Half-year report 2018

vimetco alro

Content

Financial and Operational Highlights for H1 2018

ALRO Group

Indicator	H1 2018	H1 2017
Primary aluminium production (tonnes)	144,962	139,459
Processed aluminium production (tonnes)	55,839	55,888
Alumina production (tonnes)	273,235	217,689
Bauxite production (tonnes)	1,131,608	921,238
Sales (thousand RON)	1,563,610	1,378,150
EBITDA[1](thousand RON)	275,211	291,553
EBITDA margin (%)	18%	21%
Adjusted net result[2] (thousand RON)	166,717	218,566
Net result (thousand RON)	154,151	186,847

ALRO S.A.

Indicator	H1 2018	H1 2017
Primary aluminium production (tonnes)	144,962	139,459
Processed aluminium production (tonnes)	43,811	42,932
Primary aluminium sales (tonnes)	81,449	76,374
Processed aluminium sales (tonnes)	43,519	43,276
Sales (thousand RON)	1,376,854	1,260,640
EBITDA[1] (thousand RON)	217,100	227,473
EBITDA margin (%)	16%	18%
Net result (thousand RON)	161,169	155,951
Net result per share (RON)	*0.226*	*0.218*

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

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

Cautionary statement

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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 condensed consolidated financial statements for the six month period ended on 30 June 2018 included in this report are not audited and present the consolidated financial results of ALRO Group prepared in accordance with IAS 34 Interim financial reporting as adopted by the European Union (EU) according to the Ministry of Public Finance Order no. 2844/2016, which is in accordance with the International Financial Reporting Standards (IFRS) adopted by the European Union (EU), except for IAS 21 The effects of changes in foreign exchange rates regarding functional currency, except for the provisions of IAS 20 Accounting for Government Grants regarding the recognition of revenue from green certificates, and except for the provisions of IFRS 15 Revenue from contracts with customers regarding the revenue from taxes of connection to the distribution grid. These exceptions do not affect the compliance of the consolidated financial statements of the Group with IFRS.

The financial results for Q2 2018 compared to Q2 2017 included in this report are not audited and present ALRO Group figures in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU in accordance with the Ministry of Public Finance Order no. 2844/2016.

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

Note 2: A list of all abbreviations and definitions used in this report can be found on page 34.

Letter from the Chairman

Dear readers and shareholders,

The first half of 2018 was a special one for ALRO Group – we have achieved outstanding results within all our subsidiaries and we kept the positive trend of our financial results as started in 2017, while keeping an eye on sustainability which we consider it contributes to the Group's growth and helps us developing innovative aluminium solutions. We remained focused on HVAPs and VHVAPs products supply to the technically demanding customers in the aerospace and automotive industries and we are proud to report that our lightweight aluminium contributes to fuel efficiency of planes and vehicles, thus reducing emission levels.

ALRO Group has a history of more than 50 years in Romania and its first presence on the capital market has reached its 20th anniversary last year. During all these years, the Group proved to be one of the biggest employers in Romania, while it ensured economic stability and substantial contributions to the communities in which we activate. Moreover, all the investments done in the last 16 years made us one the most efficient aluminium production plants in the European Union and we are deeply proud for achieving this goal.

Very strong performance of ALRO's share in H1 2018

The positive development and growth of ALRO Group is also reflected in ALRO's share price. With an appreciation of more than 31% in H1 2018, the ***ALRO share was one of the top performers on Bucharest Stock Exchange.*** Moreover, ALRO share has appreciated by 263% since the beginning of 2017 and reached its highest level on June 29, 2018 (i.e. 4.27 RON/share). The total market value of the Company at the end of the reported period was of more than RON 3 billion.

Secondary Public Offering

At the end of June, we announced the launching of a Secondary public offering with the primary 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, due to unfavourable market conditions, we subsequently announced that no pricing agreement has been agreed and, thus the conditions for a successful closing of the offer have not been met.

However, I take also this opportunity to thank to all the investors who have expressed their interest in becoming active players in our Company and I would like to inform them that we remain committed to our sustainable and long-term development and to our strategy to consolidate our position on the international market.

ALRO GROUP Sustainability Report 2017

In the first half of 2018 we have also reached an important milestone for our Group and we launched our first ***Sustainability Report for financial year 2017,*** which also covers the last five years of activity for our most important topics. We have proudly reported outstanding results in the CSR area, such as: investments of over USD 10 million for projects aimed at reducing Greenhouse Gas (GHG) Emissions since 2012; more than 300,000 tonnes of aluminium scrap were recycled, enough to produce 30 million bicycles; we have reduced our energy consumption and saved almost 1,000TJ which represents the equivalent of the annual energy consumption of a city with two million inhabitants, while remaining one of the major contributors to the social, cultural and educational projects in the communities where we activate.

Last, but not least, I want to thank you, our readers – either you are a shareholder, an investor, an analyst, a journalist or an employee – thank you for being our follower and for giving us the chance of sharing with you our achievements and our latest financial and operational results.

Marian Nastase,
Chairman of the Board of Directors

ALRO GROUP - Major events in H1 2018

- **January - June 2018**
  ALRO Group: *Market overview*

LME evolution

During the first six months of 2018, the aluminium price recorded a steady growth trend, this being reflected in the H1 2018 average of 2,209 USD/tonne, compared to 1,880 USD/tonne in the same period of 2017. This upward trend recorded in H1 2018 culminated with a value of 2,603 USD/tonne on April 19, 2018, while the highest value reported for 2017 was of 2,246 USD/tonne at the end of December 2017.

Market evolution

- Significant market growth for alumina, primary aluminium and flat rolled products;
- 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 June 1st, 2018;
  - Sanctions against Rusal, one of the largest global primary aluminium, from the US Government;
  - Brazilian authorities impose 50% capacity reduction for alumina plant, following a negative impact due to strong rainfalls;
- In H1 2018, the previous predictions regarding the demand & consumption growth confirmed that Europe was in deficit.

- **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 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.

ALRO GROUP - Major events in H1 2018 - continued

- **6 June 2018**
  ALUM: *CSR initiatives*

ALUM continues its investments in environmental protection projects

- The water withdrawal decreased by more than 36%, over the last five years
- The alumina producer reduced the energy intensity by 15.77% in 2017, compared to the 2013 level
- The Company modernized the red mud storage, with positive impact on the environment

"With more than 45 years of experience, our alumina producer Alum 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. 10 million dollars were invested in 2007 in this complex upgrading process, followed by other constant investments targeting the increase of environmental sustainability".

Gheorghe Dobra, CEO ALUM

- **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".

- **4 June 2018**
  Vimetco Extrusion: *Other events*

Starting with June 4, 2018, Mr. Igor Higer resigned from his positions as Chairman of Board of Directors and CEO of Vimetco Extrusion, being replaced by Mr. Uladzislau Lychkouski.

ALRO GROUP - Major events in H1 2018 - continued

- **31 May 2018**
  ALRO Group: *CSR initiatives*

ALRO Group continues its investments in energy efficiency, environmental & social protection and sustainability

- ALRO Group launched its first **Sustainability Report for financial year 2017,** also covering the last five years of activity for its most important topics
- Over the past five years, the Company reduced its energy consumption and saved almost 1,000TJ which represents the equivalent of the **annual energy consumption of a city with two million inhabitants**
- Since 2012, ALRO recycled more than 300,000 tonnes of aluminium scrap, **enough to produce 30 million bicycles**
- ALRO Group invested almost 10 million US dollars in **projects aimed at reducing Greenhouse Gas (GHG) Emissions since 2012**
- ALRO and ALUM represent one of the **biggest employers** in Slatina and Tulcea, while SMHL represents a major contributor for the local community
- In 2017, ALRO set up the first dual professional education class, which will qualify 27 students in the field of industrial mechanics; this is a project also continued in 2018.

"We are proud of our Group's sustainability efforts, as well as the progress we've made toward our goals.

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

- **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

ALRO and Aluminium Pechiney part of Rio Tinto Aluminium ("RTA"), reached an agreement in April 2018 to implement at Slatina a new low energy reduction pot design (AP12LE) 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 RTA 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

ALRO GROUP - Major events in H1 2018 - continued

- **27 April 2018**
  ALRO: *Other events*

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

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

  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 currently in force 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 March 23, 2018 until December 19, 2018 during the OGSM held on this date;

  Audit Committee set-up: the organization of the Audit Committee was approved during 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.

  Dividends important dates: the "Registration Date" is April 17, 2018 and the "Ex-Date" is April 16, 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 Energy-Center Gala and received the Excellence Diploma for the achievements in the energy efficiency area and for the investments done in this respect.

- **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**.

ALRO GROUP - Major events in H1 2018 - continued

- **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. The Company offered RON 100,000 for purchase equipment, such as laptops, video projectors, printers and other multimedia devices for ensuring that these students work and performances 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

- **January 11, 2018**
  ALUM: *Other events*

The EGSM took place and approved the **contracting of two loan facilities amounting to USD 20 million with Black Sea Trade and Development Bank ("BSTDB") and 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.

On May 17, 2018, the contracts for these credit facilities were signed and until June 30, 2018 the following amounts were withdrawn: USD 12 million from BSTDB and USD 3 million from Garanti Bank**.**

Directors' Consolidated Report

General information

ALRO

Company's name	ALRO S.A.
Company's address	No. 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 at 31.01.1991
Fiscal code	RO1515374
Class, type, number and main features of the financial instruments issued by the company	Registered dematerialized and ordinary shares
Subscribed share capital, fully paid up	356.889.567,5 RON
The European Unique Identifier (EUID)	ROONRCJ28/8/1991
Legal Entity Identifier (LEI) Code	5493008G6W6SORM2JG98
Organized market on which shares and stocks are traded	Bucharest Stock Exchange - Regulated Market (market symbol: ALR)
Total market value for each class of shares	Premium Tier Category – 3,047,836,906[1] RON

ALRO Group - entities

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

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

[1]Calculated based on the BSE quotation available on 29 June 2018 - the last day of H1 2018 when ALRO's shares were traded (713,779,135 shares*4.27 RON/ share)

Overview

ALRO S.A. and 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.

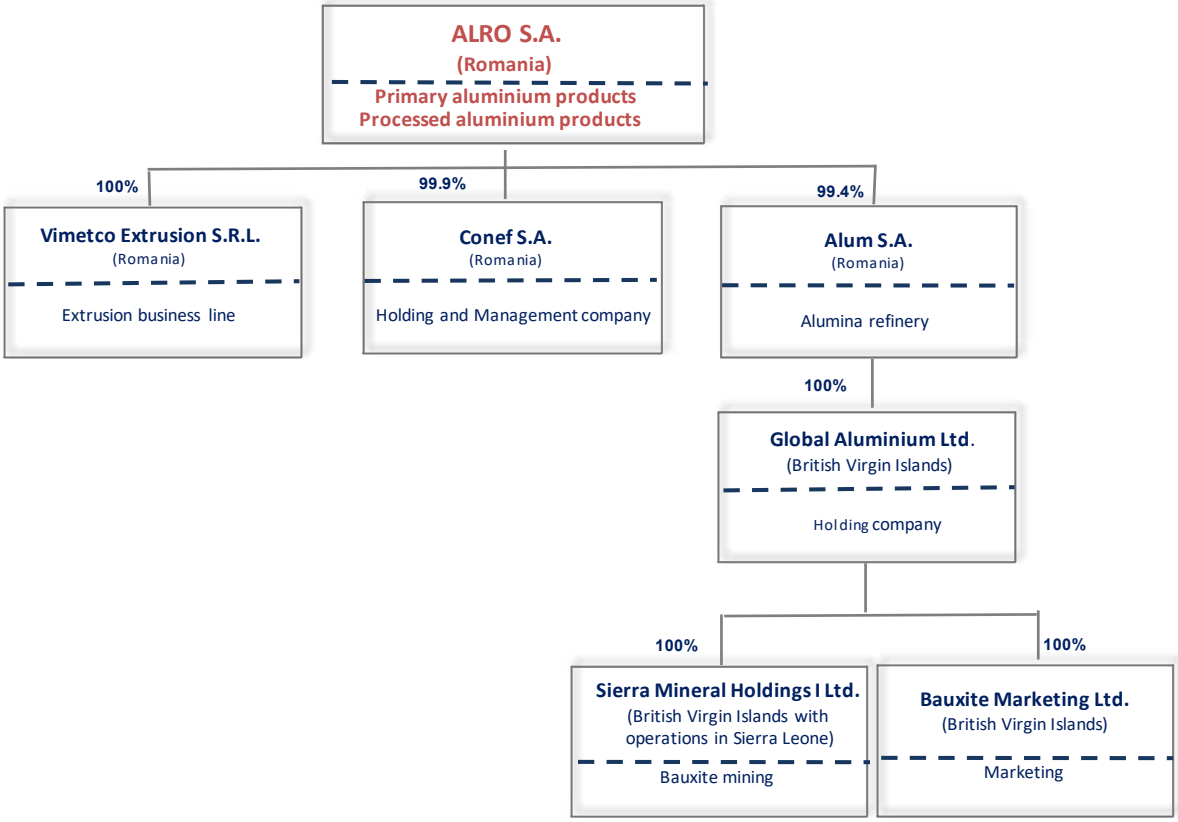
ALRO ("the Company" or "the Parent-company") was founded for an unlimited period of time under the form of a joint-stock commercial company in accordance with Romanian Government Decision no. 30 of 14 January 1991 on the establishment of commercial companies in the non-ferrous metallurgy sector. The 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 84.19% of the Company's share capital. Vimetco N.V is a privately held company and its registered office is at Strawinskylaan 403, World Trade Center, A Tower, 4th floor, 1077 XX Amsterdam, The Netherlands. The Company's ultimate controlling entity is Maxon Limited (Bermuda)

ALRO 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.

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

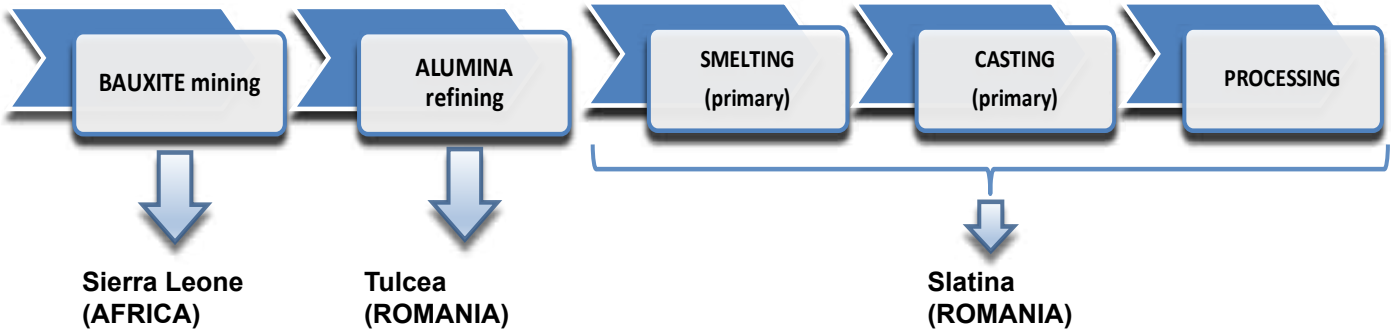


The Group is vertically-integrated, its operations being organized, for management purposes, in four segments: **Bauxite, Alumina, Primary Aluminium** and **Processed Aluminium**. In this way, the resources are efficiently allocated and the segments performance is properly evaluated, while being the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



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 in 2017 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 aerospace production, and also the ISO TS/IATF 16949 certification for automotive industry, its products being certified by the international standards for quality assurance for primary aluminium as set by the London Stock Exchange and those for flat rolled products, as well.

A detailed list containing all the certifications hold by the Group facilities as at 30 June 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 H1 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 involves numerous 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's investment programme for 2018 amounts to approximately USD 85 million and aims 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 H1 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 in 2017 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 H1 2018, the Primary Aluminium Division focused on producing more to take advantage of the market opportunities. Electrolysis production was by almost 4% higher compared with the same period of 2017 (around 3,900 metric tonnes more). The Cast House produced more by 1.7% than the budgeted level and almost 4% more than during the same period of last year (i.e. around 5,500 metric tonnes). The wire rod represents the main product, followed by billets and slabs:

- In H1 2018, the ***wire rod*** deliveries reported a 17% increase compared with the same period of last year, and in this way the Group took over the leading position on the European aluminium wire rod market;
- ***Aluminium alloys billets*** - ALRO is not a significant player on this market since half of the production is provided internally to Vimetco Extrusion as part of the vertical integration production process. The main objective in this respect is to cover the internal needs of the ALRO extrusion shop, while selling the excess quantities third parties;
- ***Slabs from aluminium and alloyed aluminium*** – almost the entire production is redirected internally for covering the needs of the FRP Division. However, in H1 2018 approximately 3,000 metric tonnes were sold to third parties, as well.

For all the Group's companies, ongoing improvement of product quality and range of products are done and the audits performed up to now 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 H1 2018, out of which one of the most important for ALRO are: the AP 12 LE project which aims at reducing the specific energy consumption by approximately 300 kWh/tonne of aluminium, while maintaining the current production; replacing the classic burners with regenerative burners and the installation of an electromagnetic stirrer; the normal light bulbs with L.E.D. ones.
In **the FRP division,** during H1 2018, compared with the same period of last year, the production of flat rolled products was by 2% higher, especially due to the increased production levels reported for plates and clad material. The focus was kept for increasing the percentage of the HAVPs and VHAVPs in the production mix.

Production efforts were done in order to improve the overall efficiency and FRP Division is committed to satisfy his customer's requirements, while increasing his presence in the aerospace and automotive markets.
Moreover, within the FRP Division the following milestones were achieved during H1 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);
- Epoxy painting of pedestrian walkways;
- New workshop classroom;
- Replacing old lighting lamps with new LED lamps.

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 and production 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 February 2, 2018, the OGSM took place and ALRO Investment Programme for the year 2018 amounting to USD 61 million was approved. In H1 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.

Out of the approved budget for 2018, in H1 2018, investments were made amounting to over USD 33 million, both in the Primary Aluminium Division and in the Processed Aluminium Division.

Financial review

The Group's consolidated sales in the first half year of 2018 were of RON 1,563,610 thousand, an approximate 13.5% increase compared to the level reported in the similar period of 2017 (respectively RON 1,378,150 thousand), as the Group succeeded to reflect within its results the positive trend of the aluminium prices on the international market. ALRO's contribution within Group's consolidated sales made to third parties was RON 1,376,854 thousand in H1 2018, representing approximatively 88% of Group's total sales (H1 2017: RON 1,260,640 thousand, 91.5%).

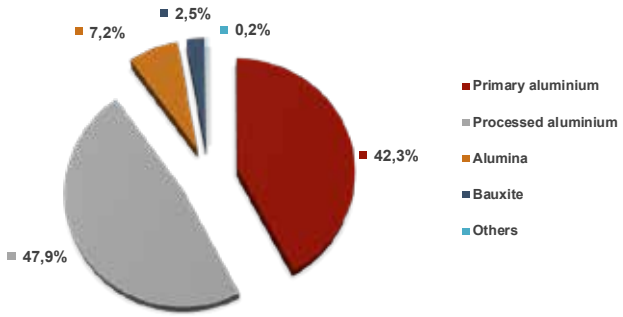
Consolidated sales

H1 2018: RON 1,563,610 thousand

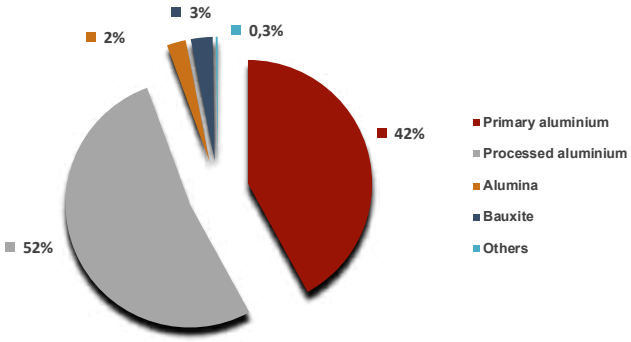
H1 2017: RON 1,378,150 thousand

The contribution of the sales to external customers to the Primary Aluminium segment was RON 661,037 thousand in H1 2018 and represented 42% of the Group's total revenues (H1 2017: RON 579,188 thousand; 42%). Sales to external customers in respect of the Processed Aluminium segment represented 48% of the Group's total revenues in H1 2018, being of RON 748,366 thousand (H1 2017: RON 722,205 thousand; 52.4%).

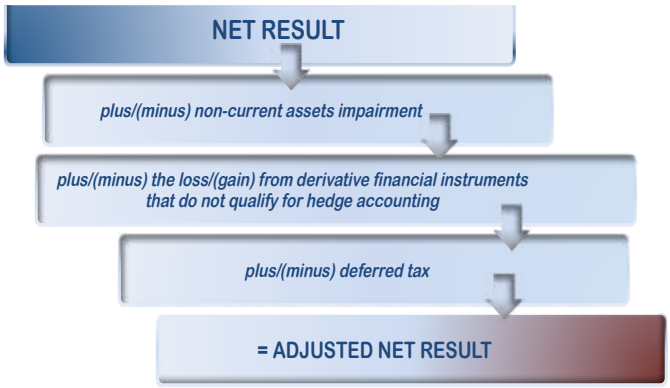
ALRO Group: H1 2018 sales by segments to external customers



ALRO Group: H1 2017 sales by segments to external customers



Group net result for the first half of 2018 was a net profit of RON 154,151 thousand, a lower level compared to H1 2017, when the reported level was of RON 186,847 thousand mainly due to higher electricity price. The turnover was higher by approximately 13% thanks to higher sales of alumina, wire rod and billets, while taking advantage of the higher prices in the market for both alumina and LME. In the same period, ALRO reported improved results, as well and reported a net profit higher than the one reported in the same period of last year (H1 2018: RON 161,169 thousand, compared to a net profit of RON 155,951 thousand, in H1 2017).



The reconciliation between the **Net Result** and the **Adjusted Net Result** at ALRO Group level for H1 2018 and H1 2017 is detailed below:

ALRO Group

Description (RON th)	H1 2018	H1 2017
NET RESULT	**154,151**	**186,847**
Plus/(minus) charge/ (reversal) of investments impairment expense/ (income)	-	-
Plus/(minus) charge/ (reversal) of non-current assets impairment expense/ (income)	(1,262)	-
Plus/(minus) the loss/(gain) from derivative financial instruments that do not qualify for hedge accounting	(16,692)	(87)
Plus/(minus) deferred tax expense/ (income)	30,520	31,806
ADJUSTED NET RESULT	**166,717**	**218,566**

In H1 2018, the Group reported increased revenues by 13%, mainly thanks to:

- An ***alumina sales*** increased level to 3rd parties to benefit from higher price in the market, which had a positive impact of RON +78 million;
- Higher ***aluminium sales*** by 8% thanks to the positive trend of LME in H1 2018 and higher quantities sold, but partly offset by USD depreciation as compared to H1 2017;
- ***LME higher*** by 330 USD/tonne compared to H1 2017 (i.e. an 18% increase from 1,880 USD/tonne to 2,209 USD/tonne);
- ***Wire rod sales*** were above H1 2017 by almost 6,700 tonnes (i.e. by 17%) due to strong market, as well as a very good performance of the production. The cable sector performance was very good, which is not usual for a low season month (Q1). In April-June, the disruption of Rusal's supply to European market had a significant impact on the market development as well;
- ***Billets sales*** for 3rd parties were higher than H1 2017 by 1,800 tonnes (i.e. by 12%), as during H1 2018, both the market & demand proved to be stable. The Sales Division is focused on concluding additional wire rod spot contracts for Q3 to maximize the wire rod production and improve the overall profitability.

Regarding the ***cost of goods sold***, the Group reported a higher level by 17% in H1 2018, mainly due to higher quantities sold compared with H1 2017 and some increases in raw materials prices. In the first six months of 2018, the energy market reported significantly higher levels as a result of higher coal prices, emission rights quotations that reached a record level in H1 2018 compared to the same period of last year and due to the correlation with the European market evolution that experienced higher levels, as well. The same increasing trend was registered at ALRO's level, as well, the cost of goods sold being by 12% higher in H1 2018 compared to the same period of last year.

The ***Group's gross profit*** increased by 2% in H1 2018 compared to H1 2017 while the gross profit margin slightly decreased to 23% from 25% in H1 2017, mainly due to the negative impact of the electricity market that experienced higher prices in H1 2018 compared to the same period of last year. ALRO reported in H1 2018 a RON 269,366 thousand gross profit compared to RON 268,620 thousand in H1 2017.

The ***interest expenses*** level decreased by 20% at Group's level in H1 2018 compared to the same period of last year, due to repayment of loan instalments, due to the decrease in the levels of the interest rates (H1 2018 average USD/RON: 3.8441 versus average H1 2017 USD/RON: 4.1928) and to a higher portion of interest capitalized (by one million RON more was capitalized in the value of PPE, than in six months 2017).

The Group's ***operating results*** for H1 2018 showed a downward trend, because of the negative impact of the electricity market evolution. In this context, the Group reported for H1 2018 a slightly lower ***EBIT*** of RON 211,146 thousand compared to RON 227,631 thousand in H1 2017. The same evolution was visible also at ALRO's level, the Parent-company, which reported an ***EBIT*** of RON 173,957 thousand in the first half of 2018 compared to RON 185,579 thousand in H1 2017.

In H1 2018 in terms of c***ash flows generated from the Group's operating activities***, the level reported was higher, by 4% compared to H1 2017 (H1 2018: RON 259,788 thousand compared to RON 249,268 thousand in H1 2017) generated mainly by the increase in trade payables items. A decrease in ***cash used in investing*** of 24% was registered in H1 2018 compared to H1 2017, despite higher amounts used for the acquisition of PPE, as they were offset by restricted cash freed up from LC's opened to secure the aquisitions of equipments and by a loan repaid by the major shareholder to one of the Group subsidiaries.

The ***cash flows generated from financing activities*** reflects the payment of dividends done for the financial year 2017. During the OGSM held on April 27, 2018 a gross divided of RON 0.53523 for one share for financial year 2017 was approved.

As of 30 June 2018, the Group reported ***cash and cash equivalents*** of RON 203,067 thousand and restricted cash of RON 6,853 thousand, compared to RON 320,828 thousand and restricted cash of RON 67,009 thousand at 31 December 2017. The decrease in cash is mainly because of payment of dividends declared for financial year 2017, while the change in restricted cash amounting to RON 60,156 thousand included in the Consolidated statement of Cash flows for the 6 months ended 30 June 2018 is mainly due to the fact that in January 2018, a letter of credit guaranteed from own funds was replaced with amounts pledged from a non-cash facility contracted by the Group at the end of 2017 and at the same time several letters of credit were issued for the acquisition of PPE amounting to RON 30,476 thousand and reached maturity in May 2018.

Group's total assets reported as at 30 June 2018 were in amount of RON 2,480,815 thousand, a slightly lower level compared to RON 2,541,102 thousand as at 31 December 2017, due to recent payment of dividends, which was offset by the investments in production equipment. The ***non-current assets*** were in amount of RON 1,365,290 thousand, a slightly increased level compared to the previous period (31 December 2017: RON 1,322,468 thousand), due to investments done in production equipment, while the ***current assets*** decreased by 8% in the analysed period compared to the level reported as at 31 December 2017 (H1 2018: RON 1,115,525 versus 31 December 2017: RON 1,218,634 thousand) due to payment of dividends out of cash.

Group's ***total liabilities*** increased by 11% and reached a level of RON 1,465,843 thousand at 30 June 2018 (31 December 2017: RON 1,325,754 thousand), mainly due to trade payables and loan taken by the Group's subsidiary, ALUM. The level of the ***non-current liabilities*** as at 30 June 2018 was RON 1,003,114 thousand, by 5% higher than the one reported at the end of last year (31 December 2017: RON 951,231 thousand), mainly due to the new loan contracted by the Group's subsidiary, ALUM which is repayable in instalments by 2023. The ***current liabilities*** were of RON 462,729 thousand at 30 June 2018 compared to RON 374,523 thousand at 31 December 2017, mainly due to an increase in the trade payables position.

In H1 2018, the Group continued its ***sustainable and long-term investment plan*** with the aim to reduce the 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. ALRO Investment Programme for the year 2018 as approved at the beginning of February 2018 is of USD 61 million. In H1 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. In H1 2018, investments amounting to over USD 33 million were done, both in the Primary Aluminium Division and in the Processed Aluminium Division. At the same time, investments in production equipment were done at the level of the other subsidiaries, as well. For details, please see in the next chapter Operational analysis, the sections related to Alum, Vimetco Extrusion and SMHL, the main subsidiaries of ALRO Group.

Operational analysis

ALRO Group

ALRO Group reported in H1 2018, a total production of primary aluminium of 144,962 tonnes, a higher level compared to the one reported in the same period of last year (H1 2017: 139,459 tonnes). The processed aluminium production reported for H1 2018 a similar quantity as the one registered in H1 2017 (H1 2018: 55,839 tonnes versus H1 2017: 55,888 tonnes). The alumina production was of 273,235 tonnes in H1 2018, by 26% higher compared to the one reported in the same period of the last year when it was 217,689 tonnes to take advantage of the higher alumina prices during the reported period. Bauxite production recorded a significant increase in H1 2018, as well, being of 1,131,608 tonnes compared to 921,238 tonnes in H1 2017, this increase of 23% representing a direct result of the investments made to streamline operations and improve the production flow.

ALRO

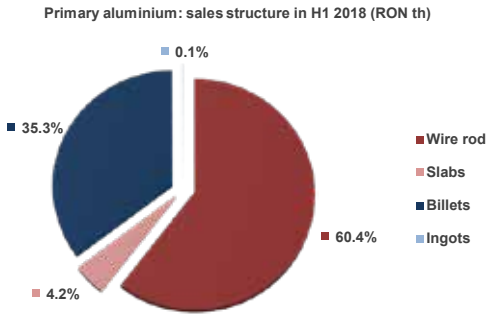
In the first six months of 2018, the Company reported an increase in the primary aluminium production compared to the same period of 2017, respectively an increase of 4% (higher with 5,503 tonnes), while the processed aluminium production increased by 2% in the analysed period, being in H1 2017 of approximately 44,000 tonnes. In H1 2018 the primary aluminium external sales increased and reached the level of 66,852 tonnes, compared to 62,249 tonnes in H1 2017, and processed aluminium sales slightly increased by 1% in the analysed period, being in H1 2018 of 43,519 tonnes compared to 43,276 tonnes in H1 2017.

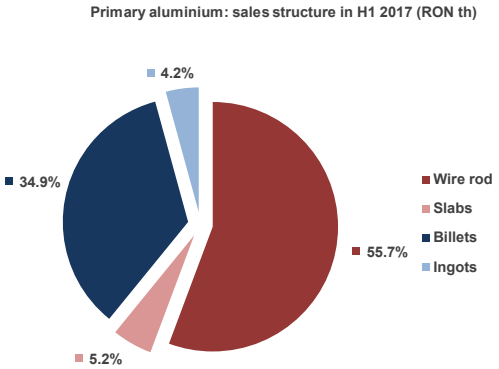
Primary Aluminium Segment

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

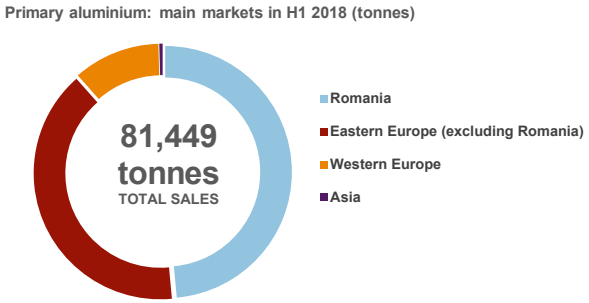
In H1 2018, the Company continued to improve the mix of products sold, as a result of the implementation of the strategy that is focused on high value added products.

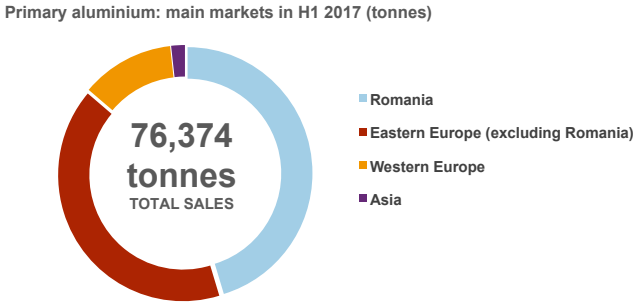
The structure of primary aluminium sales based on product types in H1 2018, compared to H1 2017 (including intragroup sales), is presented below:





The main primary aluminium markets in H1 2018 versus H1 2017 (including intragroup sales) are detailed below:





Processed Aluminium Segment (FRP)

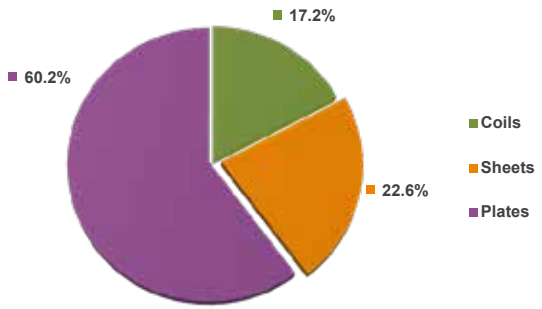
ALRO sells its processed aluminium products, both on domestic and external markets. These products are presented in a diversified range and are produced with high value added, being sold with a superior profit margin compared to the primary aluminium products.

The processed aluminium sales recorded an increased level for all three product categories in H1 2018 as compared to H1 2017, but a significant increase was recorded for aluminium coils. The

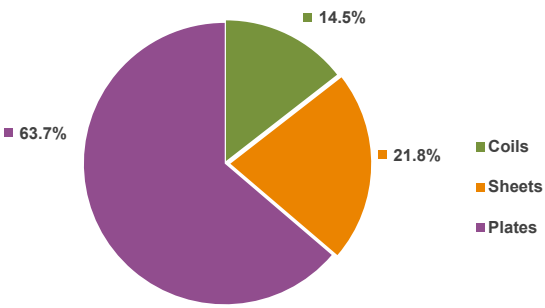
main markets for ALRO's products in H1 2018 were, besides Romania, Germany, Italy, Great Britain, Asia and USA.

The structure of processed aluminium sales based on product types in H1 2018, compared to H1 2017, is detailed below:

Processed aluminium: Sales structure in H1 2018 (RON th)

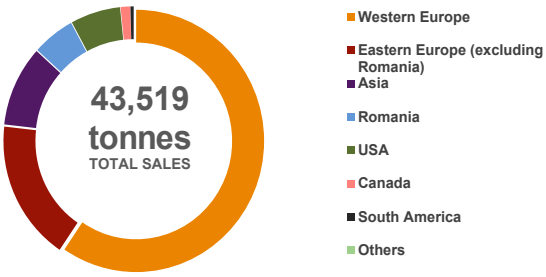


Processed aluminium: Sales structure in H1 2017 (RON th)

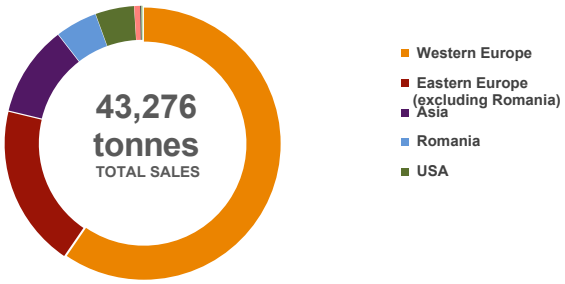


The processed aluminium markets in H1 2018 versus H1 2017 are detailed below:

Processed aluminium: main markets in H1 2018 (tonnes)



Processed aluminium: main markets in H1 2017 (tonnes)



Processed Aluminium Segment (Extruded Products)

The extrusion shop, which is operated by Vimetco Extrusion, is the biggest extruder in Romania and a significant player in the Western European extrusion market. Starting with September 2006, Vimetco Extrusion was organized as a separate subsidiary company of ALRO Group to focus on the Group's extrusion business. The company administrative and managerial offices are located in Romania, with the headquarters in 1, Milcov Street, Slatina, Olt County, Romania.
Through Vimetco Extrusion, the Group uses the billets produced by ALRO in its primary aluminium division and manufactures and sells a wide range of extruded profiles, such as aluminium bars, tubes and profiles. Aluminium extrusion is a technique used to transform aluminium billets into objects with a defined cross-sectional profile for a wide range of uses. In the extrusion process, heated aluminium is forced through a die. Extrusions can be manufactured in many sizes and in almost any shape for which a die can be created. The extrusion process makes the most of aluminium's unique combination of physical characteristics. Its malleability allows it to be easily machined and cast, and yet aluminium is one-third the density and stiffness of steel so the resulting products offer strength and stability, particularly when alloyed with other metals.

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. Vimetco Extrusion's products are used in various industries, such as transport, construction, party tents, photovoltaic panels. The Group's extruded products are also used in the construction and interior design industries with curtain-walling, ceilings, partitions, railings and panels being some of the various applications of aluminium. In addition, extruded products are used in lighting, air conditioning/ventilation systems, reflectors and in the photovoltaic energy industry. Currently, 95% of Vimetco Extrusion products are sold abroad.

Between 2011 and 2013, the Group successfully accessed EU non-refundable financing to purchase production equipment. As a result of such investments, the extrusion shop's electricity and gas consumption per tonne decreased by 53% and 67%, respectively, from 2009 to 2017.

Currently, the extrusion facility has two direct extrusion presses of 1,650 and 3,500 metric tonnes, with a billet diameter of 178 mm and 254 mm respectively, and a production capacity of 25,000 tonnes per annum, depending on the product mix, which allows production of extruded range of profiles from 0.1 kg/m to 13 kg/m.

In H1 2018, Vimetco Extrusion continued its strategy to extend its

products portfolio, especially that of the HVAPs and VHVPs and the clients portfolio, as well.

Vimetco Extrusion Executive Management is composed of Mr. Uladzislau Lychkouski - CEO, Mrs. Stefania Yaksan - CFO. At the date of this Report, Vimetco Extrusion Board of Directors is composed of five members: Uladzislau Lychkouski, Aleksandr Barabanov (Vice-President), Arie Shimon Meisel, Per Lyngaa and Razvan Pop. Starting with June 4, 2018, Mr. Igor Higer resigned from his position held as a Chairman of Board of Directors, being replaced by Mr. Uladzislau Lychkouski. Moreover, starting with the same date, Mr. Uladzislau Lychkouski took over from Mr. Igor Higer the CEO position, as well.

In H1 2018, Vimetco Extrusion reported total sales of 12,307 tonnes, a lower level compared to the similar period of last year (H1 2017: 13,098 tonnes) and a slightly increased turnover by 2%, that reached in H1 2018 a level of RON 161,218 thousand (H1 2017: RON 158,215 thousand). The operational results decreased in H1 2018 compared to the similar period of last year, mainly due to a decline in sales of customized products that benefit of higher premiums as compared to standard products.

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

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

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

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

ALUM

The Group's refinery is represented by Alum which has a production capacity of 600,000 tonnes of alumina per year making it the sole alumina producer in Romania and one of the largest in Central and Eastern Europe. Alumina is transported from Tulcea by rail to the Group's production facilities in Slatina. The refinery is located in Tulcea and is currently using tropical bauxite, such as the bauxite produced in its mines in Sierra Leone, which is less energy consuming to process due to its chemical composition. However, the refinery could utilise bauxite from other sources by implementing minor technological and equipment updates and without incurring significant costs or delay.

While primarily supplying alumina to the Group, Alum also sells aluminium hydrate and other alumina special products (including calcined alumina with different granulations, alumina "low soda" and alpha-alumina) to third party customers. In H1 2018, approximately 73% of alumina produced by the Group (H1 2017: 88%) was used internally by ALRO Group, while 27% (H1 2017: 12%) was sold to external customers through spot contract sales, 96% of which were located outside Romania (H1 2017: 93%).

Alum is listed on ATS segment, AeRO category on the BSE, since May 2015.

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

In H1 2018, Alum had a production of 273,235 tonnes of alumina, a significant increase compared to the similar period of the previous year (H1 2017: 217,689 tonnes), as a consequence of positive levels of the alumina prices, the company wanted to take advantage of this market opportunity. Therefore, in H1 2018 Alum achieved a turnover of RON 387,392 thousands, up by more than 37% compared to the same period of the last year (H1 2017: RON 281,990 thousands), mainly thanks to the higher quantities sold to third parties and to the prices on the alumina market that showed an increasing trend during the first half of 2018.

The competition on the alumina market is impacted by the selling price and by the quality of sold products. Therefore, Alum continues its strategy for reducing costs by optimizing its consumption levels and developing new environmental-friendly technologies, by obtaining beneficial prices for its raw materials and by investing in technology and in human capital. Moreover, it is currently implementing new technologies in for the research and production 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. This is part of the Group's strategy to continue the 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.

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

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

In September 2016, Alum announced that it started to implement the project "Endowment of Alum's Research and Development Department with independent installations, performances in research to support economic competitive growth and business development", project which is co-funded from the European Fund for Regional Development by Competitiveness Operational Programme 2014 – 2020: „Investment in sustainable development strategy". The project aims to enhance the research, development and innovation capacity in order to increase the innovation level and the market competitiveness of the company by purchasing and commissioning research and development equipment. The project implementation period is of 24 months and the project value is of more than RON 20 million, out of which non-refundable financial contribution represents over RON 6 million. In H1 2018 all the activities mentioned in Financing Agreement to be carried out so far in relation to this project have been completed and progress reports as requested in this Agreement have been submitted and RON 3.2 million were received from the European Fund.

In May 2018, Alum applied for a new project co-financed with EU funds: "Innovation technology project designed for the research-innovation and development of red mud utilization/ recovery technology to support the economic competitiveness and development of ALUM S.A.". The total estimated cost of the project is over USD 5 million from which almost USD 4 million represent the value of the equipment to be purchased.

The investment project is proposed to be implemented during 2018-2021 and is necessary for:

- Bauxite residue deposited in the bauxite residue disposal site with a moisture decreasing from the current average value of 48% mass percent to 25% with the following positive effects:
    - increasing the exploitation life of the bauxite residue disposal site;
    - increase stability for the bauxite residue disposal site;
    - increasing the capacity of liquid phase from the bauxite residue on the bauxite washing line to recover hydroxide and alumina.
- Compliance with the Best Available Techniques ("BAT") provisions as set by the European Directive 2010/75/UE regarding the industrial emissions in respect of the deposited bauxite residue moisture decreasing;

The main proposed works to be carried out, in this respect are detailed below:

- Documentation realization by a specialized company for obtaining all the documentation necessary to implement the project for improvement and installation of a pressed bauxite residue depositing system in the bauxite residue disposal site;
- Acquisition and installation of press filters at the bauxite residue disposal site;
- Foundation execution for the press filters and press filters installation hall;
- Conveyor bands acquisition and transport system arrangement and pressed bauxite residue depositing in steps;
- Switching station modification and power supply lines for the bauxite residue disposal site installations.

SIERRA MINERAL HOLDINGS I, Ltd. (SMHL)

SMHL is responsible for the Group's mining operations and operates bauxite mines located in the Bo, Bonthe and Moyamba districts in the Southern province of the Republic of Sierra Leone on the basis of the Bauxite Mineral Prospecting and Mining Agreement dated 16 July 2012 entered into with the Government of the Republic of Sierra Leone and valid from 1st of January 2012 until 31st of December 2032. SMHL has no ownership right with respect to the plots of land where the bauxite mines or the other facilities are located, but owns some production and accommodation facilities in the mining area and facilities in the Nitti port. SMHL operates under a mining lease with a concession area of approximately 321.73 square kilometres and, in addition, holds two exploration licenses valid until 2019 with concession areas of 87.21 square kilometres and 114.80 square kilometres, respectively.

As a vertically integrated producer, the Group sources and uses all of its bauxite from the mines operated in Sierra Leone. SMHL represents one component of the Group's technological flow, being at the base of this integrated production chain: mining of bauxite. The bauxite obtained by SMHL is sold to Alum to be refined and to produce alumina, the main raw material used for aluminium production in its refinery located in Tulcea, Romania, which further serves in the aluminium production at ALRO.

On 1st May 2011, Alum completed the acquisition of SMHL, Bauxite Marketing Ltd and their holding company, Global Aluminium Ltd. SMHL has been the Group's major supplier of bauxite since 2009 and is currently its sole supplier of bauxite. In 2015-2017 all of the Group's alumina and bauxite requirements were met by Alum and SMHL, respectively, with their excess production was sold to third parties. Excess production also allows the Group to increase its primary aluminium output without external acquisition of its main raw materials from third party suppliers.

The total measured and indicated bauxite resources of the mines operated by SMHL as of 1st January 2018 were estimated by the Group at 53.6 million tonnes, which the Group estimates to be sufficient for approximately 20 years of operations (at the existing run rates). The typical washing operation of the Sierra Mineral processing plant, with a design capacity of 300 tonnes/hour of processed bauxite (feed rate), upgrades the alumina content and reduces the silica concentration of the bauxite ore extracted. The dry beneficiation process consists of crushing and screening aimed at sorting the ore of economic value from waste. Through quality sampling, the ore of economic value is blended to produce commercial ore for shipment. The Group aims at improving bauxite quality by combining an optimal blend of mined and processed ores. Notwithstanding the depletion in reserves with high alumina and low silica concentration, in the last three years, SMHL's commercial recovery rate (being a percentage of commercial bauxite in mined ore) was increasing from at 47% in 2015, to 51% in 2016 and to 53% in 2017. Bauxite is then transported by barges owned by the Group from the loading port of Nitti to Buoy

4 where they are loaded on ocean-going vessels using on-board transhipment and shipped to Constanta, Romania, a major port on the Black Sea, via a third party shipping company. The amount of bauxite shipped to Constanta increased from approximately 1.3 million tonnes in 2015, to 1.5 million in 2016, to 1.4 million tonnes in 2017, and to 1.1 million tonnes in H1 2018, respectively. The Group sells excess production of bauxite to third parties and the amount sold to third parties in H1 2018 was of 176,716 tonnes (H1 2017: 164,206 tonnes)

The Group focuses on increasing the operating efficiency of its mining facilities and equipment through regular repair and maintenance programs and has managed to reduce the full cost of bauxite production from RON 156 per tonne in 2015 to RON 132.7 per tonne in 2016 and to RON 124.8 per tonne in 2017. Moreover, the Group's efforts to upgrade its mining facilities and equipment allowed SMHL to increase the amount of bauxite mined from 2.8 million tonnes in 2015 to 3.4 million tonnes in 2017. Throughout the extraction and washing and drying procedures, SMHL also implements a quality control and assurance protocol to monitor the quality of the bauxite extracted, starting from exploration drilling to shipment by freight and completion of transhipment operations.

In H1 2018, SMHL produced 1,131,608 tonnes of commercial bauxite, a significantly higher level compared to 921,238 tonnes produced in H1 2017 due to achievement of 55% recovery in washing plant by adding extra water line and changing part of springs from metal to rubber and commencement of full time production of dry beneficiation bauxite. In terms of sales for H1 2018, SMHL also registered an increase and took advantage of the opportunities offered by the market to deliver its surplus production to third parties, the total quantity of sales to them being by almost 8% higher in H1 2018 compared to the similar period of 2017.

Moreover, the efforts done during the last years through the investments made for the efficiency of the operations and in research and development have had a positive effect on the company's results. Thus, in H1 2018, SMHL reported a profit of USD 4,324 thousand (RON equivalent 17,500 thousand) (H1 2017: profit of over USD 5,627 thousand, respectively RON equivalent 23,500 thousand), while the EBITDA decreased during the analysed period by almost 8% than the one reported during the similar period last year due to increased fuel price (0.75 USD/l in H1 2017, 0.84 USD/l in H1 2018), increased expenses on personnel (basic salaries of general staff increased on 56% compared with 2017).

Some of the main factors that contributed to the increase in company's performance during H1 2018, as well were:

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

SMHL continues to implement costs reduction measures in all its activities areas:

- excavation and transportation;
- optimization of the number of active mines;
- activity effectiveness through a correct sizing of employees' number and properly training them;
- improving the indicators for the river transportation, such as the loading rates and a more effective management of the existing fleet.

Moreover, the Group's management is closely monitoring the activity in Sierra Leone, in order to take the necessary measures to improve performance in real time.

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

CONEF S.A.

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

Other information

- the Group is not dependent on a client or a group of clients due to its diversified portfolio;
- during the six months' period ended 30 June 2018, the Group did not buy or hold its own shares;
- during H1 2018 no mergers or reorganizations occurred; however, at the end of June 2018, ALRO announced the launching of a Secondary Public Offering. For more details, please see the chapter "Other information regarding ALRO Group";
- during the six months' period ended 30 June 2018, there were no increases or decreases of the shares held in affiliated entities;
- the equipment status ensures safe operation and the achievement of the proposed objectives, with no problems related to the ownership of the Group's tangible assets;
- by upgrading its production machines and equipment, the Group is technically and technologically similar to the main aluminium producers on the international market.

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

In May 2015, the Parent Company acknowledged a legal civil action at the Bucharest Court of Law, brought by Hidroelectrica S.A., regarding material claims by the electricity producer for alleged unrealized benefits from the bilateral contract with ALRO S.A. In December 2015, the Primary Court rejected a significant part of the claims of Hidroelectrica as being time-barred, and consequently only remaining claims are under discussion, related to a short period from the contract of less than two months, which were subsequently dismissed in first instance by the Court in June 2016. As at the reporting date, the appeal has been filed at the Bucharest Court of Appeal, and the Company reported this information to the investors and interested public.

As at 30 June 2018 The Group Companies are parties to various litigation or legal proceedings arising in the ordinary course of their business, in which they are either defendants or plaintiffs. The Group Companies are not involved in any litigation or court proceedings and are unaware of any actions of a judicial, arbitral or administrative nature that could reasonably be expected to materially and adversely affect the Group's business, financial condition or results of operations.

In April 2015, Hidroelectrica S.A. filed a lawsuit against the Company before the Bucharest Tribunal, in relation to, inter alia, alleged benefits from the contract entered into with the Company. Hidroelectrica claimed direct damages amounting to:

- RON 60,347,845, representing the alleged price difference between the average price on the bilateral contracts market and the average cost of electricity production, plus accrued interests; and
- RON 80,011,257, representing the alleged loss of profit caused by the sale of electricity below production costs.

Both the Bucharest Tribunal and the Bucharest Court of Appeal rejected the claims brought by Hidroelectrica, partly as being time-barred by the applicable statute of limitation (3 years from the date of the alleged losses), and partly as being without merit. Hidroelectrica has filed a second appeal which is now pending before the High Court of Cassation and Justice and the first hearing is scheduled for 4 October 2018. Based on Management's best estimate, it is not possible to make a reliable estimation of the outcome of the legal case. Consequently, the Company did not recognize a provision in relation to the Hidroelectrica claim.

In 2016, the Company challenged before the Bucharest Court of Appeal a decision of the Romanian Competition Council to impose a fine of RON 21,239 thousand to the Company for an alleged vertical agreement on the energy market. The fine was paid but the challenge is still pending. The next hearing is scheduled for 5 September 2018 to allow the Court nominated expert to file the expert report.

In addition, the Company challenged before the Bucharest Court of Appeal several ANRE orders regarding:

- the calculation of the Green Certificate quota for the Company's energy consumptions in 2015, and
- the quota settlement methodology.

The first challenge was rejected at first instance by the Bucharest Court of Appeal as time-barred and the second appeal filed by the Company is now pending before the High Court of Cassation and Justice. The second challenge is pending before the Bucharest Court of Appeal, at first instance. Both proceedings are suspended until the Romanian Constitutional Court decides on the constitutionality challenges filed by the Company in relation to legal provisions which are impacting the disputes.

The Company is committed to timely informing the public and investors about the status of this legal case.

Regarding the LME's evolution on international markets, in the first half of the year, the aluminium price quotations on the London Metal Exchange continued to show increased levels, with the H1 2018 average being 2,209 USD/tonne, compared to the same period of last year 1,880 USD/ tonne.

As at 30 June 2018, the Group complied with all the covenants imposed by the contracts with banks.

During the first six months of the financial year 2018 there were no significant changes in the economic and operating conditions affecting the fair value of the Company's assets and liabilities, except the normal volatility of the aluminium price on international markets and the foreign exchange rate.

Main investments made during the reporting period –strategic projects

In 2018, the Group continued its investment program, and for ALRO, its Parent-Company, allocated a budget of almost USD 61 million for investments focused on reducing the Company's energy dependence, increasing the quality of the hot rolled products, improving the current equipment efficiency, increasing its competitiveness and ensuring production reliability as detailed below:

- Reduce ALRO's energy dependence by increasing the existing processes energy efficiency and increasing the FRPs production facility to reach a capacity of 90,000 tpa;
- Extend ALRO's client portfolio by increasing the production capacities within FRP (increase the quantity of HVAP, such as the heat treated plates)
- Enhance ALRO's products quality, in order to meet the most demanding quality requirements of the Company's customers in terms of hot rolled products;
- Continue the permanent improvement programs by increasing the efficiency of the existing equipment;
- Increase ALRO's competitiveness by improving the delivery terms of the hot rolled products, with positive impact on the Company's customers' satisfaction;

In H1 2018, ALRO made capital expenditures amounting to over USD 33 million in investments for:

- Purchase of new equipment necessary in the research processes, in order to expand the clients' portfolio of the Company;
- Upgrade the current equipment and/or purchase new equipment, in order to increase the production capacity for HVAPs and VHVAPs in the Processed Aluminium Division;
- Continue the projects which have an impact on the increase of the energy efficiency of the Company's technological processes;
- Investment projects necessary to boost current equipment efficiency, in order to increase the Company's Competitiveness;
- Investment projects necessary to provide ALRO's technological processes safety and continuity.

Amongst these projects, in H1 2018, ALRO has continued the programme for increasing the energy efficiency of the Company's technological processes in ALRO Primary Aluminium Division by implementing the following projects:

- Upgrading the furnace combustion system G17 and G18 with the use of heat recovery;
- Install electromagnetic stirring device for G15 and G16 furnaces, in order to increase the efficiency of the remelting operations;
- Implement the AP12LE technology developed by Aluminium Pechiney, part of Rio Tinto Aluminium (RTA), for upgrading the electrolysis pots, his project aims at reducing the specific energy consumption by approximately 300 kWh/tonne of aluminium, while maintaining the current production. The AP12LE technology targets an energy consumption below 13 kWh/tonne, from an average of 13.28 kWh/tonne from the AP9 pots type currently in use at ALRO, while maintaining current efficiency at its current level (more than 95.5%). The AP12LE pots design is based on the "Technology Brick" approach, developed by RTA and using new relining materials, new cathodes and metallic bar assemblies and slotted anodes. Modernization of the plant will take place in stages, in compliance with the pot repair schedule, and will not impact the production of aluminium.

In respect of the expansion of the Company's client portfolio, as a result signing within the Competitiveness Operational Programme - Research, Technological Development and Innovation (RDI) to Support Economic Competitiveness and Business Development, the funding contract providing the grant of non-refundable EU financing for the implementation of the project "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", ALRO intends to develop its research-development capacity for products demanded in highly specialised areas – automotive industry, aircraft industry. The project will be implemented over a period of 24 months and the project scope is to purchase research – development equipment, namely: independent equipment for the research of the aluminium alloy sheets quenching, independent equipment for the research of the residual stress removal process for the aluminium alloy sheets with thickness lower than 20 mm, independent equipment for the research of the aluminium alloy plates aging process.

According to the schedule agreed with the Management Authority, in H1 2018, the research-development equipment purchased within the funding contract were delivered and currently the installation and commissioning activities are in progress. All the project activities have been successfully implemented, which was also confirmed by the approval of the three Reimbursement Applications, from which ALRO was granted the non-refundable amount of more than RON 10 million, without any correction being applied.

Based on ALRO's strategy to increase the HVAPs and VHVAPs' share in its overall product portfolio while maintaining the existing customers and sales volume for the highly profitable primary products, in H1 2018, the Company has been carrying out the implementation activities for the major project for the upgrading of the Cold Rolling Mill no. 2, one of the critical machine in FRP, being estimated that the mill production is to be restarted by November, this year. Following this upgrading, ALRO shall be able to cover the technical and quality requirements and a much wider range of cold rolled products, which will allow ALRO to consolidate its position on the dedicated market. Additionally, in the Primary Aluminium Division, during H1 2018, the installation works related to the project "Purchase of a two slab homogenization furnaces and one cooling chamber", whose target is to increase the homogenised slabs capacity, in line with ALRO's strategy of increasing the heat treated plates production were finalized.

Other information regarding the Group's activity

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.

Main principles for organizing and performing the training activity within the Group

- The Group's human resources policy is linked with the Group's strategy for achieving a sustainable growth on short, medium and long term;
- Labour Code, as republished and the other related legal requirements in force regarding ongoing professional development for employees;
- Other related legal requirements currently in force.

Fundamentals of the Group's training activity

- Annual programs for professional development;
- Operational procedures for achieving higher standards of professional development, competence, awareness and training, specialized certifications and professional assessments;
- Collective Labour Agreement, at each company's level;

- Human resources – each Group's company has in its organisational structure a HR Department.

Implementation of ALRO's training procedures & activities

The ongoing professional development of ALRO Group's employees is carried out on the basis of an annual training program, which consists of several steps & measures:

- periodical professional trainings;
- programs for initiation, qualification, requalification, authorization and specific certification carried in-house or in collaboration with specialised companies;
- training and specialisation programs carried out by prestigious consulting companies either at the Group's companies' premises, either at the external consultants' offices;
- participation to different programs of comprehensive studies, post graduate programs, MBA or EMBA etc.;
- participation in other activities, such as team–building, symposiums, conferences, workshops, fairs and exhibitions, in Romania and/ or abroad;
- consultancy services provided by well-known specialists in the aluminium production field;
- additional training methods using formal and informal ways;
- advanced professional education programs through partnerships with the Technical Metallurgic College in Slatina students by setting up dual education classes.

In H1 2018, within ALRO, qualification and requalification professional trainings were organized such as: nonferrous metallurgist, laminator, heat treated products operators, floured gases treatments operators etc., as well as other trainings for obtaining several certifications that are required for some employees to practice some professions (for example: training and certifications trainings for NDT operators, ISCIR authorizations, authorization of operators carrying out activities in the field of natural gas, etc.).

The main objectives of these trainings are to:

- comply with the legal stipulations in force for ensuring a proper correlation between the employees' qualifications and their profession;
- secure the critical positions in the Company's organizational chart with well-trained employees;
- upgrade the skill levels of the Company's employees at the level of the new equipment commissioned which represents "state-of-the art" technology; and
- facilitate the internal mobility of employees, in case any changes in the organizational structure of the Company would be required.

In 2018 the professional training and certifications of the employees involved in the Aero and Auto projects continues. The focus on changing employees' view regarding self-control, quality, cost reduction measures, efficient use of the resources needed to carry out activities will be kept, while complying with the operational procedures, improving communication, with technical guidance received from external consultants.

In H1 2018, TESA employees from all areas of activity (such us, technical, industrial automation, IT, economic areas and others) followed professional development training programs or certifications programs, in order to access the most advanced information and best practices in their activity fields and in other areas of interest for the Company. Professional development programs such as EMBA or other training and certifications programs were held, such as: quality management & environmental protection & energy trainings, IT trainings, managing investments programs, health & safety trainings protection, accounting & financial trainings for ensuring an ongoing professional development and other trainings & certifications programs required to properly operate on a daily business.

In H1 2018, a number of 20 employees within ALRO Group who have started in October 2016 an EMBA in partnership with Kennesaw State University (KSU), Atlanta - Georgia, USA program have continued 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.

Another important method for ongoing professional development is represented by the participation of certain specialists of the Company at several workshops, fairs & exhibitions, both in Romania and abroad.

Within the other Group's subsidiaries similar training procedures and activities measures are implemented – some of the employees of Vimetco Extrusion participated to an MBA programme, ongoing professional and certifications trainings are done for Alum, Vimetco Extrusion and SMHL employees. Moreover, for SMHL employees a special attention is given to health & safety working measures considering the environment in which the company activates.

Within the entire Group, the employees are encouraged to continue their professional and personal development and the staff is encouraged to follow post-secondary schools, universities, masters, postgraduate or doctorate programs.

Vimetco Extrusion has an annual training program including internal and external training courses. In the first half of 2018, the focus was on the productive personnel, aiming to develop their knowledge regarding the temperature and waste management measures during the extrusion process, learning more about the defects catalogue and dies technology. In addition, internal information and external trainings have been done regarding the legislation on the personal data protection new regulation. Moreover, Vimetco Extrusion dedicated team to such fields participated in national conferences regarding the legislation on the personal data protection and the safety and environmental topics.

Anticipated professional training

The The main goal is to train in advance potential employees (i.e. pupils from vocational schools or technical colleges, students, other categories of young people etc.).

Dual professional education

In 2017 the partnership between ALRO and the Slatina Metallurgical Technical College was signed for the organisation of the first dual professional educational 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 "Dual Vocational Education" project continued in the educational year 2018 - 2019 by organising a class of students composed of two groups: a group of 14 students for the qualification as electricians and a group of 14 students for the qualification of low voltage electricians.

The partnership with the Slatina Metallurgical Technical College has also facilitated several specialised internships within ALRO production facilities for vocational schools' students – classes of rolling mill operators, numerical control machine tool operators, Cast-House operators and electro mechanics. Moreover, it has encouraged some of the Company's employees to follow high-school or postsecondary schools.

Joint projects with Universities & High-schools

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

- Internships within ALRO's production facilities & offices - on average, each year more than 50 students from different universities and specialisations have conducted professional trainings inside the Company. In H1 2018, more than 20 students from universities from Bucharest, Craiova and Pitesti, carried out internships within ALRO;
- Realisation of the final papers for Bachelor's or Master's Degree on various case studies based on ALRO's activity & business;
- 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.);
- Material support & sponsorships offered by ALRO in activities carried by certain universities or student associations (for example, support for the Physics Department at the University of Craiova for organizing the "Night of the Researchers" event, the implementation by Politehnica University of Bucharest of some projects with European funds).

Anticipated professional training turned out to be beneficial for ALRO, from the following perspectives:

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

Corporate Social Responsibility

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

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

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

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

ALRO Group believes in the sustainable development which contributes to contributes to the Group's growth and represents a step forward to develop innovative aluminium solutions. The Group supplies VHAVP to the technically demanding customers in the aerospace and automotive industries and we are proud to report that our lightweight aluminium contributes to fuel efficiency of planes and vehicles, thus reducing emission levels.

The Management is constantly concerned with improving and developing partnership and sponsorship policy, promoting and encouraging CSR practices and principles by integrating them into managers and employee performance evaluation criteria, youth education, a better knowledge of Romanian art and culture, and also, the promotion of a clean environment and a healthy lifestyle.

The Group is aware of the important role it has in the communities in which it activates, so it acts with responsibility to positively influence the community in which it operates. ALRO has a decisive role in the economic, social, cultural and sports life of the community.

Moreover, ALRO, the Parent-Company, 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.

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

In H1 2018, ALRO has contributed and offered its support to numerous actions and cultural, sporting, educational and social activities, such as the ones detailed below:

- The project *"Together for the Future"* - Dance Festival – represents a National community action strategy event, national stage, attended by 295 children, mixed teams composed of volunteer students and beneficiaries (students with disability qualification certificates). ALRO supported this project and, in the framework of the award ceremony, offered to all children gifts, namely pennies, pens, pencils, coloured pencils sets, caricatures sets;

- *Dual Vocational Education with a duration of 3 years, 2017/2018* - ALRO in partnership with the Metallurgical Technical College, collaborated in the development and implementation of the "Dual Vocational Education" project for the 2017/2018 school year by organizing a class of students consisting of a group of 27 students for the qualification "Machine Mechanics and Installations in Industry". This partnership will continue in the school year 2018/2019;

  Involvement of ALRO:

  - ALRO financially supported students during their internship, by granting scholarships of 200 RON/ month/student;
  - The scholarship is granted each school year, based on the contracts concluded between ALRO, Metallurgical Technical College, student and parent/person/ guardian exercising parental authority for the minor student;
  - ALRO ensures during the practical training period, the work equipment and one hot meal;
  - Depending on the needs, ALRO offers the possibility of hiring students after passing the qualification examination at the end of period.

- *International Conference of Applied Mathematics and Numerical Methods,* Craiova University - The conference creates a scientific environment according to researchers working in various fields of mathematics applied and gathers together researchers from different institutions from Romania and abroad. ALRO is the main sponsors of this international Conference;

- *5k Spring-Slatina Cross - Sport means health!* This is why ALRO encourages and supports sports activities in Slatina and beyond. Several ALRO's employees participated on May 20, 2018 at the Spring Cross and received many awards;

- *Cluj-Napoca Marathon 2018 (14-15 April 2018) and Bucharest Half Marathon (12-13 May 2018*) – ALRO's Running team was present, as well at these International Running Events as part of the Group's strategy to encourage its employees to reach a balance between work and personal life. At each of these international events, the Group is represented by a mixed team which runs in both individual and relay races. ALRO Group promotes and supports its employees to take part in such events, being a promoter of the healthy lifestyle;

- *Sponsorship to support events and actions* in areas such as social and cultural, education and learning, health, religion and cults, sports, partnerships with associations and foundations, active in cultural, educational and social - humanitarian fields;

- *Many partnerships have been concluded with High-schools, Post-secondary schools and Universities* (for example: Slatina Metallurgical Technical College, "Politehnica" University of Bucharest, "Transilvania Brasov" University, Craiova University, etc.), to facilitate student practice, documenting visits at ALRO, conducting yearly, Bachelor's, Master's or PhD Degree, research, etc.;

- *Active participation of ALRO representatives* in a number of local social dialogue bodies, such as the Social Dialogue Commission with the Olt County Prefect's Institution or the Tripartite Consultative Council, with the Olt Labour Inspectorate;

ALRO has been involved in obtaining good results in the work of the employers' organization O.P. Uniromsider.

Other major participations & events

- February 1, 2018: ALRO's representatives participated as speakers at the conference *"Investments in Energy Efficiency";*
- February 9, 2018: ALRO is one of the main sponsors of the international cultural event "*The travelling Piano"*, which takes place every year;
- June 2018: ALRO is one of the main sponsors of the *„Ivan Patzaichin – Mila 23" Association,* which develops sustainable solutions to promote local development projects and eco-tourism, taking on the mission of assisting the Delta and its inhabitants to get the attention they deserve, allowing them to preserve their traditions and protect a pristine habitat.

Moreover, in H1 2018, a particular attention was paid to the relations with the trade union organizations within the Company and the trade union federations to which they are affiliated as an important factor of stability, social peace and achievement in terms of performance of the mission and objectives of the Society.

ALRO is an important contributor to local and national budgets.

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

- Bonuses were given to employees who participated in important projects;
- Performance criteria is widely used for salaries of employees in key positions;

- All employees were given several benefits under the provisions of the Collective Labour Agreement (e.g. free treatment tickets for employees with occupational diseases, holiday vouchers, premiums on the occasion of religious holidays or festive days etc.);
- Means of communication with employees were improved (i.e.: ALRO portal, the activity of solving requests, intimations and complaints etc.);
- The activity of employee performance assessments was improved;

The other Group's subsidiaries are actively involved, as well in the activity and welfare of the communities in which they operate. In H1 2018, Alum, supported and was involved in social activities in the area where it operates, among which can be mentioned:

- sponsorships for supporting events and actions in fields such as: health, social-humanitarian, social-cultural, education and schools, sports;
- sponsorship for the Green Guerrilla event – an annual event for ecological education through discussions related to the smart cities, recycling and collecting aluminium doses, 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;
- the working conditions offered, respect the human rights, equality and welfare of employees. In this regard, recruitment, selection and hiring workforce is done mainly from the Tulcea County. Also, the percentage of the number of women employed in the company increased from 10% in 2010 to 16% in 2017;
- collecting funds for gifts offered during the Easter holidays for the old people from the elderly persons' home in Tulcea;
- collecting clothes, toys, food for the low-income families with several children;
- continuing a sportive-educational partnership for having Alum employees' children involved in sporting activities (e.g.: swimming), while supporting the organization and participation of children in sports competitions (e.g.: swimming, triathlon).

Moreover, Vimetco Extrusion continued in H1 2018 his tradition to offer a sponsorship of more than EUR 6.5 thousand to the local hospital for buying equipment both, for the surgery room and for the recovery hall.

In preparing phase, to be done in August 2018, there is the Education Camp "Nurturing my Roots" sponsored by Vimetco Extrusion and dedicated to children from Slatina institution of Child Protection (DGASPC Olt) – a 5 days' camp is dedicated to the development of the emotional intelligence of children.

Locally, SMHL is an active member of Sierra Leone communities, as well and an increased attention is paid to environmental protection taking into account the environmental footprint of mining and on projects that support the social and educational activities in this area. Additionally, in the ordinary course of business, the Group's operations in Sierra Leone require it to perform mine work, consisting of scalping, excavation, loading and hauling, grade control, haul roads construction and maintenance, pit dewatering, pit maintenance, pit access maintenance, mine electrical facilities and general services, mill and wash work, consisting of primary crushing, secondary crushing, trammelling, screening, materials handling and storage, dewatering, tailings disposal, water reclamation and process control. Also, the Group is subject to environmental remediation works in accordance with the African Development Bank's Environmental and Social Assessment Procedures. Upon the depletion of the reserves in any particular ore body, the benches must be levelled, and the topsoil (humus and or lateritic humus) must be returned and spread over the levelled out benches. Vegetation must then be progressively re-introduced to rehabilitate the mined out area.

SMHL remains compliant with its responsibility of transferring 1% of its revenue to Community Development Committee (SMHL - Vimetco CDC) to support the various projects for the local community long term development and improvement of quality of life. Currently several projects are in progress – building of CDC complex, trade markets, public latrines, hand dug wells, hand pump water wells.

Also SMHL provided support to a local orphanage in terms of food supply and children transportation, commenced a construction of a Hall in Mokanji area sponsored several trainings for the most value-adding employees from overseas institutions.

The Group's health and safety management systems apply a systematic approach to establishing work processes that preserve and enhance employees' ability to work effectively and safely. During the past 16 years, the Group has invested approximately RON 100 million to improve labour conditions and environmental protection. The Group 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. The Group offers on-going training programmes to its employees, and focuses on developing a system of occupational trauma prevention, and early identification and elimination of occupational hazards and risks. The Health department compiles and administers these reports, and also provides health and safety training materials to management, which are used to conduct monthly training sessions.

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

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;
- 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;
- SMHL – no changes;
- Conef – starting with June 4th, 2018, Mr. Serghei Catrinescu was appointed as Deputy CEO of Conef S.A.;
- 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 H1 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.

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 30 June 2018 are presented in the Unaudited Condensed 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., Vimetco Trading, Vimetco Management Romania, Vimetco Power Romania, Conef Gaz, Conef Energy, Rivergate Center, Rivergate Rating Group.

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 contracts, supplies various services (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 comparable coverage on behalf of its directors and officers.

During H1 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 23 - Related parties* of the Unaudited Condensed Consolidated Financial Statements for the six months ended on 30 June 2018 included in this Report.

Outlook for H2 2018

In 2018, ALRO Group was and continues 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 continue in the second half of 2018, as well. Digitalization concept is adopted as part of the business operating system to continuously deliver value, while achieving significant savings.

Moreover, the Online Monitoring System – for Primary Aluminium & FRP Divisions has been further developed and it is continuously calibrated in the following areas:

- Operations and Workshop monitoring;
- Traceability of production (stamping the metal from work in process goods with QR and bars code, electronic travellers etc.;
- KPI monitoring;
- Energy Management;
- Environmental Monitoring;
- Total Productive Maintenance, assets utilization and functioning.

In H2 2018, the Group will remain also focused on decreasing the operational risks through continuously upgrading old assets, and thus improving operational security and work conditions. The modernization of degassing ladle and of the new filtration systems for molten aluminium for main production installations it is an ongoing process and is included in 2018 list of priorities.
Regarding the aluminium market, the construction sector started to show recovery signs and contributes to a positive aluminium market outlook for 2018. The LME continued to show a positive trend and, thus it is attracting more and more players, which increases the competition and puts an additional pressure on premiums and conversion rates. However, ALRO Group has its strengths and among others, will continue in 2018 its further progress on the Aluminium Wire market to consolidate its position on the European market.

In the 2nd half of 2018, the Group's Management will continue to pay a special attention to the market evolution – LME quotations, new players, Chinese competition etc., while continuing its strategy to decrease consumption and improve the operational efficiency, with a direct effect in keeping costs under control.

The research & 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 funds are running smoothly and the Group permanently investigates any further opportunities in this area.

For the rest of 2018, we will remain faithful to our sustainable and long-term strategy and we will strive to keep and, if market conditions prove to be favourable, we aim to improve both our operational and financial results.

Abbreviations and definitions used in this report

ATS	Alternative trading system on BSE
BAT	Best Available Techniques provisions as set by the European Directive 2010/75/UE regarding the industrial emissions
BSE	Bucharest Stock Exchange
EBIT	Earnings before tax, other financial gains and losses
EBITDA	Earnings before tax, other financial gains and losses, amortisation and impairment
EGSM	Extraordinary General Shareholders Meeting
ERP	Enterprise Resource Planning
FRP	Flat Rolled Products
FSA	Financial Supervisory Authority, Romania
GD	Government Decision
GSM	General Shareholders Meeting
H1 / H2	first half of the year / second half of the year
HVAP	High value added products
IAS	International Accounting Standards
IATF	International Automotive Task Force - certifications for the automotive industry
IFRS	International Financial Reporting Standards
ISO	International Organization for Standardization
KPI	Key performance indicators
LC	Letters of credit
LME	London Metal Exchange
NADCAP	National Aerospace and Defense Contractor Accreditation Program of Performance Review Institute - SAE
OGSM	Ordinary General Shareholders Meeting
PPE	Property Plant and Equipment
Q2/ Q3	2nd quarter/ 3rd quarter
QR Code	Quick response code
USA	United States of America
VHVAP	Very high value added products

Interim condensed consolidated financial statements for the six months ended 30 June 2018

Alro S.A. and its subsidiaries

Interim consolidated statement of profit or loss and other comprehensive income for the six months ended 30 June 2018 - unaudited

in RON '000,
unless otherwise stated

	Note	Six months ended 30 June 2018	Six months ended 30 June 2017
Revenue from contracts with customers	5	1,563,610	1,378,150
Cost of goods sold		-1,207,340	-1,030,263
Gross profit		**356,270**	**347,887**
General, administrative and selling expenses	7	-146,241	-122,571
Other operating income		5,040	4,369
Other operating expenses		-3,923	-2,054
Operating result (EBIT)		**211,146**	**227,631**
Interest expenses		-21,210	-26,538
Gains from derivative financial instruments, net	12	16,692	87
Other financial costs, net	8	-7,158	-4,046
Net foreign exchange gains / (losses)		-8,722	22,694
Result before income taxes		**190,748**	**219,828**
Income tax	9	-36,597	-32,981
Result for the period		**154,151**	**186,847**
Other comprehensive income / (expense), net of tax:			
Items that will not be reclassified subsequently to profit or loss			
Remeasurements of post-employment benefit obligations		12	-
Items that may be reclassified subsequently to profit or loss:			
Translation adjustment		13,109	-8,836
Other comprehensive income / (expense) for the period, net of tax		**13,121**	**-8,836**
Total comprehensive income / (expense) for the period		**167,272**	**178,011**
Result attributable to:			
Shareholders of Alro SA		**153,974**	**186,702**
Non-controlling interest		**177**	**145**
		154,151	186,847
Total comprehensive income / (expense) attributable to:			
Shareholders of Alro S.A.		**167,014**	**177,918**
Non-controlling interest		**258**	**93**
		167,272	178,011
Earnings per share			
Basic and diluted (RON)	10	0,216	0,262

In 2018, the Group reclassified an amount of RON 5,760 thousand in the comparative figures of 2017, previously presented as "Interest expenses" to "Other financial costs, net". Refer to note 8. At the same time, gains from derivative financial instruments of RON 87 thousand, previously presented under "Other financial costs, net" are now presented separately in Gains from derivative financial instruments, net.

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

These financial statements were authorized for issue by the management on 09 August 2018.

Interim consolidated statement of financial position as at 30 June 2018 - unaudited

in RON '000

	Note	30 June 2018	31 December 2017
Assets			
Non-current assets			
Property, plant and equipment	11	1,128,758	1,015,035
Intangible assets		7,654	8,611
Goodwill		89,543	87,485
Long-term loans receivable	21	14,080	54,345
Deferred tax asset	9	69,678	98,845
Other non-current assets		55,577	58,147
Total non-current assets		**1,365,290**	**1,322,468**
Current assets			
Inventories	14	697,011	670,805
Trade receivables, net	15	99,801	76,853
Current income tax receivable		541	309
Other current assets	16	90,552	79,532
Derivative financial instruments asset, current	12	17,700	3,298
Restricted cash	17	6,853	67,009
Cash and cash equivalents	17	203,067	320,828
Total current assets		**1,115,525**	**1,218,634**
Total assets		**2,480,815**	**2,541,102**
Shareholders' Equity and Liabilities			
Shareholders' equity			
Share capital		356,091	356,091
Share premium		86,351	86,351
Other reserves		345,501	331,542
Retained earnings		71,434	49,409
Result for the period		153,974	390,581
Equity attributable to shareholders of Alro S.A.		**1,013,351**	**1,213,974**
Non-controlling interest		1,621	1,374
Total shareholders' equity		**1,014,972**	**1,215,348**
Non-current liabilities			
Bank and other loans, non-current	18	892,448	844,944
Finance leases, non-current	18	3,697	4,300
Provisions, non-current	19	31,751	30,769
Post-employment benefit obligations		41,970	41,569
Government grants, non-current portion		30,075	27,558
Other non-current liabilities		3,173	2,091
Total non-current liabilities		**1,003,114**	**951,231**
Current liabilities			
Bank and other loans, current	18	66,344	66,894
Finance leases, current	18	2,391	2,411
Provisions, current	19	29,985	26,830
Trade and other payables	20	246,380	183,647
Current income taxes payable		2,445	5,635
Government grants, current portion		1,592	1,592
Other current liabilities		113,592	87,514
Total current liabilities		**462,729**	**374,523**
Total liabilities		**1,465,843**	**1,325,754**
Total shareholders' equity and liabilities		**2,480,815**	**2,541,102**

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

These financial statements were authorized for issue by the management on 09 August 2018.

Interim consolidated statement of changes in shareholders' equity for the six months ended 30 June 2018 - unaudited

	Share capital	Share premium	Other reserves
Balance at 1 January 2017	**336,703**	**69,446**	**363,644**
Profit for the period	-	-	-
Other comprehensive income / (expense)			
Translation adjustment	-	-	-
Other comprehensive income / (expense)	-	-	-
Total comprehensive income / (expense) for the period	-	-	-
Transactions with owners of the company recognized directly in equity			
Distributions to owners of the company			
Appropriation of prior year result	-	-	-
Dividends distribution	-	-	-
Reclassification of share capital and share premium*	19,388	16,905	-
Balance at 30 June 2017	**356,091**	**86,351**	**363,644**
Balance at 1 January 2018	**356,091**	**86,351**	**364,519**
Profit for the period	-	-	-
Other comprehensive income / (expense)			
Translation adjustment	-	-	-
Remeasurements of post-employment benefits	-	-	-
Other comprehensive income / (expense)	-	-	-
Total comprehensive income / (expense) for the period	-	-	-
Transactions with owners of the company recognized directly in equity			
Distributions to owners of the company:			
Appropriation of prior year result	-	-	931
Dividends distribution	-	-	-
Balance at 30 June 2018	**356,091**	**86,351**	**365,450**

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

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

These financial statements were authorized for issue by the management on 9 August 2018.

Translation reserve	Total other reserves	Retained earnings	Result for the period	Attributable to shareholders of Alro SA	Non-controlling interests	Total shareholders' equity
-24,592	**339,052**	**83,322**	**71,531**	**900,054**	**904**	**900,958**
-	-	-	186,702	**186,702**	145	**186,847**
-8,732	**-8,732**	-52	-	-8,784	-52	-8,836
-8,732	**-8,732**	**-52**	**-**	**-8,784**	**-52**	**-8,836**
-8,732	**-8,732**	**-52**	**186,702**	**177,918**	**93**	**178,011**
-	-	71,531	-71,531	-	-	-
-	-	-64,687	-	-64,687	-	-64,687
-	-	-36,293	-	-	-	-
-33,324	**330,320**	**53,821**	**186,702**	**1,013,285**	**997**	**1,014,282**
-32,977	**331,542**	**49,409**	**390,581**	**1,213,974**	**1,374**	**1,215,348**
-	-	-	153,974	**153,974**	177	**154,151**
13,028	**13,028**	-	-	**13,028**	81	**13,109**
-	-	12	-	**12**	-	**12**
13,028	**13,028**	**12**	**-**	**13,040**	**81**	**13,121**
13,028	**13,028**	**12**	**153,974**	**167,014**	**258**	**167,272**
	931	389,650	-390,581	-	-	-
-	-	-367,637	-	**-367,637**	-11	**-367,648**
-19,949	**345,501**	**71,434**	**153,974**	**1,013,351**	**1,621**	**1,014,972**

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

These financial statements were authorized for issue by the management on 9 August 2018.

Interim consolidated statement of cash flows for the six months ended 30 June 2018 - unaudited

in RON '000

	Note	Six months ended 30 June 2018	Six months ended 30 June 2017
Cash flow from operating activities			
Result before income taxes		190,748	219,828
Adjustments for:			
Depreciation and amortisation		65,328	63,922
Impairment of property, plant and equipment		-1,262	-
Movement in provisions	19	3,155	13,603
Change in allowance for impairment of inventory	14	5,598	107
Change in allowance for impairment of doubtful receivables	7	967	44
Loss on disposal of property, plant and equipment		1,610	324
Net foreign exchange losses on loans revaluation		25,107	-42,286
Interest income	8	-4,323	-3,066
Interest expense		21,210	26,538
Effect of derivative financial instruments	12	-16,692	-87
Changes in working capital:			
Change in inventories	14	-30,605	-2,292
Change in trade receivables and other assets		-27,897	-19,484
Change in trade and other payables		58,733	15,256
Income taxes paid		-9,411	-214
Interest paid		-21,577	-21,355
Payments from derivatives, net		-901	-1,570
Net cash generated by / (used in) operating activities		**259,788**	**249,268**
Cash flow from investing activities			
Purchase of property, plant and equipment and intangible assets, net		-184,387	-73,551
Government grants received		3,313	-
Proceeds from sale of property, plant and equipment		1,350	731
Change in restricted cash	17	60,156	-24,094
Loans to related parties	21	41,200	-3,621
Interest received		2,538	1,045
Net cash used in investing activities		**-75,830**	**-99,490**
Cash flow from financing activities			
Proceeds from loans and leasing		61,173	2,359
Repayment of loans	18	-33,736	-29,522
Dividends paid	10	-329,172	-64,062
Net cash provided by/(used in) financing activities		**-301,735**	**-91,225**
Net change in cash and cash equivalents		**-117,777**	**58,553**
Cash and cash equivalents at beginning of period		**320,828**	**285,850**
Effect of exchange rate differences on cash and cash equivalents		16	-18
Cash and cash equivalents at end of period	**17**	**203,067**	**344,385**

The accompanying notes are an integral part of these interim condensed consolidated financial statements.
These financial statements were authorized for issue by the management on 09 August 2018

in RON '000, except per share data

1. Organisation and nature of business

Alro S.A. (the “Company” or the “Parent Company”) is a listed company established in 1961 in Romania and is one of the largest vertically integrated aluminium producers by capacity in Europe. The shares of Alro S.A. are traded on the Bucharest Stock Exchange under the symbol "ALR".

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

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

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

These interim condensed consolidated financial statements were authorised for issue by the Board of Directors on 9 August 2018.

2. Basis of preparation

Statement of compliance

These interim condensed consolidated financial statements of Alro and its subsidiaries (further named "Condensed financial statements") for the 6 months ended 30 June 2018 are unaudited and have been prepared in accordance with *IAS 34 Interim financial reporting* as adopted by the European Union (EU). The accounting policies are in accordance with the Ministry of Public Finance Order no. 2844/2016, with subsequent amendments, which is in accordance with the International Financial Reporting Standards (IFRS) adopted by the European Union (EU)*.

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

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

Going concern

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

*The Ministry of Public Finance Order no. 2844/2016, with subsequent amendments, is in accordance with the International Financial Reporting Standards (IFRS) adopted by the European Union (EU), except for *IAS 21 The effects of changes in foreign exchange rates* regarding functional currency, except for the provisions of *IAS 20 Accounting for Government Grants* regarding the recognition of revenue from green certificates, and except for the provisions of *IFRS 15 Revenue from contracts with customers* regarding the revenue from taxes of connection to the distribution grid. These exceptions do not affect the compliance of the consolidated financial statements of the Group with IFRS.

Functional and presentation currency

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

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

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

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

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

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

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

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

IFRS 9 Financial instruments

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

The Group has taken the exemption in paragraph 7.2.15 of IFRS 9 from restating prior periods in respect of IFRS 9's classification and measurement (including impairment) requirements. Therefore, comparative periods have not been restated. At the same time, due to the immaterial impact of RON 736 thousand that would result from the restatement at 1 January 2018, the effect of the restatement was not recognized in the retained earnings, but in the profit or loss account for the 6-month period ended 30 June 2018.

(a) Classification and measurement

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

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

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

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

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

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

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

(b) Impairment

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

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

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

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

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

IFRS 15 Revenue from contracts with customers

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

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

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

At the same time, adopting IFRS 15 using the cumulative effect method does not foresee that the Group should apply the requirements of IFRS 15 to the comparative period presented. If the Group had continued to apply IAS 18 for the 6 months ended 30 June 2018, its revenues from contracts with customers would have been higher by RON 1,635 thousand, due to the fact that before adopting IFRS 15 the Group estimated and recognized a part of the revenue deductions (mainly discounts to clients) in the end of the financial year.

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

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

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

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

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

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

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

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

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

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

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

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

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 are not expected to 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 are not expected to 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.

4. Estimates

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

In preparing these condensed interim financial statements, the significant judgements made by the management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the financial statements for the year ended 31 December 2017, except for the changes disclosed in Note 3.

5. Revenue from contracts with customers

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

Segments	Bauxite	Alumina	Primary aluminium	Processed aluminium	Others	Six months ended 30 June 2018 Total
Type of good or service						
Sale of bauxite	141,661	-	-	-	-	**141,661**
Sale of alumina	-	387,329	-	-	-	**387,329**
Sale of primary aluminium	-	-	1,235,007	-	-	**1,235,007**
Sale of processed aluminium	-	-	-	747,702	-	**747,702**
Other revenues and services performed	14,673	63	-	664	17,376	**32,776**
Total revenue from contracts with customers	**156,334**	**387,392**	**1,235,007**	**748,366**	**17,376**	**2,544,475**

Segments	Bauxite	Alumina	Primary aluminium	Processed aluminium	Others	Six months ended 30 June 2017 Total
Type of good or service						
Sale of bauxite	123,713	-	-	-	-	**123,713**
Sale of alumina	-	281,741	-	-	-	**281,741**
Sale of primary aluminium	-	-	1,111,089	-	-	**1,111,089**
Sale of processed aluminium	-	-	-	722,205	-	**722,205**
Other revenues and services performed	10,369	181	-	-	14,650	**25,200**
Total revenue from contracts with customers	**134,082**	**281,922**	**1,111,089**	**722,205**	**14,650**	**2,263,948**

The Group recognised impairment losses on receivables, included under "General, administrative and selling expenses" in the consolidated statement of profit or loss, amounting to RON 967 thousand and RON 44 thousand for the six months ended 30 June 2018 and 2017, respectively.

The increase in the Group revenue was mainly due to the Primary and Processed Aluminium segments, as well as due to the Alumina segment following the increase of the aluminium quotations in the international markets, and 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:

Revenue	Bauxite	Alumina	Primary aluminium	Processed aluminium	Others	Six months ended 30 June 2018 Total
External customer	39,367	111,799	661,037	748,366	3,041	**1,563,610**
Inter-segment	116,967	275,593	573,970	-	14,335	**980,865**
Total revenue	156,334	387,392	1,235,007	748,366	17,376	**2,544,475**
Adjustments and eliminations	-116,967	-275,593	-573,970	-	-14,335	**-980,865**
Total revenue from contracts with customers	**39,367**	**111,799**	**661,037**	**748,366**	**3,041**	**1,563,610**

Revenue	Bauxite	Alumina	Primary aluminium	Processed aluminium	Others	Six months ended 30 June 2017
External customer	39,094	34,149	579,188	722,205	3,514	**1,378,150**
Inter-segment	94,988	247,773	531,901	-	11,136	**885,798**
Total revenue	134,082	281,922	1,111,089	722,205	14,650	**2,263,948**
Adjustments and eliminations	-94,988	-247,773	-531,901	-	-11,136	**-885,798**
Total revenue from contracts with customers	**39,094**	**34,149**	**579,188**	**722,205**	**3,514**	**1,378,150**

6. Segment information

For management purposes, the Group is organized on a vertically integrated basis into divisions: bauxite, alumina, primary aluminium and processed aluminium. For the purpose of resource allocation and assessment of segment performance the divisions are the basis on which the Group reports its segment information to the chief operating decision maker. The bauxite segment is located in Sierra Leone. The alumina segment located in Tulcea, Romania, uses bauxite to produce alumina, which is the principal raw material for aluminium smelting. The Primary aluminium division manufactures primary aluminium products like wire rod, slabs, billets and ingots and the Processed aluminium segment develops and sells flat rolled products, such as sheets, plates and coils, and extruded products. Both the Primary and Processed aluminium divisions are located in Slatina, Romania. No operating segments have been aggregated to form the above reportable operating segments.

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

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

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

Alro Group revenues and results for the six months ended 30 June 2018 and 2017 by segment, of which inter-segment sales between primary aluminium segment and processed and extruded products segments were considered at market price, were as follows:

	Bauxite	Alumina	Primary aluminium	Processed aluminium	Others	Inter-segment operations	Total
Six months ended 30 June 2018							
Sales to external customers	39,367	111,799	661,037	748,366	3,041	-	**1,563,610**
Inter-segment sales	116,967	275,593	573,970	-	14,335	-980,865	**-**
Total sales	**156,334**	**387,392**	**1,235,007**	**748,366**	**17,376**	**-980,865**	**1,563,610**
Segment results (gross profit)	**41,604**	**33,390**	**215,575**	**70,606**	**1,548**	**-6,453**	**356,270**
Other operating income & expenses, net							-145,124
Interest and other finance costs, net							-11,676
Net foreign exchange gains / (losses)							-8,722
Result before income taxes							**190,748**
Six months ended 30 June 2017							
Sales to external customers	39,094	34,149	579,188	722,205	3,514	-	**1,378,150**
Inter-segment sales	94,988	247,773	531,901	-	11,136	-885,798	**-**
Total sales	**134,082**	**281,922**	**1,111,089**	**722,205**	**14,650**	**-885,798**	**1,378,150**
Segment results (gross profit)	**40,800**	**22,820**	**202,864**	**77,697**	**5,629**	**-1,923**	**347,887**
Other operating income & expenses, net							-120,256
Interest and other finance costs, net							-30,497
Net foreign exchange gains / (losses)							22,694
Result before income taxes							**219,828**

Other operations include services to related entities and external customers.

In the first semester of the year 2018, the processed aluminium segment result was lower than the result for the same period of last year by RON 7,091 thousand due to the increase of the LME reference price that is considered when determining the primary aluminium sales between the segments of the Parent company, which is used for the purpose of this segmentation note. The gross profit for the Primary Aluminium segment increased by RON 12,711 thousand reflecting the tight relationship between the sales price of primary

aluminium products and the evolution of the reference metal quotations in international markets. The alumina sales grew in comparison to the previous analyzed period, resulting into a higher gross profit for the segment. As regards the bauxite segment, the gross profit in H1 2018 was slightly higher than the one in H1 2017.

Segment assets and liabilities at 30 June 2018 and 31 December 2017, respectively, were as follows:

Alro Group	Bauxite	Alumina	Primary aluminium	Processed aluminium	Others	Inter-segment balances	Total
30 June 2018							
Total assets	173,791	539,256	1,136,219	632,644	1,028,154	-1,029,249	**2,480,815**
Total liabilities	301,972	268,166	191,695	158,943	1,040,156	-495,089	**1,465,843**
31 December 2017							
Total assets	168,165	514,941	1,184,166	565,760	1,224,406	-1,116,336	**2,541,102**
Total liabilities	309,593	259,538	167,389	131,718	1,025,409	-567,893	**1,325,754**

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

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

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

7. General, administrative and selling expenses

	Six months ended 30 June 2018	Six months ended 30 June 2017
Staff costs	-75,567	-62,899
Third party services	-28,853	-22,059
Consulting and audit	-12,112	-13,403
Consumables	-7,501	-6,015
Taxes other than income taxes	-4,460	-3,356
Depreciation and amortisation	-4,034	-3,164
Insurance	-3,769	-4,077
Marketing and public relations	-2,558	-1,908
Travelling	-2,778	-2,037
Other	-3,642	-3,609
Change in allowance for doubtful debts	-967	-44
Total	**-146,241**	**-122,571**

During the 6 months ended 30 June 2018 staff cost increased as a result of an increase in the salary fund due to the negotiations of the Collective Labour Contract and certain bonuses for good performance granted to the Group's personnel.

The category "Staff costs" includes an amount of RON 12,538 thousand for H1 2018 representing a provision in line with the Collective Labour Contract and with GSM decisions regarding the Management remuneration (in H1 2017: RON 13,772 thousand). Refer to Note 19 Provisions.

In the first half of 2018, the *Third party services* category includes an amount of RON 4,927 thousand representing fire prevention and fire-fighting services contracted by the Group in order to comply with the legislation in force (2017: 0).

8. Other financial costs, net

	Six months ended 30 June 2018	Six months ended 30 June 2017
Interest income	4,323	3,066
Bank commissions	-3,315	-1,410
Other financial gains / (losses), net	129	58
Commissions paid in relation with factoring agreements	-8,295	-5,760
Total	**-7,158**	**-4,046**

The interest income of the Group includes an amount of RON 1,776 thousand related to a borrowing agrement concluded by a subsidiary with the Parent company of Alro Group, namely Vimetco NV (in the first 6 months of the year 2017: RON 2,021 thousand) (refer to Note 21 as well).

The comparative figures for the year 2017 were reclassified in accordance with the presentation adopted in 2018. RON 5,760 thousand, representing commissions paid in relation with factoring agreements, previously included under *Interest expenses*, are now included under *Other financial costs, net*.

9. Income tax

At 30 June 2018, the Group had a net deferred income tax asset of RON 69,678 thousand (at 31 December 2017: RON 98,845 thousand), of which RON 66,184 thousand is for fiscal losses carried forward (at 31 December 2017: RON 97,148 thousand), as the management believes there will be sufficient taxable profits in future against which these fiscal losses carried forward could be used.

Income tax expense is recognized based on management's best estimate of the annual income tax rate expected for the full financial year applied to the pre-tax income of the interim period. In H1 2018, following the amendments of the Romanian Fiscal Code applicable starting 1 January 2018, related to the exceeding borrowing costs, the amount of RON 21,714 thousand, representing interest expenses and items related to interests was treated as being non-deductible for tax purposes, and resulted in an increase of the income tax by RON 3,474 thousand. Thus, the effective income tax rate for the 6 months ended 30 June 2018 is 19.19% (for the same period of 2017: 15%).

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

	Six months ended 30 June 2018	Six months ended 30 June 2017
Income tax		
Current income tax	-6,077	-1,175
Deferred income tax	-30,520	-31,806
Income tax expense	**-36,597**	**-32,981**
Income tax recognised in other comprehensive income	-	-
Total income tax	**-36,597**	**-32,981**

10. Earnings per share

	Six months ended 30 June 2018	Six months ended 30 June 2017
Net result attributable to the owners of the Entity	153,974	186,702
Weighted average number of ordinay shares	713,779,135	713,779,135
Basic and diluted earnings per share (RON/share)	0.216	0.262

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 net profit realized by the Parent Company in 2017 amounting to RON 317,686 thousand and of the retained earnings amounting to RON 64,350 thousand, which resulted into a gross dividend payable of 0.53523 RON/share.

Until the reporting date, the Group paid RON 329,172 thousand of the dividends declared for 2017 (in H1 2017 RON 64,062 thousand were paid in respect of dividends declared in 2016).

11. Property, plant and equipment

During the 6 months ended 30 June 2018 the Group acquired property, plant and equipment of RON 177,343 thousand (during the 6 months ended 30 June 2017: RON 91,162 thousand), continuing the investment projects dedicated to the research infrastructure for high qualification industrial applications, and the project dedicated to the research of aluminum hydroxide technology (dry and wet), which are co-financed by the European Fund for Regional Development, by the Competitiveness Operational Program 2014-2020. Tranches amounting to RON 3,313 thousand were received by the Group from the above mentioned subsidies during the 6 month period ended 30 June 2018 (during the same period of 2017, the Group received the approval for a tranche of RON 5,029 thousand from the same subsidies).

At the same time, the Group 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 depreciation expense for 6 months of 2018 was RON 64,268 thousand (during the comparative period of 2017: RON 63,366 thousand).

The borrowing costs capitalized in the property, plant and equipment during the 6 months ended 30 June 2018 were of RON 2,851 thousand at an average interest rate of 5.69% p.a. (during the 6 months ended 30 June 2017: RON 1,529 thousand at an average interest rate of 5.18 % p.a.).

From January to June 2018, the Group disposed of property, plant and equipment in the net amount of RON 2,961 thousand (during the 6 months ended 30 June 2017: RON 1,054 thousand).

At 30 June 2018, the net book value of property, plant and equipment pledged for securing the Group's borrowings amounts to RON 759,191 thousand (31 December 2017: RON 685,616 thousand).

12. Derivative financial instruments

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

	Assets	Liabilities
30 June 2018		
Commodity options	17,700	-
Total	**17,700**	**-**
Thereof:		
Non-current	-	-
Current	17,700	-
31 December 2017		
Commodity options	3,298	-
Total	**3,298**	**-**
Thereof:		
Non-current	-	-
Current	3,298	-

Commodity options

In the end of 2017, the Group entered into several transactions with financial institutions consisting of 100% collar of Asian options by taking long positions on put options and short positions on call options for a quantity of approximately 61.300 tonnes aluminium, for which a price of 2,200 USD/tonne to 2,400 USD/tonne was secured, with exercising dates during January - December 2018.

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

In the first 6 months of the year 2018, options for an approximate quantity of 15,800 tonnes were exercised due to the fact that the LME quotations were below the minimum price of 2,200 USD/tonne. The net gain of RON 1,696 thousand resulting from the options exercised in H1 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 from derivative financial instruments, net" in the Consolidated statement of profit or loss (in H1 2017: nil).

The unrealized net gain resulting from the mark-to-market of these options at 30 June 2018 amounting to RON 14,996 thousand is included in the category "Gains from derivative financial instruments, net" in the Consolidated statement of profit or loss (in H1 2017: nil).

As at 30 June 2018 the fair value of the options amounted to RON 17,700 thousand (31 December 2017: RON 3,298 thousand).

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

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

Commodity swap contracts

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

At 30 June 2017 the Group no longer had aluminium swap agreements, all the contracts having been settled during January-February 2017 and the realized gain in the first 6 months of year 2017 of RON 87 thousand was included under the category "Gains from derivative financial instruments, net" in the Consolidated statement of profit or loss.

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

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

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

The Group does not have level 3 derivative financial instruments.

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

13. Financial instruments

Set out below, is an overview of financial assets and financial liabilities held by the Group as at 30 June 2018 and 31 December 2017.

Categories of financial instruments

	30 June 2018	31 December 2017
Financial assets		
Cash and bank balances	209,920	387,837
Fair value through profit or loss (FVTPL)	17,700	3,298
At amortised cost (loans and receivables)	211,118	230,917
Total financial assets	**438,738**	**622,052**

	30 June 2018	31 December 2017
Financial liabilities		
Fair value through profit or loss (FVTPL)	-	-
Amortised cost	1,314,693	1,183,110
Trade and other payables	349,813	264,561
Non-current bank and other loans	896,145	849,244
Current bank and other loans	68,735	69,305
Total financial liabilities	**1,314,693**	**1,183,110**

There were no reclassifications between the categories of financial assets during H1 2018 and H1 2017.

Fair value of financial instruments

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

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

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

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

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

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

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

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

The Group does not have level 3 financial instruments.

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

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

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

14. Inventories

	30 June 2018	31 December 2017
Raw and auxiliary materials	347,231	304,386
Work in progress	205,927	161,296
Finished goods	164,917	220,303
Less: allowance for obsolescence	-21,064	-15,180
Total	**697,011**	**670,805**

The value of inventories pledged for securing the Group's borrowings amounts to RON 647,704 thousand (31 December 2017: RON 515,457 thousand).

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

	Six months ended 30 June 2018	Six months ended 30 June 2017
Balance at beginning of the year	-15,180	-21,278
(Charge) to cost of goods sold	-5,598	-430
Reversal to cost of goods sold	-	323
Translation adjustments	-286	798
Balance at end of the period	**-21,064**	**-20,587**

15. Trade receivables, net

	30 June 2018	31 December 2017
Foreign trade receivables	55.116	46.563
Domestic trade receivables	47.844	32.452
Allowance for doubtful receivables	-3.159	-2.162
Total	**99.801**	**76.853**

A part of the Group receivables (RON 51,177 thousand at 30 June 2018 and RON 30,130 thousand at 31 December 2017) are pledged to secure the loans obtained from banks.

16. Other current assets

	30 June 2018	31 December 2017
VAT recoverable	45,283	51,146
Other current assets	9,980	4,482
Advances to suppliers	13,911	8,704
Prepayments	21,397	15,247
Allowance for other doubtful debtors	-19	-47
Total other current assets	**90,552**	**79,532**

17. Cash and cash equivalents

	30 June 2018	31 December 2017
Cash at banks in RON	57,961	7,739
Cash at banks in other currencies	145,053	313,046
Petty cash and cash equivalents	53	43
Total	**203,067**	**320,828**

The cash decreased at 30 June 2018 compared to 31 December 2017, due to the fact that the Group paid RON 329,172 thousand of the dividends declared for 2017 (in H1 2017 RON 64,062 thousand were paid in respect of dividends declared for the year 2016).

As at 30 June 2018 and 31 December 2017 the bank accounts of the Group are pledged to secure its borrowings.

Restricted cash:

	30 June 2018	31 December 2017
Restricted cash	6,853	67,009
Total	**6,853**	**67,009**

The change in restricted cash of RON 60,156 thousand reflected in the Consolidated statement of cash flows for the 6 months ended 30 June 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.

18. Borrowings and financial lease

	30 June 2018	31 December 2017
Long-term borrowings		
Long-term bank loans	958,792	911,453
Less: Short-term portion of long-term bank loans	-66,344	-66,509
Bank loans, non-current	***892,448***	***844,944***
Finance leases	3,697	4,300
Total long-term borrowings and finance lease	**896,145**	**849,244**
Short-term borrowings		
Short-term bank loans	-	385
Short-term portion of long-term bank loans	66,344	66,509
Short-term bank loans, total	***66,344***	***66,894***
Finance leases	2,391	2,411
Total short-term borrowings and finance lease	**68,735**	**69,305**
Total borrowings and finance lease	**964,880**	**918,549**

The bank borrowings of the Group will mature until 2023 and the related interest rates ranged between 2.80% for EUR and 19% for SLL (Sierra Leone Leones) in 2018 (in 2017: between 0.40% for EUR and 23% for SLL).

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 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 30 June 2018 the amount drawn down from these loans was of USD 15,000 thousand.

In May 2018, the Group subsidiary Sierra Leone renewed for 1 year the overdraft limit for the amount of USD 257 thousand (SLL 2,000,000 thousand) for working capital.

At 30 June 2018, the Group had the amount of RON 41,062 thousand undrawn from the borrowing facilities contracted with the banks (at 31 December 2017: RON 594 thousand).

At 30 June 2018, the Group had the amount of RON 80,181 thousand unutilized and available from the non-cash faciliies for letters of credit and letters of guarantee (at 31 December 2017: RON 46,778 thousand).

According to the existing borrowing agreements the Group is subject to certain restrictive covenants. These covenants require the Group, 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 30 June 2018, the Group was compliant with all the financial loan covenants.

The Group borrowings are secured with accounts receivable amounting to RON 51,177 thousand (at 31 December 2017: RON 30,130 thousand), with current accounts opened with the lending banks, with collateral deposits of RON 45,200 thousand (at 31 December 2017: RON 45,200 thousand), with property, plant and equipment (land, buildings, equipment) with a net book value of RON 759,191 thousand (2017: RON 685,616 thousand) and with inventories of RON 647,704 thousand (2017: RON 515,457 thousand).

Finance leases relate to leases of equipment and vehicles with lease terms of up to 5 years. The net book value of leased assets at Group level was RON 8,476 thousand at 30 June 2018 (31 December 2017: RON 8,945 thousand).

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

19. Provisions

At 30 June 2018 the Parent Company recognized a short-term provision amounting to RON 12,538 thousand for remunerating the employees in accordance with the provisions of the Collective Labour Contract and the GSM decision regarding the Directors' remunerations (2017: RON 13,772 thousand).

20. Trade and other payables

	30 June 2018	31 December 2017
Foreign trade payables	49,895	34,163
Domestic trade payables	123,786	112,946
Accrued trade payables	72,699	36,538
Total	**246,380**	**183,647**

Domestic trade payables are payables towards suppliers located in the countries where the Group operates (in Romania and Sierra Leone, respectively).

At 30 June 2018, accrued trade payables include an amount of RON 49,686 thousand (31 December 2017: RON 28,338 thousand) for electricity acquired in June 2018 which will be paid in the next period according the agreements concluded.

21. Related party transactions

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

The main related parties of the Group 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

The main related party transactions are described below. Group transactions are eliminated on consolidation.

Sales of goods and services	**Six months ended 30 June 2018**	**Six months ended 30 June 2017**
Companies under common control	653	1,586
Total goods and services provided to related parties	**653**	**1,586**

Goods and services purchased from related parties:

Companies under common control	-120,632	-99,673
Total goods and services purchased from related parties	**-120,632**	**-99,673**

Interest income from related parties:

Vimetco N,V,	1,776	2,021
Total interest income from related parties	**1,776**	**2,021**

Furthermore, the following balances were outstanding at 30 June 2018 and 31 December 2017:

Trade and other accounts receivable:

	30 June 2018	31 December 2017
Companies under common control	4,247	3,579
Allowance for doubtful receivables	-374	-374
Total trade and other accounts receivable from related parties	**3,873**	**3,205**

Trade and other accounts payable:

	30 June 2018	31 December 2017
Companies under common control	2,689	1,607
Total trade and other accounts payable to related parties	**2,689**	**1,607**

Borrowings to related parties:

	30 June 2018	31 December 2017
Vimetco NV	14,080	54,345
Total borrowings to related parties	**14,080**	**54,345**
Thereof:		
Short-term portion of borrowings	-	-
Long-term portion of borrowings	14,080	54,345

At 31 December 2017 a Group subsidiary had a borrowing agreement with the major shareholder Vimetco NV, with the balance of RON 54,535 thousand including principal and interest accrued until that date. In May 2018, Vimetco NV repaid a part of the outstanding amount (USD 10,909 thousand), which included the interest accumulated until the payment date, and a part of the principal.

Dividends

In 2018 the Parent Company paid dividends to the major shareholder Vimetco NV in amount of RON 285,642 thousand (in 2017: RON 56,589 thousand were paid in respect of dividends declared in 2016) (refer to Note 10).

Management compensation

The total compensation of the Group'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 6,062 thousand (during the first 6 months of the year 2017: RON 4,073 thousand), while the expense for determined contribution plan (social contributions) during the first 6 months of the year 2018 was RON 1,400 thousand (during the first 6 months of the year 2017: RON 482 thousand).

Key management personnel transactions

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

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

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

	Six months ended 30 June 2018	Six months ended 30 June 2017
Goods and services purchased from entities controlled by key management personnel or their close family members	36	58
Benefits paid to close family members of the key management personnel	-	-
Total	**36**	**58**

22 Commitments and contingencies

Commitments

Investment commitments

As at 30 June 2018, the Group's commitments pertaining to the investments amounted to RON 77,382 thousand (31 December 2017: RON 126,708 thousand).

Raw material purchase contracts

As at 30 June 2018, the Group has contracts for purchases of raw materials, other consumables and utilities in amount of RON 739,362 thousand (31 December 2017: RON 1,248,365 thousand).

Contingencies

Litigations

As at 30 June 2018 the Group was subject to a number of lawsuits resulting from the normal course of the business. Management believes that these actions will not have a significant impact on the financial performance and financial position of the Group.

In May 2015, the Parent Company acknowledged a legal civil action at the Bucharest Court of Law, brought by Hidroelectrica S.A., regarding material claims by the electricity producer for alleged unrealized benefits from the bilateral contract with Alro S.A. In December 2015, the Primary Court rejected a significant part of the claims of Hidroelectrica as being time-barred, and consequently only remaining claims are under discussion, related to a short period from the contract of less than 2 months, which were subsequently dismissed in first instance by the Court in June 2016. In the appeal stage, the Bucharest Court of Appeal has also dismissed Hidroelectrica appeal action, and the Company reported this information to the investors and interested public. Hidroelectrica has filed a second appeal whose ruling by the High Court of Cassation and Justice is in progress. Based on Management's best estimate, it is not possible to make a reliable estimation of the outcome of the legal case. As a consequence, the Company did not recognize a provision in relation to the legal case at 30 June 2018.

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

23. Events after the reporting date

Between 02 and 19 July 2018, the major shareholder Vimetco N.V. and Conef S.A. launched a public offering of shares in the Parent Company. On 20 July 2018, the Parent Company together with its shareholders Vimetco N.V. and Conef S.A. announced that no Pricing Agreement was agreed between the Company, the Shareholders and the Managers in relation to the secondary public offering.

In July 2018, the Parent company filed the documentation for the tranche 4 amounting to RON 20,999 thousand from the subsidies obtained through the European Regional Development Fund under the Competitiveness Operational Program 2014 – 2020.

In July 2018, the Parent Company concluded without fiscal consequences an audit from the General Directorate for Fiscal Anti-fraud regarding the activity involving excisable products within the period January 2017 - April 2018.

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

QUARTERLY CONSOLIDATED REPORT Q2/2018

Consolidated Financial Results for the Second Quarter of 2018 (Q2/2018) as Compared to the Second Quarter of 2017 (Q2/2017) (unaudited)

ALRO S.A. and its subsidiaries

This is a free translation from the original Romanian binding version

Interim consolidated statement of profit or loss and other comprehensive income - unaudited

in RON '000, except per share data

Q2 2018	Q2 2017		Six months ended 30 June 2018	Six months ended 30 June 2017
814,368	696,718	Revenue from contracts with customers	1,563,610	1,378,150
-625,420	-519,472	Cost of goods sold	-1,207,340	-1,030,263
188,948	**177,246**	**Gross profit**	**356,270**	**347,887**
-79,900	-70,371	General, administrative and selling expenses	-146,241	-122,571
3,017	2,159	Other operating income	5,040	4,369
-2,344	-779	Other operating expenses	-3,923	-2,054
109,721	**108,255**	**Operating result (EBIT)**	**211,146**	**227,631**
-11,606	-13,300	Interest expenses	-21,210	-26,538
-37,360	-	Gains from derivative financial instruments, net	16,692	87
-3,595	-2,130	Other financial costs, net	-7,158	-4,046
-16,558	19,744	Net foreign exchange gains / (losses)	-8,722	22,694
40,602	**112,569**	**Result before income taxes**	**190,748**	**219,828**
-11,072	-15,941	Income tax	-36,597	-32,981
29,530	**96,628**	**Result for the period**	**154,151**	**186,847**
		Other comprehensive income / (expense), net of tax:		
		Items that will not be reclassified subsequently to profit or loss		
25	7	Remeasurements of post-employment benefit obligations	12	-
		Items that may be reclassified subsequently to profit or loss:		
9,611	-6,502	Translation adjustment	13,109	-8,836
9,636	**-6,495**	**Other comprehensive income / (expense) for the period, net of tax**	**13,121**	**-8,836**
39,166	**90,133**	**Total comprehensive income / (expense) for the period**	**167,272**	**178,011**
		Result attributable to:		
29,406	**96,551**	**Shareholders of Alro SA**	**153,974**	**186,702**
124	**77**	**Non-controlling interest**	**177**	**145**
29,530	96,628		154,151	186,847
		Total comprehensive income / (expense) attributable to:		
38,982	**90,094**	**Shareholders of Alro S,A,**	**167,014**	**177,918**
184	**39**	**Non-controlling interest**	**258**	**93**
39,166	90,133		167,272	178,011
		Earnings per share		
0.041	0.135	Basic and diluted (RON)	0.216	0.262

In 2018, the Group reclassified an amount of RON 5,760 thousand in the comparative figures of 2017, previously presented as "Interest expenses" to "Other financial costs, net". Please refer to Condensed consolidated financial statements for the six months ended 30 June 2018 for details. At the same time, gains from derivative financial instruments of RON 87 thousand, previously presented under "Other financial costs, net" are now presented separately in Gains from derivative financial instruments, net.

Interim consolidated statement of financial position - unaudited

in RON '000

	30 June 2018	31 December 2017
Assets		
Non-current assets		
Property, plant and equipment	1,128,758	1,015,035
Intangible assets	7,654	8,611
Goodwill	89,543	87,485
Long-term loans receivable	14,080	54,345
Deferred tax asset	69,678	98,845
Other non-current assets	55,577	58,147
Total non-current assets	**1,365,290**	**1,322,468**
Current assets		
Inventories	697,011	670,805
Trade receivables, net	99,801	76,853
Current income tax receivable	541	309
Other current assets	90,552	79,532
Derivative financial instruments asset, current	17,700	3,298
Restricted cash	6,853	67,009
Cash and cash equivalents	203,067	320,828
Total current assets	**1,115,525**	**1,218,634**
Total assets	**2,480,815**	**2,541,102**
Shareholders' Equity and Liabilities		
Shareholders' equity		
Share capital	356,091	356,091
Share premium	86,351	86,351
Other reserves	345,501	331,542
Retained earnings	71,434	49,409
Result for the period	153,974	390,581
Equity attributable to shareholders of Alro S.A.	**1,013,351**	**1,213,974**
Non-controlling interest	1,621	1,374
Total shareholders' equity	**1,014,972**	**1,215,348**
Non-current liabilities		
Bank and other loans, non-current	892,448	844,944
Finance leases, non-current	3,697	4,300
Provisions, non-current	31,751	30,769
Post-employment benefit obligations	41,970	41,569
Government grants, non-current portion	30,075	27,558
Other non-current liabilities	3,173	2,091
Total non-current liabilities	**1,003,114**	**951,231**
Current liabilities		
Bank and other loans, current	66,344	66,894
Finance leases, current	2,391	2,411
Provisions, current	29,985	26,830
Trade and other payables	246,380	183,647
Current income taxes payable	2,445	5,635
Government grants, current portion	1,592	1,592
Other current liabilities	113,592	87,514
Total current liabilities	**462,729**	**374,523**
Total liabilities	**1,465,843**	**1,325,754**
Total shareholders' equity and liabilities	**2,480,815**	**2,541,102**

This is a free translation from the original Romanian binding version

Interim consolidated statement of changes in shareholders' equity - unaudited

	Share capital	Share premium	Other reserves
Balance at 1 January 2017	**336,703**	**69,446**	**363,644**
Profit for the period	-	-	-
Other comprehensive income / (expense)			
Translation adjustment	-	-	-
Other comprehensive income / (expense)	-	-	-
Total comprehensive income / (expense) for the period	-	-	-
Transactions with owners of the company recognized directly in equity			
Distributions to owners of the company			
Appropriation of prior year result	-	-	-
Dividends distribution	-	-	-
Reclassification of share capital and share premium*	19,388	16,905	-
Balance at 30 June 2017	**356,091**	**86,351**	**363,644**
Balance at 1 January 2018	**356,091**	**86,351**	**364,519**
Profit for the period	-	-	-
Other comprehensive income / (expense)			
Translation adjustment	-	-	-
Remeasurements of post-employment benefits	-	-	-
Other comprehensive income / (expense)	-	-	-
Total comprehensive income / (expense) for the period	-	-	-
Transactions with owners of the company recognized directly in equity			
Appropriation of prior year result	-	-	931
Dividends distribution	-	-	-
Balance at 30 June 2018	**356,091**	**86,351**	**365,450**

* The reclassification was made in 2017 in order to align the Share capital and Share premium accounts with the amounts disclosed in Alro's separate financial statements (consolidated Share capital is less by RON 13,946 thousand to account for the 3.77% ownership of Conef in Alro eliminated on the basis of subsidiary - parent cross-holding).

in RON '000

Translation reserve	Total other reserves	Retained earnings	"Result for the period"	Attributable to shareholders of Alro SA	Non-controlling interests	Total shareholders' equity
-24,592	**339,052**	**83,322**	**71,531**	**900,054**	**904**	**900,958**
-	-	-	186,702	186,702	145	**186,847**
-8,732	-8,732	-52	-	-8,784	-52	**-8,836**
-8,732	**-8,732**	**-52**	**-**	**-8,784**	**-52**	**-8,836**
-8,732	**-8,732**	**-52**	**186,702**	**177,918**	**93**	**178,011**
-	-	71,531	-71,531	-	-	**-**
-	-	-64,687	-	-64,687	-	**-64,687**
-	-	-36,293	-	-	-	**-**
-33,324	**330,320**	**53,821**	**186,702**	**1,013,285**	**997**	**1,014,282**
-32,977	**331,542**	**49,409**	**390,581**	**1,213,974**	**1,374**	**1,215,348**
-	-	-	153,974	153,974	177	**154,151**
13,028	13,028	-	-	13,028	81	**13,109**
-	-	12	-	12	-	**12**
13,028	**13,028**	**12**	**-**	**13,040**	**81**	**13,121**
13,028	**13,028**	**12**	**153,974**	**167,014**	**258**	**167,272**
-	931	389,650	-390,581	-	-	**-**
-	-	-367,637	-	-367,637	-11	**-367,648**
-19,949	**345,501**	**71,434**	**153,974**	**1,013,351**	**1,621**	**1,014,972**

Interim consolidated statement of cash flows - unaudited

in RON '000

Q2 2018	Q2 2017		Six months ended 30 June 2018	Six months ended 30 June 2017
		Cash flow from operating activities		
40,602	112,569	Result before income taxes	190,748	219,828
-	-	*Adjustments for:*		
33,890	30,090	Depreciation and amortisation	65,328	63,922
-1,256	-	Impairment of property, plant and equipment	-1,262	-
1,332	13,740	Movement in provisions	3,155	13,603
-3,851	4,234	Change in allowance for impairment of inventory	5,598	107
107	-421	Change in allowance for impairment of doubtful receivables	967	44
1,031	134	Loss on disposal of property, plant and equipment	1,610	324
31,943	-36,203	Net foreign exchange losses on loans revaluation	25,107	-42,286
-2,090	-1,610	Interest income	-4,323	-3,066
11,606	13,300	Interest expense	21,210	26,538
37,360	-	Effect of derivative financial instruments	-16,692	-87
		Changes in working capital:		
19,504	-11,480	Change in inventories	-30,605	-2,292
6,609	9,267	Change in trade receivables and other assets	-27,897	-19,484
27,388	12,953	Change in trade and other payables	58,733	15,256
-3,929	-164	Income taxes paid	-9,411	-214
-15,512	-13,601	Interest paid	-21,577	-21,355
3,692	-	Payments from derivatives, net	-901	-1,570
188,426	**132,808**	**Net cash generated by / (used in) operating activities**	**259,788**	**249,268**
		Cash flow from investing activities		
-139,075	-33,946	Purchase of property, plant and equipment and intangible assets, net	-184,387	-73,551
3,074	-	Government grants received	3,313	-
1,165	320	Proceeds from sale of property, plant and equipment	1,350	731
39,061	-24,316	Change in restricted cash	60,156	-24,094
41,200	12	Loans to related parties	41,200	-3,621
1,327	595	Interest received	2,538	1,045
-53,248	**-57,335**	**Net cash used in investing activities**	**-75,830**	**-99,490**
		Cash flow from financing activities		
60,530	1,631	Proceeds from loans and leasing	61,173	2,359
-19,659	-18,225	Repayment of loans	-33,736	-29,522
-329,178	-64,062	Dividends paid	-329,172	-64,062
-288,307	**-80,656**	**Net cash provided by/(used in) financing activities**	**-301,735**	**-91,225**
-153,129	**-5,183**	**Net change in cash and cash equivalents**	**-117,777**	**58,553**
356,121	**349,582**	**Cash and cash equivalents at beginning of period**	**320,828**	**285,850**
75	-14	Effect of exchange rate differences on cash and cash equivalents	16	-18
203,067	**344,385**	**Cash and cash equivalents at end of period**	**203,067**	**344,385**

in RON '000, except per share data

1. Organisation and nature of business

Alro S.A. (the “Company” or the “Parent Company”) is a listed company established in 1961 in Romania and is one of the largest vertically integrated aluminium producers, by capacity in Europe. The shares of Alro S.A. are traded on the Bucharest Stock Exchange under the symbol "ALR".

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

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

2. Basis of preparation

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

The financial information for the period January - June 2018 has not been audited and has not been subject to an external auditor’s review.

3. Significant accounting policies

The same accounting policies and methods of computation have been followed in this consolidated quarterly report as those applied in preparing the Group’s consolidated financial statements as at 31 December 2017.

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

4. Explanatory notes

4.1. Consolidated statement of profit or loss and other comprehensive income

Revenues from contracts with customers

Q2 2018	Q2 2017		Six months ended 30 June 2018	Six months ended 30 June 2017
22,811	24,084	Revenues from sales of bauxite	39,367	39,094
69,071	21,839	Revenues from sales of alumina	111,799	34,149
340,754	294,501	Sale of primary aluminium	661,037	579,188
380,394	354,719	Sale of processed aluminium	748,366	722,205
1,338	1,575	Other	3,041	3,514
814,368	**696,718**	**Total**	**1,563,610**	**1,378,150**

In the second quarter of the year 2018 the Group's sales increased by 13% from the level reported in 2017, as the Group succeeded to reflect within its results the positive evolution of the aluminium price in international markets. The trend of the aluminium price was continuously growing in 2018, in such a way that in Q2 2018 the average LME cash-seller was of 2,259 USD/tonne, i.e. by 350 USD/tonne higher than the average of Q2 2017 which had been 1,909 USD/tonne. Thus, the turnover increase was maintained in Q2 2018 when the sales value was higher by 17% (RON 117,650 thousand) compared to Q2 2017.

In H1 2018, the Group continued its strategy of increasing its high value added aluminium product sales. In H1 2018 for sales of aluminium products were higher by more than 4,000 tonnes compared to Q2 2017. At the same time, the sales of alumina to third parties increased by over 26,000 tonnes in Q2 2018 compared to Q2 2017.

The cost of goods sold increased by RON 105,948 thousand in the second quarter of the year 2018 compared to the same period of 2017. The main reasons leading to this growth were the higher quantity of finished products sold and the increase of the purchase prices of some raw materials and utilities, in line with market prices.

The Group achieved a **gross profit** of RON 188,948 thousand in Q2 2018, by RON 11,702 thousand higher than in Q2 of 2017. Although the revenues increased significantly both in terms of quantity and value compared to Q2 2017, the gross profit margin slightly declined to 23% compared to Q2 2017, when the gross margin was 25%, due to the higher cost of some raw materials and utilities.

General and administrative expenses were higher in Q2 2018 as compared to Q2 2017 by RON 9,529 thousand as a result of the increase in the salary fund following the negotiations of the Collective Labor Agreement and due to certain bonuses for good performance granted to the Group's personnel.

Gains from derivative financial instruments, net in 2018 are related to the 100% option collars concluded by the Group. In H1 2018 the net gain on derivative financial instruments, out of RON 16,692 thousand, an amount of RON 14,996 thousand represents unrealized gain, namely the mark-to-market of the outstanding options at 30 June 2018. On the other side, the net loss of RON 37,360 thousand in Q2 2018 principally reflects the decrease of the fair value of the options at 30 June 2018 as compared to the end of the previous quarter, namely 31 March 2018. In Q1 2018, several options were exercised due to the fact that the reference aluminium quotations were below the put level mentioned in the option contracts concluded by the Group, and thus the Group marked a net gain of RON 3,023 thousand, while in Q2 2018 options were not exercised due to the fact that the aluminium quotations were within the collar interval, and thus the Group marked a net loss of RON 1,329 thousand representing the premiums paid for acquiring the option contracts related to the period.

Net foreign exchange gains / (losses) arise mainly due to the revaluation of the loans and other debts of the Group in foreign currencies. In Q2 2018 a net foreign exchange loss was recorded due to the depreciaiton of the Romanian leu in against the US dollar at 30 June 2018 compared to the end of the previous quarter, namely the quarter ended on 31 March 2018 (from 3,7779 USD/RON at 31 March 2018 to 4.0033 USD/RON at 30 June 2018). An opposite evolution was recorded in Q2 2018, when the Romanian RON appreciated against the US dollar at 30 June 2017 compared to 31 March 2017 (from 4.2615 USD/RON at 31 March 2017 to 3.9915 USD/RON at 30 June 2017), and thus the Group recorded a gain from foreign exchange differences.

The adjusted net result is an indicator that the Group monitors as being more relevant for the Group's performance than the net result. The reconciliation between the net result and the adjusted net result is detailed below:

in RON '000 Q2 2018	in RON '000 Q2 2017		in RON '000 Six months ended 30 June 2018	in RON '000 Six months ended 30 June 2017
29,530	**96,628**	**Net result of the period**	**154,151**	**186,847**
-1,256	-	Impairment of other non-current assets	-1,262	-
37,360	-	Derivative financial instruments that do not qualify for hedge accounting	-16,692	-87
7,438	15,298	Deferred income tax	30,520	31,806
73,072	**111,926**	**Adjusted net result**	**166,717**	**218,566**

The net result of the Group in Q2 of 2018 was lower than the one in Q2 2017 mainly due to the decrease of the fair value of the derivative financial instruments and of the foreign exchange losses on loans evaluation during the analyzed periods. When excluding these influences, the result of the Group in Q2 2018 would be higher than the one recorded in Q2 2017.

4.2. Consolidated Statement of Financial Position

Non-current assets

In the second quarter of the year 2018, the Non-Current Assets in the Consolidated Statement of Financial Position increased mainly because the Group purchased equipment within its investment project dedicated to the research infrastucture for high qualification industrial applications, which project is co-funded by the European Fund for Regional Development, by the Competitiveness Operational Program 2014 – 2020.

At 31 December 2017 a Group subsidiary had a borrowing agreement with the major shareholder Vimetco N.V. for which the outstanding balance was RON 54,345 thousand. In May 2018, Vimetco NV repaid a part of this loan (RON 40,265 thousand), representing the accumulated interest until the payment date and a part of the principal.

Current assets

As at 30 June 2018, the current assets were lower by RON 103,109 thousand compared to 31 December 2017, due to the decrease of the Cash and cash equivalents by RON 117,761 thousand, as the Group paid dividends in amount of RON 329,172 thousand in Q2 2018. The Restricted cash also decreased by RON 60,156 thousand, out of which an amount of RON 30,476 thousand represents letters of credit issued for acquisition of property, plant and equipment that reached maturity in May 2018.

Equity

The General Shareholders' Meeting dated 27 April 2018 approved the distribution into dividends of the net profit realized by the Parent Company in 2017 amounting to RON 317,686 thousand and of the retained earnings amounting to RON 64,350 thousand. An amount of RON 329,172 thousand was paid during the second quarter of 2018 from this distribution.

Liabilities

The Non-current liabilities of the Group increased by 5% from RON 951,231 thousand at 31 December 2017 to RON 1,003,114 thousand at 30 June 2018, mainly due to the fact that the subsidiary Alum signed two credit facilities amounting to a total of USD 25,000 thousand in May 2018, for financing its investment projects. Of these facilities, an amount of RON 60,050 thousand was drawn down at 30 June 2018 (the equivalent of USD 15,000 thousand).

The current liabilities were at a level of RON 462,729 thousand as compared to RON 374,523 thousand at 31 December 2017, due to the increase of the accrued trade payables in amount of RON 49,686 thousand (at 31 December 2017: RON 28,338 thousand) for electricity acquired in June 2018 which will be paid in the next period according the agreements concluded.

4.3. Consolidated Statement of Cash Flows

In the second quarter of 2018 a significant improvement of the results occured in respect of the cash flows generated by the Group's operations, as the Group reported a positive net cash inflow of RON 188,426 thousand (in Q2 2017 it amounted to RON 132,808 thousand), mainly due to the turnover increase. In addition, the positive flows from the variation of inventories and of trade and other payables recorded in Q2 2018 reflect the Group's efforts to manage as efficiently as possible the cash flows and to optimise the working capital.

The net cash outflows related to the investment activity in the second quarter of 2018 amounting to RON 53,248 thousand include mainly acquisitions for the investments co-financed by the European Regional Development Fund, payments for electrolysis pots reconditioning in the Alro Primary Aluminium Division and various improvements made to certain equipments.

The net cash flow from financing in the second quarter of the year 2018 was mainly influenced by the payment of dividends distributed by the Group from the profit of the year 2017 in amount of RON 329,172 thousand (in Q2 2017 RON 64,062 were paid representing dividends declared by the Group for the year 2016), the repayment of installments to banks according to the schedules, offset by the new loans taken by Alum.

4.4. Financial ratios

Ratio description	Formula	Six months ended 30 June 2018	Six months ended 30 June 2017
Current ratio	Current assets/ Current liabilities	2.41	1.08
Gearing ratio	Long-term borrowings/ Equity x 100	88.29	19.64
	Long-term borrowings/ Capital employed x 100	46.89	16.42
Receivables turnover	Receivables average balance/ Turnover x 180	10.17	10.23
Non-current assets turnover	(Turnover x 360/ 180)/ Non-current assets	2.29	2.26

In the 6-month period ended 30 June 2018, the *"Current Ratio"* as well as the *"Gearing ratio"* increased as compared to the same period of the year 2017 as a result of the classification from short term to long term at 31 December 2017, of the revolving credit facility amounting to USD 137,000 thousand granted by a bank syndicate and of the revolving credit facility amounting to RON 180,000 thousand contracted from a commercial bank, as a result of the refinancing of the two loans at the end of 2017.

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

Ratio description	Formula	Six months ended 30 June 2018	Six months ended 30 June 2017
Adjusted current ratio	Current assets/ Current liabilities	2.41	3.22
Adjusted gearing ratio	Long-term borrowings/ Equity x 100	88.29	90.49
	Long-term borrowings/ Capital employed x 100	46.89	47.50

Statement of Management Responsibilities

Pursuant to the legal stipulations of the FSA Regulation no. 5/2018 for issuers and operations with securities, the Management states the following:

1. We confirm to the best of our knowledge that the condensed consolidated financial statements of ALRO Group for the period ended on 30 June 2018 and ALRO Group quarterly financial results for Q2 2018 prepared in accordance with the applicable set of accounting standards give a true and fair view of the financial position, financial performance and cash-flow of the Group for the six months ended 30 June 2018;

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

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

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

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

The condensed consolidated financial statements of ALRO Group for the period ended on 30 June 2018 and ALRO Group quarterly financial results for Q2 2018 are not audited.

President of the Board of Directors
Marian-Daniel NASTASE

Chief Executive Officer
Gheorghe DOBRA

Chief Financial Officer
Genoveva NASTASE

9 August 2018