of and compliance with the financial accounting regulations, thus ensuring the accuracy and completeness of the accounting records through monitoring the presentation in the annual financial statements of quality information to answer to the needs of their users. An important role is also assigned to the internal audit, which, by its operating methodologies, ensures that the internal regulations regarding the risks associated with the different structures within the Group and the Company are complied with and are working.

Therefore, the existence of an internal control environment is the basis of an effective control system and it must be based on clear methodologies, values, ethical principles and measures for the responsibility, authority, skills level, duties assigned to each employee.

The entire internal control system has the final goal of identifying and assessing process and compliance risks so that they can be prevented, mitigated or considered acceptable, depending on the current risk policy. All these procedures and activities that are the basis of an internal control system are constantly reviewed and improved in order to meet the business needs and to not become obsolete. All these internal control processes and verifications are supported by appropriate documentation and contain a clear description of all key control activities that have been implemented and performed.

Both the Company's management and the internal audit department are structures within the Group that are responsible for the efficient evaluation and implementation of the internal control system.

Within the Group, both in the Parent-company, ALRO, and at the level of each subsidiary separately, the same accounting and reporting rules are applied to ensure the same treatment for the same types of transactions/ business related activities. Depending on the evolution of the business and the current law, these rules/ accounting treatments are updated to ensure both compliance with legal requirements and their relevance for the conducted operations. Moreover, the Group and the Company have separate departments for accounting, reporting/ financial control so there is a clear separation of roles and responsibilities, to have in place the 'four eyes' principle and a separate input for operations and authorisation of transactions.

Moreover, Management has constantly tried to use integrated reporting software and to have automated processes as much as possible, in order to reduce the risk of manual record-keeping, where the risk of error is higher. Setting standards at Group's level for preparing the annual, half-year and quarterly financial statements also represent a crucial component of the internal audit system.

Management fair reward and motivation

Remuneration policy

In 2018, the remuneration of the Board members and/ or Executive Management has complied with an adequate remuneration policy, in line with the strategy and with the long-term interests of the Group and of the Company, and it was directly linked to the members' responsibilities and with the time spent performing their functions.

ALRO's Board members earn a fixed remuneration for their mandate and the Executives receive a variable compensation, according to their performance during their mandate contract.

Remuneration report

ALRO Group aims to gradually align to the corporate governance best practices in respect of Board of Directors' individual remuneration making in this way a step forward to its investors' expectations.

The aggregate amount of the remuneration paid by ALRO Group to Board of Directors members for all their roles held within the Group was RON 12,573 thousand (2017: RON 5,933 thousand) representing gross salary, bonus and pension contributions, as detailed below:

RON '000

Directors	Gross remuneration	Bonus	Total	Of which, contribution to pension scheme
Marian NASTASE	152	2,548	2,701	675
Serghei GHEORGHE	1,299	2,192	3,490	873
Gheorghe DOBRA	1,624	3,829	5,453	1,363
Pavel MACHITSKI	314	-	314	-
Adrian MANAICU	143	-	143	36
Svetlana PINZARI*	120	-	120	30
Aleksandr BARABANOV	334	-	334	48
Artem ANIKIN*	19	-	19	-
Total	**4,004**	**8,569**	**12,573**	**3,024**

** Mrs. Svetlana Pinzari replaced Mr. Artem Anikin starting with February 19, 2018, following Mr. Anikin's resignation.*

All the remuneration proposals for the Board members and Executives are being made by the Board of Directors and subsequently submitted for GSM approval.

Shareholders

ALRO Group is permanently developing and trying to adapt its corporate governance guidelines to the latest regulations and best practices and in this way to be prepared to benefit of new opportunities that could occur and which may generate benefits for the Group and for the Company. Therefore, the management considers that a transparent decision making process that is based on clear rules not only ensure an efficient administration of operations, but also enhances the confidence of shareholders and third parties interested in the Group's activity. Moreover, this type of organisation contributes to the protection of the shareholders' rights and provides an improvement for the overall performance of the Group, which is reflected in time, both in positive signals from the market and in an easier access to financing facilities.

ALRO adheres and complies with a major part of the provisions stipulated in the new Corporate Governance Code issued by BSE. Code requirements are more comprehensive than the legal requirements for listed companies. This report also includes the Appendix regarding the Statement regarding the compliance with the provisions of the New Corporate Governance Code issued by BSE which contains the explanations for the provisions of the BSE Code, where it did not comply with the requirements.

ALUM is listed on the secondary market, ATS segment - AeRO – however, it applies the same best practices when it comes of corporate governance rules and complies with all the regulations in force for listed companies on BSE.

The Board of Directors is the highest forum in respect of the Company's management and along with its executive directors ensures the smooth running of the day to day operations and is directly involved in strategic decisions with a direct impact on the Company's activities. Members of the Board are in a permanent dialogue with the executive directors and are acting taking into consideration the interests of the Company, its shareholders and the interests of the Company employees.

General Shareholders' Meeting is convened by the Board and held at the Company's headquarters or in another place announced by the convening notice, at least once a year, not later than four months after the end of the financial year or whenever is needed. This can be convened at the request of shareholders representing at least 5% of the share capital, in which GSM shall be convened within not more than 30 days and will meet in less than 60 days from the date of the received request. The meeting date will not be earlier than 30 days from the published notice in the Romanian Official Gazette, Part IV. The notice must be published in the Romanian Official Gazette, Part IV and in one wide circulation newspaper from Romania. In exceptional circumstances when it is in the interest of the company, the Board can convene EGSM. The convening notice will be sent both to the BSE and to FSA, in accordance with the capital market regulations. The convening notice will also be available on the company website, in the section *"Investor Relation - Shareholder Meeting",* together with any explicative document related to the items included on the GSM's agenda, such as: the annual financial statements, the Board's annual report and the proposal to distribute dividends etc. are made available to shareholders at the company's headquarters and on the website with at least 30 days before the GSM takes place and these documents are approved.

Planning the General Shareholders' Meeting - GSM is usually led by the Chairman of the Board; in certain situations, the Chairman may appoint another person to lead the meeting. The Chairman of the meeting will nominate a secretary and the attending shareholders will vote the Chairman's proposal. The secretary of the meeting verifies the fulfilment of the formalities required by the law for holding the GSM and to prepare the minutes of the meeting. These minutes of the meeting, which are signed by both the chairman and the secretary represent the proof of the fulfilment of the formalities of the convening notice; they mention the date and the place of the GSM, the agenda, the shareholders who are present, the number of shares, a summary of the discussed points, the decisions adopted and, on shareholders' request, the shareholders' statements done within the GSM. In order to be opposable to third parties, GSM decisions will be filed within 15 days from their approval at the Trade Registry to be included within the register and published in the Romanian Official Gazette, Part IV. Decisions will be published at the same time on the Company's website.

In accordance with the capital market regulations, GSM decisions are sent to BSE and FSA within 24 hours from their approval. Moreover, these decisions are available on the company's website, within the section *"Investor Relations - Shareholders Meeting"*.

The main responsibilities of the General Shareholders' Meeting are:

- approves or amends the Company's annual financial statements, after having analysed the Board of Directors' and the financial auditors' reports;
- approves the profit's allotment, in accordance with the law stipulations;
- appoints and dismisses the directors;
- settles the directors' remuneration for the current financial year;
- settles the general limit of the remunerations granted by the Board of Directors to the directors appointed with specific positions and to the managers;
- rules over the liability of the directors;
- appoints and dismisses the financial auditor of the Company and rules over the minimum duration of the financial audit contract;
- approves the income and expenses budget and, if applicable, the activity programme for the next financial year;
- decides the pledging, renting or dissolution of one or more of the company units;
- fulfils any other responsibility deemed by the law to be its duty.

Extraordinary General Shareholders Meeting is held at the companies headquarters or in another place announced through the convening notice, whenever it is necessary to make a decision for:

- the change of the Company's legal status;
- the change of the main scope of business;
- the merger with other companies or the split-off of the Company;
- the dissolution of the Company;
- the increase of its share capital;
- the decrease of its share capital or its replenishment by issuing new shares;
- the issue of bonds;
- the conversion of a class of bonds into a different class or into shares;
- the conversion of the nominative shares into bearer stock shares or of the bearer stock shares into nominative shares;
- the conversion of the shares from one class into another;

- the approval of the conclusion of legal documents by which assets in the Company's patrimony, whose value exceeds half of the Company's assets book value as of the date of concluding the legal document, are alienated, rented, exchanged or encumbered under pledge, or by which assets whose value exceeds the above value are acquired;
- the approval of the conclusion of documents by which assets in the category of non-current assets of the Company, whose value exceeds, separately or jointly, during a fiscal year, 20% of the aggregate non-current assets less the accounts receivable, are acquired, alienated, exchanged or encumbered under pledge;
- the approval of the conclusion of documents by which tangible assets are rented for a period exceeding one year, whose value, separately or jointly, as to the same co-contractor or related or affiliate person, exceeds 20% of the value of total non-current assets less the accounts receivables at the date of concluding the legal document, as well as the associations for a period exceeding one year, exceeding the same value;
- the approval of the conclusion of legal documents by which a director or a manager alienates or acquires assets to or from the Company, with a value exceeding 10% of the company net assets value as well as legal documents regarding the renting or leasing of such assets;
- the approval of the organisation and operation by-laws of the Board of Directors;
- the approval of the establishment or dissolution of secondary offices-branches, agencies, representative offices or other similar offices having no legal personality;
- appoints members of the Audit Committee, approves the Audit Committee's terms of reference, establishes the mandate duration and the remuneration of the Audit Committee's members;
- any other responsibility deemed by the law to be its duty.

The main competences of the Board of Directors are:

- enforces the decisions taken by the GSM;
- decides the main activity and development directions of the Company;
- determines the accounting and financial control system and approves the financial planning;
- endorses the Company's annual financial statements;
- submits to the financial auditor with at least one month before the day scheduled for the GSM, the annual financial statements for the previous financial year, together with the BoD's report and the supporting documents;
- annually submits for the approval of the OGSM, within four months from the closing of the financial year, the report regarding the activity of the company and the financial statements for the previous year;
- annually submits for the approval of the OGSM the revenues and expenditure budget and the activity programme for the following financial year, if the case;
- approves the signing of any legal documents on behalf of the Company, except for those that need, as per the compulsory provisions of the law and the company's articles of association, the approval of the GSM, and except for those that the CEO, acting alone or together with the CFO, may sign without the approval of the Board of Directors, as per the limits settled by the provisions of the articles of association or by the Board of Directors decision;
- approves the change of the registered office of the Company;
- approves the change of the Company's secondary scope of business;
- establishes the additional remuneration of the Directors in charge with specific positions, as well as the executive directors' remuneration, within the general limit approved by the OGSM;
- approves the organisational structure and the internal rules and regulations of the Company;
- appoints and dismisses the CEO and the CFO;
- establishes how the activity of the CEO and of the CFO is organised;
- supervises the activity of the CEO and of the CFO;
- organises the internal audit activity;
- establishes the Company's marketing strategy and tactics;
- approves the investment plan of the Company;
- decides with respect to the market on which the securities issued by the Company shall be quoted and decides over the private independent authorised to hold the registry of the shares issued by the Company;
- submits the request for opening the insolvency procedure of the Company as per Law no. 85/2014 regarding the insolvency procedure prevention and insolvency procedure;
- decides on any other issues within its competence.

Shareholders - rights and obligations

The rights of the Company's minority shareholders are adequately protected by the current legislation in force. Shareholders have the right to obtain relevant information about the Company in a timely manner and on a periodical basis. They have the right to be informed about the decisions regarding the changes of any kind occurring in the Company, in order to understand how these may affect their rights. Each share subscribed and paid by shareholders gives them the right to vote in the GSM, the right to elect and to be elected in the management bodies, the right to participate in distribution of profits according to the Company's Articles of Association and to the legal provisions.

Also, a number of key decisions are exercised by the shareholders, such as:

- ***Convocation of the GSM:*** shareholders representing at least 5% of the share capital have the right to request the convocation of GSM, a situation in which the GSM will be convened not later than 30 days and will take place in less than 60 days from date of the request;

- ***Introduction of new items on GSM agenda***: one or more shareholders representing, individually or collectively, at least 5% of the Company's share capital have the right to introduce new items on the GSM agenda (each new item will be accompanied by a rationale or by a decision project proposed for resolution by the GSM) and to present decision projects for the points included or proposed to be included on the GSM agenda, within no more than 15 days from the day when the convocation was published in the Romanian Official Gazette;

- ***GSM participation:*** Company's practice is to actively promote the participation of its shareholders in the GSM and they are invited to address questions on issues to be discussed during such meetings. Shareholders may attend the General Shareholders' Meeting in person, by mail or through a representative having a mandate. The mandate can be: (i) special, using a special mandate model that will be provided by the Company or (ii) ordinary, valid for maximum three years, which allows its representative to vote

on all issues under discussion within the Company's General Shareholders' Meeting or several companies identified in the mandate, including as regards acts of disposal, on the condition that the mandate to be granted by the shareholder, as client, to a lawyer or an intermediate - financial investment services companies authorised by FSA, credit institutions authorised by the National Bank of Romania, in accordance with the applicable banks regulations, as well as similar entities authorised in EU member or non-member states to perform financial investment services. Shareholders properly registered in the shareholders' register may vote by correspondence before the GSM meeting, using the vote form used for the e-mail voting provided at the company's headquarters and/ or on the company website. More information can be found in the Company Policy o regarding the exercise of voting rights by shareholders in GSM;

- ***Shareholders' questions***: the Company's shareholders, no matter of the number of shares held, have the right to send to the Company headquarters written questions referring to the GSM agenda. The questions shall be submitted or sent, in enclosed envelope, to the Company's registered office so that they may be recorded by the Registration Office of the Company, at least seven calendar days before the date of the meeting, with clear cap letters specification written: "FOR THE ORDINARY AND/OR EXTRAORDINARY GENERAL SHAREHOLDERS MEETING AS OF __ /_____To be able to identify the shareholder capacity of the person who has sent the questions or making proposals to supplement the agenda, the legal representatives of the Company may ask the respective person to present some documents supporting his/ her identity and the statement of account proving the shareholder capacity and the number of shares held, issued by the Central Depository or, as applicable, by participants providing custody services. More information regarding the documentation necessary to exercise this right might be obtained from the Company Policy regarding the exercise of voting rights by shareholders within the GSM or of addressing questions to the Investors Relations responsible person. Any sensitive information of the Company which may lead to loss or to a competitive disadvantage for the Company will be avoided when the responses are communicated, in order to protect the shareholders' interest.

Agreements between shareholders

In respect of the agreements between shareholders known by the Company and which can lead to restrictions in securities and/or voting rights transfer, we mention that as at 31 December 2018, ALRO did not have pledged shares in the lending banks with which it signed loan agreements (31 December 2017: nil).

Diversity

The Group supports diversity inside the Company and inside its subsidiaries concerning the administrative, executive management and supervisory bodies, in respect of the age, gender or education and professional experience.

Therefore, regarding promoting women in the executive management positions, starting with 2018, ALRO's Board has also one female member and, both ALRO CFO and the Deputy CFO are women. At the end of 2018, about 20% of the directors and deputy directors were women (2017: 20%), while the proportion of women in the middle management positions was of 21% (2017: 21%).

Moreover, out of the total number of employees, the number of women working at ALRO, at the end of 2018, was of 16.7% (2017: 17%). In ALUM, the percentage of the women working in the company has increased from 10% in 2010 to 16.82% in 2018 (2017: 16%).

Additionally, within the Company, the persons holding middle and top management positions have ages between 29 and 63, and their education and professional experience varies (i.e.: engineering, economy, finance, law etc.), but it is relevant for the position held.

Adding value through investor relations

Investor Relations Activities

During 2018, the Group has communicated with third parties through several press releases and participated in press conferences or meetings with investors, analysts or media, and in relevant specialised events, as well.

Moreover, starting with 2016, press conferences with investors and analysts are organised for presenting the annual and half-year results and starting with June 2017, these conferences with investors and analysts are conducted four times a year, after the annual, half-year and the quarterly results. Through these conferences, ALRO wants to interact more with investors, analysts and other stakeholders interested in the Company's results and activity. The dates when these conferences are held are included and announced through the financial calendar published both on the Company's website, and also at BSE and FSA and any interested individual is welcome to participate.

Currently, ALRO reports to the capital markets, four times a year, consolidated financial statements, prepared in accordance with IFRS, which gives the financial reports a higher level of transparency and comparability from one period to another and also with its peers, the other international companies in the aluminium industry.

ALRO and ALRO Group prepare their financial statements 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), 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, except for the provisions of IFRS 15 Revenue from contracts with customers regarding the revenue from taxes of connection to the distribution grid and except for the accounting treatment of interim dividends, which, according to the Ministry of Public Finance Order no. 3067/2018, are recorded in the consolidated statement of financial position at 31 December 2018 as receivables on the position 'Other current assets' and as liabilities on the position 'Other current liabilities'.These exceptions do not affect the compliance of the financial statements of the Group and the Company with IFRS.

ALRO aims to ensure a permanent dialogue with third parties, and thus it publishes in real-time, immediately after sending them to BSE and FSA all the Company's financial reports, press releases andall other relevant information for shareholders, analysts, investors and other stakeholders, on the Company's website within the Investors Relations section.

ALRO publishes press releases about its investments, corporate social responsibility activities, activities to reduce the Company's environmental footprint, as well as other initiatives and/ or partnerships within the communities it operates in, aiming to create a positive impact on them.

In November 2018, ALRO together with other 10 representatives of the capital market, companies and individuals, founded the Romanian Investor Relations Association (ARIR) aiming to implement the best communication practices with investors by the Romanian listed companies. ALRO supports this initiative as it believes that ARIR will help improving the image of the Romanian capital market among investors and that, this Association represents a natural step in aligning the Romanian capital market with the other countries in the region that have already gained an extensive experience in this field. Moreover, ARIR brings added value to the Romanian capital market and represents for the companies listed on the BSE, a tool that emphasizes the transparency and openness to apply best practices in the field of Investor Relations (IR). As a founding member of ARIR, ALRO wants to get involved in promoting best IR practices in Romania and, at the same time, to adopt and apply new communication techniques with investors.

ARIR is a non-governmental and non-profit organization that was set-up to provide current and potential issuers a platform for the development of Investor Relations (IR) professionals. ALRO, through ARIR wants to contribute to implementing best practices in investor communication, to increase transparency within the listed companies and to comply with the corporate governance principles, in order to provide investors and shareholders with main elements based on which an investment decision could be made.

2019 Financial Calendar

Description of the event	Proposed date for 2019
Publication of 2018 Preliminary Annual Financial Results	25 February
Conference Call for 2018 Annual Results proposed for shareholders approval	27 March
Annual General Shareholders Meeting ("GSM") for the approval of 2018 results	25 April
Publication of the Annual Report as at 31 December 2018	25 April
Publication of the Quarterly Report for the first quarter of 2019, i.e. 1 January - 31 March 2019 ("Quarter I 2019")	14 May
Quarter I 2019 Results Conference Call	16 May
Publication of the Half-Year Report for the six-month period ending 30 June 2019, i.e. 1 January - 30 June 2019 ("2019 Half-Year")	12 August
2019 Half-Year Results Conference Call	14 August
Publication of the Quarterly Report for the third quarter 2019, i.e. 1 January - 30 September 2019 ("Quarter III 2019")	13 November
Quarter III 2019 Results Conference Call	18 November

Investor Relations contact

Ana-Maria Imbrea
Investor Relations Officer ALRO S.A
Address: 64 Splaiul Unirii, District 4, Bucharest
Phone: +40 750 067 717
Fax:+40 21 408 35 89
E-mail: investor.relations@alro.ro

Florenta Ghita
External Consultant
Phone +40 744 644 004
E-mail: investor.relations@alro.ro

Report on payments to Governments for the financial year 2018 for mining activities

The report on payments to Governments is prepared in accordance with Directive 2014/95/EU that amends Directive 2013/34/EU as issued by the European Parliament and which was transposed to the local legislation by Minister of Public Finance Order no. 2844/2016 for approving the Accounting Regulations in accordance with the International Financial Reporting Standards applicable to trade companies whose securities are admitted for trading on a regulated market. Thus, the Group has prepared the following consolidated report that provides an overview of the payments to governments made by ALRO and its subsidiaries in respect of mining activities for the year ended on 31st December 2018 (i.e. the reporting period is 1st of January – 31st of December 2018).

The amounts included in this report are in thousand RON, the average exchange rate for 2018 being used and only the payments which were higher than EUR 100,000 (RON equivalent) were considered.

All amounts are in RON '000

Government's institution description	Payment type description	Production entitlements	Other financial taxes	Mining royalties	Other fees
Sierra Leone Maritime Administration - is an open registry accepting worldwide shipowners and various type of vessels that meet the Sierra Leone standards in accordance with Merchant Shipping Act, 2003	0.45 USD/ tonne of sold bauxite	3,462			
Nectar Sierra Leone Bulk Terminal - is a mixed company formed of Sierra Leone National Shipping Company Ltd. And Nectar Group Ltd. in the United Kingdom. Sierra Leone's primary multi-user bulk and break-bulk port.	0.24 USD/ tonne of sold bauxite	1,847			
The National Revenue Authority (NRA) - was established on the 13th September 2002 through an Act of Parliament called the National Revenue Authority Act, 2002 (Act No-11). The NRA is charged with the responsibility of assessing and collecting domestic taxes, customs duties and other revenues specified by law, as well as administering and enforcing laws relating to these revenues.	3% of Revenues from bauxite sales			8,453	
The National Revenue Authority (NRA) was established on 13th September 2002 through an Act of the Parliament called the National Revenue Authority Act, 2002 (Act no 11). NRA is charged with the responsibility of assessing and collecting domestic taxes, custom duties and other revenues specified by law, as well as administering and enforcing laws relating ro these revenues. (Custom duties)	Payment on notification				1,109
The National Revenue Authority (NRA) - In respect of CIT, the Company shall pay 30% tax on realized profit. Due to accumulated losses, SMHL shall pay 30% on 50% of realized profit.	Annual payment notification		9,340		
Community Development Fund - In accordance with Section 139 (4) of the Mines and Minerals Act SMHL entered into a Community Development Agreement with the Government, pursuant to which SMHL shall make payment each year to a community development fund of at least one per cent (1.0%) of Net Bauxite Sales Revenue in US Dollars for such year.	1% of Revenues from bauxite		3,784		
The National Minerals Agency - In respect of Lease, the Company shall pay annualy on the anniversary of the grant of the Mining Lease an annual rent in the amount prescribed by applicable law until the termination of the Lease. Rents payable under this clause 6(d(1)) shall be paid in US dollars and all such payments by the Company shall be made in such currency to the Goverment in accordance with the applicable law.	Annual payment notification				2,169
The Environmental Protection Agency (EPA) - The Company shall conduct its programme of ming operarions in accordance with the Environmental Protection Agency Sierra Leone (EPA-SL) which was established by an act of Parliament in 2008 and amended in 2010.	Annual payment notification				658

Sustainable development and Corporate Social Responsibility

Sustainable development

The constant involvement in environmental protection activities is part of the Company's long-term development strategy. The Group permanently monitors the environment footprint and takes the necessary measures to comply with the specific environment rules. In addition, the specific investments in environment protection programmes, the Group uses modern technologies, in line with the requirements in this field.

The Group holds in Romania the following environmental permits:

- ALRO holds Integrated Environmental Authorisation for both primary and processed aluminium sectors;
- Alum holds the Integrated Environmental Authorisation no. 1/19.03.2018 valid until March 2028, being permanently under monitoring and reporting obligations. It also holds about 40 other authorisations, certifications, attestations and accreditations; and
- Vimetco Extrusion holds an environmental permit which is renewed when substantive changes occur under the environmental legislation (the last renewal took place on 23 May 2016).

At the same time, the environmental protection investment programmes allowed ALRO to obtain ISO 14001 certification for environmental protection management. Investments in energy efficiency place ALRO in the top of aluminium producers with the lowest specific consumption rates in the European Union. On their return, ALRO's subsidiaries hold more certificates, among which we mention the following:

- ***Alum:***
  - certificate for quality management system according to SR EN ISO 9001:2015;
  - certificate for environmental management system according to SR EN ISO 14001:2015
  - certificate for occupational health and safety management according to SR OHSAS 18001: 2008 (BS OHSAS 18001:2007)
  - energy management system certificate according to SR EN ISO 50001: 2011 (obtained in October 2017).

- ***Vimetco Extrusio***n
  - certificate ISO 9001:2008 for quality control and products quality conformity certificate obtained within the company.

Within ALRO Group, measures to reduce the energy consumption were implemented and continues to be implemented in the entire production process chain. For example, in ALRO operates a production facility that uses scrap aluminium, this being another method of reducing the energy consumption and actively contributing to scrap reduction.

The Group took measures to reduce the emissions in all its activities in Romania and implemented complex upgrading processes with positive effects for the environment. Thus, in the alumina production sector, the Group upgraded its operations since 2007 when Alum was idled for two years for this purpose. Subsequently resuming the operations, the unit reported decreased production costs thanks to the optimised technological flow, as well as a significant decrease of its environmental footprint.

More than this, Alum permanently invested in environmental protection projects and searched for viable and optimised solutions that might have a positive impact on environment. During 2009-2012, Alum invested more than USD 10 million for modernisation and refurbishment of red slurry dump and subsequently it had allocated half a million dollars every year for its maintenance in accordance with the environmental standards. Moreover, in 2016 Alum announced the beginning of implementing its project "Endowment of Alum's Research and Development Department with independent installations, performances in research to support economic competitive growth and business development", the purpose of the project being represented by the enhancement of the research, development and innovation capacity, in order to increase the level of innovation and market competitiveness of the company by purchasing and using research and development equipment with a positive indirect impact on the environment.

Also, Management takes measures to carefully manage the resources at its bauxite mines in Sierra Leone.

Currently, the Group is not involved in lawsuits concerning the impact of its activities over the environment and does not expect any occurrence of such situations that might involve any violation of environmental protection legislation.

Additional, within the entire Group, management takes permanent measures to prevent major accidents where dangerous substances could be involved. Therefore, the Group monitors the implementation of the measures that lead to the elimination of the risks of events, which could have negative impact on the environment and agrees the action plan in case this might happen.

ALRO Group's major environmental goals are:

- compliance with the environmental law adopted under the European requirements and strictly complying with all legal regulations in force;
- continuous improvement of activities, processes, products and environmental performance;
- preparation for emergency situations and the ability to respond, organising and conducting simulation exercises for incidents involving dangerous substances;
- prevent pollution and combat the environmental factors through investments, organisational measures, maintenance and repairs and technological changes;
- continuous monitoring of environmental aspects of production activity through weekly environmental programmes.

ALRO Group continuously takes measures to operate in accordance with the highest environmental standards, which are applicable for its activity.

Starting with 2017, the Group publish, in addition to the Annual Report, a Sustainability Report prepared for the first time in line with the G4 Core Global Reporting Initiative Guidelines (GRI). This Report describes how the Group implements, monitors and manages the most important environmental, social and corporate governance issues. This Report enhances the information on the Group's and Company's activity sustainability in the same transparent manner as the Annual Report, which adds value to both the shareholders and the communities in which the Group and its subsidiaries operate.

This Sustainability Report is available for the public to consult on the Company's website: http://www.alro.ro/en/about/ALRO/socialresponsibility.

Environmental responsability

The Group constantly acts to reduce its emissions, which might affect the environment and takes measures to increase its energy efficiency to contribute to the sustainable development of the areas in which it operates.

Ways to minimise the ecological footprint

During the past years, ALRO Group has invested more than USD 100 million to improve labour conditions and for environmental protection. The Company applies modern concepts of integrated waste management. Moreover, all employees are trained in order to bring their active contribution to environmental protection, while being compliant with the occupational health and safety obligations.

For example, ALRO recycles aluminium scrap that has the "end of waste" status. Moreover, the Company invested in building an eco-recycling facility that uses modern technologies such as double chamber furnaces with ox gas burners. All the gases resulting from the burning process are collected and treated in dry scrubbing centres'.

Furthermore, ALRO takes measures for the selective removal of all waste (metal, paper and cardboard, polyethylene, glass) by endowment with disposal bins accordingly to EU standards, for disposal through authorised companies; has built two green waste dumps in each of its locations; it has completely removed the asbestos used as a construction material for the Company's buildings and fully recycles inert waste, such as crushed concrete generated from building demolishing works supplied to stakeholders for road construction or consolidation purposes.

Moreover, the Group recycles the non-hazardous wastes such as scrap metal, carbon-containing wastes, but also hazardous waste from oils which is the subject to recycling by the relevant authorised recycling operators.

For more information regarding the Group's sustainability actions and activities, please see ALRO Group's Sustainability Report here: http://www.alro.ro/en/about/ALRO/socialresponsibility.

Social responsibility

Social responsibility represents the management process, an integrated part of the Group's business strategy, through which it wants to contribute to the development of a sustainable and performing society in every area where it operates.

Within the Group, there is a policy that permanently identifies people that may be interested in its activities, recognises their legal rights and encourages their cooperation with the companies within the Group, in creating wealth, jobs, and the sustainability of a financially sound enterprise.

The Group is constantly trying to be involved in solving the social problems of the community where it activates and takes into consideration 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 programmes for disadvantaged social categories, education, sports and health.

As for the Parent-company, ALRO, the corporate identity and culture of the entire organization are of fundamental importance. Corporate social responsibility, partnerships, donations and sponsorships are the forms in which the Company interacts with the community in which it operates.

ALRO believes in the sustainable development of the Society, being constantly concerned with improving and developing partnership and sponsorship policies, promoting and encouraging CSR practices and principles by integrating them into evaluation criteria for measuring the employee performance, 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 generate a positive influence. ALRO has a decisive role in the economic, social, cultural and sports life of the community in which it operates. 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 activates, 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.

Moreover, each year, a special attention is paid to the relations with trade unions and federations inside the Company and their affiliated parties as an important factor of stability, social peace and achievement of the Company's performance mission and objectives.

At the same time, ALRO is responsible for the safety of its products and customers. In this way, the Company contributes to the Romanian capital growth, to the development of the national economy, while ensuring a large number of jobs. ALRO is also an important contributor to the local and national budgets. The main CSR measures implemented by ALRO are available within the Corporate Social Responsibility section on www.alro.ro.

Regarding the social activities taken during 2018, ALRO has contributed to several social, cultural, sports and educational activities:

- Sponsorships for supporting events and actions in fields such as: social-cultural, education, health, religion, sports; partnerships with several associations and foundations involved in cultural, educational and social-humanitarian areas;
- The project “Warm winter holidays for elderly people and kids in need” took place at the end of 2018; part of this project was done in collaboration with the Romanian Red Cross Organization, Olt subsidiary and more than 600 food-packages were offered to these people in need;
- The project "Together for the Future" - Dance Festival, took place within the National Community Action Strategy, the national stage and was attended by a number of 295 children split in mixed teams composed of volunteer pupils and disability pupils. ALRO supported this project and offered packages containing educational materials to all the participants;
- The project "Dual-educational school with a duration of three years", i.e. to take place during the school-years 2017-2018, 2018-2019 and 2019-2020. Within this project, ALRO in partnership with Metallurgical Technical College from Slatina prepares the students from a professional perspective as follows: 27 students attend the specialization "equipment and installations in industry mechanics ", 11 students attend the specialization " electronics equipment " and 13 students attend the specialization "low voltage electrician". During the entire period, ALRO financially supports the students by granting scholarships of 200 RON/month/ student.;
- Project "Spring Cross - Slatina 5k" – Sport means health! - ALRO encourages and supports sports activities in Slatina and beyond. Several employees took part in the Spring Cross, organized on May 20, 2018 in Slatina and they won several awards at the end of this competition;
- Conference "International Conference of Applied Mathematics and Numerical Methods" - University of Craiova – a prestigious event that brought together researchers from various institutions from Romania and abroad and ALRO was one of the partners of this scientific event;
- The ‘Internship’ project – ALRO has in place several partnerships with high-schools, postgraduates and universities (i.e.: Slatina Metallurgical Technical College, University Politehnica of Bucharest, Transilvania University of Brasov, University of Craiova, etc.), to facilitate the specialised practice of students, documentation visits at ALRO and support in writing their final papers for obtaining the bachelor’s degree, master’s degree, PhD etc.;

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, during 2018, Alum was involved in activities with a strong social character, among which:

- Sponsorships granted for supporting events and actions in fields such as: health and sport, social-humanitarian, social-cultural, education;
- Financial support for various projects initiated by non-profit associations in activities aimed to involve children in socio-cultural activities (such as "The Light Festival 2018", “Run for a reason 2018”, national volleyball championship);
- Sponsorship granted for the Green Guerilla event – an annual event for ecological education through discussions related to smart cities, recycling and collecting aluminium, alternative education through theatre. The event was also focused on Alum’s anniversary of 45 years of activity in the alumina industry presenting and reinstating the Company commitment for the environment protection;
- Financial support granted for the non-profit organization "From the heart to the smile" in the benefit of children with autism and other people in distress;
- Sponsorship granted for the “Rowmania FEST” event - International Rowing Boat Festival organized by the non-profit association “Ivan Patzaichin – Mila 23”;
- Financial support granted for Romanian Red Cross National Society - Tulcea Branch for supporting people with incurable diseases;
- Sponsorship granted for the School from Valea Nucarilor for equipping the computer science laboratory;
- Financial support granted to Tulcea County Emergency Hospital, in order to endow the Neonatology Section;
- Collecting funds for gifts offered during the winter and Easter holidays to the elderly persons' home in Tulcea;
- Collecting clothes, toys, food for the low-income families with several children;
- Continuing a partnership with a local instructor to offer free swimming lessons for Alum’s employees children and supporting their participation in sports competitions (swimming, triathlon, etc.).

Additionally, 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.

Vimetco Extrusion plays an important role in the local community, as well through different educational, cultural and corporate social responsibility actions. Thus, during 2018, Vimetco Extrusion was involved in activities with a strong social character, among which:

- The program “I want to learn an occupation” dedicated to students from Slatina Technical Professional Schools and High Schools – four weeks during one school year were dedicated to each student:
    - 14 students from Metallurgical Technical College – specialization electro- mechanics. Following this program, two students have been employed in the company, starting November 2018 as electricians. Additionally, a training and professional development program has been created to support them in reaching the appropriate level of knowledge and practical experience, in order to be able to be autonomous in their positions;
    - two students from Metallurgical College – specialization Environmental Protection. The internship took place within HSE Department;
    - one student from the National College Radu Greceanu – specialization Social Sciences. The internship program took place within Marketing Department.

- Internships for University students – programs of two weeks/ student:
    - Politehnica University of Bucharest: one student specialization Industrial Engineering; one student

specialization Mechanical Engineering and Mechatronics – internship in the Technical and Production Departments of Vimetco Extrusion;
  - Romanian – American University: one student specialization Management and Marketing – internship in the Planning Department of Vimetco Extrusion;

- Sponsorship to Slatina hospital thanks to which a salon for patients with burns was fully equipped.

- Vimetco Extrusion annual camp "Nurturing my roots" organized for 14 children from the local Child Protection Institution and three children of the Company employees, with ages between 10 to 18 years old, having as a main purpose their emotional intelligence development. The camp lasted five days and it was fully sponsored by Vimetco Extrusion. Following this initiative one young man, 18 years old, participant in the camp, under Child Protection authorities, was hired in Vimetco Extrusion as press finisher.

ALRO Group is also involved in activities or events with a strong recreational character for its employees. Thus, in May and October 2018, a team from the Group was present at the 7th edition of OMV Petrom Semi-marathon in Bucharest, respectively at the 11th edition of Raiffeisen Bank Bucharest Marathon, that are part of the calendar of events through which the Bucharest is included in the international marathon circuit, joining the other European capitals that host such competitions on an annual basis. At the 2018 editions, ALRO Group was represented by a mixed team that was present both at individual and relay races.

The Group's Management encourages and supports employees to participate in such events, being a promoter of healthy lifestyle, while maintaining a balance between professional and personal life.

Human resources development

The Group encourages and promotes projects aimed at both personal and professional development of its employees, as well as the communities in which they operate. Commercial relations with local suppliers are supported and encouraged within the Group, contributing this way to their development.

The company has implemented annual employee performance assessments so that it can track certain indicators of employee activity and subsequently those with outstanding performances can be encouraged and rewarded.

In general, within the Group, the employees' migration from one company to another is encouraged, but generally it is preferred to hire local staff from the geographical area where the company operates, in order to avoid the cultural, language and social differences.

The Group's human resources policy has the following objectives:

- Establishing the organisational framework within the organization (i.e. organisational chart, internal regulations, code of conduct, job descriptions, operational procedures, assessment forms etc.);
- Quantitative and qualitative dimensioning of the necessary workforce by each activity sector, training and continuous development of professional skills, harmonising the employees flow, inputs, outputs and internal mobility;
- Knowing the external business environment in order to identify opportunities and threats which can determine, in a positive or negative way, the personnel recruiting and selection activities, as well as identifying the strengths and weaknesses in the internal environment;
- Optimising the use of personnel by allocating employees on positions based on training, skills and professional competences in order for them to complete their tasks and duties in an efficient manner;
- Training and professional development, professional assessment and career management;
- Motivating the employees, in order to increase satisfaction and commitment in reaching goals and completing own tasks;
- Developing an organisational culture based on harmonising the organization's interest with those of its employees including competence, commitment, collaboration, respect, fidelity, order and discipline, non-discrimination, following labour law and internal regulations; managing the potential labour disputes, individual or collective, in order to prevent the events that may disrupt the organization's activities;
- Employers involvement in decision-making activities by developing horizontal and vertical communication, promoting a transparent and fair social dialogue with trade unions, conformation with the commitments assumed in the collective labour agreement;
- Ensuring the conditions for employees to carry their day-to-day activities in a 'zero-risk' environment;
- Banning any form of direct or indirect discrimination against employees based on gender, sexual orientation, genetic characteristics, age, national origin, race, colour, ethnicity, religion, political beliefs, disability, family situation or responsibility, trade union membership or activity, as well as acts and deeds of exclusion, distinction, restriction or preference based on one or more of the above criteria, which have the purpose or effect of denial, restriction or elimination of recognition, use or exercise of rights stipulated in the labour legislation.

ALRO Group promotes within its employees values like: responsibility of their own actions, respect between team members, priority of the common interest, appeal to honour, creative initiative, the right to a second chance, focus on solutions, practical approach, shared power (authority), continuous professional and personal development.

In the future, the Group aims to develop and implement within the entire organization a culture and business accountability regarding both the environment responsibility and the community in which it operates. Group's management considers that the implementation within the Group of healthy principles of sustainable development and a strong policy of corporate social responsibility is meant to generate long-term positive and sustainable results. In this way the Group can get in the position to generate "win-win" situations for the entire organization and its shareholders, the environment and, last but not least for the communities in which it operates.

ALRO's training policy

The training activity within ALRO Group 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 organising and performing the training activity is based on the following principles:

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

The training activity within the Group is based on:

- Annual programmes for professional development;
- Operational procedures on professional development, competences, awareness and training, certifications and professional assessments;
- Collective Labour Agreement;
- Human resources – specialized organisational structure within the Parent-Company and each subsidiary.

The policy to implement the training activity:

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

- Periodical professional training;
- Programs for initiation, qualification, re-qualification, authorisation and specific certifications carried in-house or in collaboration with specialised companies;
- Training and specialisation, organised with well-known consulting companies "in-house" or outside the organisation;
- Participation in different programmes of comprehensive studies, post graduate programmes, MBA etc.;
- Participation in activities such as team–building, symposiums, conferences, workshops, fairs and exhibitions, competitions in Romania and abroad;
- Consultancy services provided by well-known specialists in the aluminium/ alumina/ extruded products etc. production fields;
- Additional training courses using formal and informal methods.

During 2018, within ALRO, qualification and re-qualification professional courses were organised such as: nonferrous metallurgist, laminator, chemistry laboratory technicians, machine operators etc., as well as courses for authorising employees to practice occupations which require additional qualifications besides the document that certifies the respective occupation (for example: training and authorisation courses for NDT operators, ISCIR authorisations, authorisation of operators carrying out activities in the field of natural gas, etc.). The aim of these trainings is not only to comply with the legal stipulations for ensuring a proper correlation between the employees' qualifications and jobs, but to secure the positions in the organisational chart with well-trained employees, to ensure a proper skills level of employees while remaining connected to the technological developments and facilitating the internal mobility of employees, in case any changes in the organisational structure of the Company would be required.

In 2018, professional training and specialisation of the employees involved in the AERO and AUTO projects continued. Special emphasis was placed on internal training programmes focusing on changing employees' view regarding self-control, quality, cost reduction, efficient use of the resources needed to carry out activities, compliance with system and operational procedures, improving communication, etc.

In 2018, TESA employees from all areas of activity (such us, technical, industrial automation, IT, economic areas and others) followed professional development training programmes or specialisation programmes 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 programmes such as the Executive MBA or training and specialisation programmes were held, such as: IATF 19949: 2016 - quality management systems, AS 9100 International Auditor; programmable automation courses, evaluation and certification regarding the realisation of the dynamic balances "in situ", error measurement methods for counters of electricity, evaluation and certification regarding the achievement of dynamic balances, financial and accounting programmes, programmes in the field of environmental protection, specific authorisation programmes for RSVTI, RSL, and RTS responsible persons within the Company, programmes on the management of classified information, personal data protection and others.

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

Another important method for professional development training is the participation of the employees to seminars, fairs, expositions and workshops, in Romania and abroad. ALRO Group's management encourage the interest of its employees for professional and personal development and has supported its staff to follow post-secondary schools, universities, masters, postgraduate or PhD programmes. For example, in 2018, a number of 16 employees within ALRO Group who have started in October 2016 an EMBA in partnership with Kennesaw State University (KSU), Atlanta - Georgia, USA program have graduated and finalized their studies in the management area. This EMBA is considered to be one of the top EMBA programs in the USA. This type of action reflects, once again that the Group's Management is investing in its employees, both as an incentive initiative, while having qualified personnel to fulfil their daily management tasks in a better manner.

Anticipated professional training

The main goal is to offer advance-training to future potential employees (i.e. to pupils from vocational schools and high-schools, to students, to other categories of young people etc.).

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 organisation of the first dual vocational education class in Olt County. Through this partnership, ALRO has become 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. The partnership continued in 2018, as well;
    - Facilitate specialised internships at ALRO for vocational schools' students – classes of rolling mill operators, numerical control machine tool operators, Cast-House operators and electro mechanics;
    - Support some employees to follow high-school or postsecondary schools;
    - Conduct joint projects (e.g. provide equipment for schools' laboratories, organise 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 through:
    - Internship - practice periods in ALRO; support offered for preparing the final papers for Bachelor's, Master's or PhD Degrees;
    - On average, more than 50 students each year from different universities and specialisations have conducted professional training and documentation activities within the Company;
    - In 2017, more than 30 students from universities in Bucharest, Craiova, Pitesti, Cluj carried out internships within ALRO;
    - Conducting different joint activities with universities (i.e. students' documentation visits, meetings between ALRO's specialists and students held inside the universities campuses; preparing research papers, participation to career fairs, etc.);
    - Financial support granted by ALRO in activities carried by certain universities (for example, donating equipment and laboratory equipment, to be used as a teaching material).
- Anticipated professional development turned out to be beneficial for ALRO, from the following perspectives:
    - It smoothed the recruitment process, 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.

Employee compensation / incentive programmes

In respect of the compensation/ incentive programmes for its employees, ALRO undertook the following actions:

- Bonuses were given to employees who participated in important projects;
- Performance criteria is widely used for 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 (i.e.: ALRO's intranet, the activity of solving requests and complaints etc.);
- The employees' performance assessments were upgraded and improved.

Subsequent events

In January 2019, ALRO paid dividends of RON 233.5 million for the 9 months ended at 30 September 2018, following the Decision no. 608 dated 13 December 2018, issued by the Ordinary General Shareholders Meeting.

At the end of January 2019, ALRO announced that it has implemented the project started on 5 September 2016, namely "Investments in the R&D Department of ALRO aiming at improving the research infrastructure for the aluminium alloy heat treated plates with high qualification industrial applications", based on the Funding Contract no. 42/05.09.2016 concluded with the National Authority for Scientific Research and Innovation on behalf of the Ministry of European Funds as Management Authority for the Competitiveness Operational Programme.

The total value of this project was more than RON 115 million, with a non-refundable contribution of almost RON 36 million and the project implementation period was of 30 months, the completion date being estimated at the beginning of March 2019.

The specific objectives of the project are:

- increase the private investments of ALRO in researsch and development, respectively increase the utilisation of the researsch and development, infrastructure of ALRO for the purpose of developing new research strands;
- increase the market competitiveness of ALRO by diversifying the range of manufactured finished products, as a direct result of supporting intelligent specialization;
- increase the potential of the cluster which ALRO is part of, by achieving new research-development subjects/ programmes

whose results, once put in practice, provide positive growth potential to the communities where the Company operates, namely the South – West Region;
- increase the number of researchers working in the Company with improved facilities, by creating new jobs.

The project results consists in the purchase and commissioning of research – development equipment, namely:
- independent equipment for the research of aluminium alloy plates quenching process;
- independent equipment for the research of the residual stress removal process for the aluminium alloy plates with thickness lower than 20mm;
- independent equipment for the research of aluminium alloy plates aging process.

ALRO signed in January 2019 an amendment to the Credit Facility Agreement with a value of USD 167 million signed on 14 December 2015 with a Syndicate of banks, as detailed below:

- the facility was supplemented with a new non-revolving facility in value up to USD 20 million for the purpose of covering the general needs and working capital of the Company. In January 2019 the amount drawn was of almost USD 20 million;
- the facility was supplemented with a new facility of up to USD 50 million for the purpose of financing, respectively of refinancing the Company's investments' program for 2018-2019. In January 2019 the amount drawn was of USD 44 million.

In January 2019, ALUM drew the remaining of USD 10 million from the loans contracted in May 2018. At that moment there were signed two loan facilities one amounting to USD 20 million with Black Sea Trade and Development Bank and the other in amount of USD 5 million with Garanti Bank Romania S.A., respectively. The scope of these loan facilities is mainly for investments purposes, and they will be repaid in seven half-yearly instalments after a grace period of two years.

In February 2019, while seeking to mitigate the foreign exchange rate risk swings, the Parent Company signed hedging contracts, namely European zero cost option collars, for a notional of USD 150 million, with settlements monthly during March – December 2019.

During its meeting on 4 March 2019, the Index Committee of the Bucharest Stock Exchange approved the inclusion of ALRO (code ALR) in BET, the main index of the market, and in the BET-TR, the total return version of BET, starting from 18 March 2019. The BET index will thus include 16 companies, which is a first time in the history of the local capital market, and it represents an unprecedented diversification of the sectors reflected by the index. ALRO's shares have been listed on the Bucharest Stock Exchange since October 1997, and following this decision ALRO becomes the first company in the aluminium industry present in the two indices.

On March 21, 2019, the Company announced that Mr. Adrian Manaicu resigned from his position as member of the Board of Directors of ALRO and that Mr. Serghei Catrinescu resigned from his position as member of the Audit Committee of ALRO. Both resignations are due to personal reasons and shall produce effects starting April 25, 2019.

There were no other material subsequent events that could impact the financial statements. For more information, please see ***Note 34 - Events after the reporting date.***

Outlook for 2019

In 2019, ALRO Group will continue to remain strongly committed to continuous improvement. Therefore, the development of the network for the monitoring of the operational processes and complete digitalization will be continued in the next years, as well. The digitalization concept is adopted as part of the business operating system to continuously deliver value, while achieving significant savings. Our intention is to continue the operations for the digital transformation in 2019 by:

- Interconnecting all the new equipment from the 2018 investments;
- Extend the big data collection and analysis systems to other main/ key equipment.

For each pillar of the strategy, the programs are developed at the level of each company, setting up the measures which are analysed on a monthly basis. The Key Development Objectives are the following:

- increase the production of High Value Added Products (HVAPs) such as: plates for aircraft industry; special plates from 5xxx, 2xxx, and 7xxx series alloys; plates and sheets for engineering applications; clad sheets for automotive industry; clad sheets for industrial heat exchangers; plates for pressure recipients etc.
- consolidate ALRO position on the market as a premium aircraft and automotive products supplier;
- secure continuous access to raw materials sources;
- increase productivity and production flexibility, as per customer requirements;
- consolidate and increase the customer satisfaction;
- reinforce and increase the international market share, in order to actively support the production increase program;
- environmental compliance at all stages of production (i.e. energy consumption, water consumption, waste and pollution, greenhouse gas emissions, i.e.: BAT rules compliance and EU environmental goals 2030 compliance);
- provide education, training and career development to all employees, i.e.: dual Education Classes - cooperation with Slatina Metallurgical College;
- explore and support the development of innovative technologies and products;
- continuously improve and promote ALRO image (i.e. through articles, studies, its presence at international and domestic conferences, appearances in other publications etc.);
- increase the competitiveness;
- increase shareholders' value;
- decrease the operational risks through continuously upgrading old assets thus improving operational security and work conditions.

In 2019, the Group will remain faithful to its sustainable and long-term strategy and we will strive to keep and, if market conditions prove to be favourable, to improve both the operational and financial results. Moreover, in 2019, the Group will continue its investment projects which are focussed on the following objectives:

- reduce ALRO's energy dependence by increasing the existing processes energy efficiency and increasing the Eco Recycling processing capacity;
- extend ALRO's client portfolio by increasing the production capacities within the Processed Division (increase the quantity of high value added hot rolled products: heat treated plates);
- enhance the products quality in order to meet the most demanding quality requirements of ALRO customers in terms of hot rolled products;
- continue the permanent improvement programs by improving the efficiency of the existing equipment;
- increase the Group's competitiveness by improving the delivery terms of the hot rolled products, with positive impact on customers' satisfaction;
- ensure the safety and continuity of the technological processes in order to achieve the budgeted production.

In 2019, the investment program is aimed at ensuring the capacity and technical conditions to support ALRO's strategy for the increase of the value added products share and quantity and for the reduction of the technology processes dependence on electric power by permanently decreasing the energy consumptions and increasing the aluminium scrap recirculation.

In the Primary Aluminium Division, ALRO will continue the implementation of the methodology for pot relining based on the improved pot design, as well as increasing the scrap recycling capacity of the Eco Recycling Facility.

ALRO will thus have the necessary production capacities to reach its target FRP production while becoming more independent from the energy price and LME quotation, thus aligning to the trend in aluminium business and to the most recent EU regulations regarding the sustainable use of resources and delivery of qualitative, but also eco-friendly products to the customers.

In the Processed Aluminium Division, ALRO will complete the commissioning of the machines purchased under the project co-funded by EU grants, the project being scheduled to be in full service by the end of Q1 2019. Its implementation will allow ALRO to extend the customer portfolio as a result of developed capabilities for increasing the value added products share and quantity in the Processed Aluminium Division (high value added hot rolled products, namely heat treated plates), with positive effects on the turnover growth.

Furthermore, ALRO is committed to continue its policy regarding the operational reliability, the reduction of the power consumption and the reduction of the maintenance costs. In this regard, ALRO plans to invest in a new roll grinding machine so as to provide the critical components for the rolling mills and the proper quality of the rolled products. The new projects include also the replacement of the main drive on the Hot Rolling Mill and installation of a profile control system for hot rolled products. This project will generate several benefits for ALRO and for the Group in terms of productivity, operational reliability, overall efficiency and environmental efficient technologies.

In 2019, the Group will remain committed to one of the main objectives on medium and long term, namely the optimization of energy consumption and utilities, ALRO constantly making investments on this direction. Thus the energy efficiency increase is constantly monitored by optimizing the production processes and upgrading the equipment and installations using new energy-efficient technologies.

The Group's Management will continue in 2019 to pay special attention to the market evolution – LME quotations, FX exchange rates, new players, Chinese competition, to sanctions imposed by USA or other countries or governing bodies, to energy market etc.

The research and development area remains one of the top priorities of the Group and, this is why significant human and material resources are allocated to it. Moreover, the projects co-funded by European grants are running smoothly and the Group permanently investigates any further opportunities in this area

Abbreviations and definitions used in this report

ARIR	Romanian Investor Relations Association
ATS	Alternative trading system on BSE
BoD	Board of Directors
BSE	Bucharest Stock Exchange
BSE Code	Corporate Governance Code issued by BSE and applicable to listed companies
EBIT	Earnings before interest and taxes
EBITDA	Earnings before interest, taxes, depreciation, amortization and impairment
EGSM	Extraordinary General Shareholders Meeting
EUID	The European Unique Identifier
EURIBOR	Euro Interbank Offered Rate
FSA	Financial Supervisory Authority, Romania
GD	Government Decision
GSM	General Shareholders Meeting
HVAPs	High value added products
IAS	International Accounting Standards
IFRS	International Financial Reporting Standards
ISO	International Organization for Standardization
LEI	Legal Entity Identifier Code
LIBOR	London Interbank Offered Rate
LME	London Metal Exchange
OGSM	Ordinary General Shareholders Meeting
ROBOR	Romanian Interbank Offered Rate
USA	United States of America
VHVAPs	Very high value added products

Consolidated and separate financial statements for the year ended 31 December 2018

Alro S.A. and its subsidiaries

Consolidated and separate statements of profit or loss and other comprehensive income for the year ended 31 December 2018

in RON '000,
except per share data

	Note	Alro Group 2018	Alro Group 2017	Alro 2018	Alro 2017
Revenues from contracts with customers	5	2,982,501	2,726,272	2,598,735	2,466,032
Cost of goods sold		-2,312,624	-2,038,400	-2,133,538	-1,933,679
Gross profit		**669,877**	**687,872**	**465,197**	**532,353**
General, administrative and selling expenses	7	-310,921	-256,172	-195,748	-166,602
Impairment of investments	15	-	-	1,284	23,912
Other operating income	8	11,376	14,706	7,949	9,937
Other operating expenses	8	-8,492	-7,460	-4,182	-2,801
Operating result (EBIT)		**361,840**	**438,946**	**274,500**	**396,799**
Interest expenses	9	-47,309	-50,917	-43,977	-48,236
Gains (losses) from derivative financial instruments, net	31	35,161	-1,161	35,161	-1,161
Other financial gains / (losses), net	10	-14,961	-8,068	22,820	-9,457
Net foreign exchange gains / (losses)		-19,637	32,727	-16,536	39,875
Result before income taxes		**315,094**	**411,527**	**271,968**	**377,820**
Income tax	11	-79,767	-20,421	-46,011	-60,134
Result for the period		**235,327**	**391,106**	**225,957**	**317,686**
Other comprehensive income / (expense), net of tax:					
Items that will not be reclassified subsequently to profit or loss:					
Remeasurements of post-employment benefit obligations	26	-411	-4,221	526	-3,394
Income tax on items that will not be reclassified		-34	627	-84	543
Items that may be reclassified subsequently to profit or loss:					
Translation adjustment		9,538	-8,435	-	-
Other comprehensive income / (expense) for the period, net of tax		**9,093**	**-12,029**	**442**	**-2,851**
Total comprehensive income / (expense) for the period		**244,420**	**379,077**	**226,399**	**314,835**
Result attributable to:					
Shareholders of Alro SA		**235,006**	**390,581**	**225,957**	**317,686**
Non-controlling interest		**321**	**525**	**-**	**-**
		235,327	391,106		
Total comprehensive income / (expense) attributable to:					
Shareholders of Alro S.A.		**244,043**	**378,607**	**226,399**	**314,835**
Non-controlling interest		**377**	**470**	**-**	**-**
		244,420	379,077		
Earnings per share					
Basic and diluted (RON)	12	0.329	0.547	0.317	0.445

In 2018, the Group and the Company reclassified the amount of RON 1,161 thousand in the comparative figures of 2017 previously presented as 'Other financial gains / (losses), net' to 'Gains (losses) from derivative financial instruments, net'.

The accompanying notes are an integral part of these consolidated and separate financial statements.
These financial statements were authorized for issue by the management on 22 March 2019.

Consolidated and separate statements of financial position as at 31 December 2018

in RON '000

	Note	Alro Group 31 December 2018	Alro Group 31 December 2017	Alro 31 December 2018	Alro 31 December 2017
Assets					
Non-current assets					
Property, plant and equipment	13	1,190,373	1,015,035	883,248	754,347
Investment properties	13	-	-	4,356	4,646
Intangible assets	14	6,934	8,611	6,342	7,759
Investments	15	-	-	448,841	447,557
Goodwill	16	90,837	87,485	-	-
Long-term loans receivable	30	-	54,345	-	-
Deferred tax asset	11	50,354	98,845	5,060	43,285
Other non-current assets	17	52,634	58,147	52,634	67,536
Total non-current assets		**1,391,132**	**1,322,468**	**1,400,481**	**1,325,130**
Current assets					
Inventories	18	835,029	670,805	626,270	515,457
Trade receivables, net	19	70,126	76,853	143,335	146,762
Current income tax receivable		-	309	-	-
Other current assets	20	431,178	79,532	472,480	220,151
Derivative financial instruments asset, current	31	-	3,298	-	3,298
Restricted cash	21	8,370	67,009	5,084	60,440
Cash and cash equivalents	21	203,609	320,828	136,445	309,736
Total current assets		**1,548,312**	**1,218,634**	**1,383,614**	**1,255,844**
Total assets		**2,939,444**	**2,541,102**	**2,784,095**	**2,580,974**
Shareholders' Equity and Liabilities					
Shareholders' equity					
Share capital	22	370,037	356,091	370,037	370,037
Share premium		86,351	86,351	86,351	86,351
Other reserves	23	344,333	331,542	306,191	306,191
Retained earnings		135,358	49,409	235,103	299,011
Result for the period		235,006	390,581	225,957	317,686
Equity attributable to shareholders of Alro S.A.		**1,171,085**	**1,213,974**	**1,223,639**	**1,379,276**
Non-controlling interest		1,739	1,374	-	-
Total shareholders' equity		**1,172,824**	**1,215,348**	**1,223,639**	**1,379,276**
Non-current liabilities					
Bank and other loans, non-current	24	870,781	844,944	810,828	844,944
Finance leases, non-current	24	3,550	4,300	3,350	3,920
Provisions, non-current	25	32,854	30,769	1,287	1,239
Post-employment benefit obligations	26	42,610	41,569	35,800	36,019
Government grants, non-current portion	27	49,956	27,558	41,161	21,239
Other non-current liabilities		3,601	2,091	2,196	1,470
Total non-current liabilities		**1,003,352**	**951,231**	**894,622**	**908,831**
Current liabilities					
Bank and other loans, current	24	73,563	66,894	73,263	63,998
Finance leases, current	24	2,500	2,411	2,231	1,780
Provisions, current	25	31,233	26,830	26,606	25,516
Trade and other payables	28	210,750	183,647	151,522	133,480
Current income taxes payable		14,300	5,635	5,010	-
Government grants, current portion	27	1,914	1,592	1,146	1,146
Other current liabilities	29	429,008	87,514	406,056	66,947
Total current liabilities		**763,268**	**374,523**	**665,834**	**292,867**
Total liabilities		**1,766,620**	**1,325,754**	**1,560,456**	**1,201,698**
Total shareholders' equity and liabilities		**2,939,444**	**2,541,102**	**2,784,095**	**2,580,974**

The accompanying notes are an integral part of these consolidated and separate financial statements.
These financial statements were authorized for issue by the management on 22 March 2019.

This is a free translation from the official Romanian version

Consolidated statement of changes in shareholders' equity for the year ended 31 December 2018 - Alro Group

	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	-	-	-
Deferred tax on benefits remeasurement	-	-	-
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	-	-	875
Dividends distribution	-	-	-
Reclassification of share capital and share premium*	19,388	16,905	-
Balance at 31 December 2017	**356,091**	**86,351**	**364,519**
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	-	-	-
Deferred tax on benefits remeasurement	-	-	-
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	-	-	3,315
Dividends distribution**	-	-	-
Disposal of own shares***	13,946	-	-
Balance at 31 December 2018	**370,037**	**86,351**	**367,834**

* 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 S.A.in Alro S.A. eliminated on the basis of subsidiary - parent cross-holding).

**The general Shareholders' Meeting dated 13 December 2018 approved the distribution into interim dividends of the amount of RON 326,600 thousand (RON 202,860 thousand representing net profit realized by the Parent Company during the 9 months ended 30 September 2018 and RON 123,740 thousand representing retained earnings). This distribution does not reduce the total equity of the Group and of the company in 2018, but, according to the applicable regulations (Financial Ministry's Order no. 3067/2018) is reflected in the consolidated statement of financial position at 31 December 2018 in receivables on the position "Other current assets" and in liabilities on the position "Other current liabilities" (see also Notes 20 and 29) until the approval of the financial statements and of the profit distribution for the year 2018 by the GSM.

*** On 19 December 2018 Conef S.A. disposed entirely of its 3.77% holding in Alro S.A. through an accelerated private placement offer for a cash consideration of RON 80,705 thousand.

The accompanying notes are an integral part of these consolidated and separate financial statements.
These financial statements were authorized for issue by the management on 22 March 2019.

Translation reserve	Total other reserves	Retained earnings	Result for the period	Attributable to shareholders of Alro S.A.	Non-controlling interests	Total shareholders' equity
-24,592	**339,052**	**83,322**	**71,531**	**900,054**	**904**	**900,958**
-	-	-	390,581	**390,581**	525	**391,106**
-8,385	**-8,385**	-	-	**-8,385**	-50	**-8,435**
-	-	-4,216	-	**-4,216**	-5	**-4,221**
-	-	627	-	**627**	-	**627**
-8,385	**-8,385**	**-3,589**	-	**-11,974**	**-55**	**-12,029**
-8,385	**-8,385**	**-3,589**	**390,581**	**378,607**	**470**	**379,077**
-	**875**	70,656	-71,531	-	-	-
-	-	-64,687	-	**-64,687**	-	**-64,687**
-	-	-36,293	-	-	-	-
-32,977	**331,542**	**49,409**	**390,581**	**1,213,974**	**1,374**	**1,215,348**
-32,977	**331,542**	**49,409**	**390,581**	**1,213,974**	**1,374**	**1,215,348**
-	-	-	235,006	**235,006**	321	**235,327**
9,476	**9,476**	-	-	**9,476**	62	**9,538**
-	-	-405	-	**-405**	-6	**-411**
-	-	-34	-	**-34**	-	**-34**
9,476	**9,476**	**-439**	-	**9,037**	**56**	**9,093**
9,476	**9,476**	**-439**	**235,006**	**244,043**	**377**	**244,420**
-	**3,315**	387,266	-390,581	-	-	-
-	-	-367,637	-	**-367,637**	-12	**-367,649**
-	-	66,759	-	**80,705**	-	**80,705**
-23,501	**344,333**	**135,358**	**235,006**	**1,171,085**	**1,739**	**1,172,824**

* 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 S.A.in Alro S.A. eliminated on the basis of subsidiary - parent cross-holding).

**The general Shareholders' Meeting dated 13 December 2018 approved the distribution into interim dividends of the amount of RON 326,600 thousand (RON 202,860 thousand representing net profit realized by the Parent Company during the 9 months ended 30 September 2018 and RON 123,740 thousand representing retained earnings). This distribution does not reduce the total equity of the Group and of the company in 2018, but, according to the applicable regulations (Financial Ministry's Order no. 3067/2018) is reflected in the consolidated statement of financial position at 31 December 2018 in receivables on the position "Other current assets" and in liabilities on the position "Other current liabilities" (see also Notes 20 and 29) until the approval of the financial statements and of the profit distribution for the year 2018 by the GSM.

*** On 19 December 2018 Conef S.A. disposed entirely of its 3.77% holding in Alro S.A. through an accelerated private placement offer for a cash consideration of RON 80,705 thousand.

The accompanying notes are an integral part of these consolidated and separate financial statements.
These financial statements were authorized for issue by the management on 22 March 2019.

Separate statement of changes in equity for the year ended 31 December 2018 - Alro

	Share capital
Balance at 1 January 2017	**370,037**
Result for the period	-
Other comprehensive income / (expense)	
Remeasurements of post-employment benefits	-
Deferred tax on benefits remeasurement	-
Total 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 31 December 2017	**370,037**
Balance at 1 January 2018	**370,037**
Result for the period	-
Other comprehensive income / (expense)	
Remeasurements of post-employment benefits	-
Deferred tax on benefits remeasurement	-
Total 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 31 December 2018	**370,037**

* The general Shareholders' Meeting dated 13 December 2018 approved the distribution into interim dividends of the amount of RON 326,600 thousand (RON 202,860 thousand representing net profit realized by the Parent Company during the 9 months ended 30 September 2018 and RON 123,740 thousand representing retained earnings). This distribution does not reduce the total equity of the Group and of the Company in 2018, but, according to the applicable regulations (Financial Ministry's Order no. 3067/2018) is reflected in the consolidated statement of financial position at 31 December 2018 in receivables on the position 'Other current assets' and in liabilities on the position 'Other current liabilities' (see also Notes 20 and 29) until the approval of the financial statements and of the profit distribution for the year 2018 by the GSM.

The accompanying notes are an integral part of these consolidated and separate financial statements.
These financial statements were authorized for issue by the management on 22 March 2019.

Share premium	Other reserves	Retained earnings	Result for the period	Total
86,351	**306,191**	**301,862**	**67,220**	**1,131,661**
-	-	-	317,686	**317,686**
-	-	-3,394	-	**-3,394**
-	-	543	-	**543**
-	**-**	**-2,851**	**-**	**-2,851**
-	**-**	**-2,851**	**317,686**	**314,835**
-	-	67,220	-67,220	**-**
-	-	-67,220	-	**-67,220**
86,351	**306,191**	**299,011**	**317,686**	**1,379,276**
86,351	**306,191**	**299,011**	**317,686**	**1,379,276**
-	-	-	225,957	**225,957**
-	-	526	-	**526**
-	-	-84	-	**-84**
-	**-**	**442**	**-**	**442**
-	**-**	**442**	**225,957**	**226,399**
-	-	317,686	-317,686	**-**
-	-	-382,036	-	**-382,036**
86,351	**306,191**	**235,103**	**225,957**	**1,223,639**

* The general Shareholders' Meeting dated 13 December 2018 approved the distribution into interim dividends of the amount of RON 326,600 thousand (RON 202,860 thousand representing net profit realized by the Parent Company during the 9 months ended 30 September 2018 and RON 123,740 thousand representing retained earnings). This distribution does not reduce the total equity of the Group and of the Company in 2018, but, according to the applicable regulations (Financial Ministry's Order no. 3067/2018) is reflected in the consolidated statement of financial position at 31 December 2018 in receivables on the position 'Other current assets' and in liabilities on the position 'Other current liabilities' (see also Notes 20 and 29) until the approval of the financial statements and of the profit distribution for the year 2018 by the GSM.

The accompanying notes are an integral part of these consolidated and separate financial statements.
These financial statements were authorized for issue by the management on 22 March 2019.

Consolidated and separate statements of cash flows for the year ended 31 December 2018

in RON '000

	Note	Alro Group 2018	Alro Group 2017	Alro 2018	Alro 2017
Cash flow from operating activities					
Result before income taxes		315,094	411,527	271,968	377,820
Adjustments for:					
Depreciation and amortisation		125,114	127,325	82,045	82,724
Impairment of investments	15	-	-	-1,284	-23,912
Impairment of property, plant and equipment	8	-1,261	184	-521	-
Movement in provisions	25	4,403	26,653	1,090	25,516
Change in allowance for impairment of inventory	18	12,502	-5,044	12,499	-5,078
Change in allowance for impairment of doubtful receivables	7	944	550	-43	486
Loss on disposal of property, plant and equipment	8	2,788	1,849	1,666	49
Net foreign exchange losses on loans revaluation		27,546	-45,627	27,336	-60,267
Interest income	10	-7,478	-6,747	-6,288	-4,137
Interest expense	9	47,309	50,917	43,977	48,236
Dividend income		-1	-2	-37,202	-2
Effect of derivative financial instruments	31	-35,161	1,161	-35,161	1,161
Changes in working capital:					
Change in inventories		-167,521	-71,749	-119,061	-57,865
Change in trade receivables and other assets		-1,175	-5,572	103,967	-9,363
Change in trade and other payables		31,372	2,992	20,421	-1,418
Income taxes paid		-20,743	-2,949	-2,860	-
Interest paid	9	-41,194	-57,779	-36,757	-56,586
Payments from derivatives, net		26,653	-2,821	26,653	-2,821
Net cash generated by / (used in) operating activities		**319,191**	**424,868**	**352,445**	**314,543**
Cash flow from investing activities					
Purchase of property, plant and equipment and intangible assets, net		-292,365	-198,895	-202,746	-129,113
Government grants received		24,312	11,670	21,068	10,072
Proceeds from sale of property, plant and equipment		2,679	1,257	245	-
Proceeds from disposal of own shares	22	80,705	-	-	-
Dividends received		-	-	37,201	-
Change in restricted cash	21	58,639	-66,525	55,356	-60,440
Change in loans to related parties	30	55,067	-3,445	-	-
Interest received		7,476	2,599	7,301	4,084
Net cash used in investing activities		**-63,487**	**-253,339**	**-81,575**	**-175,397**
Cash flow from financing activities					
Proceeds from loans and leasing	24	62,638	2,360	2,108	1,782
Repayment of loans	24	-70,216	-74,525	-66,466	-46,760
Dividends paid	12,24	-365,415	-64,273	-379,803	-66,806
Net cash provided by/(used in) financing activities		**-372,993**	**-136,438**	**-444,161**	**-111,784**
Net change in cash and cash equivalents		**-117,289**	**35,091**	**-173,291**	**27,362**
Cash and cash equivalents at beginning of period		**320,828**	**285,850**	**309,736**	**282,374**
Effect of exchange rate differences on cash and cash equivalents		70	-113	-	-
Cash and cash equivalents at end of period		**203,609**	**320,828**	**136,445**	**309,736**

The accompanying notes are an integral part of these consolidated and separate financial statements.
These financial statements were authorized for issue by the management on 22 March 2019.

in RON '000, except per share data

1. Organisation and nature of business

Alro S.A. (the 'Company' or the 'Parent Company') is a joint stock company that was established in 1961 in Romania, and is one of the largest vertically integrated aluminium producers in Europe, by production capacity. 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 54.19% 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).

At 31 December 2017, Vimetco N.V. (the Netherlands) was the major shareholder of Alro S.A., holding 84.19% of the Company's share capital. On 19 December 2018 Vimetco N.V., together with the shareholder-subsidiary Conef S.A., launched an accelerated private placement offer for a package of Alro shares, representing a cumulative percentage of 33.77% of the share capital of the issuer. Following this transaction, Conef S.A. disposed of its entire shareholding in Alro and the majority shareholder Vimetco N.V. continued to hold a stake of 54.19% of Alro's share capital. Please see details of the shareholding in Note 22.

The structure of Alro Group and details about its subsidiaries are presented in Note 15.

Alro is listed on the Bucharest Stock Exchange. The prices per share during the years 2018 and 2017 were within the following ranges:

	2018	2017
- minimum price (RON/share)	2.81	1.17
- maximum price (RON/share)	4.27	3.44
- average price (RON/share)	3.50	2.02

The evolution of the average number of the Group's and Company's employees was as follows:

	Alro Group		Alro	
	2018	2017	2018	2017
Average number of employees, of which:	4,111	3,932	2,549	2,501
Production staff	3,217	3,086	1,966	1,935
General and administration staff	894	846	583	566

These financial statements were authorised for issue by the Board of Directors on 22 March 2019.

2. Basis of preparation

Statement of compliance

These consolidated and separate financial statements of Alro and its subsidiaries (further named 'Financial statements') have been prepared 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)*.

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

Basis of preparation

The financial statements have been prepared on the historical cost basis except for the financial instruments that are measured at fair values, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

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.

The rates applied in translating foreign currencies to RON were as follows:

	2018	2017
USD exchange rate at the end of the period**	4.0736 USD/RON	3.8915 USD/RON
USD average exchange rate***	3.9433 USD/RON	4.0517 USD/RON

**) as communicated by National Bank of Romania
***) computed as an average of the daily exchange rates communicated by the National Bank of Romania

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

** 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, except for the provisions of IFRS 15 Revenue from contracts with customers regarding the revenue from taxes of connection to the distribution grid and except for the accounting treatment of interim dividends, which, according to the Ministry of Public Finance Order no. 3067/2018, are recorded in the consolidated statement of financial position at 31 December 2018 as receivables on the position 'Other current assets' and as liabilities on the position 'Other current liabilities'.These exceptions do not affect the compliance of the financial statements of the Group and the Company with IFRS.*

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

Following below are the new standards, amendments and interpretations to existing standards adopted starting 1 January 2018 and their effect in the preparation of the Group and the Company financial statements for the year ended 31 December 2018.

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

The Group and the Company have 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, following the analysis performed by the Group, no impact from the adoption of IFRS 9 that would require the restatement of the retained earnings resulted, therefore opening retained earnings have not been restated.

(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 31).

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.

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 financial year 2018, its revenues from contracts with customers would have been the same due to the fact that even before adopting IFRS 15 the Group estimated and recognized the deductions from its revenue (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 period 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 and it has not identified any new performance obligation that should be accounted for separately in accordance with IFRS 15.

Rendering of services
The Group and the Company perform sundry services occasionally and as a non core business. Revenue is measured at the expected 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 and the Company's assessment, the allocated value based on the stand-alone selling prices of the services, and the stand-alone 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

Amendments to IFRS 4: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts
The amendments address concerns arising from implementing the new financial instruments Standard, IFRS 9, before implementing the new insurance contracts standard that the Board is developing to replace IFRS 4. The amendments introduce two options for entities issuing insurance contracts: a temporary exemption from applying IFRS 9 and an overlay approach, which would permit entities that issue contracts within the scope of IFRS 4 to reclassify, from profit or loss to other comprehensive income, some of the income or expenses arising from designated financial assets. The amendments do not impact consolidated financial statements of the Group.

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.

Annual Improvements to IFRSs 2014 – 2016 Cycle
The improvements do not have a material impact on the Group's consolidated financial statements. These annual improvements are a collection of amendments to IFRSs:

- *IFRS 1 First-time Adoption of International Financial Reporting Standards:* This improvement deletes the short-term exemptions regarding disclosures about financial instruments, employee benefits and investment entities, applicable for first time adopters.

- *IAS 28 Investments in Associates and Joint Ventures:* The amendments clarify that the election to measure at fair value through profit or loss an investment in an associate or a joint venture that is held by an entity that is venture capital organization, or other qualifying entity, is available for each investment in an associate or joint venture on an investment-by-investment basis, upon initial recognition.

Standards issued, but not yet effective and not early adopted

- *Conceptual Framework in IFRS standards.* The IASB issued the revised Conceptual Framework for Financial Reporting on 29 March 2018. The Conceptual Framework sets out a comprehensive set of concepts for financial reporting, standard setting, guidance for preparers in developing consistent accounting policies and assistance to others in their efforts to understand and interpret the standards. IASB also issued a separate accompanying document, Amendments to References to the Conceptual Framework in IFRS Standards, which sets out the amendments to affected standards in order to update references to the revised Conceptual Framework. It's objective is to support transition to the revised Conceptual Framework for companies that develop accounting policies using the Conceptual Framework when no IFRS Standard applies to a particular transaction. For preparers who develop accounting policies based on the Conceptual Framework, it is effective for annual periods beginning on or after 1 January 2020.

- *IFRS 16 Leases,* issued on 13 January 2016 is effective for annual periods beginning on or after 1 January 2019 (early application is permitted, but not before an entity applies IFRS 15). IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets and short-term leases. At the commencement date of a lease, a lessee will recognise a liability to make lease payments and an asset representing the right to use the underlying asset during the lease term. Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. Lessor accounting under IFRS 16 is substantially unchanged from today's accounting under IAS 17.

The Group and the Company will apply IFRS 16 initially on 1 January 2019, using the modified retrospective approach. Therefore, the cumulative effect of adopting IFRS 16 will be recognised as an adjustment to the opening balance of retained earnings at 1 January 2019, with no restatement of comparative information. They will apply IFRS 16 to all contracts entered into before 1 January 2019 and identified as leases in accordance with IAS 17 and IFRIC 4.

The Group and the Company will elect to use the exemptions proposed by the standard on lease contracts for which the lease terms ends within 12 months as of the date of initial application, and lease contracts for which the underlying asset is of low value.

The Group and the Company will recognise new assets and liabilities for its operating leases of vehicles, land and equipments (see Note 32). The nature of expenses related to those leases will now change because the Group and the Company will recognise a depreciation charge for right-of-use assets and interest expense on lease liabilities. Right-of-use assets for property leases will be measured on transition as an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position immediately before the date of initial application.

Previously, the Group and the Company recognised operating lease expense on a straight-line basis over the term of the lease, and recognised assets and liabilities only to the extent that there was a timing difference between actual lease payments and the expense recognised.

No significant impact is expected for the Group's and Company's finance leases.

Based on the information currently available, the Group and the Company estimate that they will recognise additional lease liabilities and right-of-use assets of RON 7,360 thousand for the Group and RON 5,721 thousand for the Company as at 1 January 2019.

- *IFRS 17 Insurance Contracts.* The standard, issued on 18 May 2018, is effective for annual periods beginning on or after 1 January 2021 with earlier application permitted if both IFRS 15 Revenue from Contracts with Customers and IFRS 9 Financial Instruments have also been applied. The standard has not been yet endorsed by the EU. IFRS 17 Insurance Contracts establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts issued. It also requires similar principles to be applied to reinsurance contracts held and investment contracts with discretionary participation features issued. The objective is to ensure that entities provide relevant information in a way that faithfully represents those contracts. This information gives a basis for users of financial statements to assess the effect that contracts within the scope of IFRS 17 have on the financial position, financial performance and cash flows of an entity. This standard is not applicable to the Group and the Company.

- *Amendment to IFRS 3 Business Combinations*, issued on 22 October 2018 (not yet adopted by EU) intended to improve the definition of a business and assist entities to determine whether a transaction should be accounted for as a business combination or as an asset acquisition. The amendments clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs; narrow the definitions of a business and of outputs by focusing on goods and services provided to customers and by removing the reference to an ability to reduce costs; add guidance and illustrative examples to help entities assess whether a substantive process has been acquired; remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs; and add an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The amendments apply prospectively to transactions or other events that occur on or after the date of first application.

- *Amendments to IFRS 9 Prepayment features with negative compensation* were issued on 18 May 2018 (effective for annual reporting periods beginning on or after 1 January 2019 with earlier application permitted). The Amendment allows financial assets with prepayment features that permit or require a party to a contract either to pay or receive reasonable compensation for the early termination of the contract (so that, from the perspective of the holder of the asset there may be 'negative compensation'), to be measured at amortized cost or at fair value through other comprehensive income. The amendments are not expected to have an impact on the Group's and Company's financial statements.

- *Amendments to IAS 1 and IAS 8: Definition of Material,* issued on 31 October 2018 (not yet adopted by EU). The amendments clarify and align the definition of 'material' and provide guidance to help improve consistency in the application of that concept whenever it is used in IFRS. The new definition states that 'information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity'. The amendments clarify that materiality will depend on the nature or magnitude of information. An entity will need to assess whether the information, either individually or in combination with other information, is material in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. Although the amendments to the definition of material is not expected to have a significant impact on financial statements, the introduction of the term 'obscuring information' in the definition could potentially impact how materiality judgements are made in practice, by elevating the importance of how the information is organised in the financial statements.

- *Amendments to IAS 19: Plan Amendment, Curtailment or Settlement*, issued on 7 February 2018 (not yet adopted by EU). The amendments are effective for annual periods beginning on or after 1 January 2019 with earlier application permitted. The amendments require entities to use updated actuarial assumptions to determine current service cost and net interest for the remainder of the annual reporting period after a plan amendment, curtailment or settlement has occurred. The amendments also clarify how the accounting for a plan amendment, curtailment or settlement affects applying the asset ceiling requirements.

- *Amendments to IAS 28: Long-term interests in associates and joint ventures* (issued on 12 October 2018, not yet adopted by the EU). The Amendments are effective for annual reporting periods beginning on or after 1 January 2019 with earlier application permitted. The Amendments relate to whether the measurement, in particular impairment requirements, of long term interests in associates and joint ventures that, in substance, form part of the 'net investment' in the associate or joint venture should be governed by IFRS 9, IAS 28 or a combination of both. The Amendments clarify that an entity applies IFRS 9 Financial Instruments, before it applies IAS 28, to such long-term interests for which the equity method is not applied. In applying IFRS 9, the entity does not take account of any adjustments to the carrying amount of long-term interests that arise from applying IAS 28. These amendments are not applicable to the Group and the Company.

- *IFRIC 23 Uncertainty over income tax treatments.* Interpretation was issued on 7 June 2017, is applicable for annual periods beginning on or after 1 January 2019 and earlier application is permitted. Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12. The Interpretation provides guidance on considering uncertain tax treatments separately or together, examination by tax authorities, the appropriate method to reflect uncertainty and accounting for changes in facts and circumstances. The directors do not anticipate that the application of the amendments in the future will have an impact on the Group's or Company's consolidated financial statements.

- *Annual Improvements to IFRS Standards 2015 – 2017 Cycle* (effective for annual periods beginning on or after 1 January 2019), issued on 12 December 2017 and not yet adopted by the EU. The improvements are not expected to have a material impact on the Group's and Company's financial statements. These annual improvements are a collection of amendments to IFRSs:

-IFRS 3 Business Combinations and IFRS 11 Joint Arrangements: The amendments to IFRS 3 clarify that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business. The amendments to IFRS 11 clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business.

-IAS 12 Income Taxes: The amendments clarify that the income tax consequences of payments on financial instruments classified as equity should be recognized according to where the past transactions or events that generated distributable profits has been recognized.

-IAS 23 Borrowing Costs: The amendments clarify paragraph 14 of the standard that, when a qualifying asset is ready for its intended use or sale, and some of the specific borrowing related to that qualifying asset remains outstanding at that point, that borrowing is to be included in the funds that an entity borrows generally.

4. Significant accounting policies

The main accounting policies are set out below:

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

Generally, there is a presumption that a majority of voting rights result in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual arrangements;
- The Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

Income and expenses of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. When assets of the subsidiary are carried at revalued amounts or fair values and the related cumulative gain or loss has been recognized in other comprehensive income and accumulated in equity, the amounts previously recognized in other comprehensive income and accumulated in equity are accounted for as if the Company had directly disposed of the relevant assets (i.e. reclassified to profit or loss or transferred directly to retained earnings as specified by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39 *Financial Instruments: Recognition and Measurement* or, when applicable, the cost on initial recognition of an investment in an associate or a jointly controlled entity.

Business combinations

Business combinations are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognized in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognized at their fair value at the acquisition date, except that:

-deferred tax assets and liabilities related to employee benefit commitments are recognized and measured in accordance with IAS 12 *Income Taxes* and IAS 19 *Employee Benefits* respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 *Share-based Payment* at the acquisition date; and
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If the above mentioned difference is negative, the excess is recognized in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognized amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another IFRS.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the ‘measurement period’ (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with IAS 39 *Financial Instruments: Recognition and Measurement*, or IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, as appropriate, with the corresponding gain or loss being recognized in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control) and the resulting gain or loss, if any, is recognized in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognized in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognized, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognized at that date.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognized directly in profit or loss in the consolidated statement of profit or loss and other comprehensive income. An impairment loss recognized for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Current versus non-current classification

The Group and the Company present assets and liabilities in statement of financial position based on current/non-current classification.

An asset is current when it is:
- Expected to be realised or intended to be sold or consumed in normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realised within twelve months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:
- It is expected to be settled in normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Group and the Company classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

Fair value measurement

The Group and the Company measure financial instruments such as derivatives at fair value at each reporting date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Group and the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group and the Company use valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable;
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group and the Company determine whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Revenue from contracts with customers

Sale of goods

Under IFRS 15, revenue is recognized when a customer obtains control of the goods. The Group and the Company deliver goods (mainly aluminium products, alumina, bauxite) under contractual terms based on internationally accepted delivery conditions (INCOTERMS).

The Group and the Company recognize revenue at the point in time when control of the asset is transferred to the customer, generally on delivery of the goods.

Variable consideration
Some contracts with customers provide volume rebates, financial discounts, price concessions or a right of return for quality claims.

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 and the Company 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 and the Company 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 and the Company cannot make a reasonable estimate of such reversal of revenue at year end.

Principal versus agent considerations
Under IFRS 15, the assessment is based on whether the Group and the Company 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 and Company have 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 and the Company have analyzed its contracts with customers to determine all its performance obligations and it has not identified any new performance obligation that should be accounted for separately in accordance with IFRS 15.

Rendering of services
The Group and the Company perform sundry services occasionally and as a non core business. Revenue is measured at the expected 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 and the Company sell the services in separate transactions. Based on the Group and the Company's assessment, the allocated value based on the stand-alone selling prices of the services, and the stand-alone prices of the services are broadly similar.

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.

Amounts received from customers in advance of goods delivery or service performance are recognized by the Group and the Company as liabilities on the Statement of Financial Position as "Advances from customers" until the Group or the Company actually transfers control of the goods delivered to the client or performs the contracted service.

Dividend and interest income

Dividend income from investments is recognized when the shareholder's right to receive payment has been established (provided that it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably).

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Leasing

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date, whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Capitalized leases are depreciated over the shorter of the estimated useful life of the asset or the lease term.

Rental income

The Group's policy for recognition of revenue from operating leases is described below.

The Group and Company as lessor

Amounts due from lessees under finance leases are recognized as receivables at the amount of the Group's and Company's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's and Company's net investment outstanding in respect of the leases.

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized on a straight-line basis over the lease term.

The Group and Company as lessee

Assets held under finance leases are initially recognized as assets of the Group and Company at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognized immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalized in accordance with the Group's general policy on borrowing costs. Contingent rentals are recognized as expenses in the periods in which they are incurred.

Operating lease payments are recognized as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

In the event that lease incentives are received to enter into operating leases, such incentives are recognized as a liability. The aggregate benefit of incentives is recognized as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Foreign currencies

In preparing the consolidated financial statements of the Group, transactions in currencies other than the entity's functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date and included as foreign exchange difference. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognized in profit or loss in the period in which they arise except for:

- exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;
- exchange differences on transactions entered into in order to hedge certain foreign currency risks (see below the hedging accounting policies);

For the purpose of presenting the financial statements in RON, the assets and liabilities of the foreign operations whose functional currencies are different than RON, are translated at the exchange rates prevailing at the end of the reporting period. Income and expense items are translated at the average exchange rate for the periods presented. Equity items are translated at their historical exchange rates. Exchange differences arising on the translation are recognized in other comprehensive income and accumulated in equity (attributed to non-controlling interests as appropriate).

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, loss of joint control over a jointly controlled entity that includes a foreign operation, or loss of significant influence over an associate that includes a foreign operation), all of the accumulated exchange differences in respect of that operation attributable to the Group are reclassified to profit or loss. Any exchange differences that have previously been attributed to non-controlling interests are de-recognized but they are not reclassified to profit or loss.

Borrowing costs

Borrowing costs consist of interest and other costs that the Company incurs in connection with the borrowing of funds. Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

All other borrowing costs are recognized in the profit or loss in the period in which they are incurred.

Employee benefits

The Group and Company, in the normal course of business, make payments on behalf of its employees for pensions, health care and unemployment cover. The cost of these payments is charged to profit or loss in the same period as the related salary cost.

The Group and Company award their employees with some retirement benefits according to the Collective Labour Agreement. For this defined benefit retirement plan, the cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at each reporting period. The remeasurement, comprising actuarial gains and losses, is reflected immediately in the statement of financial position with a charge or credit recognized in other comprehensive income in the period in which they occur. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability. Defined benefit costs are categorized as follows:

- Service costs (comprising current service cost, past service cost, as well as gain and losses on curtailments and settlements), included in profit or loss line item 'Cost of goods sold' or 'General and administrative expenses' within personnel costs.
- Net interest expense, included in profit or loss within interest expense.
- Remeasurement.

Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group and Company recognises termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the balance sheet date are discounted to their present value.

Taxation

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's and Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences.

Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Currently the fiscal losses generated by the Romanian Group companies can be carried forward for 7 years, while for Sierra Leone for 10 years.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group and Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Current and deferred tax for the year

Current and deferred tax are recognized in the consolidated profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity respectively.

Value added tax (VAT)

Revenues, expenses and assets are recognised net of VAT except:
- Where the tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable;
- When receivables and payables are stated with the amount of sales tax included, the net amount of tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

Property, plant and equipment

Land and buildings held for use in the production or supply of goods or services, or for administrative purposes, are stated in the consolidated statement of financial position at their cost, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

When significant parts of property, plant and equipment are required to be replaced at intervals, the Group and Company recognises such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred. The present value of the expected cost for the decommissioning of an asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognized impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalized in accordance with the Group's and Company's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Freehold land is not depreciated.

Depreciation is recognized so as to write off the cost less their residual values over the following useful lives, using the straight-line method:

	2018	2017
Buildings and special constructions	2 - 60 years	2 - 60 years
Plant and machinery	1 - 30 years	1 - 30 years
Equipment and vehicles	2 - 25 years	2 - 25 years

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Fixtures and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is recognized so as to write off the cost less their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in consolidated profit or loss at the date of the derecognition.

Investment properties

The Company's investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at cost, less any accumulated depreciation and any accumulated impairment losses.

Depreciation is recognized so as to write off the cost less their residual values over their useful lives, using the straight-line method. Investment properties are derecognised either when they have been disposed of or when they are permanently withdrawn from use and no future economic benefit is expected from their disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in the income statement in the period of derecognition.

Transfers are made to (or from) investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner-occupied property becomes an investment property, the Company accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

Internally-generated intangible assets - research and development expenditure

Expenditure on research activities is recognized as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognized if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognized for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognized, development expenditure is recognized in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortization and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination and recognized separately from goodwill are initially recognized at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortization and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.
De-recognition of intangible assets

An intangible asset is derecognized on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from de-recognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognized in consolidated profit or loss when the asset is derecognized.

Intangible assets are amortized over a period between 3 years (for software) and 50 years (for concessions).

Impairment of tangible and intangible assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group and Company estimate the recoverable amount of the cash-generating unit to which the asset

belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

Temporarily idle property, plant and equipment are assessed for impairment individually. For assets put in conservation for an undefined period in accordance with the Board of Directors decision, the Group recognizes an impairment loss equal to their carrying value as at the date of the transfer. Subsequently, these assets are reviewed for possible reversal of impairment, depending on the Group’s plans to operate them in the future.

Inventories

Inventories are stated at the lower of cost and net realizable value.

Costs incurred in bringing each product to its present location and condition are accounted for as follows:

- Raw materials: purchase cost on a first in, first out basis;
- Finished goods and work in progress: cost of direct materials and labour and a proportion of manufacturing overheads based on the normal operating capacity, but excluding borrowing cost, determined on weighted average basis.

Net realizable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Provisions

Provisions are recognized when the Group and Company have a present obligation (legal or constructive) as a result of a past event, it is probable that the Group and Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Warranties

Provisions for the expected cost of warranty obligations under local sale of goods legislation are recognized at the date of sale of the relevant products, at the directors' best estimate of the expenditure required to settle the Group's and Company's obligation.

Decommissioning liability

Decommissioning costs include the dismantling and demolition of infrastructure and the removal of residual materials and remediation of disturbed areas. Decommissioning costs are provided at the present value of expected costs to settle the obligation using estimated cash flows and are recognised as part of the cost of the particular asset. The cash flows are discounted at a current pre-tax rate that reflects the risks specific to the decommissioning liability. The unwinding of the discount is expensed as incurred and recognised in the statement of profit or loss as a finance cost. The estimated future costs of decommissioning are reviewed annually and adjusted as appropriate. Changes in the estimated future costs or in the discount rate applied are added to or deducted from the cost of the asset.

Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets and financial liabilities are recognized when the Group and Company become a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in consolidated and separate profit or loss.

Effective interest method

The effective interest method is a method of calculating the amortized cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Income is recognized on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL.

Financial assets

For purposes of subsequent measurement financial assets are classified into the following specified categories: amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss (FVTPL).

- *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 solely payments of principal and interest (SPPI) criterion. This category includes the Group and Company's Trade and other receivables and Long-term loans receivable.

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment.

Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

- *Financial assets at FVPL* include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch. This category includes the 100% collar of Asian options on aluminium.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

Investments in subsidiaries

In the separate unconsolidated financial statements investments in subsidiaries are stated at historical cost less accumulated impairment losses.

Dividends on AFS equity instruments are recognized in profit or loss when the Group's right to receive the dividends is established.

Cash and cash equivalents

Cash and cash equivalents in the statement of financial position and statement of cash flows comprise cash at banks and on hand and short-term deposits with a maturity of three months or less.

Impairment of financial assets

The Group and the Company recognise an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. 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 and the Company expect to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and contract assets, the Grup and the Company apply a simplified approach in calculating ECLs. Therefore, the Group and the Company do not track changes in credit risk, but instead recognise a loss allowance based on lifetime ECLs at each reporting date. The Group and the Company have established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Derecognition of financial assets

The Group and the Company derecognise a financial asset only when the contractual rights to the cash flows from the asset expire, or when they transfer the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group and the Company neither transfer nor retain substantially all the risks and rewards of ownership and continue to control the transferred asset, the Group and Company recognise their retained interest in the asset and an associated liability for amounts it may have to pay. If the Group and the Company retain substantially all the risks and rewards of ownership of a transferred financial asset, they continue to recognise the financial asset and also recognise a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income and accumulated in equity is recognized in profit or loss.

Financial liabilities and equity instruments

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

Classification as debt or equity

Debt and equity instruments issued by the Group and the Company are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group and Company are recognized at the proceeds received, net of direct issue costs.

Repurchase of the Group's and Company's own equity instruments is recognized and deducted directly in equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Group's and Company's own equity instruments.

Financial liabilities

Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is either held for trading or it is designated as at FVTPL.

A financial liability is classified as held for trading if:
- it has been acquired principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group and the Company manage together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

-it forms part of a contract containing one or more embedded derivatives, and IAS 39 *Financial Instruments: Recognition and Measurement* permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any interest paid on the financial liability and is included in the 'Gains/(losses) from embedded derivatives' or ''Other financial gains/(losses), net''. Fair value is determined in the manner described in Note 31.

Other financial liabilities

Other financial liabilities (including borrowings) are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument.

Financial guarantee contracts issued by the Group and Company are initially measured at their fair values and, if not designated as at FVTPL, are subsequently measured at the higher of:
- the amount of the obligation under the contract, as determined in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets; and
- the amount initially recognized less, where appropriate, cumulative amortisation recognized in accordance with the revenue recognition policies.

Derecognition of financial liabilities

The Group and the Company derecognise financial liabilities when, and only when, the Group's and Company's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

Derivative financial instruments

The Group and Company enter into a variety of derivative financial instruments to manage its exposure to market risk and foreign exchange rate risk, including foreign exchange forward contracts, swaps and options to manage the commodity prices risks associated with sales of aluminium based on the London Metal Exchange price for High Grade Aluminium ('LME').
Further details of derivative financial instruments are disclosed in Note 31. Derivatives are initially recognized at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

Embedded derivatives

Derivatives embedded in non-derivative host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at FVTPL.

Hedge accounting

The Group and Company designate certain hedging instruments as either fair value hedges or cash flow hedges.

At the inception of the hedge relationship, the Group and Company document the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group and Company document whether the hedging instrument is highly effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk.

Note 31 presents details of the fair values pertaining to the derivative financial instruments for hedging purposes.

Fair value hedges

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recognized in profit or loss immediately, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The change in the fair value of the hedging instrument and the change in the hedged item attributable to the hedged risk are recognized in the line of the consolidated statement of comprehensive income relating to the hedged item.

Hedge accounting is discontinued when the Group and Company revoke the hedging relationship, when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting.

The fair value adjustment to the carrying amount of the hedged item arising from the hedged risk is amortised to profit or loss from that date.

Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognized in *other comprehensive income* and accumulated under the heading of cash flow hedging reserve. The gain or loss relating to the ineffective portion is recognized immediately in the profit or loss, and is included in 'Gains/(losses) from embedded derivatives' and 'Other net financial gains / (losses), net' line items.

Amounts previously recognized in *other comprehensive income* and accumulated in equity are reclassified to the profit or loss in the periods when the hedged item is recognized in the profit or loss, in the same line of *the statement of comprehensive income* as the recognized hedged item.

However, when the hedged forecast transaction results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously recognized in other comprehensive income and accumulated in equity are transferred from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability.

Hedge accounting is discontinued when the Group and the Company revoke the hedging relationship, when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting.

Any gain or loss recognized in *other comprehensive income* and accumulated in equity at that time remains in equity and is recognized when the forecast transaction is ultimately recognized in the consolidated and separate profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognized immediately in the profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, to realize the assets and settle the liabilities simultaneously.

Related parties

Parties are considered related when other party, either through ownership, contractual rights, family relationship or otherwise, has the ability to control or significantly influence the other party.

Government grants

Government grants are recognised once there is reasonable assurance that the Group and the Company will comply with the conditions attached to them and that the grants will be received. They are recognised in the profit or loss over the periods necessary to match them with the related costs which they are intended to compensate, and are disclosed under 'other income'. Government grants that are receivable as a compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group and Company with no future related costs are recognised in profit or loss in the period in which they become receivable.

Government grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred income and are credited to profit or loss on a straight - line basis over the expected lives of the related assets.

Emission rights

The Group and Company recognise the deficit in emission certificates in the consolidated and separate financial statements based on the net liability method. Under this method only those liabilities that are expected to result from exceeding the emission certificates quotas granted are recognized.

The Group and Company estimate their annual emission volumes at the end of each reporting period and recognise the total estimated additional liability for the expected excess of emission volumes at the fair value of additional units to be purchased or penalties to be incurred under the national legislation. The additional net liability is recognized in profit or loss based on unit of production method.

In case the Group and the Company estimate utilization of less than the allocated emission certificates any potential income from the sale of unused emission certificates is recognized only on actual sale of those certificates.

As the actual emissions volumes at the Group level did not exceed the emission rights granted, no provision is recognised in 2018.

Operating segments

An operating segment is a component of the Group and Company that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity), whose operating results are regularly reviewed by the Group’s and Company's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and for which distinctive financial information is available. Segment information is presented in respect of the Group’s snd Company's business and geographical segments and is determined based on the Group’s management and internal reporting structure.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly investments (other than investment property) and related revenue, loans and borrowings and related expenses, corporate assets (primarily the Group’s and Company's headquarters) and head office expenses, and income tax assets and liabilities.

Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment, and intangible assets other than goodwill.

Dividends

Dividends are recorded as a liability in the Group and Company's financial statements in the period in which they are approved by the Company's shareholders and reflected in a corresponding diminution of shareholders' equity.

As per the Order of the Minister of Public Finances no. 3067/2018 on completing certain accounting regulations, the Company has opted for the quarterly distribution of dividends as at the date of 30 September 2018. The quarterly distribution of profit to shareholders is made on an optional basis, during the financial period, within the limits of the quarterly achieved net accounting profit, plus potential carried forward profits and amounts withdrawn from reserves available for this purpose, less any loss carried forward from previous years and amounts placed in reserves as per the legal or statutory requirements.

The settlement of potential differences resulting from dividends distribution during the year is to be made after the approval of annual financial statements, and the payment of potential differences resulting from such settlement must be made within the legally set timeframe. Any excess dividends distributed and paid during the financial period will be paid back by the shareholders to the Company within the legally set timeframe.

Significant accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are presented below. The Group and Company based their assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group and Company. Such changes are reflected in the assumptions when they occur.

Impairment of non-financial assets

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a DCF model. The cash flows are derived from budgets prepared by the Group and Company and do not include restructuring activities that the Group and Company are not yet committed to or significant future investments that will enhance the asset's performance of the CGU being tested. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes. These estimates are most relevant to goodwill and other intangibles with indefinite useful lives recognised by the Group. The key assumptions used to determine the recoverable amount for the different CGUs, including a sensitivity analysis, are disclosed and further explained in Notes 12 and 15.

Taxes

Uncertainties exist with respect to the interpretation of complex tax regulations, changes in tax laws, and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. The Group and Company established provisions, when necessary, based on reasonable estimates, for possible consequences of audits by the tax authorities. The amount of such provisions is based on various factors, such as experience of previous tax audits and diferring interpretations of tax regulations by the Group and Company and the responsible tax authority. Such differences in interpretation may arise for a wide variety of issues depending on the conditions prevailing in that context.

Deferred tax assets are recognised for carried forward tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies. Further details are disclosed in note 11.

The Group has RON 86,136 thousand (2017: RON 53,331 thousand) of unrecognised deferred tax assets from tax losses carried forward. These losses relate mainly to Sierra Mineral Holdings I, Ltd., which has a history of fiscal losses and may not be used to offset taxable income elsewhere in the Group. Given the uncertainties surrounding the timing and amounts of future taxable profits available to offset tax losses, the Group has determined that it cannot recognise deferred tax assets on some of the tax losses carried forward. If the Group was able to recognise all unrecognised deferred tax assets, profit and equity would increase by RON 32,860 thousand (2017: RON 20,512 thousand). Further details on taxes are disclosed in Note 11.

Fair value measurement of financial instruments
When the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the DCF model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments. See note Note 31 for further disclosures.

Provision for rehabilitation
The Group and the Company have recognized a provision for the rehabilitation of the premises where they deposit scrap from production. In determining the fair value of the provision, assumptions and estimates are made in relation to discount rates, inflation rates, effective costs of works to be performed and the expected timing of these costs. See note 25 for further details.

Useful lives of property, plant and equipment
The Group and the Company review the estimated useful lives of property, plant and equipment at the end of each reporting period.

The management uses critical accounting judgements also for the provisions and allowances for receivables and inventories, impairment of financial assets and contingent liabilities.

Defined benefit plans
The cost of the defined benefit plans and the present value of the defined benefit obligations are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, personnel turnover and longevity. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date. Additional information is disclosed in Note 26.

5. Revenue from contracts with customers

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

Segment	Bauxite	Alumina	Primary aluminium	Processed aluminium	Others	2018 Total
Type of good or service						**-**
Sale of bauxite	265,829	-	-	-	-	**265,829**
Sale of alumina	-	875,299	-	-	26,371	**901,670**
Sale of primary aluminium	-	-	2,243,590	-	-	**2,243,590**
Sale of processed aluminium	-	-	-	1,374,283	-	**1,374,283**
Other revenues and services performed	26,720	517	-	600	39,889	**67,726**
Total revenue from contracts with customers	**292,549**	**875,816**	**2,243,590**	**1,374,883**	**66,260**	**4,853,098**

Segment	Bauxite	Alumina	Primary aluminium	Processed aluminium	Others	2017 Total
Type of good or service						**-**
Sale of bauxite	244,230	-	-	-	-	**244,230**
Sale of alumina	-	634,758	-	-	-	**634,758**
Sale of primary aluminium	-	-	2,141,443	-	-	**2,141,443**
Sale of processed aluminium	-	-	-	1,389,627	-	**1,389,627**
Other revenues and services performed	20,899	688	-	634	29,778	**51,999**
Total revenue from contracts with customers	**265,129**	**635,446**	**2,141,443**	**1,390,261**	**29,778**	**4,462,057**

In 2018, net impairment losses were recognized in the amount of RON 944 thousand at the Group level and net impairment gains of RON 43 thousand at the Company level, which were included in the category 'General, administrative and sales expenses' in the consolidated statement of profit or loss (2017: net impairment losses from receivables amounting to RON 550 thousand at the Group level and RON 486 thousand at the Company level were recognized).

The increase in the Group revenue was mainly due to the Primary Aluminium and Alumina segments, following the increase of the aluminium quotations in the international markets and 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 in Note 6:

Revenue	Bauxite	Alumina	Primary aluminium	Processed aluminium	Others	2018 Total
Revenue from contracts with customers	292,549	875,816	2,243,590	1,374,883	66,260	4,853,098
Inter-segment transactions	-240,497	-602,782	-993,259	-1,689	-32,370	-1,870,597
Total Group revenue (note 6)	**52,052**	**273,034**	**1,250,331**	**1,373,194**	**33,890**	**2,982,501**

Revenue	Bauxite	Alumina	Primary aluminium	Processed aluminium	Others	2017 Total
Revenue from contracts with customers	265,129	635,446	2,141,443	1,390,261	29,778	**4,462,057**
Inter-segment transactions	-190,723	-526,498	-995,227	-14	-23,323	**-1,735,785**
Total Group revenue (note 6)	**74,406**	**108,948**	**1,146,216**	**1,390,247**	**6,455**	**2,726,272**

Transactions between operating segments are based on transfer prices that are set on an arm's length basis in a manner similar to transactions with third parties. For the way the Group monitors the performance of its segments, please see note 6.

6. Segment information

For management purposes, the Group is organized on a vertically integrated basis into four 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, 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.

In order to have a better visibility on the operational and financial performance of the Group segments, to be able to benefit from its synergies as an integrated group, the Management now monitors the segments results whereby the inter-segment transactions are reported at their cost. For the purpose of this note, the inter-segment transfers of the bauxite and alumina segments, represented by

deliveries of raw material, and also the transfers of the aluminium segments, consisting of slabs transfered by Alro to its own processing division and billets transferred to the Vimetco Extrusion extruding plant, are reflected at their complete cost, regardless of the fact whether they are within the same entity or not.

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

Alro Group revenues and results for the year 2018 and 2017 by segment were as follows:

	Bauxite	Alumina	Primary aluminium	Processed aluminium	Others	Inter-segment operations	Total
2018							
Sales to external customers	52,052	273,034	1,250,331	1,373,194	33,890	-	**2,982,501**
Inter-segment transfers	222,294	587,305	946,994	1,689	32,370	-1,790,652	**-**
Total sales	**274,346**	**860,339**	**2,197,325**	**1,374,883**	**66,260**	**-1,790,652**	**2,982,501**
Segment results (gross profit)	**52,922**	**103,917**	**280,786**	**225,634**	**9,035**	**-2,417**	**669,877**
Other operating income & expenses, net	-44,678	-47,043	-131,441	-84,270	-57,119	56,514	**-308,037**
Operating result (EBIT)	**8,244**	**56,874**	**149,345**	**141,364**	**-48,084**	**54,097**	**361,840**
Total depreciation, amortisation and impairment	18,672	17,661	60,761	26,847	-	-87	**123,854**
EBITDA	**26,916**	**74,535**	**210,106**	**168,211**	**-48,084**	**54,010**	**485,694**
Interest and other finance costs, net							**-27,109**
Net foreign exchange gains / (losses)							**-19,637**
Result before income taxes							**315,094**
2017							
Sales to external customers	74,406	108,948	1,146,216	1,390,247	6,455	-	**2,726,272**
Inter-segment sales	169,364	506,419	924,078	14	23,323	-1,623,198	**-**
Total sales	**243,770**	**615,367**	**2,070,294**	**1,390,261**	**29,778**	**-1,623,198**	**2,726,272**
Segment results (gross profit)	**56,683**	**46,772**	**321,035**	**253,523**	**10,629**	**-770**	**687,872**
Other operating income & expenses, net	-37,527	-25,701	-111,457	-84,299	38,418	-28,360	**-248,926**
Operating result (EBIT)	**19,156**	**21,071**	**209,578**	**169,224**	**49,047**	**-29,130**	**438,946**
Total depreciation, amortisation and impairment	22,438	16,864	55,074	35,601	-	-2,467	**127,510**
EBITDA	**41,594**	**37,935**	**264,652**	**204,825**	**49,047**	**-31,597**	**566,456**
Interest and other finance costs, net							**-60,146**
Net foreign exchange gains / (losses)							**32,727**
Result before income taxes							**411,527**

The alumina sales grew in comparison to the previous analyzed period, with higher quantities being sold to third party clients, which contributed to the higher gross profit for the segment. The gross profit achieved by the bauxite segment in 2018 also increased compared to 2017 mainly due to the quantities of bauxite sold. As regards aluminium, higher quantities of primary aluminium were delivered internally but also to third party clients; nevertheless, the profit for the Primary Aluminium segment decreased, reflecting an increase in the cost of raw materials and utilities used in production, in line with market trends. On the other hand, the processed aluminium segment result was lower than the result for the same period of last year due to the lower quantities of processed aluminium sold to clients in the context of the temporary repairs and upgdrading of one of Alro's rolling mill carried out in 2018. However, the lower FRP output mentioned above was the consequence of a one-off downtime period, which was a necessary step for increasing the capacity of value added production in line with the Group strategy.

Segment assets include all operating assets used by a segment and consist principally of operating cash, receivables, inventories, property, plant and equipment and intangible assets, 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.

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

Alro Group

	Bauxite	Alumina	Primary aluminium	Processed aluminium	Others	Inter-segment operations	Total
31 December 2018							
Total assets	158,466	540,823	1,146,583	687,906	1,220,738	-815,072	**2,939,444**
Total liabilities	299,867	233,352	178,735	172,808	1,477,558	-595,700	**1,766,620**
Capital expenditure	32,860	50,605	80,402	141,600	-	-	**305,467**
Impairment of property, plant and equipment	-	-2,954	-566	-27,453	-	-	**-30,973**
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**
Capital expenditure	37,203	30,697	75,381	74,471	-	-	**217,752**
Impairment of property, plant and equipment	-	-2,960	-566	-31,041	-	-	**-34,567**

The property, plant and equipment located in Sierra Leone amounts to RON 86,853 thousand (at 31 December 2017: RON 68,934 thousand).

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

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

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

The following table shows the distribution of the Group and the Company sales by geographical location of the customer:

	Alro Group		Alro	
	2018	**2017**	**2018**	**2017**
Romania	575,981	453,622	800,715	665,505
Other EU countries	1,824,577	1,780,364	1,424,807	1,453,904
Other European non-EU countries	326,131	309,865	212,521	243,198
USA	106,883	45,301	106,603	45,301
Other countries	148,929	137,120	54,089	58,124
Total	**2,982,501**	**2,726,272**	**2,598,735**	**2,466,032**

7. General, administrative and selling expenses

	Alro Group		Alro	
	2018	**2017**	**2018**	**2017**
Staff costs	-148,622	-135,371	-94,209	-89,064
Third party services	-66,127	-45,186	-46,573	-32,055
Consulting and audit	-29,655	-25,527	-24,184	-20,169
Consumables	-14,314	-11,888	-7,199	-6,283
Taxes other than income taxes	-9,714	-7,268	-7,384	-5,016
Depreciation and amortisation	-8,005	-6,637	-4,854	-3,525
Insurance	-7,386	-7,419	-4,210	-4,282
Marketing and public relations	-10,783	-5,161	-2,105	-1,548
Travelling	-5,572	-4,164	-1,637	-1,139
Other	-9,799	-7,001	-3,436	-3,035
Change in allowance for doubtful debts	-944	-550	43	-486
Total	**-310,921**	**-256,172**	**-195,748**	**-166,602**

In 2018, *Staff costs* category 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.

In 2018, under *Third party services* is included an amount of RON 9,855 thousand representing fire prevention and fire-fighting services contracted by the Group in order to comply with the legislation in force (2017: nil).

In 2018, the next categories also increased compared to the previous year: *Consulting and audit* (RON 4,633 thousand), *Taxes other than income taxes* (RON 975 thousand), *Marketing and public relations* (RON 4,207 thousand), due to some one-off projects in which the Group was involved in order to improve its operational performance and the market corporate image by increasing its visibility (2017: nil).

8. Other operating income and expenses

	Alro Group		Alro	
	2018	2017	2018	2017
Other operating income				
Rental income	1,185	909	1,586	1,563
Government grants	1,592	1,592	1,146	1,146
Income from claims and penalties	2,899	7,698	3,038	5,398
Reversal of impairment of property, plant and equipment	1,261	-	521	-
Other income	4,439	4,507	1,658	1,830
Total other operating income	**11,376**	**14,706**	**7,949**	**9,937**

	Alro Group		Alro	
	2018	2017	2018	2017
Other operating expenses				
Idle plants depreciation expenses	-1,098	-1,112	-1,098	-1,112
Net loss on disposal of property, plant and equipment	-2,788	-1,849	-1,666	-49
Claims, fines and penalties	-742	-54	-4	-10
Impairment of property, plant and equipment	-	-184	-	-
Other expenses	-3,864	-4,261	-1,414	-1,630
Total other operating expenses	**-8,492**	**-7,460**	**-4,182**	**-2,801**

Other operating income

Government grants represent funds from EU funds received in 2013 for the investment in a processed products finishing line by the Company and for an extrusion equipment by a subsidiary of the Company in 2014. The grants are recognized as income on a straight line basis during the useful life of the equipments for which they were received.

Income from claims and penalties includes the amount of RON 1,737 thousand (2017: RON 4,557 thousand), representing penalties received from certain suppliers that failed to perform their contractual obligations.

Other operating expenses

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

9. Interest expenses

	Alro Group		Alro	
	2018	2017	2018	2017
Interest expense	-47,309	-50,917	-43,977	-48,236
Total	**-47,309**	**-50,917**	**-43,977**	**-48,236**

Interest expense includes the amount of RON 8,547 thousand for the Group and the amount of RON 8,337 thousand the Company (in 2017: RON 12,877 thousand for Group and RON 12,733 thousand for Company) representing transaction costs on loans, which are recognized during the period as interest expense based on the effective interest rate method. The cash effectively paid as transaction costs in 2018 for loans taken was of RON 4,775 thousand for the Group and of RON 2,404 thousand for the Company and it is included in the Statement of cash flow under *Interest paid* (in 2017: RON 17,471 thousand were paid for the Group and the Company, when the loans were renewed).

10. Other financial gains/(losses), net

	Alro Group		Alro	
	2018	2017	2018	2017
Interest income	7,478	6,747	6,288	4,137
Dividend income	-	-	37,202	2
Bank commissions	-6,183	-3,007	-4,368	-1,825
Other financial gains / (losses), net	182	78	-	-
Commissions paid in relation with factoring agreements	-16,438	-11,886	-16,302	-11,771
Total	**-14,961**	**-8,068**	**22,820**	**-9,457**

The interest income of the Group includes an amount of RON 2,220 thousand (in 2017: RON 4,145 thousand) related to a borrowing agreement concluded by a subsidiary with the Parent company of Alro, namely Vimetco NV (refer to Note 30 as well). In 2018, the Parent company of Alro Group repaid the total outstanding amount to the Group's subsidiary.

An amount of RON 37,201 thousand included in the category 'Dividend income' represents the dividends received by the Parent company from one of its subsidiaries in 2018 (2017: nil) (see also Note 12).

The factoring expenses increased in 2018 compared to 2017, on one side due to the increase of revenues, volumes and number of clients covered by factoring agreements, and on the other side due to the increase of the interest rate according to which the factoring fees are calculated (specifically the ROBOR component).

In 2018, the Group and the Company reclassified the amount of RON 1,161 thousand in the comparative figures of 2017 previously presented as 'Other financial gains / (losses), net' to 'Gains (losses) from derivative financial instruments, net'.

11. Income tax

Income tax recognized in the profit or loss:

	Alro Group		Alro	
	2018	2017	2018	2017
Current tax				
Current tax expense in respect of the current year	-29,594	-7,207	-7,870	-
Adjustments in respect of current income tax of previous year	-	-3,039	-	-
Deferred tax				
Origination and reversal of temporary differences	-35,504	-59,181	-38,141	-60,134
Reversal of previously recognised tax losses	-14,669	-	-	-
Capitalisation of previously unrecognised tax losses	-	49,006	-	-
Total income taxes	**-79,767**	**-20,421**	**-46,011**	**-60,134**

The total annual tax can be reconciled with the accounting result as follows:

	Alro Group		Alro	
	2018	2017	2018	2017
Result before tax	315,094	411,527	271,968	377,820
Expected average income tax rate	20.1%	17.7%	16.0%	16.0%
Income tax calculated at the expected average tax rate	-63,420	-72,698	-43,515	-60,451
Effect of revenue exempted from taxation	894	1,339	5,952	317
Effect of non-deductible expenses	-7,877	-654	-8,448	-
Effect of utilisation of previously unrecognised tax losses	4,631	5,625	-	-
Effect of reversal of previously recgnised tax losses	-14,669	-	-	-
Effect of reversal of previously not recognised deferred tax assets	674	-	-	-
Adjustments recognised in relation to the current tax of prior years	-	-3,039	-	-
Capitalisation of previously unrecognised deferred tax assets	-	49,006	-	-
Income tax recognized in profit or loss	**-79,767**	**-20,421**	**-46,011**	**-60,134**

The average tax rate for the Company is the tax rate applicable to it in accordance with the legislation in force. The average tax rate for the Group is the average of the tax rates payable by the companies in Romania and Sierra Leone on taxable profits under tax law in those jurisdictions (i.e. 16% in Romania and 30% in Sierra Leone), weighted by the accounting results of each Group company. Thus, the expected weighted average income tax rate for the Group is affected by the statutory income tax rates and regulations in effect and on the mix of pre-tax results of its subsidiaries in the countries where these operate, which can vary year to year. The increase in the Group expected average income tax rate comparing to previous year was mainly due to the disposal by Conef of its 3.77% holding in Alro S.A. with the results from disposal being recognised in the statements of profit or loss in its separate financial statements, while on Group consolidated financial statements it was recognised as an increase in Equity (for details of disposal see Note 15).
The increase in the *non-deductible expenses* comparing to previous year is due to the amendments of the Romanian Fiscal Code applicable starting 1 January 2018, related to the exceeding borrowing costs. An amount of RON 45,392 thousand, representing interest expenses and items related to interests was treated at Alro as being non-deductible for tax purposes, and resulted in an increase of the income tax by RON 7,263 thousand.

The *Effect of utilisation of previously unrecognized tax losses* of the Group represents prior year tax losses used by Sierra Mineral Holdings I, Ltd. and Conef to offset the taxable profits obtained by the subsidiaries, for which a deferred tax asset was not recognized in the prior years.

The *Effect of reversal of previously recgnised tax losses* of the Group represents the reduction in prior year tax losses capitalised in 2017 by Sierra Mineral Holdings I, Ltd. to offset future taxable profits. Details for the recognition of deferred tax assets from tax losses carried forward are presented further below.

Capitalisation of previously unrecognised deferred tax assets represents the recognition in 2017 of fiscal losses for which no deferred tax was recognized in previous years by Sierra Mineral Holdings I, Ltd. At 31 December 2018 the amount of fiscal losses carried forward from previous years at Sierra Mineral Holdings I, Ltd. amounted to RON 252,746 thousand (2017: RON 253,901 thousand) , out of which for an amount of RON 113,715 thousand (2017: RON 156,886 thousand) the management believed there would be sufficient taxable profits in the future against which these fiscal losses could be used. As the result, a deferred tax asset of RON 34,114 thousand (2017: RON 47,068 thousand) was recognised in the consolidated statement of financial position and the reduction in the balance of deferred tax assets comparing with last year in amount of RON 14,669 thousand (2017: increase of RON 49,006 thousand) was recognised as an expense (2017: as income) in the consolidated statement of profit or loss (the difference is due to the translation adjustment).

Analysis of deferred tax of **Alro Group** for the years ended 31 December 2018 and 2017 is as follows:

					31 December 2018
	Opening balance	Recognized in profit or loss	Recognized in other comprehensive income	Translation adjustment	Closing balance
Property, plant and equipment	-16,867	-1,123	-	-	-17,990
Inventories	2,639	3,142	-	-	5,781
Trade receivables and other current assets	319	265	-	-	584
Provisions	8,754	3,195	-	-	11,949
Retirement benefits obligations	6,852	249	-34	-	7,067
Deferred tax from fiscal loss	97,148	-55,902	-	1,717	42,963
Deferred tax assets/(liabilities)	**98,845**	**-50,174**	**-34**	**1,717**	**50,354**

					31 December 2017
	Opening balance	Recognized in profit or loss	Recognized in other comprehensive income	Translation adjustment	Closing balance
Property, plant and equipment	-17,136	270	-	-	-16,867
Inventories	3,442	-803	-	-	2,639
Trade receivables and other current assets	269	50	-	-	319
Provisions	4,778	3,976	-	-	8,754
Retirement benefits obligations	6,148	77	627	-	6,852
Deferred tax from fiscal loss	112,831	-13,745	-	-1,938	97,148
Deferred tax assets/(liabilities)	**110,332**	**-10,175**	**627**	**-1,938**	**98,845**

The analysis of deferred tax of **the Company** for the years ended 31 December 2018 and 2017 is presented below:

				31 December 2018	
	Opening balance	Recognized in profit or loss	Recognized in other comprehensive income	Translation adjustment	Closing balance
Property, plant and equipment	-6,870	-1,440	-	-	-8,310
Investment properties	240	-	-	-	240
Inventories	816	2,000	-	-	2,816
Trade receivables and other current assets	135	-12	-	-	123
Provisions	4,281	182	-	-	4,463
Retirement benefits obligations	5,763	49	-84	-	5,728
Deferred tax from fiscal loss	38,920	-38,920	-	-	-
Deferred tax assets/(liabilities)	**43,285**	**-38,141**	**-84**	**-**	**5,060**

				31 December 2017	
	Opening balance	Recognized in profit or loss	Recognized in other comprehensive income	Translation adjustment	Closing balance
Property, plant and equipment	-5,850	-1,020	-	-	-6,870
Investment properties	240	-	-	-	240
Inventories	1,630	-814	-	-	816
Trade receivables and other current assets	57	78	-	-	135
Provisions	191	4,090	-	-	4,281
Retirement benefits obligations	5,155	65	543	-	5,763
Deferred tax from fiscal loss	101,453	-62,533	-	-	38,920
Deferred tax assets / (liabilities)	**102,876**	**-60,134**	**543**	**-**	**43,285**

The fiscal losses carried forward by the Group from previous years and recognised as deferred tax assets at 31 December 2018 amounted RON 166,610 thousand (31 December 2017: RON 459,871 thousand), which includes an amount of RON 113,715 thousand representing fiscal losses capitalised by Sierra Mineral Holdings I, Ltd. and RON 52,795 thousand capitalised for the intra-Group trasactions (2017: RON 243,255 thousand capitalised for Alro, RON 156,886 thousand capitalised for Sierra Mineral Holdings I, Ltd. and RON 59,730 thousand capitalised for the intra-Group trasactions). For those losses carried forward the Group recognized a deffered income tax asset of RON 42,963 thousand (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.

As concerns the Company, the fiscal losses accumulated from prior years in amount of RON 243,255 thousand recognised as at 31 December 2017 were fully used in 2018 to offset its taxable profits and for which the Company recognized a deffered income tax expenses in amount of RON 38,920 thousand in the statement of profit or loss (31 December 2017: the Company recorded a deffered income tax expense from tax losses in amount of RON 62,533 thousand).

Tax effect of fiscal losses and their expiration is as follows:

	Alro Group		Alro	
	31 December 2018	31 December 2017	31 December 2018	31 December 2017
Within 1 year	-	-	-	-
1 - 2 years	7,198	623	-	-
2 - 5 years	11,471	68,955	-	38,920
More than 5 years	24,294	27,570	-	-
Total	**42,963**	**97,148**	**-**	**38,920**

Deferred tax from fiscal loss relates to the subsidiary Sierra Mineral Holdings I, Ltd. and the management believes there will be sufficient taxable profits in the future against which these fiscal losses could be used. The losses can be carried forward and used against future taxable profits for a period of maximum 7 years in Romania and 10 years in Sierra Leone (losses used cannot exceed 50% of the taxable profits for the year in Sierra Leone).

At Sierra Mineral Holdings I, Ltd., the future taxable profits were based on financial forecasts estimated by the directors at 31 December 2018 and cover a five-year period. The cash flows beyond the five-year period have been extrapolated until the year 2027, when the tax losses expire, at a 2.2% growth rate in line with the forecast inflation. The main assumptions used in the forecast are the average sales growth of 1.03% per annum for the next 5 years (31 December 2017: 3.16%), average EBITDA margin of 18.74% (31 December 2017: 19.86%) and a profit before tax margin of 11.75% (31 December 2017: 14.85%) per annum. As the result of the forecast, the management expects to use an amount of RON 113,715 thousand from total RON 252,998 thousand (31 December 2017: RON 156,886 thousand from total RON 253,901 thousand) of prior years' accumulated tax losses to offset its future taxable profits by the end of the respective carry forward period. The forecasts are most sensitive to the EBITDA margin and profit before tax margin. A decrease in the forecasted EBITDA margin by 1.0% would reduce the deferred tax assets by RON 2,200 (31 December 2017: RON 4,600 thousand) and a decrease in the forecasted profit before tax margin by 1.0% would reduce the deferred tax assets by RON 2,700 (31 December 2017: RON 3,800 thousand).

The Company has recognized a deferred tax asset of RON 5,060 thousand (31 December 2017: RON 4,365 thousand) related to the deductible temporary differences.

The Group did not recognise deferred income tax assets in respect of losses amounting to RON 86,136 thousand (2017: RON 53,331 thousand) and their tax effect and expiration is presented in the table below:

Tax loss expiring

	Alro Group		Alro	
	31 December 2018	**31 December 2017**	**31 December 2018**	**31 December 2017**
Within 1 year	-	-	-	-
1 - 2 years	2,446	210	-	-
2 - 5 years	23,138	15,694	-	-
More than 5 years	7,276	4,608	-	-
Total	**32,860**	**20,512**	**-**	**-**

12. Earnings per share

	Alro Group		Alro	
	2018	**2017**	**2018**	**2017**
Net result attributable to the owners of the Entity	235,006	390,581	225,957	317,686
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)	0.329	0.547	0.317	0.445

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

The general Shareholders' Meeting dated 27 April 2018 approved the distribution into dividends of the total amount of RON 382,036 thousand, as follows: net profit realized by the Parent Company in 2017 amounting to RON 317,686 thousand and retained earnings amounting to RON 64,350 thousand, which resulted into a gross dividend payable of 0.53523 RON/share. Until 31 December 2018, Alro paid RON 379,803 thousand from these dividends. In 2017 RON 66,806 thousand were paid in respect of dividends declared in 2017 from the profit of the year 2016.

The general Shareholders' Meeting dated 13 December 2018 approved the distribution into interim dividends of the amount of RON 326,600 thousand (RON 202,860 thousand representing net profit realized by the Parent Company during the 9 months ended 30 September 2018 and RON 123,740 thousand representing retained earnings) and the payment of a gross dividend of 0.45756 RON/share starting 18 January 2019. This distribution does not reduce the total equity of the Group and of the Company in 2018, but, according to the applicable regulations (Financial Ministry's Order no. 3067/2018) is reflected in the consolidated statement of financial position at 31 December 2018 in receivables on the position "Other current assets" and in liabilities on the position "Other current liabilities" (see also Notes 20 and 29) until the approval of the financial statements and of the profit distribution for the year 2018 by the GSM.

13. Property, plant and equipment

Alro Group

	Land	Buildings and special construction	Plant and machinery	Equipment and vehicles	Capital assets in progress	Advances for fixed assets	Total
Cost							
Balance at 1 January 2017	**83,736**	**714,382**	**1,856,468**	**411,559**	**44,490**	**4,596**	**3,115,231**
Additions	-	24	3,981	8,986	146,127	53,795	**212,913**
Disposals	-	-3,082	-7,377	-11,824	-	-	**-22,283**
Transfer between categories	-	11,623	73,776	36,341	-108,027	-13,713	**-**
Translation adjustment	-	-3,083	-3,711	-7,056	-1,043	-67	**-14,960**
Balance at 31 December 2017	**83,736**	**719,864**	**1,923,137**	**438,006**	**81,547**	**44,611**	**3,290,901**
Additions	-	277	1,348	7,189	282,074	14,011	**304,899**
Disposals	-	-95	-12,768	-23,320	-358	-198	**-36,739**
Transfer between categories	-	11,745	62,571	26,527	-54,410	-46,433	**-**
Translation adjustment	-	1,770	1,798	3,995	576	257	**8,396**
Balance at 31 December 2018	**83,736**	**733,561**	**1,976,086**	**452,397**	**309,429**	**12,248**	**3,567,457**
Accumulated depreciation							
Balance at 1 January 2017	**-**	**-464,945**	**-1,366,376**	**-303,335**	**-**	**-**	**-2,134,656**
Depreciation expense	-	-21,454	-86,083	-23,749	-	-	**-131,286**
Eliminated on disposal and writte off of assets	-	210	7,287	8,764	-	-	**16,261**
Transfer between categories	-	-	17	-17	-	-	**-**
Translation adjustment	-	1,595	3,135	3,652	-	-	8,382
Balance at 31 December 2017	**-**	**-484,594**	**-1,442,020**	**-314,685**	**-**	**-**	**-2,241,299**
Depreciation expense	-	-18,687	-83,657	-26,707	-	-	**-129,051**
Eliminated on disposal and writte off of assets	-	88	10,810	18,041	-	-	**28,939**
Transfer between categories	-	-	41	-41	-	-	**-**
Translation adjustment	-	-1,092	-1,682	-1,926	-	-	-4,700
Balance at 31 December 2018	**-**	**-504,285**	**-1,516,508**	**-325,318**	**-**	**-**	**-2,346,111**
Impairment allowance							
Balance at 1 January 2017	**-**	**-11,089**	**-293**	**-21,299**	**-1,755**	**-**	**-34,436**
Impairment losses recognized in profit or loss	-	-	3	-187	-	-	**-184**
Disposals	-	8	42	3	-	-	53
Balance at 31 December 2017	**-**	**-11,081**	**-248**	**-21,483**	**-1,755**	**-**	**-34,567**
Impairment losses recognized in profit or loss	-	-21	-	-	-	-	-21
Reversals of impairment losses recognized in profit or loss	-	412	136	734	-	-	1,282
Disposals	-	9	-	2,324	-	-	2,333
Balance at 31 December 2018	**-**	**-10,681**	**-112**	**-18,425**	**-1,755**	**-**	**-30,973**
Net book value							
Balance at 31 December 2017	**83,736**	**224,189**	**480,869**	**101,838**	**79,792**	**44,611**	**1,015,035**
Balance at 31 December 2018	**83,736**	**218,595**	**459,466**	**108,654**	**307,674**	**12,248**	**1,190,373**

Alro

	Land	Buildings and special construction	Plant and machinery	Equipment and vehicles	Capital assets in progress	Advances for fixed assets	Total
Cost							
Balance at 1 January 2017	**63,680**	**533,925**	**1,616,749**	**274,603**	**26,733**	**4,596**	**2,520,286**
Additions	-	24	3,954	2,247	83,143	49,167	138,535
Transfer between categories	-	884	64,972	8,153	-60,296	-13,713	-
Disposals	-	-213	-3,989	-3,864	-	-	-8,066
Balance at 31 December 2017	**63,680**	**534,620**	**1,681,686**	**281,139**	**49,580**	**40,050**	**2,650,755**
Additions	-	47	1,348	715	204,609	7,906	214,625
Transfer between categories	-	822	49,333	9,701	-13,423	-46,433	-
Disposals	-	-40	-11,919	-3,492	-	-	-15,451
Balance at 31 December 2018	**63,680**	**535,449**	**1,720,448**	**288,063**	**240,766**	**1,523**	**2,849,929**
Accumulated depreciation							
Balance at 1 January 2017	**-**	**-363,208**	**-1,192,538**	**-240,534**	**-**	**-**	**-1,796,280**
Depreciation expense	-	-6,367	-70,584	-6,889	-	-	-83,840
Transfer between categories	-	-	17	-17	-	-	-
Eliminated on disposals of assets	-	205	3,902	3,860	-	-	7,967
Balance at 31 December 2017	**-**	**-369,370**	**-1,259,203**	**-243,580**	**-**	**-**	**-1,872,153**
Depreciation expense	-	-6,566	-69,442	-8,326	-	-	-84,334
Transfer between categories	-	-	41	-41	-	-	-
Eliminated on disposals of assets	-	33	10,006	3,476	-	-	13,515
Balance at 31 December 2018	**-**	**-375,903**	**-1,318,598**	**-248,471**	**-**	**-**	**-1,942,972**
Impairment allowance							
Balance at 1 January 2017	**-**	**-18,034**	**-4,440**	**-1,831**	**-**	**-**	**-24,305**
Disposals	-	8	42	-	-	-	50
Balance at 31 December 2017	**-**	**-18,026**	**-4,398**	**-1,831**	**-**	**-**	**-24,255**
Reversals of impairment losses recognized in profit or loss	-	412	109	-	-	-	521
Disposals	-	9	-	16	-	-	25
Balance at 31 December 2018	**-**	**-17,605**	**-4,289**	**-1,815**	**-**	**-**	**-23,709**
Net book value							
Balance at 31 December 2017	**63,680**	**147,224**	**418,085**	**35,728**	**49,580**	**40,050**	**754,347**
Balance at 31 December 2018	**63,680**	**141,941**	**397,561**	**37,777**	**240,766**	**1,523**	**883,248**

During the 12 months ended 31 December 2018 the Group acquired property, plant and equipment of RON 304,899 thousand (during the 12 months ended 31 December 2017: RON 212,913 thousand), while the Company acquired property, plant and equipment of RON 214,625 thousand (during the 12 months ended 31 December 2017: RON 138,535 thousand). Most of these assets were acquired on the purpose of the investment projects dedicated to the research infrastructure for high qualification industrial applications in Alro, and the project dedicated to the research of aluminum hydroxide technology (dry and wet) in Alum, which are co-financed by the European Fund for Regional Development, through the Competitiveness Operational Program 2014-2020, and are estimated to be placed into operation in 2019. Tranches amounting to RON 24,312 thousand were received by the Group from the above mentioned subsidies during the 12 months ended 31 December 2018 (during the same period of 2017, the Group received RON 11,670 thousand from the same subsidies) (see also Note 27).

At the same time, the Group and the Company allocated resources for the modernization of the Cold Rolling Mill no 2, 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 net book value of the *Property, plant and equipment* of the Group includes the amount of RON 16,315 thousand, of which RON 15,294 thousand at Company level, representing borrowing costs capitalized in accordance with *IAS 23 Borrowing costs* as revised (2017: RON 9,792 thousand for the Group and RON 9,662 thousand for the Company). The borrowing costs consist of interest and transaction costs that the Group and the Company incur in relation to the contracted loans. In 2018 at the Group level the borrowing costs capitalized in the property, plant and equipment were of RON 6,773 thousand and at the Company level they were of RON 5,871 thousand at an average interest rate of 5.99% p.a. for the Group and 6.01% p.a. for the Company (in 2017: RON 5,589 thousand at an average interest rate of 5.3% p.a. both at Group and Company level).

Other information regarding property, plant and equipment

	Alro Group		Alro	
	31 December 2018	31 December 2017	31 December 2018	31 December 2017
The net book value of the fixed assets purchased under financial leases	8,664	8,945	7,915	7,428
The net book value of the property, plant and equipment pledged to secure the borrowings	745,126	685,616	626,466	652,003
Gross book value of assets that are fully depreciated (cost)	781,930	885,388	561,633	549,497
Net book value of idle assets	16,579	10,948	13,946	9,794
Depreciation expense included in the Cost of goods sold during the reporting period	116,012	119,576	76,093	78,087

The Company has a building rented to a subsidiary included in the *Investment property* in the *Separate Statement of Financial Position* at a net book value of RON 4,356 thousand at 31 December 2018 and RON 4,646 thousand at 31 December 2017. The depreciation expense of this building was of RON 290 thousand in 2018 and 2017, and the income from rental was of RON 806 thousand in 2018 (2017: RON 795 thousand). At 31 December 2018, the fair value of the rented building is RON 37,888 thousand (at 31 December 2017: RON 11,756 thousand), based on the valuation performed by an independent appraiser that holds the necessary qualifications and experience for measuring such properties, and this is included on the 3rd level of the fair value measurement hierarchy.

Impairment tests for property, plant and equipment

There were no impairment indicators identified for the companies in the Group, therefore no impairment tests of the property, plant and equipment were performed at 31 December 2018 and 31 December 2017. The balance at 31 December 2018 includes mainly impairment allowance carried forward from the past for equipment and buildings kept idle.

14. Intangible assets

Alro Group	Development expenses	Other intangibles	Advances for intangibles	Total
Cost				
Balance at 1 January 2017	**4,368**	**41,807**	**-**	**46,175**
Additions	-	4,839	-	**4,839**
Translation adjustment	-	-1,573	-	**-1,573**
Balance at 31 December 2017	**4,368**	**45,073**	**-**	**49,441**
Additions	-	568	-	**568**
Disposals	-	-159	-	**-159**
Translation adjustment	-	722	-	**722**
Balance at 31 December 2018	**4,368**	**46,204**	**-**	**50,572**
Accumulated amortisation				
Balance at 1 January 2017	**-4,368**	**-36,406**	**-**	**-40,774**
				-
Amortisation expense	-	-1,582	-	**-1,582**
Translation adjustment	-	1,526	-	**1,526**
Balance at 31 December 2017	**-4,368**	**-36,462**	**-**	**-40,830**
Amortisation expense	-	-2,123	-	**-2,123**
Eliminated on disposals of assets	-	14	-	**14**
Translation adjustment	-	-699	-	**-699**
Balance at 31 December 2018	**-4,368**	**-39,270**	**-**	**-43,638**
Net book value				
Balance at 31 December 2017	**-**	**8,611**	**-**	**8,611**
Balance at 31 December 2018	**-**	**6,934**	**-**	**6,934**

Alro	Development expenses	Other intangibles	Advances for intangibles	Total
Cost				
Balance at 1 January 2017	**-**	**24,475**	**-**	**24,475**
Additions	-	3,756	-	3,756
Balance at 31 December 2017	**-**	**28,231**	**-**	**28,231**
Additions	-	400	-	**400**
Disposals	-	-145	-	-145
Balance at 31 December 2018	**-**	**28,486**	**-**	**28,486**
Accumulated amortisation				
Balance at 1 January 2017	**-**	**-19,641**	**-**	**-19,641**
				-
Amortisation expense	-	-831	-	-831
Balance at 31 December 2017	**-**	**-20,472**	**-**	**-20,472**
Amortisation expense	-	-1,672	-	-1,672
Balance at 31 December 2018	**-**	**-22,144**	**-**	**-22,144**
Net book value				
Balance at 31 December 2017	**-**	**7,759**	**-**	**7,759**
Balance at 31 December 2018	**-**	**6,342**	**-**	**6,342**

In *Other intangible assets* is included a software program that the Group and the Company acquired in 2017 at a cost of RON 3,564 thousand, to be used for production planning in the processed aluminum division.

15. Investments

The parent company **Alro** holds directly or indirectly the following investments in subsidiaries:

					31 December 2018
Subsidiary	**Registered office**	**Shareholding***	**Votes****	**Equity**	**Net result**
Alum S.A.	82, Isaccei St., Tulcea, Tulcea County, Romania	99.40%	99.40%	307,471	52,326
Vimetco Extrusion S.R.L.	1, Milcov St., Slatina, Olt County, Romania	100.00%	100.00%	30,150	6,761
Conef S.A.	64, Splaiul Unirii, Sector 4, Bucharest, Romania	99.97%	99.97%	58,099	-34,196
Global Aluminum Ltd.	Trinity Chambers, PO Box 4301, Road Town, Tortola, BVI	99.40%	100.00%	14,983	1,096
Bauxite Marketing Ltd.	Trinity Chambers PO Box 4301, Road Town Tortola, BVI	99.40%	100.00%	-623	-16
Sierra Mineral Holdings I, Ltd.	Sea Meadow House, Blackburne Highway, (P.O. Box 116), Road Town Tortola, BVI	99.40%	100.00%	-141,401	7,058

					31 December 2017
Subsidiary	**Registered office**	**Shareholding***	**Votes****	**Equity**	**Net result**
Alum S.A.	82, Isaccei St., Tulcea, Tulcea County, Romania	99.40%	99.40%	255,403	14,020
Vimetco Extrusion S.R.L.	1, Milcov St., Slatina, Olt County, Romania	100.00%	100.00%	23,394	3,992
Conef S.A.	64, Splaiul Unirii, Sector 4, Bucharest, Romania	99.97%	99.97%	129,507	7,669
Global Aluminium Ltd.	Trinity Chambers PO Box 4301, Road Town Tortola, BVI	99.40%	100.00%	26,089	1,471
Bauxite Marketing Ltd.	Trinity Chambers, PO Box 4301, Road Town, Tortola, BVI	99.40%	100.00%	-580	-4
Sierra Mineral Holdings I, Ltd.	Sea Meadow House, Blackburne Highway, (P.O. Box 116), Road Town Tortola, BVI	99.40%	100.00%	-141,428	78,358

*The shareholding represents the effective shareholding percentage of the Parent company in its subsidiaries (direct as well as indirect).

**The voting rights reported are those of the immediate Parent company or companies, where the immediate Parent company or companies are themselves controlled by Alro Group. Consequently, the voting rights reported above might differ significantly from the effective shareholding.

The equity and net result are determined according to the International Financial Reporting Standards and the accounting policies of the Group.

Subsidiaries

Alum S.A.,Tulcea, (Alum) is a company set up under the Romanian law and it was established in 1972. Alum is the only producer of calcinated alumina in Romania. Its main activity is the hydro-metallurgical processing of bauxite in order to obtain alumina (aluminium oxide), the main raw material used in aluminium production.
Alum is listed on the Bucharest Stock Exchange, the ATS market segment, AeRo category.

Vimetco Extrusion S.R.L. is a company set up under the Romanian law and its principal activity is the production of extruded aluminum products. The Company's administrative and managerial offices are located in Romania, with the headquarters in 1, Milcov Street, Slatina, Olt County, Romania.

Conef S.A. (Conef) is a company organized under the Romanian law and it was set up in 1991. The main activity of the company (according to the company's deeds) is trading with oil, minerals, and chemical products. In 2018, the main activity of the company was to manage a portfolio of shares in Alro. On 19 December 2018 Conef S.A. disposed entirely its 3.77% holding in Alro S.A. through an accelerated private placement offer for a cash consideration of RON 80,705 thousand.

On 1 May 2011 Alum acquired from Vimetco N.V. 100% of the company **Global Aluminium Ltd.** The assets of the latter included 100% shareholding in a bauxite mine in Sierra Leone, **Sierra Mineral Holdings I, Ltd.**, and 100% shareholding in **Bauxite Marketing Ltd.**

The bauxite mine supplies a significant part of the necessary raw material for the alumina refinery Alum S.A.

The value of Alro's financial investments was:

	2018	2017
Cost		
Balance at 1 January	**571,108**	**571,108**
Additions	-	-
Balance at 31 December	**571,108**	**571,108**
Impairment allowance		
Balance at 1 January	-123,551	-147,463
Reversal of impairment of financial assets	9,023	23,912
Impairment loss of financial assets	-7,739	-
Balance at 31 December	**-122,267**	**-123,551**
Net book value		
Balance at 1 January	**447,557**	**423,645**
Balance at 31 December	**448,841**	**447,557**

The Company's investments in other companies in which it holds control over the financial and operational policies are accounted for at cost less the impairment.

As at 31 December 2018, the management of the Company carried out an impairment review of the financial investments and as a result of the test, the recovery value of the investments was determined to be higher than their book value, therefore a net reversal of impairment in amount of RON 1,284 thousand (2017: RON 23,912 thousand) was recognized. A reversal of impairment in amount of RON 9,023 thousand was recognised for the investment in Alum and an impairment loss of RON 7,739 thousand was recognised for the investment in Conef.

The recoverable value of the investment in Alum was determined based on the fair value, calculated by the discounted cashflow method (DCF). In the discounted cashflow method, future cashflows were used, based on forecasts estimated by the management, which cover a period of 5 years (2018 – 2022) (in 2017: 5 years), discounted at a rate of 11.0% per year (2017: 10.6% per annum). The cashflows beyond that period have been extrapolated using a growth rate of 2.2% per year (2017: 1% per annum). The fair value measurement was categorized as a Level 3 fair value based on the inputs in the valuation techniques used (see Note 31).

Key assumptions:

	2018	2017
Discount rate	11.54%	10.60%
Growth rate, average of next five years (2017: five years)	1.71%	6.73%
EBITDA margin, average of next five years (2017: five years)	5.77%	7.84%
EBITDA margin, terminal value	5.83%	8.26%

The estimated fair value of the investment in Alum exceeded its carrying amount by RON 9,023 thousand (2017: was above by RON 23,912 thousand). The following table shows the value up to which the key assumptions used would need to change individually for the estimated fair value of the investment to be equal to the carrying amount:

	2018	2017
Discount rate	11.97%	11.34%
Growth rate, average of next five years	0.71%	5.71%
EBITDA margin, average of next five years	5.35%	6.86%
EBITDA margin, terminal value	5.61%	7.81%

An impairment loss of RON 7,739 thousand was recognised on Alro investment in Conef, following the disposal of its 3.77% portfolio of shares held in Alro. The recoverable value of the investment in Conef was determined with reference to its net assets value as at 31 December 2018 (31 December 2017: no impairment indications were identified).

There were no impairment indications identified for the investment in Vimetco Extrusion, therefore no impairment test was performed as at 31 December 2018 and 2017 on this investment.

The details of the acquisition cost of the Company's investments in subsidiaries as at 31 December 2018 and 2017 are the following:

Name of subsidiary	Basic activity	No. of shares	Cost of purchase (RON/share)	Procentage of ownership / voting (%)	Cost of purchase(RON thousand)
Conef	- holding	2,675,914	24.604	99.97%	65,838
Vimetco Extrusion	- metalurgy industry of aluminium	2,189,320	10.00	100.00%	21,893
Alum	- production of	72,355,909	5.95	99.40%	430,518
	alumina	6,052,951	5.60		33,896
		3,187,000	5.95		18,963
Total					**571,108**

The carrying amount of the Company's investments in subsidiaries as at 31 December 2018 and 2017 are presented in the table below:

Name of subsidiary	31December 2018	31 December 2017
Conef	58,099	65,838
Vimetco Extrusion	21,893	21,893
Alum	368,849	359,826
Total	**448,841**	**447,557**

All the entities mentioned above are incorporated in Romania.

16. Goodwill

	Alro Group	
Cost	**2018**	**2017**
Balance 1 January	155,005	165,364
Translation adjustment	4,581	-10,359
Balance at 31 December	**159,586**	**155,005**
Impairment		
Balance 1 January	-67,520	-70,298
Translation adjustment	-1,229	2,778
Balance at 31 December	**-68,749**	**-67,520**
Net book value		
Balance at 31 December	**90,837**	**87,485**

The goodwill is allocated to the cash-generating units at 31 December 2018 and 2017 as follows (after translation adjustments and impairment):

	Alro Group	
	31 December 2018	**31 December 2017**
Alro Group	71,677	69,162
Global Aluminium Ltd.	18,734	17,897
Goodwill at acquisition of Vimetco Extrusion	426	426
Total	**90,837**	**87,485**

The goodwill allocated to Alro Group results from the acquisitions and transactions under common control and at 31 December 2018 includes an amount of RON 15,408 thousand (2017: RON 15,408 thousand) representing the goodwill at acquisition of Alprom and RON 56,270 thousand (2017: RON 53,754 thousand) representing the goodwill at initial acquisition of Global Aluminium Ltd. by Vimetco N.V. allocated for impairment test purposes to the group of cash generating units Alro Group.

Impairment of goodwill

The accumulated impairment loss as at 31 December 2018 was recognised in the past for the entire goodwill allocated on acquisition of Alum in amount of RON 41,264 thousand and partially for the goodwill allocated to Sierra Leone CGU on acquisition of Global Aluminium Ltd. in amount of RON 27,485 thousand (2017: RON 41,264 thousand for Alum and RON 26,256 for Sierra Leone accordingly).

In 2018, the recoverable amount of cash-generating unit **Alro Group** was determined based on fair value less costs of disposal, estimated using discounted cash-flow techniques and applying a market-based measurement. This method requires eliminating all owner specific synergies from the cash-flow projections other than those synergies that any market participant would be able to realize. The fair value measurement was categorized as a Level 3 fair value measurement based on the inputs in the valuation technique used (see Note 31).

The cash flow projections were based on the business plan estimated by the directors covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated growth rates stated below.

The key assumptions used in the estimation of the recoverable amount are set out in the following table. The values assigned to key assumptions and estimates used to measure the recoverable amount of the CGU Alro Group reflect past experience, are consistent with external sources of information and are based on management's expectations of market development. The production quantities were estimated based on past experience, represent management's best estimate of future production and reflect company's investment plans. Sales prices were based on the long-term aluminium prices derived from available industry and market sources. Operating costs were projected based on the historical performance and adjusted for the current market conditions and inflation.

Key assumptions	2018	2017
Discount rate, after-tax	9.6%	9.2%
Growth rate (average of next five years)	6.5%	6.8%
EBITDA margin (average of next five years)	13.7%	15.7%

The discount rate is the CGU weighted-average of the cost of equity of the CGU, i.e. 9.8% (in 2017: 9.7%), calculated based on the average unlevered betas of comparable companies within the industry and of a cost of debt after tax of 4.9% (in 2017: 4.0%), using the CGU's debt leverage of 4.6% (in 2017: 8.0%).

Growth rates during the next five years are based on published industry research, directors' future expectations of economic and market conditions, the result of capital investments and anticipated efficiency improvements. The growth rate beyond the five-year period was assumed in line with the forecasted inflation, namely 2.2% (in 2017: 1%).

EBITDA margin is the average margin as a percentage of revenue over the five-year forecast period. It is based on the average levels experienced over the past years, with adjustments made to reflect the expected future sales volumes and price fluctuations.

The estimated recoverable amount of the CGU Alro Group exceeded its carrying amount by approximately RON 1,977,000 thousand (2017: RON 1,617,000 thousand) and for CGU Global Aluminium Ltd. by approximately RON 73,000 thousand (2017: RON 89,000 thousand).

The most sensitive key assumptions used in impairment test of CGU Alro Group are the discount rate and EBITDA margin. An increase of the discount rate to 16.9% and a decrease of EBITDA margin to 9.9% applicated separately, would cause the estimated recoverable amount to be equal to the carrying amount (2017: increase to 16.4% and decrease to 10.8% respectively). For the other assumptions management considers that there are no reasonably possible modifications that would lead to an impairment of the goodwill allocated to CGU Alro Group.

The recoverable amount of cash-generating units operating in Sierra Leone (Global Aluminium Ltd.) was determined based on fair value less costs of disposal, estimated using discounted cash-flow techniques and applying a market-based measurement. Financial forecasts estimated by the directors at 31 December 2018 and 2017 cover a five-year period. The after-tax discount rate is of 19.4% per annum (in 2017: 17.2% until 2018 and 19.2% thereafter). The cash flows beyond the five-year period have been extrapolated until the year 2035, when the estimated reserves (measured and indicated) will be depleted at a 2.2% growth rate in line with the forecast inflation (in 2017: 2%), except for the terminal year when a reduced production is foreseen at the level of the remaining reserves. The fair value measurement was categorized as a Level 3 fair value based on the inputs in the valuation technique used (see Note 31).

The key assumptions for the cash-generating unit Global Alumininium Ltd. are:

	2018	2017
Discount rate, after-tax	19.4%	17.2%
Growth rate (average of next five years)	1.0%	4.1%
EBITDA margin (average of next five years)	18.7%	19.9%

The discount rate is the CGU weighted-average cost of equity of 20.2% (in 2017: 18.3%), calculated based on the average unlevered betas of comparable companies within the industry and of a cost of debt after tax of 1.1% (in 2017: 6.0%), using the CGU's debt leverage of 4.3% (in 2017: 9.3%).

Growth rates during the next five years are based on the current contract with Alum reflecting the price in the market for long term contracts and on the company's intention to develop sales to third party clients.

EBITDA margin is the average margin as a percentage of revenue over the five-year forecast period. It is based on the external analysis and the expected future sales volumes and prices, coupled with CGU's cost cutting efforts.

The most sensitive key assumption used in impairment test of CGU Global Alumininium Ltd. are the discount rate and EBITDA margin. An increase of the discount rate to 25.39% and a decrease of EBITDA margin to 13.20% applied separately, would cause the estimated recoverable amount to be equal to the carrying amount (2017: a decrease of growth rate to 0.98% and EBITDA margin to 8.78%). For the other assumptions management considered that there are no reasonably possible modifications that would lead to an impairment of the goodwill allocated to CGU Global Alumininium Ltd.

17. Other non-current assets

	Alro Group		Alro	
	31 December 2018	31 December 2017	31 December 2018	31 December 2017
Collateral deposits	45,200	45,200	45,200	45,200
Amounts paid in advance	7,434	12,947	7,434	12,947
Other non-current assets	-	-	-	9,389
Total	**52,634**	**58,147**	**52,634**	**67,536**

Collateral deposits represent cash placed with a bank until November 2020 as a pledge for a revolving loan and a non-cash facility contracted by the Company.

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.

The outstanding balance of *Other non-current assets* as at 31 December 2017 included receivables from a subsidiary resulting from various services performed or utilities reinvoiced during the reporting year, which were reflected as long-term assets by the Company in accordance with the agreed terms of receipt. During 2018, the respective amounts were entirely collected.

18. Inventories

	Alro Group		Alro	
	31 December 2018	31 December 2017	31 December 2018	31 December 2017
Raw and auxiliary materials	368,452	304,386	254,993	221,889
Work in progress	224,405	161,296	156,426	104,798
Finished goods	270,320	220,303	232,451	193,871
Less: allowance for obsolescence	-28,148	-15,180	-17,600	-5,101
Total	**835,029**	**670,805**	**626,270**	**515,457**

The category "Finished goods" includes Alro's finished goods of aluminium, as well as the alumina produced that is on stock at Alum and the bauxite stock of the subsidiary in Sierra Leone. In the category " Raw and auxiliary materials" are included: at Alro alumina and other raw materials and auxiliary materials needed for aluminium production, and, at the Group level, also the bauxite on stock at Alum.

The value of inventories pledged for securing the Group's and the Company's borrowings amounts to RON 779,508 thousand for the Group and RON 626,270 thousand for the Company (at 31 December 2017: RON 515,457 thousand for the Group and the Company).

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

	Alro Group		Alro	
	2018	2017	2018	2017
Balance at beginning of the year	-15,180	-21,278	-5,101	-10,179
(Charge) to cost of goods sold	-12,545	-34	-12,499	-
Reversal to cost of goods sold	43	5,078	-	5,078
Translation adjustments	-466	1,054	-	-
Balance at end of the year	**-28,148**	**-15,180**	**-17,600**	**-5,101**

19. Trade receivables, net

	Alro Group		Alro	
	31 December 2018	31 December 2017	31 December 2018	31 December 2017
Foreign trade receivables	42,562	46,563	35,146	39,459
Domestic trade receivables	30,670	32,452	108,959	108,116
Allowance for doubtful receivables	-3,106	-2,162	-770	-813
Total	**70,126**	**76,853**	**143,335**	**146,762**

The concentration of credit risk is limited due to the fact that the customer portfolios of the Group and of the Company are large and unrelated.

As at 31 December 2018, the highest 5 trade receivables of the Group accounted for nearly 28% of the net trade receivables (at 31 December 2017: nearly 49%). In 2018, two clients individually accounted for more than 5% of the Group's turnover, i.e. 8% and 6% (in 2017: 1 client, with 7%).

As concerns the Company, at 31 December 2018, the major part of the outstanding receivables is formed by related parties (mostly subsidiaries), i.e. 65% in 2018 and 63% in 2017 (please refer to Note 30 for details). In respect of third party clients, 3 clients accounted individually for slightly more than 5% of the outstanding balance at 31 December 2018 (at 31 December 2017, 3 clients accounted for slightly more than 5% of the outstanding balance). In 2018, 3 clients individually accounted for more than 5% of the Company's turnover, of which the top client was a subsidiary, with 8% of the Company's turnover (in 2017: 2 clients accounted individually for more than 5% of the turnover, one of them being a subsidiary).

The Company and its subsidiaries sell significant trade receivables under the existing factoring agreements on a non-recourse basis, so that the risks and rewards related to the receivables are substantially transferred to a factor and as a result the transferred amount at the transfer date is derecognized, and the factoring fees and related interest are recognized at the payment date.

Amounts available under factoring agreements

	Alro Group		Alro	
	31 December 2018	31 December 2017	31 December 2018	31 December 2017
Factoring ceiling amounts, of which:	785,279	699,591	759,628	680,266
Factoring amounts utilized	414,279	385,949	406,631	377,883

The Group and the Company have established a provision matrix that is based on the Group’s and Company's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

In determining the recoverability of a trade receivable, the Group and Company consider any change in the credit quality of the customer from the date the credit was initially granted up to the reporting date and adjusted for forward-looking factors specific to the debtors and the economic environment.

Accordingly, the Group and the Company's management believes that there is no further credit provision required in excess of the allowance for doubtful receivables already provided for.

Movement in the allowance for doubtful trade receivables is as follows:

	Alro Group		Alro	
	2018	2017	2018	2017
Balance at beginning of the year	-2,162	-1,612	-813	-327
Charge in the current year	-1,238	-978	-175	-486
Release in the current year	167	428	91	-
Utilization of allowances	127	-	127	-
Balance at end of the year	**-3,106**	**-2,162**	**-770**	**-813**

Trade receivables, ageing is provided below:

	Alro Group		Alro	
	31 December 2018	31 December 2017	31 December 2018	31 December 2017
Not past due and not impaired	51,194	61,432	104,907	109,821
Past due but not impaired	18,543	14,210	38,960	36,817
Past due and impaired	3,495	3,373	238	937
Less: Allowance for doubtful receivables	-3,106	-2,162	-770	-813
Total	**70,126**	**76,853**	**143,335**	**146,762**

Trade receivables past due but not impaired at 31 December are as follows:

	Alro Group		Alro	
	31 December 2018	31 December 2017	31 December 2018	31 December 2017
Less than 3 months	15,164	10,554	19,121	7,210
3 months to 6 months	95	364	11,284	421
More than 6 months	3,284	3,292	8,555	29,186
Total	**18,543**	**14,210**	**38,960**	**36,817**

These relate to a number of independent customers or related party entities, for which there is no recent history of default. Refer also to *Note 31 Risk management* for further details.

A part of the Group receivables (RON 51,807 thousand at 31 December 2018 and RON 30,130 thousand at 31 December 2017) and of the Company's (RON 133,901 thousand at 31 December 2018 and RON 120,487 thousand at 31 December 2017) are pledged to secure the loans obtained from banks.

20. Other current assets

	Alro Group		Alro	
	31 December 2018	31 December 2017	31 December 2018	31 December 2017
VAT recoverable	59,699	51,146	41,720	35,258
Other current assets	342,452	4,482	338,392	875
Advances to suppliers	10,583	8,704	76,471	170,848
Prepayments	18,463	15,247	15,900	13,199
Allowance for other doubtful debtors	-19	-47	-3	-29
Total other current assets	**431,178**	**79,532**	**472,480**	**220,151**

Movement in allowance for other doubtful debtors is as follows:

	2018	2017	2018	2017
Balance at beginning of the year	-47	-47	-29	-29
Release / (charge) in the current year	28	-	26	-
Balance at end of the year	**-19**	**-47**	**-3**	**-29**

'Other current assets' include an amount of RON 326,600 thousand, representing interim dividends declared as per applicable regulations (the Order of the Minister of Public Finances no. 3067/2018 on completing certain accounting regulations), for the 9 months ended 30 September 2018, distributed by the Parent Company from the net accounting profit of the period, and from retained earnings carried forward from previous years. Until the approval by the General Shareholders' Meeting of the annual financial statements for 2018, when the final dividends are declared, the interim dividends do not affect the equity and they are also presented in the category 'Other current liabilities' under the heading 'Dividends payable' (for further details see Note 12 and Note 29).

At Company level, the category 'Advances to suppliers' contains mainly down payments to one of the subsidiaries for the acquisition of raw materials. During 2018, a great part of these down payments were reduced, as the Group pursues an optimum management of its resources.

21. Cash and cash equivalents

	Alro Group		Alro	
	31 December 2018	31 December 2017	31 December 2018	31 December 2017
Cash at banks in RON	67,202	7,739	4,422	1,898
Cash at banks in other currencies	136,368	313,046	132,021	307,833
Petty cash and cash equivalents	39	43	2	5
Total	**203,609**	**320,828**	**136,445**	**309,736**

At 31 December 2018 and 2017, a great part of cash was held in current accounts opened with reputable private banks in Romania or with State owned banks.

A part of the Group's bank accounts (RON 137,289 thousand as at 31 December 2018 and RON 309,736 thousand as of 31 December 2017) and of the Company (RON 136,445 thousand as at 31 December 2018 and RON 309,736 thousand as of 31 December 2017) are pledged to guarantee the borrowings from banks.

Restricted cash:

	Alro Group		Alro	
	31 December 2018	31 December 2017	31 December 2018	31 December 2017
Restricted cash	8,370	67,009	5,084	60,440
Total	**8,370**	**67,009**	**5,084**	**60,440**

The change in restricted cash of RON 58,639 thousand at the Group level and RON 55,356 thousand at the Company level, reflected in the Statement of Cashflows for 2018 is mainly due to the fact that in January 2018, a letter of credit opened out of own funds amounting to RON 24,883 thousand was replaced with amounts pledged from a non-cash facility contracted by the Group in the end of 2017 and at the same time several letters of credit issued for the acquisition of property, plant and equipment amounting to RON 30,476 thousand reached maturity in May 2018.

At 31 December 2018, in addition to the above figures the Group has the amount of RON 45,200 thousand representing cash placed with a bank until December 2020 as a pledge for a revolving loan and a non-cash facility contracted by the Group. The amounts are included in Other non-current assets on the Statement of Financial Position due to the maturity of the deposits, which is longer than 1 year (see Note 17).

22. Share capital

The share capital of the Parent Company issued and paid in as at 31 December 2018 and 2017 has the following structure (values recorded with the Trade Registry):

	31 December 2018		
	Number of shares	Nominal value (RON 000)	%
Vimetco N.V.	386,795,344	193,399	54.19
Paval Holding S.R.L.	165,679,915	82,834	23.21
Fondul Proprietatea	72,884,714	36,438	10.21
Fondul de Pensii NN	31,500,000	15,739	4.41
Fondul de Pensii Allianz	23,333,333	11,670	3.27
Others	33,585,829	16,810	4.71
Total	**713,779,135**	**356,890**	**100.00**

	31 December 2017		
	Number of shares	Nominal value (RON 000)	%
Vimetco N.V.	600,929,084	300,465	84.19
Fondul Proprietatea	72,884,714	36,442	10.21
Conef S.A.	26,901,571	13,451	3.77
Others	13,063,766	6,532	1.83
Total	**713,779,135**	**356,890**	**100.00**

The major shareholder of Alro S.A. is Vimetco N.V., Netherlands, owned by Vi Holding N.V. (Curaçao).

The nominal value of each share is RON 0.5 (2017: RON 0.5). Each ordinary share carries one vote per share and carries the right to dividends.

In December 2018, the majority shareholder, Vimetco N.V., together with the shareholder Conef S.A., launched an accelerated private placement offer of a package of Alro shares, representing a cumulative percentage of approximately 33.77% of the share capital of the issuer. Following this operation, Conef S.A. disposed of its entire shareholding in Alro and the majority shareholder Vimetco N.V. will continue to hold a stake of about 54.19% of Alro share capital.

The difference between the nominal value and the value of RON 370,037 thousand reported in the *Statement of Financial Position* of Alro as of 31 December 2018 and 2017, is represented by hyperinflation adjustments that were booked in accordance with *IAS 29 Financial Reporting in Hyperinflationary Economies* until 31 December 2003, less the amount of these adjustments utilized for covering the accounting loss carried forward, in accordance with the approval of the General Shareholders' Meeting held in 2014.

23. Other reserves

	Alro Group		Alro	
	31 December 2018	31 December 2017	31 December 2018	31 December 2017
Legal reserve	83,900	80,585	71,378	71,378
Other reserves	283,935	283,935	234,813	234,813
Translation reserve	-23,502	-32,978	-	-
Total	**344,333**	**331,542**	**306,191**	**306,191**

The legal reserve is made up at 20% of the issued and paid shared capital of the Romanian Companies, according to the regulations in force, it is not distributable and its utilization is strictly regulated by the laws (please refer to Note 22).

Other reserves include mainly amounts that were generated by fiscal facilities obtained during 2001- 2003, by profit distribution to the development fund done until 2000 and by application of IAS 29.

The translation reserve represents foreign exchange differences resulting from the conversion of the foreign operations of the subsidiaries that have the functional currency different from RON, namely Sierra Mineral Holdings 1 Ltd, Global Aluminium Ltd. and Bauxite Marketing Ltd.

24. Borrowings and financial lease

	Alro Group		Alro	
	31 December 2018	31 December 2017	31 December 2018	31 December 2017
Long-term borrowings				
Long-term bank loans	944,344	911,453	884,091	908,942
Less: Short-term portion of long-term bank loans	-73,563	-66,509	-73,263	-63,998
Bank loans, non-current	***870,781***	***844,944***	***810,828***	***844,944***
Finance leases	3,550	4,300	3,350	3,920
Total long-term borrowings and finance lease	**874,331**	**849,244**	**814,178**	**848,864**
Short-term borrowings				
Short-term bank loans	-	385	-	-
Short-term portion of long-term bank loans	73,563	66,509	73,263	63,998
Short-term bank loans, total	***73,563***	***66,894***	***73,263***	***63,998***
Finance leases	2,500	2,411	2,231	1,780
Total short-term borrowings and finance lease	**76,063**	**69,305**	**75,494**	**65,778**
Total borrowings and finance lease	**950,394**	**918,549**	**889,672**	**914,642**

The bank borrowings of the Group and the Company will mature until 2023 and the related interest rates ranged between 2.80% for EUR and 19% for SLL (Sierra Leone Leones) in 2018 at Group level (in 2017: between 0.40% for EUR and 23% for SLL) and at Company level between 2.80% for EUR and 6.75% for USD (in 2017: between 0,40% for EUR and 5.66% for USD).

For the exposure of the Group and the Company's borrowings to interest rate changes, please refer to Note 31.

In May 2018 the Group subsidiary Alum signed two credit facilities by an agreement with two banks, one in amount of USD 20,000 thousand and the other one in amount of USD 5,000 thousand, repectively, for financing investment projects. The loans will be repaid in seven half-yearly instalments with a grace period of two years. On 31 December 2018 the amount drawn down from these loans was of RON 61,104 thousand (USD 15,000 thousand).

In May 2018, the Group subsidiary Sierra Leone renewed for 1 year the overdraft limit for the amount of RON 1,047 thousand (SLL 2,000,000 thousand) for working capital.

At 31 December 2018, the Group had the amount of RON 43,966 thousand undrawn from the borrowing facilities contracted with the banks (at 31 December 2017: RON 594 thousand).

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, net debt to EBITDA, current ratio, net financial debt to shareholders equity, solvency ratio.

At 31 December 2018, the Group and the Company were compliant with all the financial loan covenants.

In December 2017 the Company signed the extension until November 2020 of a non-cash faciliy for letters of credit and letters of guarantee of EUR 10,000 thousand and its conversion to RON 46,000 thousand. At 31 December 2018, the Group and the Company had the amount of RON 3,592 thousand unutilized and available from this facility (at 31 December 2017, it had RON 5,289 thousand).

From another non-cash facility of USD 30,000 thousand for letters of credit and letters of guarantee obtained in the end of 2017, the Company had the amount of RON 6,982 thousand available at 31 December 2018 (31 December 2017: RON 41,489 thousand).

The Group and the Company borrowings are secured with accounts receivable amounting to RON 51,807 thousand for the Group and RON 133,901 thousand for the Company (at la 31 December 2017: RON 30,130 thousand for the Group and RON 120,487 thousand for the Company), with its current accounts opened with banks (see Note 21), with collateral deposits of RON 45,200 thousand for the Group and

the Company (at 31 December 2017: RON 45,200 thousand), with property, plant and equipment (land, buildings, equipment) with a net book value of RON 745,126 thousand for the Group and RON 626,466 thousand for the Company (2017: RON 685,616 thousand for the Group and RON 652,003 thousand for the Company) and with inventories of RON 779,508 thousand for the Group and RON 626,270 thousand for the Company (2017: RON 515,457 thousand for both Group and Company).

The Group and the Company have estimated that the fair value of the borrowings and the finance leases equals their carrying amount, mainly 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.

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 8,664 thousand at 31 December 2018 (31 December 2017: RON 8,945 thousand) and at Company level was RON 7,915 thousand (31 December 2017: RON 7,428 thousand).

The minimum lease payments for finance leases are set out below:

	Alro Group		Alro	
	31 December 2018	31 December 2017	31 December 2018	31 December 2017
Lease instalments falling due:				
Within 1 year	2,664	2,618	2,382	1,953
1 to 5 years	3,668	4,476	3,461	4,097
Total lease instalments	**6,332**	**7,094**	**5,843**	**6,050**
Less: future finance charges	282	383	262	350
Present value of lease obligations	**6,050**	**6,711**	**5,581**	**5,700**
Thereof:				
Short-term finance lease obligation (less than 1 year)	2,500	2,411	2,231	1,780
Long-term finance lease obligations (1 to 5 years)	3,550	4,300	3,350	3,920

Changes in liabilities arising from financing activities of Alro Group:

	Bank and other loans	Finance leases	Dividends payable
Balance at 1 January 2018	**911,838**	**6,711**	**2,941**
New contracts	60,426	2,212	-
Cash outflows	-67,410	-2,806	-365,415
Interest expense	44,076	215	-
Interest paid	-40,979	-215	-
Interest capitalised	6,773	-	-
Dividends declared	-	-	694,253
Translation differences	29,620	-67	-
Balance at 31 December 2018	**944,344**	**6,050**	**331,779**

Changes in liabilities arising from financing activities of Alro standalone:

	Bank and other loans	Finance leases	Dividends payable
Balance at 1 January 2018	**908,942**	**5,700**	**2,941**
New contracts	-	2,108	
Cash outflows	-64,301	-2,165	-379,803
Interest expense	42,367	187	-
Interest paid	-36,570	-187	-
Interest capitalised	5,871	-	-
Dividends declared	-	-	708,636
Translation differences	27,782	-62	-
Balance at 31 December 2018	**884,091**	**5,581**	**331,774**

Changes in liabilities arising from financing activities of Alro Group:

	Bank and other loans	Finance leases	Dividends payable
Balance at 1 January 2017	**1,047,779**	**6,787**	**2,527**
New contracts	-	2,360	-
Cash outflows	-71,769	-2,756	-64,273
Interest expense	48,040	296	-
Interest paid	-57,483	-296	-
Interest capitalised	5,588	-	-
Dividends declared	-	-	64,687
Translation differences	-60,317	320	-
Balance at 31 December 2017	**911,838**	**6,711**	**2,941**

Changes in liabilities arising from financing activities of Alro standalone:

	Bank and other loans	Finance leases	Dividends payable
Balance at 1 January 2017	**1,018,071**	**5,718**	**2,527**
New contracts	-	1,782	-
Cash outflows	-44,658	-2,102	-66,806
Interest expense	46,875	221	-
Interest paid	-56,365	-221	-
Interest capitalised	5,588	-	-
Dividends declared	-	-	67,220
Translation differences	-60,569	302	-
Balance at 31 December 2017	**908,942**	**5,700**	**2,941**

25. Provisions

Alro Group

	Provision for employee remuneration	Provision for land restoration	Provisions for fines and penalties	Total
Balance at 1 January 2017	**-**	**33,520**	**177**	**33,697**
Additional provisions recognised	25,825	-	999	**26,824**
Unwinding of discount	-	1,249	-	**1,249**
Reversal of provision	-	-2,864	-171	**-3,035**
Translation adjustment	-	-1,136		**-1,136**
Balance at 31 December 2017	**25,825**	**30,769**	**1,005**	**57,599**
Thereof:				
Current	25,825	-	1,005	**26,830**
Non-current	-	30,769	-	**30,769**
Additional provisions recognised	30,132	231	561	**30,924**
Unwinding of discount	-	1,319	-	**1,319**
Utilisation of provisions	-21,514	-		**-21,514**
Reversal of provision	-4,544	-	-232	**-4,776**
Translation adjustment	-	535		**535**
Balance at 31 December 2018	**29,899**	**32,854**	**1,334**	**64,087**
Thereof:				
Current	29,899	-	1,334	**31,233**
Non-current	-	32,854	-	**32,854**

Alro

	Provision for employee compensation	Provision for land restoration	Provisions for fines and penalties	Total
Balance at 1 January 2017	**-**	**1,193**	**-**	**1,193**
Additional provisions recognised	25,516	-	-	**25,516**
Unwinding of discount		46	-	**46**
Balance at 31 December 2017	**25,516**	**1,239**	**-**	**26,755**
Thereof:				
Current	25,516	-	-	**25,516**
Non-current	-	1,239	-	**1,239**
Additional provisions recognised	26,606	-	-	**26,606**
Unwinding of discount	-	48	-	**48**
Utilisation of provision	-20,972	-	-	**-20,972**
Reversal of provision	-4,544	-	-	**-4,544**
Balance at 31 December 2018	**26,606**	**1,287**	**-**	**27,893**
Thereof:				
Current	26,606	-	-	**26,606**
Non-current	-	1,287	-	**1,287**

The provisions for employees compensation are recognized by the Group basically in accordance with the Collective Labour Agreements and with GSM decisions regarding the Directors' remuneration *(see also Note 7 General, administrative and selling expenses)*. The exact amount and timing of the remuneration will be established after the approval of the financial statements for the year 2018.

The provision for land restoration is related to the rehabilitation of the premises where the Company and its subsidiaries deposit scrap from production. According to the environment regulations, the land underneath the waste deposits must be restored until a certain date specified by specific authorisations. The provisions are based on the estimation of expenses necessary to perform the restauration works at the time when they are expected to be incurred, discounted to their present value at 31 December 2018 and are related to: the red mud lake in Tulcea: RON 19,468 thousand, the rehabilitation of the premises of the bauxite mine: RON 12,099 thousand and the cost recognized by the Parent Company for the rehabilitation of the locations on which it deposits industrial waste in Slatina: RON 1,287 thousand. The Group estimates that the costs would be incurred in 5 - 14 years' time and calculates the provisions using the DCF method based on the following assumptions: estimated range of cost: RON 39 – RON 67 per square meter in Romania and USD 6 per square meter in Sierra Leone, and discount rates of 3.9% - 4.3% for Romania and 4.7% for Sierra Leone.

26. Employee benefits

The Group and the Company recognized employment benefits expenses representing salaries and other staff costs as follows:

	Alro Group		Alro	
	2018	**2017**	**2018**	**2017**
Salaries and other staff costs	385,595	349,427	262,011	247,879

Defined contribution plans

The employees of the Group and the Company are members of the state-managed retirement benefit plans from the countries where the Group and the Company are operating and in Romania also of private pension funds. The Group and the Company contribute a specified percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group and the Company with respect to the retirement benefit plan is to make the specified contributions during the period of employment of the respective employees.

The Group and the Company have an arrangement in place to make payments to an optional defined contribution plan for the post-employment benefit of a part of their employees that have rendered service to the Group and the Company during the period. The defined contribution plan is managed by a separate entity and the contribution made by the Group and the Company is in the form of fixed amounts per employee, paid monthly. The Group and the Company recognized the liability undiscounted (accrued expense) at the reporting date after deducting any contribution already paid, and the expense incurred during the year, the Group's and the Company's legal and constructive obligation being limited to the amounts that it contributes to the fund.

Contributions to defined contribution plans

	Alro Group		Alro	
	2018	2017	2018	2017
Social insurance costs	3,816	37,459	3,355	29,031
Other defined contribution pension plans	2,800	2,105	2,107	1,688

Starting with 1 January 2018, following the legislative changes in Romania, social security contributions were transferred from the employer's liability to the employee's liability.

Defined benefit plans - post-employment benefits

According to the collective labour agreements, when retiring due to age or illness, the employees benefit from a retirement bonus which is computed based on the number of years of work.

The most recent actuarial valuations of the benefit plan and the present value of the defined benefit obligation were carried out at 31 December 2018 by an independent actuarial specialist. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

The principal assumptions used for the purposes of the actuarial valuations were as follows:

	Alro Group	
	31 December 2018	31 December 2017
Discount rate (%)	4.98	4.13
Estimated salary increase rate (%)	4.18	4.30
Estimated inflation rate (%)	2.68	2.72

Amounts recognised in profit or loss in respect of these defined benefit plans are as follows:

	Alro Group		Alro	
	2018	2017	2018	2017
Current service cost	2,555	2,134	1,669	1,308
Interest cost on obligation	1,700	1,335	1,375	1,096
Total expense	**4,255**	**3,469**	**3,044**	**2,404**

The expense on current service cost for the year is included in the statement of profit or loss and other comprehensive income as Cost of goods sold (2018: RON 1,822 thousand, 2017: RON 1,657 thousand for Group and 2018: RON 1,049 thousand, 2017: RON 940 thousand for Company) and administrative expenses (2018: RON 733 thousand, 2017: RON 477 thousand for Group and for Company 2018: RON 620 thousand, 2017: RON 368 thousand), and interest cost on obligation as Interest expense.

The movement of the present value of the obligation regarding the determined benefits was the following:

	Alro Group		Alro	
	2018	2017	2018	2017
Balance at 1 January	**41,569**	**36,884**	**36,019**	**32,220**
Included in profit or loss:				
Current service cost	2,555	2,134	1,669	1,308
Interest cost on obligation	1,700	1,335	1,375	1,096
Included in other comprehensive income:				
Actuarial changes arising from changes in demographic assumptions	-17	-130	-5	-181
Actuarial changes arising from changes in financial assumptions	-1,538	513	-985	596
Actuarial changes arising from changes in experience adjustments	1,965	3,777	464	2,980
Benefits paid	-3,618	-2,706	-2,737	-2,000
Translation adjustment	-6	-238	-	-
Balance at 31 December	**42,610**	**41,569**	**35,800**	**36,019**

Significant actuarial assumptions for the determination of defined benefit obligation are: discount rate, estimated salary increase rate and estimated inflation rate. The sensitivity analysis below has been determined based on reasonably possible changes of the respective assumptions occuring at the end of the reporting period, while holding all other assumptions constant:

Defined benefit obligation change

	Alro Group		Alro	
	2018	2017	2018	2017
Discount rate +1%	-3,475	-3,447	-2,780	-2,993
Discount rate -1%	3,833	4,192	3,218	3,487
Estimated salary increase rate +1%	3,885	4,207	3,244	3,498
Estimated salary increase rate -1%	-3,570	-3,522	-2,849	-3,054
Longevity +1 year	-203	65	-74	5
Longevity -1 year	49	107	88	-
Employee turnover rate +0.5%	-531	-365	-384	-388
Employee turnover rate -0.5%	244	550	270	408

The sensitivity analyses above has been determined based on a method that extrapolates the impact on net defined benefit obligation as a result of reasonable changes in key assumptions occurring at the end of the reporting period.

The Group expects to make a payment of RON 6,483 thousand from the defined benefit obligation in the next financial year, of which RON 6,007 thousand are related to the Company (at 31 December 2017 the estimations were of RON 5,831 thousand for the Group and RON 5,469 thousand for the Company).

The weighted average duration of defined benefit obligation is 17.7 years for Alro, 15.4 years for Alum, 12.9 years for Vimetco Extrusion and 20.7 years for Sierra Mineral Holdings 1, Ltd.

The following information relates to the maturity profile of the defined benefit obligation at 31 December 2018:

Alro Group

Maturity analysis of defined benefit payments	Retirement benefits	Death-in-service benefits	Total
Within 1 year	5,816	672	**6,488**
1 - 2 years	2,207	728	**2,935**
2 - 5 years	10,236	2,498	**12,734**
5 - 10 years	21,169	5,085	**26,254**
Over 10 years	120,443	23,889	**144,331**

Alro

Maturity analysis of defined benefit payments	Retirement benefits	Death-in-service benefits	Total
Within 1 year	5,509	498	**6,007**
1 - 2 years	1,869	527	**2,396**
2 - 5 years	8,498	1,724	**10,222**
5 - 10 years	15,653	3,167	**18,820**
Over 10 years	68,020	12,435	**80,455**

27. Government grants

	Alro Group		Alro	
	2018	2017	2018	2017
Balance at 1 January	**29,150**	**19,072**	**22,385**	**13,459**
Received during the year	24,312	11,670	21,068	10,072
Released to the statement of profit or loss	-1,592	-1,592	-1,146	-1,146
Balance at 31 December	**51,870**	**29,150**	**42,307**	**22,385**
Thereof:				
Current	1,914	1,592	1,146	1,146
Non-current	49,956	27,558	41,161	21,239

In 2018, the Parent Company received two tranches in amount of RON 21,068 thousand of the subsidies obtained through the European Fund for Regional Development through the Competitiveness Operational Program 2014 – 2020 within investment projects dedicated to the research infrastructure for high qualification industrial applications (2017: two tranches in amount of RON 10,072 thousand).

In 2018, the Group subsidiary Alum received two tranches in amount of RON 3,244 thousand of the subsidies obtained through the European Fund for Regional Development through the Competitiveness Operational Program 2014 – 2020 within the investment project dedicated to the research of aluminum hydroxide technology (dry and wet) (2017: RON 1,598 thousand).

The government grants received during the year will be recognized as income on a straight line basis during the useful life of the equipments once they are placed into operation.

Income released to the Statement of profit or loss of RON 1,592 thousand for the Group (2017: RON 1,592 thousand) and RON 1,146 thousand for the Company (2017: RON 1,146 thousand) represent the portion recognized as income during the year related to 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 income recognized during the year in the Statement of profit or loss and other comprehensive income of the Group and the Company is included in the category 'Other operating income' (refer to Note 8).

As at 31 December 2018 there are no identified contingent liabilities attached to these grants.

28. Trade and other payables

	Alro Group		Alro	
	31 December 2018	31 December 2017	31 December 2018	31 December 2017
Foreign trade payables	42,740	34,163	28,177	23,200
Domestic trade payables	99,051	112,946	61,199	77,118
Accrued trade payables	68,959	36,538	62,146	33,162
Total	**210,750**	**183,647**	**151,522**	**133,480**

Domestic trade payables are payables towards suppliers located in the countries where the Group operates (in Romania and Sierra Leone, respectively).

At 31 December 2018, accrued trade payables include an amount of RON 50,068 thousand (31 December 2017: RON 28,338 thousand) for electricity acquired in December 2018 which will be paid in the next accounting period, according to the agreements concluded.

29. Other current liabilities

	Alro Group		Alro	
	31 December 2018	31 December 2017	31 December 2018	31 December 2017
Suppliers of fixed assets	31,917	25,121	25,963	19,188
Advances from customers	10,239	8,323	9,968	7,565
Wages and social security taxes	32,612	31,983	22,612	23,147
Dividends payable	331,779	2,941	331,774	2,941
Other	22,461	19,146	15,739	14,106
Total	**429,008**	**87,514**	**406,056**	**66,947**

The category 'Dividends payable' includes an amount of RON 326,600 thousand, representing interim dividends declared as per applicable regulation (the Order of the Minister of Public Finances no. 3067/2018 on completing certain accounting regulations), for the 9 months ended 30 September 2018, distributed by the Parent Company from the net accounting profit of the period, and from retained earnings carried forward from previous years. Until the approval by the General Shareholders' Meeting of the annual financial statements for 2018 when the final dividends are declared, the interim dividends do not affect equity and they are also presented in the category “Other current assets” under the heading “Other current assets” (for further details see Note 12 and Note 20).

30. Related parties transactions

The Group and the Company enter, under normal terms of business, into certain transactions with the 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
Global Aluminum Ltd.	Subsidiary
Bauxite Marketing 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	
	2018	**2017**	**2018**	**2017**
Subsidiaries	-	-	249,669	230,486
Companies under common control	1,306	2,707	1,216	1,182
Total goods and services provided to related parties	**1,306**	**2,707**	**250,885**	**231,668**

Goods and services purchased from related parties:

Subsidiaries	-	-	-604,730	-528,392
Companies under common control	-260,781	-213,902	-87,268	-79,349
Total goods and services purchased from related parties	**-260,781**	**-213,902**	**-691,998**	**-607,741**

Interest expense from related parties:

Subsidiaries	-	-	1,040	1,538
Vimetco N.V.	2,220	4,145	-	-
Total interest income from related parties	**2,220**	**4,145**	**1,040**	**1,538**

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

Trade and other accounts receivable:

	Alro Group		Alro	
	31 December 2018	31December 2017	31 December 2018	31 December 2017
Subsidiaries	-	-	160,770	265,861
Companies under common control	3,465	3,579	286	318
Allowance for doubtful receivables	-372	-374	-140	-163
Total trade and other accounts receivable from related parties	**3,093**	**3,205**	**160,916**	**266,016**
- non-current	-	-	-	9,389
- current	3,093	3,205	160,916	256,627

Trade and other accounts payable:

	Alro Group		Alro	
	31 December 2018	31 December 2017	31 December 2018	31 December 2017
Subsidiaries	-	-	456	1,699
Companies under common control	3,365	1,607	2,287	1,603
Total trade and other accounts payable to related parties	**3,365**	**1,607**	**2,743**	**3,302**

Borrowings to related parties:

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

A Group subsidiary had a borrowing agreement with the major shareholder Vimetco NV for an amount of up to USD 11,700 thousand. in 2018, the major shareholder Vimetco NV repaid to the Group subsidiary the entire remaining balance of the borrowing granted by it in 2014, including principal and accrued interest (balance at 31 December 2017: USD 13,965 thousand, principal and capitalized interest).

Dividends

In 2018 the Company paid dividends to the major shareholder Vimetco NV in amount of RON 321,635 thousand and to its subsidiary Conef the gross amount of RON 14,399 thousand (in 2017: RON 56,589 thousand were paid to the majority shareholder Vimetco N.V. and RON 2,533 thousand to Conef).

In 2018 the Company received dividends from one of its subsidiares in amount of RON 37,201 thousand (2017: nil).

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 amounts to RON 20,820 thousand (2017: RON 10,887 thousand) at Group level and to RON 17,452 thousand (2017: RON 7,749 thousand) at Company level, respectively, while the expense for determined contribution plan (social contributions) was RON 4,790 thousand for 2018 for the Group (2017: RON 1,211 thousand), and RON 3,990 thousand for 2018 for the Company (2017: RON 822 thousand).

In 2018, as per new statutory regulations in Romania, the social contributions were shifted from the employer's liability to the employee's liability, and therefore in 2018 they are fully included in the gross amounts disclosed above (in 2017 only the employee's liability was included in the gross amount disclosed).

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	
	31 December 2018	31 December 2017	31 December 2018	31 December 2017
Goods and services purchased from entities controlled by key management personnel or their close family members	156	124	103	115
Benefits paid to close family members of the key management personnel	-	-	-	-
Total	**156**	**124**	**103**	**115**

31. Risk management

The Group and the Company's activities expose them to a variety of financial risks: market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. The Group and the Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group and the Company's financial performance. The Group and the Company use derivative financial instruments to hedge certain risk exposures.

Risk management is carried out by the Group and the Company Treasury under policies approved by the Board of Directors. The Treasury identifies, evaluates and hedges financial risks in close co-operation with the Group and Company's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

Capital risk management

The Group and the Company’s objectives when managing capital are to safeguard the Group and the Company’s ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure so as to reduce the cost of capital.

The capital structure of the Group and the Company consists of debt, which includes the borrowings disclosed in Note 24, net of 'cash and cash equivalents' as disclosed in Note 21 (i.e. excluding restricted cash) and shareholders' equity.

The Group and the Company’s management reviews the capital structure on a regular basis. As a part of this review, management considers the cost of capital and the risks associated with each class of capital. In order to maintain or adjust the capital structure, the Group and the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with other companies in the industry, the Group and the Company monitor capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the consolidated and separate statement of financial position) less 'cash and cash equivalents'. Total capital is calculated as 'total equity' as shown in the consolidated and separate statement of financial position sheet plus net debt.

	Alro Group		Alro	
	31 December 2018	31 December 2017	31 December 2018	31 December 2017
Total borrowings (Note 24)	950,394	918,549	889,672	914,642
Less: cash and cash equivalents (Note 21), adjusted*	-239,609	-356,828	-172,445	-345,736
Net debt	**710,785**	**561,721**	**717,227**	**568,906**
Total shareholders' equity	**1,172,824**	**1,215,348**	**1,223,639**	**1,379,276**
Total capital	**1,883,609**	**1,777,069**	**1,940,866**	**1,948,182**
Gearing ratio	38%	32%	37%	29%

*The cash and cash equivalents are adjusted to include the collateral deposits of RON 36,000 thousand pledged for oustanding borrowings, and included in Other non-current assets at 31 December 2018 and 31 December 2017.

As it appears from the table above, the gearing ratio has increased from 32% to 38% at Group level and from 29% to 37% at Company level as a consequence of the increase the loans obtained by the Group in 2018, on the one hand, and due to the reduction of the the cash and cash equivalents as a result of dividends paid by the Company during the year, on the other hand.

Market risk

The Group and the Company's activities expose them primarily to the financial risks of changes in commodity prices, foreign currency exchange rates and interest rates. The Group and the Company enter into a variety of contracts for derivative financial instruments to manage their exposure to market prices, such as:

- swaps to manage the commodity prices risks associated with sales of aluminium based on the London Metal Exchange price for High Grade Aluminium.
- commodity options to protect Group and Company cash flows from the adverse impact of falling aluminium prices.

Foreign currency risk management

The Group and the Company operate internationally and undertake certain transactions denominated in foreign currencies. Hence, the Group and the Company are exposed to foreign exchange risk arising from various currency fluctuations against the reporting currency, primarily with respect to the EUR and USD. Exchange rate exposures are managed within approved policy parameters by utilising forward foreign exchange contracts or other types of derivatives. The Group and the Company’s risk management policy is to hedge up to 50% of anticipated cash flows (Romanian sales and purchases) in USD and EUR as far as the Management considers it appropriate and the market allows this at reasonable costs.

The Group and the Company’s foreign currency exposure results from:

- highly probable forecast transactions (sales/purchases) denominated in foreign currencies;

- firm commitments denominated in foreign currencies; and

- monetary items (mainly trade receivables, trade payables and borrowings) denominated in foreign currencies.

The carrying amount of the Group and the Company’s foreign currency denominated monetary assets and monetary liabilities at the reporting date is as follows:

Alro Group

Currency of denomination	**EUR**	**USD**	**Other**	**Total**
Functional currency	**RON**	**RON**	**RON**	**RON**
31 December 2018				
Total monetary assets	87,602	97,322	22	**184,946**
Total monetary liabilities	194,799	648,715	1,002	**844,516**
31 December 2017				
Total monetary assets	151,846	320,912	34	**472,792**
Total monetary liabilities	190,493	621,453	1,116	**813,062**

Alro

Currency of denomination	EUR	USD	Other	Total
Functional currency	**RON**	**RON**	**RON**	**RON**
31 December 2018				
Total monetary assets	69,852	101,060	15	**170,927**
Total monetary liabilities	183,846	569,661	216	**753,723**
31 December 2017				
Total monetary assets	133,036	272,504	13	**405,553**
Total monetary liabilities	180,892	600,395	92	**781,379**

These monetary assets and liabilities do not include derivative contracts entered into.

Foreign currency sensitivity

The Group and the Company are mainly exposed to the fluctuation of RON/USD and RON/EUR exchange rates. The following table details the Group and the Company's sensitivity as an impact of a 10% increase in these currencies against the corresponding functional currency. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% increase in foreign currency rate. The sensitivity analysis includes external loans where the denomination of the loan is in a currency other than the functional currency.

An appreciation / (depreciation) by 10% of the RON against EUR and USD as indicated below at 31 December would increase / (decrease) profit or loss and equity by the amounts shown below (excluding the impact on income tax).

	Alro Group		Alro	
Currency of denomination	EUR	USD	EUR	USD
Functional currency	RON	RON	RON	RON
Change of exchange rate	+/- 10%	+/- 10%	+/- 10%	+/- 10%
31 December 2018				
Profit or loss	10,720 [1)]	55,139 [2)]	11,399 [1)]	46,860 [2)]
Other equity	-	-	-	-
31 December 2017				
Profit or loss	3,865 [1)]	30,054 [2)]	4,786 [1)]	32,789 [2)]
Other equity	-	-	-	-

[1)] This is mainly attributable to the exposure outstanding on EUR denominated borrowings and trade payables at the end of the period.

[2)] This is mainly attributable to the exposure outstanding on short-term and long-term USD denominated borrowings at the end of the period.

Interest rate risk management

The Group and the Company's interest rate risk arises mainly from loans taken. Borrowings received at floating rates expose the Group and the Company to cash flow interest rate risk. Borrowings received at fixed rates expose the Group and the Company to fair value interest rate risk. The interest rates on the Group and the Company's existing credit facilities are based on the London Interbank Offered Rate ('LIBOR') for USD borrowings, on EURIBOR for borrowings in EUR and on ROBOR (Romanian Interbank Offered Rate) for RON borrowings. The Group and the Company borrowings are contracted at floating interest rates.

The Group and the Company's main interest bearing liabilities are detailed in the liquidity risk management section of this Note.

Interest rate sensitivity

The sensitivity analysis below has been determined based on the exposure to interest rates for EUR, USD and RON denominated loans received and borrowings granted at the balance sheet date and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period in the case of instruments that have floating rates.

If interest rates had been 100 basis points higher/lower and all other variables were held constant, the Group's result for 2018 would decrease/increase by RON 9,655 thousand (2017: RON 8,905 thousand) and the Company's result would decrease/increase by RON 8,951 thousand (2017: RON 9,325 thousand), excluding the impact on income tax.

Commodity price risk

Commodity price risk is the risk that the Group and the Company's future earnings will be adversely impacted by changes in the market price of aluminium. The Group and the Company's internal policy is to manage the identified commodity price risk by natural hedge when possible and also for a part of the remaining quantity at risk by entering into derivative contracts such as aluminium swap agreements and ratio-collar transactions on aluminium, when market conditions are favourable.

Commodity options

In January 2018, on the purpose of protecting its revenues against the volatility of aluminium price, the Group and the Company 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 end of 2017, the Group and the Company 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 price of 2,200 USD/tonne to 2,400 USD/tonne was secured, with exercising dates during January - December 2018.

In 2018, options for an approximate quantity of 63,200 tonnes were exercised due to the fact that the LME quotations were below the minimum price of 2,200 USD/tonne. The gain of RON 35,161 thousand resulting from the options exercised during year 2018, net of their cost as well as the cost of the options not exercised when the LME quotations were within the collar interval, is included in the category 'Gains (losses) from derivative financial instruments, net' in the Statement of profit or loss (in 2017: nil).

As at 31 December 2018 no option contract was outstanding (31 December 2017: RON 3,298 thousand).

In August 2017, on the purpose of protecting its revenues against the volatility of aluminium price, the Group and the Company entered into several transactions with financial institutions consisting of 100% Asian collar options by taking long positions on put options and short positions on call options for a quantity of 53,000 tonnes of aluminium, and by securing for the respective quantity a minimum price of 1,920 USD/ tonne; the options had exercise dates during September-December 2017. In 2017, the options were not exercised due to the fact that the LME quotations were within the collar interval, and thus a net loss of RON 1,248 thousand representing the premium paid was included in 'Gains (losses) from derivative financial instruments, net' in the Statement of profit or loss.

Commodity swap contracts

In 2016, in order to hedge its sales at fixed price from adverse market fluctuations, the Group and the Company 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 for which it would receive from the counterparty a floating price valid at the time of sales. At 31 December 2017, the Group and the Company no longer had aluminium swap agreements, all the contracts having been settled during January-February 2017 and the realized gain in the year 2017 of RON 87 thousand was included under the category 'Gains (losses) from derivative financial instruments, net' in the Statement of profit or loss.

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

Summary of the fair value of derivative financial instruments as at 31 December 2018 and 2017:

	Alro Group		Alro	
	Assets	Liabilities	Assets	Liabilities
31 December 2018				
Commodity options	-	-	-	-
Total	**-**	**-**	**-**	**-**
Thereof:				
Non-current	-	-	-	-
Current	-	-	-	-
31 December 2017				
Commodity options	3,298	-	3,298	-
Total	**3,298**	-	**3,298**	-
Thereof:				
Non-current	-		-	-
Current	3,298	-	3,298	-

The positive fair values of hedging derivatives are classified as assets and the negative fair values as liabilities.

In 2018 and 2017 there were no significant changes in the business or economic circumstances that affect the fair value of the Group and the Company's financial assets and financial liabilities, except for the normal volatility of aluminium prices on international markets, and of foreign exchange rates. However, the Group and the Company are affected by the Government's schemes to support green energy, leading to higher electricity costs. Although the Group and the Company's main activity is to sell its products at prevailing market prices, the Group and the Company are closely monitoring the market in order to take advantage of any opportunities that may arise to protect their results against the high volatility of commodity prices.

Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group and the Company. The Group is exposed to credit risk from its operating activities (primarily trade receivables (see also Notes 19 and 30) and from its financing activities, including deposits with banks and financial institutions (see also notes 17 and 21).

Trade receivables
Trade receivables consist of a large number of customers, spread across diverse industries and geographical areas. In order for the Group and Company to minimize the credit risk, the major part of the receivables are immediately sold to banks by factoring transactions on a non-recourse basis. For a small part of the receivables, which is not covered by factoring contracts, the financial quality of the debtors is permanently monitored, and the Group and the Company exposure from the concluded transactions is spread amongst approved counterparties. The Group and the Company have adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. Credit exposure is controlled by counterparty limits that are reviewed and approved by the Management. Ongoing credit evaluation is performed on the financial condition of accounts receivable and credit history of debtors and, where appropriate, credit risk insurance is required. For the Group and the Company's concentration risk, refer to Note 19.

Financial instruments and cash deposits
Credit risk from transactions with banks and financial institutions is managed by the Treasury department. Investment of surplus funds is done only with approved counterparties and within credit limits assigned to each counterparty. Counterparty credit limits are reviewed by management on an annual basis, and may be updated throughout the year. The limits are set to minimise the concentration of risks and therefore mitigate the potential for financial loss through counterparty failure. No material exposure is considered to exist by virtue of the possible non performance by the counterparties in respect of financial instruments.

The maximum exposure to credit risk for derivative assets is their fair value at the reporting date.

Liquidity risk management

The ultimate responsibility for liquidity risk management rests with the Board of Directors, which has set up an appropriate liquidity risk management framework for the Group and the Company’s short-, medium- and long-term funding and liquidity requirements. The Group and the Company manage liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The following tables detail the Group's and the Company's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group and the Company can be required to pay.

Alro Group	within 1 year	1 to 5 years	after 5 years	Total
31 December 2018				
Borrowings (principal and expected future interest payments)	126,277	937,438	-	**1,063,715**
Trade and other monetary payables	638,449	-	-	**638,449**
Total	**764,726**	**937,438**	**-**	**1,702,164**
31 December 2017				
Borrowings (principal and expected future interest payments)	111,604	942,468	-	**1,054,072**
Trade and other monetary payables	266,154	-	-	**266,154**
Total	**377,758**	**942,468**	**-**	**1,320,226**

Alro	within 1 year	1 to 5 years	after 5 years	Total
31 December 2018				
Borrowings (principal and expected future interest payments)	121,483	869,784	-	**991,267**
Trade and other monetary payables	546,499	-	-	**546,499**
Total	**667,982**	**869,784**	**-**	**1,537,766**
31 December 2017				
Borrowings (principal and expected future interest payments)	107,821	942,089	-	**1,049,910**
Trade and other monetary payables	190,237	-	-	**190,237**
Total	**298,058**	**942,089**	**-**	**1,240,147**

Included in trade and other monetary payables at 31 December 2018 are dividends of RON 326,600 thousand declared by the Parent company at 30 September 2018 (see note 29).

Categories of financial instruments

	Alro Group		Alro	
	31 December 2018	31 December 2017	31 December 2018	31 December 2017
Financial assets				
Cash and bank balances	211,979	387,837	141,529	370,176
Fair value through profit or loss (FVTPL)				
Held for trading	-	-	-	-
Designated as at FVTPL	-	3,298	-	3,298
Derivative instruments in designated hedge accounting relationships	-	-	-	-
Held-to-maturity investments	-	-	-	-
Loans and receivables	178,750	230,917	230,952	237,172
Available-for-sale financial assets	-	-	-	-

	Alro Group		Alro	
	31 December 2018	31 December 2017	31 December 2018	31 December 2017
Financial liabilities				
Fair value through profit or loss (FVTPL)				
Amortised cost	1,586,928	1,183,110	1,435,025	1,103,733

There were no reclassifications between the categories of financial assets during 2018 and 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 and the Company use a variety of methods and makes assumptions that are based on market conditions existing at each reporting date. The fair value of forward foreign exchange contracts is determined using forward exchange rates provided by dealers at the 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.

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).

Alro Group — **31 December 2018**

Financial assets at fair value	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Commodity options	-	-	-	-
Total	-	-	-	-

31 December 2017

Financial assets at fair value	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Commodity options	-	3,298	-	**3,298**
Total	-	**3,298**	-	**3,298**

Alro — **31 December 2018**

Financial assets at fair value	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Commodity options	-	-	-	-
Total	-	-	-	-

31 December 2017

Financial assets at fair value	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Commodity options	-	3,298	-	**3,298**
Total	-	**3,298**	-	**3,298**

The Group and the Company do 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.

32. Commitments and contingencies

Commitments

Investment commitments

As at 31 December 2018, the Group's and the Company's commitments pertaining to the investments for the year 2019 amounted to RON 57,340 thousand (31 December 2017: RON 126,708 thousand) at the Group level and to RON 37,128 thousand (31 December 2017: RON 113,047 thousand) at the Company level.

Raw material purchase contracts

As at 31 December 2018, the Group and the Company had contracts for purchases of raw materials, other consumables and utilities in amount of RON 1,256,016 thousand (31 December 2017: RON 1,248,365 thousand) for the Group and in amount of RON 1,466,804 thousand (31 December 2017: RON 1,459,300 thousand) for the Company.

Operating lease

In 2018 the Group and the Company had operating lease contracts for vehicles and equipments, with lease terms of up to 5 years. The operating lease expense in 2018 amounted to RON 1,106 thousand (in 2017: RON 11,497 thousand) at the Group level and RON 932 thousand (in 2017: RON 622 thousand) at the Company level.

The future amounts of minimum lease payments under non-cancellable operating leases as at 31 December are, as follows:

	Alro Group		Alro	
	31 December 2018	31 December 2017	31 December 2018	31 December 2017
Within 1 year	1,235	668	1,025	668
1 to 5 years	2,256	1,267	1,841	1,267
Total	**3,491**	**1,935**	**2,866**	**1,935**

Starting from 2019, the Group and the Company will recognise right-of-use assets/ lease liabilities of RON 7,360 thousand for the Group and RON 5,721 thousand for the Company, according to IFRS 16. The difference between the amounts that will be recognised according to IFRS 16 and the future amounts of minimum lease payments under non-cancellable operating leases presented in the above table is due to the fact that part of rental contracts have been valued at the present value of the future payments for a longer period than the contractual period, based on past experience and actual economic enviroment indicators.

Operating lease commitments — Company as a lessor

The Parent Company has investment property consisting of an extruded aluminium production hall rented to one of its subsidiaries. The agreement is concluded up to the year 2027 and contains a clause of rent indexation with the inflation rate.

The amount recognized as rental income by the Company in 2018 was of RON 806 thousand (2017: RON 795 thousand).

Future minimum lease payments receivable under non-cancellable operating leases as at 31 December 2018 are presented by maturities below:

	Alro	
	31 December 2018	**31 December 2017**
Within 1 year	843	806
After 1 year but not more than 5 years	3,609	3,468
More than 5 years	3,984	4,852
Total minimum rentals receivable	**8,436**	**9,126**

Litigations

As at 31 December 2018 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. 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 which was dismissed by the High Court of Cassation and Justice.

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.

Taxation

The taxation systems in Romania and in the jurisdictions where the Group operates are undergoing continuous developments. Thus, they are subject to various interpretations and constant changes which may sometimes be retroactive. In some circumstances, the fiscal authorities may treat some aspects in a different way by calculating additional taxes, interest and penalties, which can be significant. In Romania, the fiscal year remains open for tax audit for a period of 5 years, all the Romanian companies of the Group having this period open. In Sierra Leone the term is of 7 years, and the last fiscal audit with the Group subsidiary in Sierra Leone took place in September 2017. The management considers that the tax liabilities included in these financial statements are adequate.

In accordance with the requirements issued by the Ministry of Public Finance in Romania, which relate to the fiscal treatment of the items of equity that have not been subject to the calculation of the income tax as at the date of their recording in the accounts due to their nature, should the Group change the destination of the statutory reserves in the future (to cover losses or to make distributions to the shareholders), this will lead to additional income tax liabilities.

33. Auditor's fee

This note shows the total remuneration payable by the Group and the Company, excluding VAT, to our principal auditors, Ernst & Young Assurance Services SRL for the financial years mentioned below.

	Alro Group		Alro	
	2018	**2017**	**2018**	**2017**
Statutory audit expenses	1,204	1,056	918	742
Audit related services	981	-	981	-
Non-audit services	46	65	30	48
Total	**2,231**	**1,121**	**1,929**	**790**

The increased statutory audit expenses in 2018 compared to 2017 relate to the review of the Company quarterly financial statements for the 9 months ended 30 September 2018 on the purpose of interim dividend distribution by Alro, as required by statutory regulations.

Audit related services are expenses incurred for the review of the financial statements of the Group as of 31 March 2018 carried out in the context of the secondary public offering of Alro shares that took place in 2018.

34. Events after the reporting date

In January 2019, ALRO paid dividends of RON 233,508 thousand for the 9 months ended at 30 September 2018, following the Decision no. 608 dated 13 December 2018, issued by the Ordinary General Shareholders Meeting.

The Parent Company signed in January 2019 an amendment to the Credit Facility Agreement with a value of USD 167,000,000 concluded as of December 14, 2015 by the Company, in capacity as borrower, on one hand, and a Syndicate of banks, in capacity as initial creditors, on the other hand, by which, among others:
- the facility shall be supplemented with a new non-revolving facility in value up to USD 20,000,000 for the purpose of covering the general needs and working capital of the Company.
- the facility shall be supplemented with a new facility in value up to USD 50,000,000 for the purpose of financing, respectively of refinancing of the expenses with investments afferent to the Company's investments' program for 2018-2019.

In January 2019, the subsidiary Alum drawn the difference of USD 10 million from the loans contracted in May 2018 (refer to note 24).
In February 2019, while seeking to mitigate the foreign exchange rate risk swings, the Parent Company signed hedging contracts, namely European zero cost option collars, for a notional of USD 150 million, with settlements monthly during March - December 2019.

During its meeting on 4 March 2019, the Index Committee of the Bucharest Stock Exchange approved the inclusion of ALRO (code ALR) in BET, the main index of the market, and in the BET-TR, the total return version of BET, starting from 18 March 2019. The BET index will thus include 16 companies, which is a first time in the history of the local capital market, and it represents an unprecedented diversification of the sectors reflected by the index. ALRO's shares have been listed on the Bucharest Stock Exchange since October 1997, and following this decision ALRO becomes the first company in the aluminium industry present in the two indices.

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

Independent Auditor's Report

This is a free translation from the official Romanian version

Building a better working world

Ernst & Young Assurance Services SRL
Bucharest Tower Center Building, 22nd Floor
15-17 Ion Mihalache Blvd., Sector 1
011171 Bucharest, Romania

Tel: +40 21 402 4000
Fax: +40 21 310 7193
office@ro.ey.com
ey.com

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Alro S.A.

Report on the Audit of the Consolidated and separate financial statements

Opinion

We have audited the consolidated and separate financial statements of Alro S.A (the Company) with official head office in Pitesti, 116 Street, Slatina, Olt county, Romania, identified by sole fiscal registration number RO 1515374, which comprise the consolidated and separate statements of financial position as at December 31, 2018, the consolidated and separate statements of profit or loss and other comprehensive income, the consolidated and separate statements of changes in shareholders' equity and the consolidated and separate statements of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the consolidated and separate financial statements give a true and fair view of the consolidated and separate financial position of the Company as at December 31, 2018 and of its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with the Order of the Minister of Public Finance no. 2844/2016, approving the accounting regulations compliant with the International Financial Reporting Standards, with all subsequent modifications and clarifications.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs), Regulation (EU) No. 537/2014 of the European Parliament and of the Council of 16 April 2014 ("Regulation (EU) No. 537/2014") and Law 162/2017 („Law 162/2017"). Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated and separate financial statements" section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to the audit of the consolidated and separate financial statements in Romania, including Regulation (EU) No. 537/2014 and Law 162/2017 and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated and separate financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the "Auditor's responsibilities for the audit of the consolidated and separate financial statements" section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated and separate financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated and separate financial statements.

Description of each key audit matter and our procedures performed to address the matter

Key audit matter	How our audit addressed the key audit matter
Impairment testing of goodwill in the consolidated financial statements and investments in subsidiaries in the separate financial statements Alro Group's disclosures about goodwill and investments in subsidiaries, including the related impairment, are included in Note 16 and Note 15 respectively.	
Alro Group is required to test at least annually, and also when impairment indicators exist, the goodwill (carrying value of RON 90.8 million in the consolidated statement of financial position) for impairment. The goodwill impairment testing is performed at the level of two cash-generating units (CGUs) – Alro Group (in Romania) and Global Alumininium Ltd (in Sierra Leone). This annual impairment test is significant to our audit because the assessment process is complex, requires significant management judgment and is based on assumptions that are affected by expected future market conditions in Romania and Sierra Leone.	Our audit procedures included, among others: a. we involved our internal valuation specialists to assist us in evaluating the key assumptions and methodologies used by Alro Group for the impairment testing of goodwill and investments in subsidiaries (e.g. checked the mathematical accuracy of the model and its conformity with the requirements of the International Financial Reporting Standards, discount rates used for discounting future cash flows for each CGU, macroeconomic assumptions).

Investments in subsidiaries are also significant to our audit because of the magnitude of the balance sheet position as at 31 December 2018 (carrying value of RON 448.8 million in the separate statement of financial position).
The aluminium industry has suffered a cyclical downturn in the period 2013 - 2016 resulting in capacity shutdowns and deferred investments by many players in the industry; as a consequence, in prior years the management has recognized an impairment of RON 123.5 million for the Company's investment in Alum (with a carrying value of RON 368.8 million at 31 December 2018). Following a period of improved results and based on future projections maintaining the same positive trend, in 2018 management has reversed part of this impairment in amount of RON 9 million.
Also, in 2018, the Company recognized an impairment of RON 7.7 million in respect of its investment in Conef.

The management assessment of impairment indicators for CGUs and investments respectively involves consideration of various sources of information, including the economic environment factors.

b. we evaluated the sensitivity analysis of the CGUs' recoverable amounts to changes in the significant assumptions made by management (such as expected sales prices, production/sales volumes vs. capacity, materials cost and administrative expenses, net capital investments, working capital changes, etc.) as well as analysis of their consistency with the general and industry-specific economic environment, relevant available market information and the business plans of the Group.
c. we evaluated the management's assessment of impairment indicators for investments in subsidiaries by considering whether the assessment covered all significant investments for which impairment indicators could have existed at the end of the reporting period as well as management's assessment of the recoverability of the carrying value of investments for which triggering events were identified.
d. we assessed the historical accuracy of management's budgets and forecasts by comparing them to actual performance and the prior year and tested the mathematical accuracy of the impairment models used.
e. We further assessed the adequacy of Alro Group's disclosures about Impairment testing of goodwill and investments in subsidiaries.

Recognition of deferred tax asset in the consolidated and separate financial statements

Alro Group's disclosures about deferred tax assets are included in Note 11

The deferred tax asset is significant to our audit because of the magnitude of the balance sheet position as at 31 December 2018 (of RON 50.3 million in the consolidated statement of financial position, mainly originating from the Sierra Leone subsidiary's fiscal losses, and respectively RON 5 million in the separate statement of financial position) and the fact that management judgement is required to assess the recoverability of the balance, in particular by reference to forecast taxable income, some of which is expected to arise a number of years in the future.

Based on the results recorded during year 2018, a significant amount of the prior year's balance was recovered (RON 55.9 million included in the consolidated statement of profit or loss and respectively RON 38 million in the separate statement of profit or loss and other comprehensive income).

Our audit procedures focused on assessing the key management assumptions for the deferred tax asset recoverability such as forecasts which underpin the asset recognition, including summaries of tax losses expiry dates. We evaluated consistency with long term business plans used by management to manage and monitor the performance of the business. Tax specialists were involved, as appropriate, to assist us in our audit procedures performed on the current taxation area and any relevant evaluations were considered for impact in our assessment of the taxable profit projections.
Furthermore, we assessed the adequacy of the Group's disclosures regarding deferred tax assets.

Other information

The other information comprises the Annual Report (which includes the Directors' Consolidated Report, the Report on Payments to Governments for mining activities and the Corporate Governance Statement), but does not include the consolidated and separate financial statements and our auditors' report thereon. The Corporate responsibility and sustainability report will be published separately. Management is responsible for the other information.

Our audit opinion on the consolidated and separate financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated and separate financial statements

Management is responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with the Order of the Minister of Public Finance no. 2844/2016 approving the accounting regulations compliant with the International Financial Reporting Standards, with all subsequent modifications and clarifications, and for such internal control as management determines is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.
In preparing the consolidated and separate financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and separate financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated and separate financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and we communicate to them (if applicable) all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated and separate financial statements of the current period and are therefore the key audit matters.

Report on Other Legal and Regulatory Requirements

Reporting on Information Other than the Consolidated and separate financial statements and Our Auditors' Report Thereon

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

a) in the Directors' Consolidated Report we have not identified information which is not consistent, in all material respects, with the information presented in the accompanying consolidated and separate financial statements as at December 31, 2018;

b) the Directors' Consolidated Report identified above includes, in all material respects, the required information according to the provisions of the Ministry of Public Finance Order no. 2844/2016 approving the accounting regulations compliant with the International Financial Reporting Standards, with all subsequent modifications and clarifications, Annex 1 points 15 - 19 and 26-28;
c) based on our knowledge and understanding concerning the entity and its environment gained during our audit of the consolidated and separate financial statements as at December 31, 2018, we have not identified information included in the Directors' Consolidated Report that contains a material misstatement of fact.

Other requirements on content of auditor's report in compliance with Regulation (EU) No. 537/2014 of the European Parliament and of the Council

Appointment and Approval of Auditor

We were appointed as auditors of the Company by the General Meeting of Shareholders on 27 April 2018 to audit the consolidated and separate financial statements for the financial year ended December 31, 2018. Total uninterrupted engagement period, including previous renewals (extension of the period for which we were originally appointed) and reappointments as statutory auditor, has lasted for six years covering the financial periods ended December 31, 2013 until December 31, 2018.

Consistency with Additional Report to the Audit Committee

Our audit opinion on the consolidated and separate financial statements expressed herein is consistent with the additional report to the Audit Committee of the Company, which we issued on 15 March 2019.

Provision of Non-audit Services

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

In addition to statutory audit services, other audit related services and non-audit services as disclosed in the annual report and in the financial statements, no other services were provided by us to the Company, and its controlled undertakings.

On behalf of

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

Registered in the electronic Public Register under No. 77

Name of the Auditor/ Partner: Alexandru Lupea
Registered in the electronic Public Register under No. 273

Ernst & Young Assurance Services S.R.L.
22. MAR. 2019
Signed for identification
Semnat pentru identificare

Bucharest, Romania
22 March 2019

Statement of the Persons in Charge

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) – Financial Instruments and Investments Sector for issuers and operations with securities, the management of the Group and of the Company states that:

1. We confirm to the best of our knowledge that the consolidated and separate financial statements of Alro and its subsidiaries, prepared in accordance with the applicable accounting standards give a true and fair view of the financial position, financial performance and cash flows of the Group and of the Company for the year ended 31 December 2018;

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 of the Group and of the Company.

At the date of this report, the Board of Directors of the Parent-company 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 consolidated financial statements of Alro Group and its subsidiaries and the separate financial statements of Alro for the year ended 31 December 2018 are audited.

President of the Board of Directors
Marian Daniel Nastase

CEO
Gheorghe Dobra

CFO
Genoveva Nastase

22 March 2019