

# **ALUMIL ROM INDUSTRY SA**

## **SEPARATE FINANCIAL STATEMENTS**

**Prepared in accordance with  
Minister of Public Finance Order 2844/2016**

**31 DECEMBER 2017**

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**ANNUAL REPORT  
OF THE ADMINISTRATOR  
REGARDING THE FINANCIAL YEAR 2017**

**Name of issuer:** SC ALUMIL ROM INDUSTRY S.A.  
**Registered office:** Bucharest, Calea Rahovei no. 286 A, sector 5  
**Telephone number:** 021 424 34 56, fax: 021 423 39 32  
**Sole Registration Code with the Trade Registry Office:** RO10042631  
**Trade Register number:** J40/8540/1997  
**Share capital called up and paid in:** RON 6,250,000.

**Legal framework for the preparation of the annual financial statements**

S.C. ALUMIL ROM INDUSTRY S.A., with the registered office in Bucharest, Calea Rahovei no. 268A sector 5, is a joint-stock company operating in accordance with the provisions of the Company Law 31/1991, as republished with subsequent changes.

The share capital of the Company is a private capital in full.

Starting 2012, the Company prepares separate annual financial statements in accordance with the International Financial Reporting Standards as approved by the OMFP no. 2844/2016 with subsequent changes and completions.

In accordance with the Accounting Regulations compliant Directive VII, ALUMIL ROM INDUSTRY S.A. meets the conditions of par. 12 of the Regulations mentioned before and is under the obligation to prepare consolidated annual financial statements. Moreover, in accordance with OMFP no. 1121/2006 on the application of the International Financial Reporting Standards, the Company meets the provisions of Art. 1, point 3 and is under the obligation to prepare consolidated financial statements in accordance with IFRS.

**1. Analysis of the company activity**

**1.1 Description of the company's main activity**

**a) Company presentation**

**ALUMIL ROM INDUSTRY S.A.** is a subsidiary of the company **ALUMIL ALUMINIUM INDUSTRY S.A. Greece**, an industrial group at European level operating in the Aluminum extrusion industry.

**ALUMIL ALUMINIUM INDUSTRY S.A.** is one of the European leaders in Aluminum extrusion, owning production sites with state-of-the-art technologies, being one of the top factories of Aluminum profiles for constructions, covering all types of applications known in this field.

**b) Company subsidiaries**

ALUMIL ROM INDUSTRY S.A. holds 100% of the share capital of ALUMIL EXTRUSION S.R.L. with the registered office in Filipești de Padure, Ditești village no. 927, Prahova County, recorded with the Prahova Trade Registry Office under no. J29/866/1999 and Sole Registration Code no. 12402281, with share capital owned by ALUMIL ROM INDUSTRY S.A. in a total amount USD 50,000, the equivalent value of RON 82,500.

**1. Analysis of the company activity (continued)**

ALUMIL EXTRUSION S.R.L. was established and recorded with the Trade Registry attached to the Prahova County Court on 9 November 1999 under no. J29/866/1999, Sole Registration Code 12402281, fiscal attribute R, under the name S.C. ALUMIL EXTRUSION S.R.L. as a limited liability company, a Romanian legal person, on an unlimited operating period, established and operating in accordance with Company Law. The company was established in November 1999 by Mr. Michail Sotiriou, as the sole shareholder. The share capital of the company at the establishment date was RON 82,500, the equivalent of USD 50,000, divided into 1,000 indivisible nominal shares with a value RON 82.50 each. On 4 October 2001, Mr. Michail Sotiriou assigned 70% of the shares held in S.C. ALUMIL EXTRUSION S.R.L. to the company ALUMIL MILONAS – ALUMINIUM INDUSTRY S.A. GREECE; following this assignment, the structure of the share capital was as follows: 300 shares held by Mr. Michail Sotiriou, representing 30% of the share capital, the equivalent value of RON 24,750, and 700 shares held by the Greek company ALUMIL MILONAS – ALUMINIUM INDUSTRY S.A. GREECE, representing 70% of the share capital, the equivalent value of RON 57,750. In October 2005, both Mr. Michail Sotiriou and ALUMIL MILONAS – ALUMINIUM INDUSTRY S.A. GREECE, assigned all the shares held in S.C. ALUMIL EXTRUSION S.R.L. to the company ALUMIL ROM INDUSTRY S.R.L., on 26 October 2005 this company becoming the sole shareholder of ALUMIL EXTRUSION S.R.L., and the share capital was RON 82,500, the equivalent value of USD 50,000, consisting in 1000 shares with a nominal value RON 82.50 each.

Due to lack of opportunities for company's business, it was decided to cease the activity and go into procedure of simultaneous voluntary dissolution and liquidation of SC ALUMIL EXTRUSION SRL, decision recorded at the Trade Registry on 12 December 2016.

ALUMİL EGE ALÜMİNYUM SANAYİ VE TİCARET ANONİM ŞİRKETİ, having head office in Turkey, FatihMah., 1188 Sokak, No.13/B Gaziemir /İZMİR, was established and registered in Turkey with the Gaziemir Tax Office on 16 September 2015 under number 0680907038 and with the Izmir Chamber of Commerce under number: 183607 as a joint stock company, Turkish legal entity, having an unlimited operation duration and operating according to the Turkish Commercial Code. The company was established by SC ALUMIL ROM INDUSTRY SA, as sole shareholder. The company's share capital at the date of establishment was of 50,000 Turkish Lira, divided into 50 shares of 1,000 Turkish Lira each. On 16 November 2015, SC ALUMIL ROM INDUTRY SA has assigned 60% of the shares in ALUMİL EGE ALÜMİNYUM SANAYİ VE TİCARET S.A., to the company ALUMIL INTERNATIONAL AG Switzerland, the shareholding structure following the assignment is as follows: 20 shares SC ALUMIL ROM INDUSTRY SA namely 40% of the share capital, the equivalent of 20,000 Turkish Lira and 30 shares the ALUMIL INTERNATIONAL AG Switzerland company, namely 60% of the share capital, the equivalent of 30,000 Turkish Lira. In December 2015, the share capital increase was decided for the ALUMİL EGE ALÜMİNYUM SANAYİ VE TİCARET ANONİM ŞİRKETİ, to the total value of 950,000 Turkish Lira, representing 950 shares having a nominal value of 1,000 Turkish Lira each, of which ALUMIL ROM INDUSTRY S.A. holds 40%, namely 380 shares at the nominal value of 1,000 Turkish Lira each. In April 2016, the share capital increase was decided for the ALUMİL EGE ALÜMİNYUM SANAYİ VE TİCARET ANONİM ŞİRKETİ, to the total value of 1,900,000 Turkish Lira, representing 1,900 shares having a nominal value of 1,000 Turkish Lira each, of which ALUMIL ROM INDUSTRY S.A. holds 40%, namely 760 shares having a nominal value of 1,000 Turkish Lira each.

ALUMIL MISR FOR ALUMINIUM AND ACCESORIES INDUSTRY JSC, having head office in Egypt, Cairo, was established and registered in Egypt on 20 March 2016, according to the joint-stock company set up certificate number 1375/20.03.2016 issued by the General Investment and Free Area Authority as a joint stock company for a duration of 25 years. The Company's issued capital at the set up date was of 1,000,000 Egyptian Lira, divided into 1000 shares of 1,000 Egyptian Lira each. The share capital structure at the set up date is the following: Alumil International AG Switzerland 59%, Alumil Rom Industry SA Romania 40% and Alumil MISR for Trading Egypt 1%. In November 2016, the first share capital increase was decided for the ALUMIL MISR FOR ALUMINIUM AND ACCESORIES INDUSTRY JSC, to the total value of 16,000,000 Egyptian Lira, representing 16,000 shares having a nominal value of 1,000 Egyptian Lira each, of which Alumil Rom Industry holds 40%, namely 6,400 shares at the nominal value of 1,000 Egyptian Lira each. In December 2016, a new share capital increase was decided for the ALUMIL MISR FOR ALUMINIUM AND ACCESORIES INDUSTRY JSC and, therefore, the company's capital reached 30,000,000 Egyptian Lira, representing 30,000 shares having a nominal value of 1,000 Egyptian Lira each, of which Alumil Rom Industry holds 40%, namely 12,000 shares at the nominal value of 1,000 Egyptian Lira each.

## **1. Analysis of the company activity (continued)**

### **c) Main activities**

Alumil Rom Industry SA manufactures and trades a large range of Aluminum profiles systems (sliding, opening and partitioning systems) and accessories related to these systems, machine tools and specific tools used for aluminum joinery, interior doors and decorative Aluminum panels. The main activities of Alumil Rom Industry SA are the production of aluminum profiles, more specifically, processing of profiles through the provision of thermal breaks and electrostatic painting, as well as the trade of a large range of profiles, accessories, composite panels (J-Bond), and polycarbonate films.

#### **Processing activity**

S.C. ALUMIL ROM INDUSTRY S.A. conducted, starting 18.05.2011 the project "Eco efficient and innovative investment in a modern Aluminum processing facility", co-financed by the **European Regional Development Fund** under the financing contract signed with the Ministry of Economy, Trade and Business Environment, as the Managing Authority for the Operational Sectorial Program "Increase of Economic Competitiveness". The project objective was to increase the productivity of the company by creating a modern, eco-efficient Aluminum profiles production and processing facility.

The project, implemented in Filipești de Padure, Minieri village no. 149, Prahova County, was completed in July 2013 and resulted in the building of a production hall of 8,835 square meters and the purchase of 11 state-of-the-art pieces of equipment, creating over 45 new jobs.

Therefore, S.C. ALUMIL ROM INDUSTRY S.A. has put into operation new modern equipment for:

- horizontal painting with two automatic painting booths capable of painting Aluminum profiles in all RAL colors. ALUMIL ROM INDUSTRY S.A. paints about 1,450 kinds of Aluminum profiles in about 200 RAL colors;
- wood-effect painting with a technology based on a pre-printed film for decorating profiles, Aluminum panels and Aluminum accessories, using the sublimation method;
- thermal break production with a capacity of 150 profiles /hour

The installation also includes equipment for applying self-adhesive tape on Aluminum profiles in order to protect painted surfaces.

A small part of the production process is represented by the bending of profiles, an operation carried out only on client request.

The processing (painting) line is composed of:

- Chemical treatment line (baths) for filiform corrosion resistance with a waste water treatment plant;
- Frame preparation line;
- Electrostatic painting installation;
- Polymerization oven;
- Wood-effect painting installation;
- Thermal break production line;
- Profile assembly line.

The production and storage facilities are equipped with:

- fresh water installation and demineralized and fresh water tanks;
- deionized water installation;
- treatment plant (reduction-oxidation, neutralization, flocculation, settling, press filter);
- own wastewater and rainwater sewer network;
- own central heating plant (fuel: natural gas);
- air compressors;
- hydrophore installation;
- transformer station 10 /0.4 KV.

## **1. Analysis of the company activity (continued)**

Moreover, the production area is equipped with a workshop for Aluminum cutting-off machine-tool, electronic platform scales - 2000 kg, portable metal analyzer (METALSCAN) and forklift.

### **d) Products**

Alumil Rom Industry offers a wide range of Aluminum profiles and accessories and tools used for Aluminum profiles processing.

The main product categories of Alumil Rom Industry are:

- Aluminum profiles
- Accessories for Aluminum profiles
- J-Bond / Outdoor decorative panels
- Polycarbonates
- PVC profiles
- Geze automatic systems
- Interno interior doors.

The Aluminum profiles are grouped in the following categories of systems:

#### **I. Opening window systems**

- a) Without thermal break (3, 4, 5, 6 compartments): M940 Mini, M9300 Perfect, M9400 Softline, M15000 Prestige
- b) With thermal break: M9650 Alutherm Light, M11000 Alutherm Plus, M11500 Alutherm Super Plus, M11600 Alutherm Extra, M20000 Apollo Alutherm, M23000 Forestal

#### **II. Sliding window systems**

- a) Sliding windows without thermal break: M900 Aero, M9000 Slide, M12000 Premier, M14000 DeLuxe, M14500 DeLuxe Light
- b) Sliding windows with thermal break: S200 Exclusive Alutherm, S300 DeLuxeAlutherm, M300 Falcon Alutherm, S400 Premier Alutherm.

#### **III. Curtain wall systems**

The series M1 Solar Standard, M2 Solar Linear, M3(T) Solar Semistructural, M4(T) Solar Structural, M5 Solar ECO, M6 Solar Standard Plus, M50 Solar Standard Light

#### **IV. Special systems**

The special systems are mainly systems for interior partitioning (P100 Office), sun protection (M5600 Solar Protection), skylights (Skylight M9850, M10800 Skylight Alutherm), systems for protection against insects, pergola systems

### **e) Quality management and certifications**

The Company imports unpainted Aluminum profiles from the parent company in Greece. Alumil Aluminium Greece holds all the certificates necessary for a modern plant concerning the Management of production processes and of the quality, environmental and occupational health and safety.

For the activities carried out in Romania, **ALUMIL ROM INDUSTRY** has implemented and is maintaining a quality management system, according to the requirements of SR EN ISO 9001:2008, an environmental management system, according to the requirements of SR EN ISO 14001: 2005 and an occupational health and safety management system, according to the requirements of SR OHSAS 18001. The certification of the quality, environment and occupational health and safety management systems was performed by audits of the certification body SRAC CERT, Romanian certification body with the largest recognition of the brand and of the certificates as a result of the partnership with IQNet (The International Certification Network) and of the accreditation by **RENAR** – body having signed the EA-MLA (European agreement on recognizing certification).

## 1. Analysis of the company activity (continued)

Even since 2005, Alumil Rom Industry also holds a license to use the labels of **GSB “Approved Coated Aluminium”**, body for the certification of aluminum profile painting, certificate renewed under number 087 of 15.06.2015 valid through 31.07.2019.

In 2008, Alumil Rom Industry has also obtained the license to use the **QUALICOAT** labels, certificate that is renewed every year, being issued by the Aluminum Association of Greece Certification Committee, also a painting and production processes certification body.

Having obtained the GSB and QUALICOT licenses proves that ALUMIL ROM INDUSTRY meets the requirements for carrying out the production processes and it has the necessary equipment, the coverage materials required through specifications and regulations obtaining finished products of an adequate quality. All the requirements in the two GSB and QUALICOAT specifications must be met for a quality label to be granted and maintained.

### 1.1.1 General evaluation items for 2016

	Consolidated ratios	MU	2017	2016
a)	Net profit	RON	12,647,642	1,227,939
b)	Turnover	RON	69,222,577	57,927,457
c)	Exportation	RON	8,403,031	3,123,212
d)	Cash and cash equivalents	RON	9,765,484	12,588,135

### 1.1.2 Storage capacity

ALUMIL ROM INDUSTRY S.A. has a storage total area of 28,500 square meters. The statement of the Company of the storage capacities is shown below:

	Location	Surface (sq. m.)	Surface of land (sq. m.)	Total (sq. m.)	Type
1	Alba Iulia	415	-	415	Rented
2	Bacau	417	-	417	Rented
3	Baia Mare	390	-	390	Rented
4	Bistrita	500	-	500	Rented
5	Brasov	990	642	1,632	Rented
6	Bucharest	852	-	852	Rented
7	Cluj	684	-	684	Rented
8	Constanta	309	-	309	Rented
9	Craiova	200	-	200	Rented
10	Galati	620	122	742	Owned
11	Iasi	349	-	349	Rented
12	Pitesti	320	-	320	Rented
13	Ploiesti	330	-	330	Rented
14	Sibiu	408	-	408	Rented
15	Slatina	500	-	500	Rented
16	Tg Mures	460	-	460	Rented
17	Timisoara	288	192	480	Rented
18	Filipestii de Padure	8,135	41,868	50,003	Owned
19	Filipestii de Padure	9,262	9,840	19,102	Owned
20	Filipestii de Padure	3,081	8,915	11,996	Owned
	<b>Total</b>	<b>28,510</b>	<b>61,579</b>	<b>90,089</b>	

## **1. Analysis of the company activity (continued)**

### **1.1.3 New products introduced in 2016**

Alumil Rom Industry is continuously concerned about the client satisfaction, and as a response to the ever changing needs, it is focusing on developing new technical solutions to improve the quality, comfort and safety. The systems are designed, developed and tested in the Alumil Group Research & Development Department in Greece and then certified by internationally recognized certification institutions, such as IFT ROSENHEIM of Germany.



In recent years, Alumil Rom Industry in Romania has introduced a series of new premium systems:

1. **M 50 ENERGY** – a curtain wall system with thermal break and a high heat transfer coefficient, certified by IFT Rosenheim;
2. **S5660 PERGOLA** – system intended for performing the pergola-type shadowing applications;
3. **M8200 GLASS RAILINGS** – Premium handrail system, that can include 21.52 mm and 17.52 mm glass
4. **SMART95 RESIDENTIAL EXTERIOR DOORS** - a full range of high quality residential exterior doors, available in 3 versions of construction, IG (in boxes), HS (half structural) and DS (double structural) and a wide range of designs and finishing.
5. **S77 SUPREME** – swinging thermal break joinery, with excellent thermal and air and water proofing performance features. The system was certified by IFT Rosenheim embellished including by UbATC (Belgium)
6. **S440** - an increased thermal efficiency sliding system intended for use in medium-sized sliding typologies, designed to meet the requirements of modern architecture in terms of thermal comfort and minimalist design. The system was tested and certified by IFT Rosenheim
7. **S560** – a lift & slide joinery system intended for obtaining sliding by lifting features, with large and very large sizes (can withstand window frames of up to 300 kg). The system was tested and certified by IFT Rosenheim
8. **ALUMIL by Hoppe** - own range of handles for windows, doors, SENKKlappe and Lift & Slide openings, produced for ALUMIL by the well-known German company Hoppe
9. **S91** – certified system for case passive
10. **M8250 Juliet** – French balcony system
11. **ZEN** exterior residential doors
12. **M9660** – roto-sliding system compliant with the national requirements for thermal rehabilitation
13. **M7** – advanced curtain wall system

In 2017, we continued promoting the systems mentioned above and added new groups of products to the portfolio:

1. **SUPREME Range:**  
S650 and S650 Automatic - sliding system completely hidden in the floor, ceiling and walls, including the automated option;  
SD77 - system dedicated to the realization of access doors with exceptional security features, tightness and thermal insulation, allowing the realization of doors with structural and semi-structural typologies;  
WOODEE - decking system WPC flooring system.
2. **SMARTIA Range:**  
S67 - roto-tipping system that permits the realization of all the typologies existing in the market, having excellent technical characteristics for the price segment to which it addresses;  
M14600 - sliding-lift-free sliding system for thermal applications for large-scale interior applications and exports to southern European countries.

## **1. Analysis of the company activity (continued)**

### **1.1.4 Evaluation of the supply activity**

The main supplier of Aluminil Rom Industry SA is Aluminil Aluminium Industry SA Greece for both processed and unprocessed profiles. The Company's competitive advantages consist in offering quality products, with a design and functionality of the highest level and the fact that it has access to favorable purchase prices because of the relationship with the parent company from Greece.

The price of Aluminum profiles is strongly influenced by the price of Aluminum on the international market, namely on London Metal Exchange. During 2017, the price of Aluminum on London Metal Exchange (LME) continued its ascending trend, the average quotes close to year end reached values above USD 2,200/ton.

### **1.1.5 Evaluation of the sale activity**

#### **a) Description of the sales evolution and long-term prospects**

The financial data for 2017 indicate a turnover earned of RON 69,222,577, increasing by 19.5% as compared to 2016. The quality of the products, the customer proximity and the ability to rapidly deliver painted profiles are the factors that have led to continued leadership in the market in the framework of a difficult year.

	<b>2017</b>	<b>2016</b>
Sales (RON)	69,222,577	57,927,457
Variation compared to the previous year	19.50 %	-2.43%

*Source: Aluminil management reporting - financial statements*

In 2017, about 87.9% of the turnover was achieved on the domestic market, and the difference of 12.1% represented exports to Aluminil YU Industry AD in Serbia, to Aluminil Industry SRL in Moldova, to the parent company, Aluminil Aluminium Industry SA in Greece, and to other companies.

#### **b) Description of the competition and the market share**

The profile market for thermal insulation glass joinery in Romania is dominated by the profiles made of PVC (~ 70% of the value) and of Aluminum (more than 25%), according to the market studies performed in recent years. The other types of profiles (wood, steel and Aluminum and wood) have insignificant weights in the total purchases, accumulating about 5% of the market.

The Company estimates that during 2017 it has maintained and even strengthened its market leadership by an estimated share of about 30-35%.

#### **c) The description of any significant reliance on a single customer or group of customers**

In recent years, the total number of customers was 2,500-3,000 and they are mainly aluminum and PVC joinery firms. In 2016, the top ten clients accounted for 19.9% of the total sales, and this weight increased in 2017 when the top ten customers accounted for approximately 22.5% of the total sales. Keeping a percentage as small as possible is due to the fact that the Company has permanently tried to avoid a significant reliance on a single customer or group of customers.

## **1. Analysis of the company activity (continued)**

### **1.1.6 Evaluation of the matters concerning the Company's employees**

The increased activity of the Company in recent years has been translated into the increasing number of employees during the period 2003-2008, both those involved in production and those involved in sales. In 2017, the average number of employees was 178, being constant compared to 2016. If in December 2016 the number of employees was 179, in December 2017 the number of employees increased to 194.

#### **The evolution of the average number of employees:**

	<b>2017</b>	<b>2016</b>
Average number of employees	178	178
Change percentage during the period	0.00%	-3.80%

*Source: Management reporting – consolidated statements.*

### **1.1.7 Evaluation of the matters related to the impact of the main activity on the environment**

#### **ALUMIL ROM INDUSTRY SA holds:**

- The Environmental Permit no. PH 481 of 18 October 2013, valid through 18 October 2018, issued by the Prahova National Agency for Environmental Protection.
- Water management authorization no. 176 of 29 September 2016, valid through 25 September 2018, concerning the water supply and the discharge of waste water, issued by the "Romanian Waters" National Administration, the S.G.A. Prahova unit.

### **1.1.8 Evaluation of the research and development activity**

Most research and development activities are performed at Group level, in the specialized department of the parent company in Greece. The operations in Romania include a Research & Development department and a technical support one for projects carried out with Alumil profiles. These departments operate closely with the research and development department at Group level, the teams working together to develop new series of profiles and improve existing ones to meet customer requirements.

### **1.1.9 The evaluation of the ALUMIL ROM INDUSTRY S.A. risk management activity**

The Company's exposure to:

- i) **Price risk** - Alumil Rom Industry SA has in place a flexible commercial policy and is able to adapt to any price fluctuations, especially since the Aluminum price fluctuations at an international level affects all market participants to the same extent. To this effect, it is an advantage that Alumil Rom is part of a group with high power to acquire and process Aluminum on the international market.
- ii) **Interest rate risk** - The Company's exposure to the interest rate fluctuation risk mainly relates to the floating interest-bearing loans contracted by the Company. At the end of 2017, the balance of short-term loans contracted by the Company was RON 3,779,408 (2016: RON 6,297,466), and of long-term loans was RON 4,833,333 (2016: RON 8,355,876). Considering the low gearing, the interest rate risk is also low.
- iii) **Credit risk** - The Company trades only with recognized, creditworthy third parties. It is the Company's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis, having as a result an insignificant exposure of the Company to bad debts.

## **1. Analysis of the company activity (continued)**

- iv) **Liquidity /cash-flow risk** - Much of the Company's sales involve cash receipts or credits granted to customers over a period of several days to several weeks. Together with the loans for working capital, these provide for the current liquidity needs of the Company. During 2017 and 2016, the loans for the working capital were underused, the Company being in a position of financing its activities with own funds. Under these conditions the Company faces a very low liquidity risk.

### **1.1.10 Perspectives concerning the activity of ALUMIL ROM INDUSTRY SA S.A.**

**Alumil Rom Industry SA** produces and offers to potential customers from Romania Aluminum profiles at international standards with excellent mechanical and physical features, while also providing assistance and advice on all technical aspects of the products.

The main objectives of **Alumil Rom Industry SA** are to maintain market leadership in the production and sale of Aluminum profiles in Romania and to focus both on providing innovative internationally certified products and, from a commercial perspective, on commercial network improving and expanding. The objectives for the coming years are to increase the market share and improve profitability. Additionally to Aluminum profiles, the Company offers a wide range of products in the field, such as outdoor decorative panels, polycarbonate sheets, sun protection systems, interior doors, decorative panels and accessories, an important objective being to increase the market share on the segments mentioned above. All these objectives are based on the vision of **Alumil Rom Industry SA** and of its parent company from Greece to maintain the leadership on the Southeastern Europe markets and to expand on other markets.

To achieve these objectives in the coming years, **Alumil Rom Industry SA** will focus on increasing the quality of customer service, on increased promptness in fulfilling orders and reducing delivery times. These strategic elements have been a priority in recent years, and by improving the existing processes in the coming years, we will manage to achieve new results on these lines. An important step in this regard is the investment from Filipești de Padure, a European-level investment with high efficiency equipment completed in July 2013.

An important success factor for **Alumil Rom Industry SA** is the experience of more than 30 years of parent company from Greece in the Aluminum extrusion field, the research and permanent development of new products and technologies and the dynamic presence on international markets. Alumil is recognized in Europe as one of the leading suppliers of profile systems for all known architectural applications (windows, doors, facades, skylights, interior partitions), designed, developed and tested by the Development and Research Department of the Company and certified by the International Institute IFT Rosenheim in Germany, a leading authority in the field.

### **1.1.11 Company estate**

#### **Land and buildings**

In terms of real estate properties in the Alumil Rom Industry SA estate, these are pieces of land located inside and outside the built-up area of localities, and also constructions, some of them ensuring the performance of the Company main activity.

Alumil Rom Industry owns a piece of land of 50,000 sq. m. located in Filipești de Padure acquired in 2008 from the subsidiary S.C. Alumil Extrusion S.R.L. on which the real estate property with the total area of 8,835 sq. m. was commissioned and the land of 19,102 sq. m. purchased in Filipești de Padure in 2009.

In December 2010 Alumil Rom Industry SA purchased in Filipești de Padure a hall with a built area of 2,955.86 square meters and the related land of 11,996 sq. m.

In July 2013, the building of the new production and storage hall as part of the project performed through SOP IEC was completed, with an area 8,835 square meters, and located in Filipești de Padure, Minieri Village, where the production activity is currently performed.

## 1. Analysis of the company activity (continued)

### Tools and machinery

The table below details the equipment, installations and other major assets of the Company. The most important movable property of the Company is the dyeing installation put into operation in 2013. Additionally the Company records various other tools and machinery of lower value.

Category	Description	Date of purchase	Purchase value (RON)
Tool	ELECTROSTATIC PAINTING INSTALLATION SOP IEC 154271	25-Jun-2013	2,251,811
Tool	THERMAL BREAK PRODUCTION LINE SOP IEC 154271/18.05.2011	10-Jul-2013	1,485,683
Tool	WOOD-EFFECT ELECTROSTATIC PAINTING INSTALLATION SOP IEC 154271	25-Jun-2013	1,015,542
Tool	FILIPESTI TREATMENT PLANT SOP IEC 154271/18.05.2011	12-Jul-2013	744,703
Tool	AUTOMATIC SYSTEM FOR WATER TREATMENT THROUGH FILTERING AND DEMINERALIZATION	10-Dec-2013	383,690
Tool	AUTOMATIC SYSTEM FOR STORAGE ON SHELVES SOP IEC 154271/18.05.2011	15-Jul-2013	342,886
Tool	SINGLE-BEAM TRAVELLING CRANE 154271/18.05.2011	1-Jun-2013	308,270
Tool	SINGLE-BEAM TRAVELLING CRANE 154271/18.05.2011	1-Jun-2013	308,270
Tool	FOUR-WAY LIFTING TOOL/SERIES 21719 SOP IEC 154271/18.05.2011	17-Jun-2013	221,091
Tool	FOUR-WAY LIFTING TOOL/SERIES 21720 SOP IEC 154271/18.05.2011	17-Jun-2013	221,091
Tool	ELECTRICAL AND PNEUMATIC SYSTEM FOR ELECTROSTATIC PAINTING INSTALLATION SOP IEC 154271	14-Jun-2013	126,464
Tool	LIFTING SYSTEM FOR PALLETS/BASKETS SOP IEC 154271	10-Jul-2013	122,769

In 2017, machines amounting to RON 84,161, a truck amounting to RON 159,625, 5 motor vehicles with a total value of RON 187,107, and IT equipment amounting to RON 87,491 were purchased.

## 2. The market for the securities issued by the Company

### 2.1. The markets on which the securities issued by the Company are negotiated

The shares of ALUMIL ROM INDUSTRY S.A. are traded on the market managed by the Bucharest Stock Exchange in Category II, section Equity Securities and the Shareholders' Register is managed by the Central Depository SA Bucharest.

### 2.2. Policy regarding the dividends

The table below details the dividends proposed by the Board of Directors for 2017 and 2016.

	2017	2016
Retained earnings	1,331,042	103,103
Retained earnings from first-time adoption of IAS 29	6,458,159	6,458,159
Net profit	12,647,642	1,227,939
Dividends proposes	-	-
Level of appropriation of profit/retained earnings	0%	0%

Source: Company.

\* For 2017, the profit appropriation proposition will be subject to the approval of the SGM of 25 April 2018.

### 3. Management of the Company

#### 3.1. Company administrators

The current composition of the Company Board of Directors is detailed below:

No.	Name	Position	Date of appointment	Date of expiry of the term
1.	Michail Sotiriou	President of the Board /CEO	28.04.2014	27.04.2018
2.	Evangelia Mylona	Vice-president of the Board	28.04.2014	27.04.2018
3.	Konstantinos Akrivopoulos	Member of the Board	28.04.2014	27.04.2018
4.	Dimitris Koutsoupas	Member of the Board	28.04.2014	27.04.2018
5.	Georgios Doukidis	Member of the Board	28.04.2014	27.04.2018

**a) Any agreement, understanding or family relation between the administrators and another person having influenced their appointment as an administrator:**

Mrs. Evangelia Mylona is Mr. Georgios Mylonas' sister, the latter being the President of the Board of Administration of the parent company - ALUMIL ALUMINIUM INDUSTRY S.A. GREECE.

**b) Administrators' contribution to the capital of S.C. ALUMIL ROM INDUSTRY S.A.**

No.	Name	Position	No. of shares held	% before IPO	% after IPO
1.	Michail Sotiriou	President of the Board	7,485,150	29.94%	23.95%
2.	Evangelia Mylona	Vice-president of the Board	5,000	0.02%	0.02%
3.	Konstantinos Akrivopoulos	Member of the Board	-	-	-
4.	Dimitris Koutsoupas	Member of the Board	-	-	-
5.	Georgios Doukidis	Member of the Board	-	-	-

#### 3.2. Members of the executive management of S.C. ALUMIL ROM INDUSTRY S.A.

The daily operations of the Company are performed by the following managers who are employed by the Company:

- (a) Ionita Marius – Deputy CEO
- (b) Duca Vitalie – Commercial Director
- (c) Balasca Ciprian – CFO

**Contribution of the executive management to the capital of the company**

No.	Name	Position	No. of shares held
1.	Ciprian Balasca	CFO	1,000
2.	Marius Ionita	Deputy CEO	600
3.	Vitalie Duca	Commercial Director	600

### **3. Management of the Company (continued)**

#### **3.3 Information on the relations with affiliates, subsidiaries and associates**

The relations with related companies and daughter companies are detailed below:

<b>Name of entity</b>	<b>Nature of operation with the Company</b>	<b>Country of origin</b>
Alumil Extrusion SRL	Subsidiary of the Company – Alumil Rom Industry (100.00%)	Romania
Alumil EGE SA	Shareholder – Alumil Rom Industry (40.00%)	Turkey
Alumil MISR for Aluminium and Industry SA	Shareholder – Alumil Rom Industry (40.00%)	Egypt
Alumil Aluminium Industry SA	Parent and main supplier of semi-finished goods	Greece
Alumil Industry SRL	Subsidiary of the parent, Alumil Mylonas (70.00%)	Moldova
Alumil Bulgaria Ltd.	Subsidiary of the parent, Alumil Mylonas (99.87%)	Bulgaria
Alpro Vlasenica AD.	Subsidiary of the parent, Alumil Mylonas (61.37%)	Serbia
BMP Hellas SA	Subsidiary of the Company – Alumil YU Industry SA (41.32%)	Greece
Alumil YU Industry SA	Subsidiary of the parent, Alumil Mylonas (98.50%)	Serbia

The individuals referred to at points 3.1.a, 3.1.b and 3.2. are also affiliates.

#### **3.4. The Company internal control includes the following main components:**

- A clear definition of responsibilities;
- Work procedures;
- Code of conduct;
- Internal dissemination of relevant information;
- Analysis of main risks and procedures for managing these risks;
- Appropriate control activities for each process

Control aims at the application of the internal rules and procedures, at all hierarchical and functional levels: approval, authorization, verification, operating performances evaluation, asset securing, and task separation.

Internal accounting and financial control is a major item of internal control and its main formalizing items relate to:

- The existence of an accounting policy manual, as well as of procedures to apply the related controls;
- Knowledge of the accounting and fiscal legislation's evolution;
- The performance of specific controls on sensitive matters;
- The identification and appropriate treatment of deviations;
- Adapting the software to the entity's needs;
- Ensuring the accuracy and exhaustiveness of the accounting records;
- Complying with the quality characteristics of the information included in the financial statements.

#### **3.5 SGM competence and shareholders' rights**

The SGM's competence and shareholders' rights are in accordance with national law.

#### 4. Financial and accounting statement

##### Assets and liabilities during 2017 - 2016

RON

Balance sheet items	2017	2016
<b>Non-current assets</b>	<b>29,774,916</b>	<b>41,303,730</b>
Intangible assets	125,289	204,550
Tangible assets	24,629,632	37,030,727
Financial assets	4,073,077	4,068,453
Deferred tax asset	946,918	-
<b>Current assets</b>	<b>57,081,450</b>	<b>37,135,016</b>
Inventories	13,150,711	10,473,722
Receivables	34,165,255	14,073,159
Petty cash and bank accounts	9,765,484	12,588,135
<b>TOTAL ASSETS</b>	<b>86,856,366</b>	<b>78,438,746</b>
Equity	63,945,561	51,297,919
Long-term liabilities	10,003,444	14,060,934
Current liabilities	12,907,361	13,079,893
<b>TOTAL LIABILITIES</b>	<b>86,856,366</b>	<b>78,438,746</b>

##### Profit and loss statement for 2017 - 2016

RON

	2017	2016
Sale revenues	69,222,577	57,927,457
Cost of sales	(49,601,204)	(39,836,882)
<b>Gross margin</b>	<b>19,621,373</b>	<b>18,090,575</b>
Other operating income	13,705,704	894,140
Sale and distribution expenses	(14,173,049)	(12,909,423)
Administrative expenses	(4,408,454)	(4,304,476)
<b>Operating profit</b>	<b>14,745,574</b>	<b>1,770,816</b>
Interest and related income	12,917	36,865
Interest expense	(422,587)	(357,070)
Foreign exchange gains/(losses)	(44,031)	38,175
<b>Profit before tax</b>	<b>14,291,873</b>	<b>1,488,786</b>
Current income tax charge	(2,738,011)	(359,663)
Deferred income tax	1,093,780	98,816
<b>Net profit for the year</b>	<b>12,647,642</b>	<b>1,227,939</b>
<b>Earnings per share</b>	<b>0.4047</b>	<b>0.0393</b>

President of the Board of Directors,  
Michail Sotiriou

CFO  
Ciprian Balasca

**Statement of the Board of Directors**  
of ALUMIL ROM INDUSTRY Company

The Board of Directors of ALUMIL ROM INDUSTRY Company hereby states that they undertake the liability for the preparation of the annual financial statements as at 31 December 2017.

The Board of Directors of ALUMIL ROM INDUSTRY Company hereby confirms the following concerning the annual financial statements as at 31 December 2017:

- a) The annual financial statements are prepared in accordance with the International Financial Reporting Standards as endorsed by the European Union.
- b) The accounting policies used for the preparation of the annual financial statements are in compliance with the applicable accounting regulations;
- c) The annual financial statements give a fair view of the financial position, financial performance and of the other information regarding the activity performed;
- d) The Company performs its activity under the going concern principle.

This Statement is compliant with the provisions of Art. 30 of Accounting Law 82/1991 as republished.

**PRESIDENT OF THE BOARD OF DIRECTORS,**

CEO

Sotiriou Michail

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## INDEPENDENT AUDITORS' REPORT

To the shareholders of Alumil Rom Industry S.A.

### Report on the Audit of the Separate Financial Statements

#### *Opinion*

1. We have audited the accompanying separate financial statements of **Alumil Rom Industry S.A. ("the Company")** which comprise the statement of financial position 31 December 2017, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes.
2. The separate financial statements mentioned above are identified as follows:
  - Net assets/Total equity: RON 63,945,561
  - Result for the year (profit): RON 12,647,642
3. In our opinion, the accompanying separate financial statements give a true and fair view of the financial position of the Company as at 31 December 2017 and of its financial performance and its cash flows for the year then ended, in accordance with the Order of the Minister of Public Finance no. 2844/2016, approving the accounting regulations compliant with the International Financial Reporting Standards, with all subsequent changes and clarifications.

#### *Basis for Opinion*

4. We conducted our audit in accordance with International Standards on Auditing („ISA”). Our responsibilities under those standards are further described in the „Auditor’s Responsibilities for the Audit of the Financial Statements” section of our report.

We are independent of the Company, in accordance with the International Ethics Standards Board for Accountants’ Code of Ethics for Professional Accountants (IESBA Code), in accordance with the ethical requirements that are relevant to the audit of the financial statements in Romania, and we fulfilled our ethical responsibilities in accordance with these requirements and the IESBA Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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### *Emphasis of Matter Paragraph*

5. The separate financial statements of the Company as at December 31, 2016 and for the year ended on that date were not audited by us. In accordance with ISA 510, "Initial Audit Engagements - Opening balances" sufficient appropriate audit evidence have been obtained that:
- Closing balances of the previous financial year were correctly brought forward in the current period or, where appropriate, have been restated;
  - Appropriate accounting policies are consistently applied or, where appropriate, changes in accounting policies have been properly accounted for and adequately presented.

Our opinion is not modified regarding this aspect.

### *Key Audit Matters*

6. Key audit matters are those matters that, in our professional judgement, were of most significance for the audit of the separate financial statements of the current period. These matters were addressed in the context of our audit of the separate financial statements as a whole and in forming our opinion thereon and we do not provide a separate opinion on these matters. For each matter identified, we presented a description of our approach to address it during our audit.

#### Accounts receivable

They represent a key audit matter, due to the significance of the trade receivables balance (representing 27% of the total current assets) and due to the uncertainties regarding the estimations for determination of the allowance adjustment.

As of 31 December 2017 the Company has receivables amounting to RON 25.192.753 (before the allowance adjustment of RON 9.717.095). The identification and determination of the trade receivable allowance requires management to make judgement and assumptions, representing a process with a high level of uncertainty. The main assumptions considered by the management in assessing the level of the allowance include: age of the balances, location of customers, existence of litigations / disputes, recent historic of the collections from the customer and any other available information on the creditworthiness of the customers.

Information on the trade receivables allowance is disclosed by the Company in Note 12 to the separate financial statements.

#### Description of the auditor's response

Our audit procedures focused on:

- assessing the assumptions considered by the management of the Company (for example in relation to significant balances for which an allowance for trade receivables was recognised or in relation to aged balances for which no allowance was recognised);
- understanding the management's rationale used to identify and assess the allowances;
- obtaining corroborative audit evidence (for example testing the subsequent collections from the customers, analysis of evolution in time of the allowances and their correlation with the customers' balances and the estimated collection dates, correspondence with lawyers representing the Company in the disputes with customers, measures taken by the management to recover the

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outstanding amounts, checking the compliance with the internal procedures regarding the credit limit given to customers).

We considered also the consistency of application of the policy for recognising an allowance with the prior years. Specifically we considered the value of the allowances recognised in previous periods and used during the current year (by recognising in the result for the year of losses from bad debts written-off), as well as of amounts released to revenue as a result of the collections during the current year.

We assessed the adequacy of the Company's disclosures in the separate financial statements of trade receivable allowances.

### ***Other Information***

7. Management is responsible for the preparation and disclosure of other information. The other information includes the Administrator's Report, but does not include the separate financial statements and the auditor's report thereon.

Our audit opinion on the separate financial statements does not cover the other information and unless stated in our report, we do not express any form of assurance conclusion on it.

In connection with our audit of the separate financial statements for the year ended 31 December 2017, our responsibility is to read this other information and, in doing so, consider whether the other information is materially inconsistent with the separate financial statements, or with our other knowledge obtained during the audit, or otherwise appears to be materially misstated. We have nothing to report in this regard.

### ***Responsibilities of Management and Those Charged with Governance for the Separate Financial Statements***

8. Management is responsible for the preparation and fair presentation of the separate financial statements in accordance with the Order of Minister of Public Finance no. 2844/2016, approving the accounting regulations compliant with the International Financial Reporting Standards, with all subsequent changes and clarifications, and for such internal control as management determines is necessary to enable the preparation of separate financial statements that are free from material misstatement, whether due to fraud or error.
9. In preparing the separate financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.
10. Those charged with governance are responsible for overseeing the process of Company's financial reporting.

### ***Auditors' Responsibilities for the Audit of the Financial Statements***

11. Our objectives are to obtain reasonable assurance about whether the separate financial statements, as a whole, are free of material misstatements, whether due to fraud or error, and to issue an auditor's report that includes our opinion.  
Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISA will always detect a material misstatement, when it exists.  
Misstatements may arise from fraud or error and are considered material if, individually or in the

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aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these separate financial statements.

12. As part of an audit in accordance with ISA, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:
  - Identify and assess the risks of material misstatements of the separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations and the override of internal control.
  - Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
  - Assess the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
  - Conclude on the appropriateness of management's use of going concern basis for accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue its activity. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
  - Assess the overall presentation, structure and content of the separate financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
13. We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
14. We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.
15. From the matters communicated to those charged with governance, we determine those matters that were of most significance in the audit of the separate financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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***Report on Other Legal and Regulatory Requirements responsibilities - Administrators' Report***

16. In addition to our reporting responsibilities according to ISA described in section "Other Information", with respect to the Administrators' Report, we have read the Administrators' Report and report that:

- In the Administrators' Report we have not identified information which is not consistent, in all material respects, with the information presented in the accompanying separate financial statements as at 31 December 2017;
- The Administrators' Report, identified above, includes, in all material respects, the required information according to the provisions of the Ministry of Public Finance Order no. 2844/2016, approving the accounting regulations compliant with the International Reporting Standards, with all subsequent changes and clarifications, Annex 1, points 15-19;
- Based on our knowledge and understanding of the entity and its environment acquired during our audit of the separate financial statements as at 31 December 2017, we have not identified information included in the Administrators' Report that contains a material misstatement of fact.

Mihaela Manea,

*Registered with the Chamber of Financial Auditors of Romania  
under no. 155/15.10.2000*

*On behalf of:*

**Accordserve Advisory SRL**

*Registered with the Chamber of Financial Auditors of Romania  
under no. 110/28.11.2001*

Bucharest, Romania  
21 March 2018

**ALUMIL ROM INDUSTRY SA**  
**STATEMENT OF COMPREHENSIVE INCOME**  
**for the year ended 31 December 2017**  
*(All amounts are expressed in RON, unless otherwise stated)*

	Notes	2017	2016
<b>Net revenue</b>	<b>21</b>	<b>69,222,577</b>	<b>57,927,457</b>
Cost of sales	<b>22</b>	(49,601,204)	(39,836,882)
<b>Gross margin</b>		<b>19,621,373</b>	<b>18,090,575</b>
Other operating income	<b>21</b>	13,705,704	894,140
Sale and distribution expenses	<b>23</b>	(14,173,049)	(12,909,423)
Administrative expenses	<b>24</b>	(4,408,454)	(4,304,476)
<b>Operating profit</b>		<b>14,745,574</b>	<b>1,770,816</b>
Interest income		12,917	36,865
Interest expense		(422,587)	(357,070)
Foreign exchange gains/(losses)		(44,031)	38,175
<b>Profit before tax</b>		<b>14,291,873</b>	<b>1,488,786</b>
Current income tax charge	<b>19</b>	(2,738,011)	(359,663)
Deferred income tax	<b>19</b>	1,093,780	98,816
<b>Net profit for the year</b>		<b>12,647,642</b>	<b>1,227,939</b>
Other comprehensive income		-	-
<b>Comprehensive income for the year</b>		<b>12,647,642</b>	<b>1,227,939</b>
<b>Earnings per share</b>		<b>0.4047</b>	<b>0.0393</b>

\_\_\_\_\_  
 Michail Sotiriou  
 CEO

\_\_\_\_\_  
 Ciprian Balasca  
 CFO

**ALUMIL ROM INDUSTRY SA**  
**STATEMENT OF FINANCIAL POSITION**  
**for the year ended 31 December 2017**  
*(All amounts are expressed in RON, unless otherwise stated)*

	Notes	31 December 2017	31 December 2016
<b>Non-current assets</b>			
Intangible non-current assets	8	125,289	204,550
Tangible non-current assets	7	24,629,632	37,030,727
Shares in affiliates	9	4,054,472	4,062,041
Long-term receivables	10	18,605	6,412
Deferred tax asset	19	946,918	-
<b>Total non-current assets</b>		<b>29,774,916</b>	<b>41,303,730</b>
<b>Current assets</b>			
Inventories	11	13,150,711	10,473,722
Receivables	12	15,475,658	13,480,559
Other receivables and prepayments	13	18,689,597	592,600
Cash and cash equivalents	14	9,765,484	12,588,135
<b>Total current assets</b>		<b>57,081,450</b>	<b>37,135,016</b>
<b>TOTAL ASSETS</b>		<b>86,856,366</b>	<b>78,438,746</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Equity</b>			
Capital	15	10,337,676	10,337,676
Share premiums		26,693,396	26,693,396
Retained earnings		20,436,843	7,789,201
Reserves		6,477,646	6,477,646
<b>Total equity</b>		<b>63,945,561</b>	<b>51,297,919</b>
<b>Long-term liabilities</b>			
Long-term loans	17	4,833,333	8,355,876
Investment subsidies	18	5,170,111	5,558,196
Deferred income tax	19	-	146,862
<b>Total long-term liabilities</b>		<b>10,003,444</b>	<b>14,060,934</b>
<b>Current liabilities</b>			
Suppliers and other payables	20	7,233,556	6,763,041
Short-term loans	17	3,779,408	6,297,466
Provisions		-	-
Current income tax payable		1,894,397	19,386
<b>Total current liabilities</b>		<b>12,907,361</b>	<b>13,079,893</b>
<b>LIABILITIES AND EQUITY - TOTAL</b>		<b>86,856,366</b>	<b>78,438,746</b>

These financial statements and the accompanying notes were approved by the Board of Directors and signed on their behalf on 21 March 2018.

\_\_\_\_\_  
Michail Sotiriou  
CEO

\_\_\_\_\_  
Ciprian Balasca  
CFO

**ALUMIL ROM INDUSTRY SA**  
**STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY**  
**for the year ended 31 December 2017**

*(All amounts are expressed in RON, unless otherwise stated)*

	<b>Capital</b>	<b>Share premium</b>	<b>Reserves</b>	<b>Retained earnings</b>	<b>Total equity</b>
<b>1 January 2016</b>	<b>10,337,676</b>	<b>26,693,396</b>	<b>6,477,646</b>	<b>10,311,262</b>	<b>53,819,980</b>
Dividends distributed	-	-	-	(3,750,000)	(3,750,000)
Profit for 2016	-	-	-	1,227,939	1,227,939
<b>31 December 2016</b>	<b>10,337,676</b>	<b>26,693,396</b>	<b>6,477,646</b>	<b>7,789,201</b>	<b>51,297,919</b>
Dividends distributed	-	-	-	-	-
Profit for 2017	-	-	-	12,647,642	12,647,642
<b>31 December 2017</b>	<b>10,337,676</b>	<b>26,693,396</b>	<b>6,477,646</b>	<b>20,436,843</b>	<b>63,945,561</b>

The legal reserves of the Company, set in accordance with the Company Law, are in an amount RON 1,250,000 as at 31 December 2017 (31 December 2016: RON 1,250,000).

The legal reserve is set in accordance with the provisions of the Romanian Company Law, which requires that 5% of the annual accounting profit is transferred to legal reserves until the balance of this reserve reaches 20% of the share capital of the Company. If this reserve is used in full or in part for covering the losses or for the distribution in any way (such as issuing of new shares according to the Companies Law), it becomes taxable.

**ALUMIL ROM INDUSTRY SA**  
**STATEMENT OF CASH FLOWS**  
**for the year ended 31 December 2017**  
*(All amounts are expressed in RON, unless otherwise stated)*

	<b>2017</b>	<b>2016</b>
<b>Cash flows from operating activities</b>		
<b>Profit before tax</b>	<b>14,291,873</b>	<b>1,488,786</b>
<b>Adjustments for monetary items:</b>		
Amortization expenses 7,8	2,459,945	2,518,989
Setting /(reversal) of provisions for doubtful customers and inventories	255,168	276,258
Setting /(reversal) of provisions, net	849,998	135,087
(Profit) /loss from sale of tangible assets	(13,056,307)	-
Revenues from reversal of investment subsidies	(388,085)	(379,623)
Interest (income)/expenses - net	409,670	320,205
<b>Operating income before other changes in working capital</b>	<b>4,822,262</b>	<b>4,359,702</b>
(Increases)/Decreases in trade and other receivables	(3,553,369)	7,355,963
(Increase)/decrease in inventories	(2,774,782)	(687,652)
Increases/(decreases) in suppliers and other payables	(379,486)	(5,341,524)
<b>Net cash after changes in working capital</b>	<b>(1,885,375)</b>	<b>5,686,489</b>
Income tax paid	(863,000)	(529,019)
Interest paid	(422,587)	(357,070)
<b>Net cash generated from / (used in) operating activities</b>	<b>(3,170,962)</b>	<b>4,800,400</b>
<b>Net cash flows from investment</b>		
Purchases of tangible, intangible and financial assets 7,9	(644,081)	(5,052,459)
Receipts from the sale of tangible assets	7,020,076	29,304
Interest received	12,917	36,865
<b>Net cash generated from / (used in) investment</b>	<b>6,388,912</b>	<b>(4,986,290)</b>
<b>Cash flows from finance activities</b>		
Dividends paid	-	(3,750,000)
Loans received 17	-	9,000,000
Loans reimbursement 17	(6,040,601)	(5,322,179)
<b>Net cash (used in) finance activities</b>	<b>(6,040,601)</b>	<b>(72,179)</b>
Increase/(decrease) in cash and cash equivalents	(2,822,651)	(258,069)
<b>Cash and cash equivalents at beginning of period</b>	<b>12,588,135</b>	<b>12,846,204</b>
<b>Cash and cash equivalents at the end of period</b>	<b>9,765,484</b>	<b>12,588,135</b>

## **1. GENERAL INFORMATION**

ALUMIL ROM INDUSTRY S.A. is a Romanian trading company with private capital, having head office in Bucharest, Calea Rahovei no. 286 A, sector 5, Romania, having a national distribution network through the warehouses from Bucharest, Alba-Iulia, Bacau, Baia-Mare, Bistrita, Brasov, Cluj-Napoca, Craiova, Constanta, Galati, Iasi, Pitesti, Ploiesti, Sibiu, Slatina, Targu-Mures, Timisoara, Filipestii de Padure. Alumil Rom Industry is a joint-stock company. Starting May 2007, the Company shares are listed on the Bucharest Stock Exchange.

ALUMIL ROM INDUSTRY SA Company is a member of a European multinational industrial group involved in Aluminum extrusion. The direct and ultimate parent of the Company is ALUMIL ALUMINIUM INDUSTRY S.A., a company with the trading name ALUMIL S.A., established in 1998, registered in Kilkis, Greece, 611 00.

### *The main activity of the Company*

ALUMIL ROM INDUSTRY S.A. sells Aluminum profiles and accessories, equipment for Aluminum joinery, interior doors and Aluminum panels.

### *Going concern*

The financial statements have been prepared on the assumption that assuming that the Company will continue its activity without important changes in the predictable future.

## **2. OPERATING ENVIRONMENT**

In recent years, Romania has undergone substantial political and economic changes. Romania is a market with a developing business infrastructure. The operations performed in Romania involve risks. The dynamic regarding the political, legal and tax environments could significantly affect the Company's ability to perform its commercial activity and it is not possible to estimate what changes may occur or their effect on the Company's financial conditions or future operating results.

## **3. BASIS FOR PREPARATION**

The separate financial statements of the Company have been prepared in accordance with the provisions of Order of the Minister of Public Finance no. 2844/2016 approving the accounting regulations compliant with the International Financial Reporting Standards applicable to companies whose securities are admitted to trading on a regulated market, with all subsequent changes and clarifications. These provisions are aligned with the requirements of the International Financial Reporting Standards (IFRS) as endorsed by the European Union (EU), with the exception of the provisions of IAS 21 The Effects of Changes in Foreign Exchange Rates regarding the functional currency. For the purposes of the preparation of these financial statements in accordance to Romanian legislative requirements, the functional currency of the Company is deemed to be the Romanian Leu (RON).

For all periods up to and including the year ended 31 December 2011, the Company prepared its financial statements in accordance with Romanian generally accepted accounting practice (MOF 3055/2009 as subsequently amended). Starting the year ended 31 December 2012, the Company prepares separate financial statements according to IFRS.

The financial statements are presented in RON and all amounts are rounded to the nearest RON, unless otherwise stated. The financial statements have been prepared on a historic cost basis.

Starting 2007, the Company also prepares consolidated financial statements according to IFRS as adopted by the EU, which are available on the Company website [www.alumil.com/ro](http://www.alumil.com/ro).

#### **4. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES**

The adopted accounting policies are consistent with those applied in the prior financial year, except the following amended IFRS, which were adopted by the Company as of 1 January 2017:

- **IAS 7: Disclosure Initiative (Amendments)**

The Amendments are effective for annual periods beginning on or after 1 January 2017 with earlier application permitted. The objective of the Amendments is to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. The Amendments specify that one way to fulfil the disclosure requirement is by providing a tabular reconciliation between the opening and closing balances in the statement of financial position for liabilities arising from financing activities, including changes from financing cash flows, changes arising from obtaining or losing control of subsidiaries or other businesses, the effect of changes in foreign exchange rates, changes in fair values and other changes. These amendments have not yet been endorsed by the EU. Management has assessed that these Amendments will not have a significant impact on the financial statements.

- **IAS 12: Recognition of Deferred Tax Assets for Unrealized Losses (Amendments)**

The Amendments become effective for annual periods beginning on or after 1 January 2017 with earlier application permitted. The objective of the Amendments is to clarify the requirements of deferred tax assets for unrealized losses in order to address diversity in practice in the application of IAS 12 Income Taxes. The specific issues where diversity in practice existed relate to the existence of a deductible temporary difference upon a decrease in fair value, to recovering an asset for more than its carrying amount, to probable future taxable profit and to combined versus separate assessment. These amendments have not yet been endorsed by the EU. Management has assessed that these Amendments will not have a significant impact on the financial statements.

- **IFRS 12: Disclosure of Interests in Other Entities (Amendments)**

The Amendments clarify the fact that the disclosure requirements of IFRS 12, except for those from summary financial information for subsidiaries, joint ventures and associated entities, apply to the interest of an entity in a subsidiary, joint venture and associated entity classified as held for sale, held for distribution or discontinued activity in accordance with IFRS 5.

The Amendments become effective after 1 January 2017 and must be applied retrospectively. Management has assessed that these Amendments will not have a significant impact on the financial statements.

#### **Standards issued but not yet effective and not early adopted**

- **IFRS 9 Financial Instruments: Classification and Measurement**

The standard is effective for annual periods beginning on or after 1 January 2018, with early application permitted. The final version of IFRS 9 Financial Instruments reflects all phases of the financial instruments project and replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. These amendments have not yet been endorsed by the EU. Management has assessed the standard's impact and considers it will not have a limited impact on the financial statements.

- **IFRS 15 Revenue from Contracts with Customers**

The standard is effective for annual periods beginning on or after 1 January 2018. IFRS 15 establishes a five-step model that will apply to revenue earned from a contract with a customer (with limited exceptions), regardless of the type of revenue transaction or the industry. The standard's requirements will also apply to the recognition and measurement of gains and losses on the sale of some non-financial assets that are not an output of the entity's ordinary activities (e.g., sales of property, plant and equipment or intangibles). Extensive disclosures will be required, including disaggregation of total revenue; information about performance obligations; changes in contract asset and liability account balances between periods and key judgments and estimates. Management is still assessing the potential impact of adopting this standard.

#### **4. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)**

- **IFRS 15: Revenue from Contracts with Customers (Clarifications)**  
The Clarifications apply for annual periods beginning on or after 1 January 2018 with earlier application permitted. The objective of the Clarifications is to clarify the IASB's intentions when developing the requirements in IFRS 15 *Revenue from Contracts with Customers*, particularly the accounting of identifying performance obligations amending the wording of the "separately identifiable" principle, of principal versus agent considerations including the assessment of whether an entity is a principal or an agent as well as applications of control principle and of licensing providing additional guidance for accounting of intellectual property and royalties. The Clarifications also provide additional practical expedients for entities that either apply IFRS 15 fully retrospectively or that elect to apply the modified retrospective approach. These clarifications have not yet been endorsed by the EU. Management has not assessed yet the impact of adopting these Clarifications.
- **IFRS 2: Classification and Measurement of Share based Payment Transaction (Amendments)**  
The Amendments are effective for annual periods beginning on or after 1 January 2018 with earlier application permitted. 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 have not yet been endorsed by the EU. Management has assessed that these Amendments will not have a significant impact on the financial statements.
- **IFRS 4: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (Amendments)**  
The Amendments became effective for annual periods beginning on or after 1 January 2018 and they should not be applied retrospectively. The Amendments addresses concerns arising from implementing IFRS 9 before implementing the standard which is currently developed by IASB to replace IFRS 4. The Amendments introduce two options. One option is the temporary exemption from applying IFRS 9, postponing its application for certain insurers. The other option is an overlay approach of presentation to alleviate the volatility which may appear when IFRS 9 is applied before the future standard for insurance contracts. These Amendments have not yet been endorsed by the EU. Management has assessed that these Amendments will not have a significant impact on the financial statements.
- **IAS 40 Investment Property (Amendments)**  
The Amendments are effective for annual periods beginning on or after 1 January 2018.  
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 criteria from the definition of investment property and there is evidence of the change in use. A mere change of management's intentions for the use of property does not provide evidence of a change in use. Entities should apply the Amendments prospectively to changes in use that occur on or after the beginning of the annual reporting period in which the entity first applies the Amendments. An entity should reassess the classification of property held at that date and, if applicable, reclassify property to reflect the conditions that exist at that date. Retrospective application in accordance with IAS 8 is only permitted if that is possible without the use of hindsight. Early application of the amendments is permitted and must be disclosed. The Amendments will eliminate the diversity in practice.
- **IFRS 16: Leases**  
The standard is effective for annual periods beginning on or after 1 January 2019. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer ('lessee') and the supplier ('lessor'). The new standard requires lessees to recognize most leases on their financial statements. Lessees will have a single accounting model for all leases, with certain exemptions. Lessor accounting is substantially unchanged. The standard has not been yet endorsed by the EU. Management has not yet estimated the impact of this new standard on the financial statements.

#### **4. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)**

- **IFRIC 22 Interpretation: Foreign Currency Transactions and Advance Consideration**  
 The Interpretation is effective for annual periods beginning on or after 1 January 2018 with earlier application permitted. The Interpretation clarifies the accounting for transactions that include the receipt or payment of advance consideration in a foreign currency. The Interpretation addresses transactions in foreign currency for which the entity recognizes a prepayment asset or a deferred income liability in respect of that consideration, in advance of the recognition of the related asset, expense or income. The Interpretation provides that the date of the transaction, for the purpose of determining the exchange rate, is the date of initial recognition of the non-monetary prepayment asset or deferred income liability. If there are multiple payments or receipts in advance, a date of transaction is established by the entity for each payment or receipt. This Interpretation has not yet been endorsed by the EU. Management has assessed that this adoption will not have a significant impact on the financial statements.
- **IFRIC 23 Interpretation: Uncertainty over Income Tax Treatment**  
 The Interpretation is effective for annual periods beginning on or after 1 January 2019 and clarifies application of the recognition and measurement requirements in IAS 12 Income Taxes when there is uncertainty over income tax treatments.  
 The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12. The Interpretation does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments.  
 The Interpretation specifically addresses the following:

  - Whether an entity considers uncertain tax treatments separately
  - The assumptions an entity makes about the examination of tax treatments by taxation authorities
  - How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
  - How an entity considers changes in facts and circumstances

Management has not assessed yet the impact of this new standard on the financial statements.
- **IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments).**  
 The enforcement date was not yet decided by IASB, however early application is permitted.  
 The amendments clarify that a full gain or loss is recognised when a transfer to an associate or joint venture involves a business, so that:

  - The gain or loss is fully recognized when a transaction between an investor and its associate or joint venture involves the transfer of an assets or assets which constitute a business (no matter if it is hosted in a subsidiary or not), while
  - The gain or loss is partially recognized when a transaction between an investor and its associated entity or joint venture involves assets which do not constitute a business, even if these assets are hosted in a subsidiary.

Management has assessed that the first adoption will not have a significant impact on the financial statements.
- **IASB has issued the Annual improvements to IFRSs – 2014 - 2016 Cycle**, which is a collection of amendments to IFRS. The amendments are effective for annual periods beginning on or after 1 January 2017 in case of *IFRS 12 Disclosure of Interests in Other Entities* and for periods beginning on or after 1 January 2018 in case of *IFRS 1 First-time Adoption of International Financial Reporting Standards*. These Annual improvements have not yet been endorsed by the EU. Management has assessed that this adoption will not have a significant impact on the financial statements.

## **5. SUMMARY OF ACCOUNTING POLICIES**

The significant accounting policies adopted for the preparation of the financial statements are detailed below:

### **a) *Estimates and assumptions***

The preparation of the IFRS financial statements requires management to make estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and related information, and the disclosure of contingent liabilities, at the end of the reporting period. Real results may be different from these estimates. These estimates are reviewed periodically and, where adjustments are required, they are reported in income statement in the periods when they occur.

Uncertainty about these assumptions and estimates could result in material adjustments in the future to the amounts disclosed on the financial statements.

The Company makes estimates concerning the capacity to cash in the invoices having overdue maturities and set provisions for that portion of the receivables for which the receipt becomes uncertain. Specific provisions are set for the clients against which legal procedures were opened, regardless of their age. For invoices older than one year, the Company sets provisions covering 100% of their value. For determining this percentage, the Company is analyzing the history of receipts and the current economic conditions. If recent information shows that it is necessary to adjust the provision, the Company will register an adjustment of it in the period when the conditions leading to the discounting of the provision were identified. Since the Company cannot foresee the changes in the clients' future financial stability, it is possible that, in the future, the setting of additional provisions will be necessary.

### **b) *Shares in affiliates***

The investments held in affiliates are disclosed on the Company separate financial statements at cost, minus potential impairment losses. The dividends receivable from the affiliates are recognized when the Company right to receive the payment is established. The impairment losses identified are recognized in profit and loss (Note 5f).

### **c) *Tangible assets***

Tangible assets are measured at cost, as adjusted for the effect of hyperinflation until 31 December 2003.

The initial cost of tangible assets comprises its purchase price, including import duties and non-refundable purchase taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditures incurred after the fixed assets have been put into operation, such as repairs and maintenance costs, are normally charged to the statement of comprehensive income in the period when they are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of the asset beyond its originally assessed standard of performance, the expenditures are capitalized as an additional cost.

Depreciation is charged on a straight-line basis, using the economic useful lives estimated by the management and considered to be representative from the perspective of the use Company using the future economic benefits generated by the assets. The subsequent improvement costs are capitalized and amortized over the remaining useful life of the asset. No depreciation is computed for land.

The estimated useful lives are as follows:

## **5. SUMMARY OF ACCOUNTING POLICIES (continued)**

### **c) *Tangible assets (continued)***

<b>Category</b>	<b>Useful live (years)</b>
Buildings and special constructions	20 – 60
Tools and machinery	5 – 15
Motor vehicles	4 – 6
Furniture	3 – 15

The estimated useful lives and depreciation method are reviewed periodically to ensure that they are consistent with the expected pattern of economic benefits from tangible assets.

The Company management assesses on an annual basis whether there is an indication that the net value of assets may be impaired. If any indication exists, the Company estimates the asset's recoverable amount and, where appropriate, it records impairment expenses for the difference between the recoverable amount and the net book value.

Tangible assets are eliminated from the balance sheet when the asset is disposed or when no benefits are expected from its use. Gains or losses on the retirement/sale of non-current assets are recognized in the statement of comprehensive income.

### **d) *Borrowing costs***

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the asset. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

### **e) *Intangible assets***

Intangible assets are measured at cost and are amortized on a straight-line basis over 3 to 5 years.

### **f) *Impairment of non-financial assets***

According to IAS 36 *Impairment of Assets*, the value of the tangible, intangible and financial assets is assessed annually for identifying the circumstances indicating their impairment. Whenever the net value of an asset exceeds its recoverable amount, an impairment loss is recognized in the statement of comprehensive income for tangible and intangible assets.

The recoverable amount of an asset is the higher of the fair value less the costs generated by the asset's sale and the value in use.

The fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date and the value in use is the present value of the future cash flows expected to be derived from an asset or cash-generating unit.

The recoverable amounts are estimated for individual assets, and when this is not possible, for cash flow generating units. The reversal of impairment losses recognized in prior years may only occur when there is an indication that the impairment loss previously recorded for that asset may no longer exist or may have decreased, the reversal is charged as income.

## **5. SUMMARY OF ACCOUNTING POLICIES (continued)**

### **g) Financial assets**

In accordance with IAS 39 *Financial Instruments: Recognition and Measurement*, the Company's financial assets classified as: loans and receivables. The investments with fixed or determinable payments and fixed maturity, other than loans or receivables generated by the Company, are classified as held to maturity.

These financial assets are recognized initially at fair value plus the transaction costs directly attributable

Receivables and loans are the most relevant for the Company. Receivables and loans are non-derivative financial instruments with fixed determinable payments that are not quoted on an active market. After initial recognition, these financial assets are recognized at depreciated cost using the effective interest rate method. The depreciated cost is computed by taking into account any discount, premium or purchase costs that form the effective interest rate. The depreciation based on the effective interest rate is included in profit and loss under financial result. The losses resulted from depreciation are recognized in profit and loss under financial result, in case of loans, and under operating expenses, in case of receivables.

Financial assets, other than FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered impaired when there is objective proof that, following one or several events that took place after the initial recognition of the financial asset, the estimated future cash flows of the investment were affected.

Objective proof of impairment could include:

- Significant financial difficulties of the issuer or partner; or
- Breaching the contract, such as the failure to comply with the financial obligations or deviations from the payments of interest or principal; or
- It becomes likely that the debtor will become insolvent or subject to financial reorganization; or
- The disappearance of an active market for the financial asset because of the financial difficulties.

For certain categories of financial assets, such as trade receivables, assets that are assessed as individually impaired are, in addition, assessed for impairment collectively. The objective proof of an asset's impairment could include the Company's past experience in collecting payments, an increase in the portfolio's number of late payments above the average credit period, as well as the noticeable changes in the national or local economic conditions that are correlated with the failure to comply with the financial obligations related to receivables.

The carrying amount of the financial asset is decreased by impairment losses directly for all financial assets, except for trade receivables, where the book value is decreased by using an allowance for impairment account. Subsequent recoveries of values canceled previously are credited to the allowance for impairment account. Changes in the carrying amount of the allowance for impairment account are recognized in profit and loss.

The financial assets are derecognized when the rights to receive cash flows from the asset have expired or the Company has transferred its rights to receive cash flows from the asset (either directly or under a "pass-through" arrangement). The Company has no financial assets at fair value through profit and loss or financial assets available for sale.

## **5. SUMMARY OF ACCOUNTING POLICIES (continued)**

### ***h) Financial liabilities***

In accordance with IAS 39 Financial Instruments: *Recognition and Measurement*, the Company's financial assets classified as: loans, trade and other payables. These financial liabilities are recognized initially at fair value net of the transaction costs directly attributable and are subsequently measured at amortized cost or based on the effective interest rate method.

Gains and losses are charged to the statement of comprehensive income when the liabilities are derecognized, as well as through the amortization process.

The financial liabilities are derecognized when the obligation is met or cancelled or expires.

The financial assets and liabilities are offset only when the Company has an enforceable legal right to offset and the intention to settle on a net basis, or to realize the assets and settle the liability simultaneously.

### ***i) Operating lease***

Rental payments are recognized as an expense in the statement of comprehensive income on a straight-line basis over the lease term.

### ***j) Foreign currency transactions***

The functional and presentation currency: the financial statements of the Company are prepared in the currency of the economic environment in which it operates. The functional and presentation currency for the financial statements is the Romanian Leu ("RON").

Transactions arising in foreign currencies are translated into RON at the exchange rate prevailing at the date of the transaction. Monetary assets and liabilities in foreign currencies are re-measured in RON at the exchange rate prevailing at the balance sheet date. Foreign exchange gains or losses, either realized or unrealized, are charged to the statement of comprehensive income. The RON/USD and RON/EUR as at 31 December 2017 and 2016 are detailed below:

<b>Currency</b>	<b>31 December 2017</b>	<b>31 December 2016</b>
RON/EUR	4.6597	4.5411
RON/USD	3.8915	4.3033

### ***k) Inventories***

Inventories are valued at the lower of cost and net realizable value, using the weighted average cost method.

The net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale. Where necessary, impairment is recorded for excess, obsolete or defective inventory.

**5. SUMMARY OF ACCOUNTING POLICIES (continued)**

***l) Receivables***

Receivables are initially carried at the fair value of the consideration receivable and subsequently measured at amortized cost, after allowance for impairment estimated based on factors relevant for their collectability. Evidence of impairment include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in payments, the probability that they will enter in bankruptcy or other financial reorganization. Actual losses may differ from current estimates.

***m) Cash and cash equivalents***

Cash includes petty cash and bank accounts. Cash equivalents are highly liquid short-term investments that can be quickly transformed into a known amount, with original maturity of at most three months and have an insignificant risk of change in value.

***n) Payables***

Liabilities are initially carried at the fair value of the consideration payable and subsequently measured at amortized cost, and include amounts payable, whether or not invoiced, for goods, works and services.

***o) Loans***

The Company classified the loans in short and long-term loans, according to the maturity provided by the loan agreement.

The loans are initially carried at the amount of the drawings, net of transaction costs. Subsequently, they are reflected at amortized cost using the effective interest rate, the difference between the amount of the drawings and the amount reimbursable being carried in the net profit for the period, over the loan period. The transaction cost includes commissions and fees paid to agents, brokers or dealers.

***p) Government grants***

Government grants are recognized where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognized as income over the period necessary to match the grant on a systematic basis to the costs that it is intended to compensate. When the grant relates to an asset, it is recognized as deferred income and released to income in equal amounts over the expected useful life of the related asset.

When loans or similar assistance are provided by governments or related institutions with an interest rate below the current applicable market rate, the effect of this favorable interest is regarded as additional government grants.

***q) Employee benefits***

***Short-term benefits:***

Short-term employee benefits include salaries and social security contributions. They are recognized as expenses as services are rendered.

## **5. SUMMARY OF ACCOUNTING POLICIES (continued)**

### **q) Employee benefits (continued)**

#### ***Post-employment benefits – pension plan:***

Both the Company and its employees have the obligation to pay monthly contributions (including social security contributions) to the National Pension Fund administered by the Social Insurance of the Romanian State and to private pension funds (starting 2008). Therefore, the Company has no legal obligation to pay future amounts, other than these contributions related to pensions. If the Company no longer employs new personnel who are members of the Social Insurance of the Romanian State, it will have no obligation to pay the benefits obtained by its employees in prior years. The Company contributions to the pension plan are charged to the statement of comprehensive income in the year to which they relate.

#### ***Compensation benefits – pension plan:***

As provided by the Romanian Law, the Company makes compensation payments in cases of downsizing, whether or not related to reorganization. The expenses with these payments are recognized when the management decides to adopt a plan that will result in future compensation payments and, until the balance sheet date, it either starts to implement the restructuring plan or provided information about the restructuring plan to those affected by it in a sufficiently specific manner to raise a valid expectation that the Company will carry out the restructuring.

### **r) Profit tax**

The tax on the profit or loss for the year comprises the current tax and the deferred tax. Current tax assets and liabilities for the current and prior periods are carried at the amount expected to be recovered from or paid to the taxation authorities.

The current income tax is computed according to the fiscal legislation in force in Romania and is based on the results reported on the statement of comprehensive income of the Company, prepared in accordance with the local accounting standards, following any adjustments for fiscal purposes. The current income tax is applied on the accounting profit adjusted according to the fiscal legislation in a rate 16% (2016: 16%). The fiscal losses may be carried forward for seven years.

The deferred income tax reflects the tax effect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the fiscal amounts used for current income tax purposes. The deferred income tax recoverable or payable is determined using the tax rate expected to be applicable in the year when the temporary differences will be recovered or settled. The assessment of the deferred tax payable or recoverable reflects the tax consequences that would result from the manner in which the Company expects to realize or settle the carrying amount of its assets and liabilities as at the balance sheet date.

The deferred tax liabilities are recognized regardless of the time when is probable to realize the temporary differences. Deferred tax assets and liabilities are not discounted. Deferred tax assets are recognized when it is probable that future taxable profit will be available against which the deferred tax can be utilized. Deferred tax liabilities are recognized for all taxable temporary differences.

## **5. SUMMARY OF ACCOUNTING POLICIES (continued)**

### **s) Value Added Tax (VAT)**

The revenues, expenses, assets and liabilities are recognized net of the amount of VAT, except:

- When the VAT incurred on a purchase of assets or services is not recoverable from the taxation authority, it is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable.
- Receivables and liabilities are stated with the amount including VAT.

The net VAT amount recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

### **t) Revenue recognition**

The revenue is recognized when it is probable that economic benefits related to the transaction will flow to the Company and the revenue can be reliably measured.

The sales, which exclude taxes and discounts, are recognized on delivery of the goods or the rendering of the services and when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on their delivery.

Interest income is recognized when the interest becomes due (using the effective interest rate, being the rate that equalizes the estimated future cash flows over the life of the financial instrument with the net carrying amount of the financial asset).

The revenues from dividends are recognized when the Company's right to receive the payment is established.

### **u) Fair value of financial instruments**

The company is valuing the financial instruments at the fair value as the balance sheet date. Presentations related to the fair value of financial instruments are presented in Note 16. Fair value is the price the company would receive for the sale of an asset or for transferring a liability within a transaction between two market participants at the date of measuring. The fair value is determined based on the assumption that the transaction to sell the asset or transfer the liability takes place:

- On the main market of assets and liabilities, or
- In the absence of a main market, on the most advantageous market for that asset or liability

The fair value of an asset or of a liability is determined based on the assumptions the market participants would use, assuming that the market participants were acting to their best economic interests.

All assets and liabilities for which the fair value is determined or presented in the financial statements are included in the fair value hierarchy, presented below, based on the lowest input that is significant for determining the fair value:

- Level 1 — Unadjusted market prices for similar assets or liabilities
- Level 2 — Valuation techniques for which the lowest input value, significant for the fair value, is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest material input value is not observable

For assets and liabilities recognized in the financial statements at fair value based on a recurrent basis, the Company determines whether there were transfers between hierarchy categories by assessing the categorization at the end of each reporting period. In order to present the fair value, the company has determined classes of assets and liabilities based on the nature, characteristics and risks of the assets and liabilities, as well as on the fair value hierarchy, as presented above.

**5. SUMMARY OF ACCOUNTING POLICIES (continued)**

**v) Provisions**

The provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, and if it is probable (is more likely than not) that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The provisions are reviewed at the end of each financial year as adjusted to reflect the current best estimate. When the effect of the time value of money is material, the amount of the provisions is the discounted amount of the expenses necessary to settle the obligation.

**w) Contingencies**

Contingent liabilities are not recognized in the financial statements. They are disclosed in the notes, unless the possibility of an outflow of resources embodying economic benefits is remote.

A contingent asset is not recognized in the consolidated financial statements but disclosed in the notes when an inflow of economic benefits is probable.

**x) Subsequent events**

The events after the balance sheet date are those events, favorable or unfavorable, that occur between the balance sheet date and the date when the financial statements are authorized for issue.

The events after the balance sheet date that provide additional information on the Company position at the balance sheet date are adjusting events after the balance sheet date.

The events after the balance sheet date that are indicative of the conditions that arose after the balance sheet date are non-adjusting events after the balance sheet date.

**y) Affiliates**

A party is considered an affiliate when, through ownership, by contract, family relations or otherwise, has the ability to control, directly or indirectly, or to have a significant influence over the other party.

Affiliates also include individuals such as the main owners, the management, and members of the Company's Board of Directors and members of their families.

## 6. SEGMENT REPORTING

Alumil Rom Industry offers a wide range of Aluminum profiles and accessories and tools used for Aluminum profiles processing. The Company has a single operating segment according to IFRS 8.

The sale detailing by value for the main categories of products is as follows:

<b>Product category</b>	<b>2017</b>	<b>2016</b>
Profiles	43,921,064	38,691,821
Accessories	16,309,576	13,870,356
Composite Aluminum panels	1,063,510	1,650,520
Aluminum Bars	5,654,652	1,117,178
Systems for automation applications	474,308	617,185
Painting services, waste, and other	1,799,467	1,980,397
<b>Total</b>	<b>69,222,577</b>	<b>57,927,457</b>

The value structure of the sales on the domestic and foreign market, respectively, is shown below:

<b>Market</b>	<b>2017</b>	<b>2016</b>
Domestic	60,819,546	54,804,245
Foreign	8,403,031	3,123,212
<b>Total</b>	<b>69,222,577</b>	<b>57,927,457</b>

## 7. TANGIBLE ASSETS - NET

As at 31 December 2017 and 2016, the tangible assets – net, are as follows:

	<b>31 December 2017</b>	<b>31 December 2016</b>
Land and buildings	16,791,600	28,219,028
Equipment and motor vehicles	7,331,387	8,151,527
Furniture	430,527	458,422
Advances and tangible assets in progress	76,118	201,750
<b>Total tangible assets</b>	<b>24,629,632</b>	<b>37,030,727</b>

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**7. TANGIBLE ASSETS – NET (continued)**

The evolution of the tangible assets during the period 31 December 2016 to 31 December 2017 is shown below:

	Land and buildings	Tools and motor vehicles	Furniture	Advances and tangible assets in progress	Total
<b>Cost</b>					
<b>01 January 2016</b>	<b>34,746,761</b>	<b>21,264,984</b>	<b>1,805,302</b>	<b>15,688</b>	<b>57,832,735</b>
Additions 2016	329,227	187,600	143,812	188,199	848,838
Disposals 2016	-	(122,404)	-	-	(122,404)
Transfers 2016	2,137	-	-	(2,137)	-
<b>31 December 2016</b>	<b>35,078,125</b>	<b>21,330,180</b>	<b>1,949,114</b>	<b>201,750</b>	<b>58,559,169</b>
Additions 2017	-	243,127	55,547	100,586	399,260
Disposals 2017	(15,754,422)	(134,468)	(40,592)	-	(15,929,482)
Transfers 2017	-	187,769	31,944	(226,218)	(6,505)
<b>31 December 2017</b>	<b>19,323,703</b>	<b>21,626,608</b>	<b>1,996,013</b>	<b>76,118</b>	<b>43,022,442</b>
<b>Accumulated depreciation</b>					
<b>01 January 2016</b>	<b>5,705,335</b>	<b>12,143,677</b>	<b>1,387,743</b>	-	<b>19,236,755</b>
Expense for 2016	1,153,762	1,157,380	102,949	-	2,414,091
Accumulated depreciation related to disposals 2016	-	(122,404)	-	-	(122,404)
<b>31 December 2016</b>	<b>6,859,097</b>	<b>13,178,653</b>	<b>1,490,692</b>	-	<b>21,528,442</b>
Expense for 2017	1,041,932	1,199,616	114,028	-	2,355,576
Accumulated depreciation related to disposals 2017	(5,368,926)	(83,048)	(39,234)	-	(5,491,208)
<b>31 December 2017</b>	<b>2,532,103</b>	<b>14,295,221</b>	<b>1,565,486</b>	-	<b>13,892,810</b>
<b>Remaining value</b>					
<b>31 December 2016</b>	<b>28,219,028</b>	<b>8,151,527</b>	<b>458,422</b>	<b>201,750</b>	<b>37,030,727</b>
<b>31 December 2017</b>	<b>16,791,600</b>	<b>7,331,387</b>	<b>430,527</b>	<b>76,118</b>	<b>24,629,632</b>

As at 31 December 2017, the Company records no fixed assets based on financial lease contracts.

As at 31 December 2017 and 31 December 2016, the Company management verified whether indication that assets may be impaired exists and concluded no such indication, from external or internal sources, existed.

*Borrowing costs capitalized*

The Company signed in May 2011 the funding agreement with the Managing Authority within the Ministry of Economy, Trade and Business Environment, as part of the “Sectoral Operational Program Increasing Economic Competitiveness”. The project was implemented over 26 months and consisted in the building of the industrial hall and of the office area, and the purchase of state-of-the-art tools and equipment. The main equipment purchased under the project are: thermal break profile production line, wood-effect electrostatic painting, wood-effect horizontal electrostatic painting, treatment plant, lifting system for pallets, travelling cranes, automatic system for storage on shelves, etc.

The project was finalized in 2013, and the value of the investment, VAT excluded, as at 31 December 2013 was RON 20,085,466, out of which, non-reimbursable funding RON 5,963,721. The building was funded in part under a financing contract “Investment facility” signed in 2012 with Millennium Bank. Consequently, in 2016 and 2017, no interest was capitalized. The non-amortized value of the investment as at 31 December 2017 is RON 16,173,033 (31 December 2016: RON 17,112,984). Details on the pledged fixed assets are presented in Note 17. The net value of the non-current assets set as guarantees as of 31 December 2017 is of RON 14,976,000 (31 December 2016: 16,770,963).

The gross value of the fixed assets fully depreciated as of 31 December 2017 is of RON 16,399,810 (31 December 2016: RON 16,188,361).

## 8. INTANGIBLE ASSETS - NET

As at 31 December 2017 and 2016, the intangible assets include:

	31 December 2017	31 December 2016
Software	105,860	204,550
Advances and intangible assets in progress	19,429	-
<b>Total intangibles</b>	<b>125,289</b>	<b>204,550</b>

The software licenses used by the Company are Oracle Standard, Windows XP and Bitdefender.

The evolution of the intangible assets during the period is as follows:

	Software	Other intangible assets	Advances and intangible assets in progress	Total
<b>Cost</b>				
<b>01 January 2016</b>	<b>5,677,524</b>	<b>3,016</b>	-	<b>5,680,540</b>
Additions 2016	-	-	-	-
Disposals 2016	-	-	-	-
Transfers 2016	3,016	(3,016)	-	-
<b>31 December 2016</b>	<b>5,680,540</b>	-	-	<b>5,680,540</b>
Additions 2017	5,679	-	19,429	25,108
Disposals 2017	-	-	-	-
Transfers 2017	-	-	-	-
<b>31 December 2017</b>	<b>5,686,219</b>	-	<b>19,429</b>	<b>5,705,648</b>
<b>Accumulated amortization</b>				
<b>01 January 2016</b>	<b>5,371,092</b>	-	-	<b>5,371,092</b>
Expense for 2016	104,898	-	-	104,898
Disposals 2016	-	-	-	-
<b>31 December 2016</b>	<b>5,475,990</b>	-	-	<b>5,475,990</b>
Expense for 2017	104,369	-	-	104,369
Disposals 2017	-	-	-	-
<b>31 December 2017</b>	<b>5,580,359</b>	-	-	<b>5,580,359</b>
<b>Remaining value</b>				
<b>31 December 2016</b>	<b>204,550</b>	-	-	<b>204,550</b>
<b>31 December 2017</b>	<b>105,860</b>	-	<b>19,429</b>	<b>125,289</b>

During the year, software was acquired: Windows XP.

As at 31 December 2017 and 31 December 2016, no indication of impairment for intangible assets was identified.

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**9. SHARES IN AFFILIATES**

	<b>31 December 2017</b>	<b>31 December 2016</b>
Shares in Alumil Extrusion SRL	82,500	82,500
Shares in Alumil EGE SA Turcia	1,107,152	1,114,721
Shares in Alumil MISR Egypt	2,947,320	2,947,320
Impairment adjustments	(82,500)	(82,500)
<b>Total shares in affiliates</b>	<b><u>4,054,472</u></b>	<b><u>4,062,041</u></b>

ALUMIL ROM INDUSTRY S.A. holds 100% of the share capital of ALUMIL EXTRUSION S.R.L. with the registered office in Filipești de Pădure, Dătești village no. 927, Prahova County, recorded with the Prahova Trade Registry Office under no. J29/866/1999 and Sole Registration Code no. 12402281, with share capital fully owned by ALUMIL ROM INDUSTRY S.A. in a total amount USD 50,000, the equivalent value of RON 82,500.

As a result of the losses recorded by ALUMIL EXTRUSION SRL, as determined on the financial statements approved according to the law, the adjustment for the impairment of the shares held by ALUMIL ROM INDUSTRY SA in ALUMIL EXTRUSION SRL was recorded. On 12 December 2016, the decision to dissolve the company was registered with the Trade Register Office attached to Prahova County.

In 2015, the Company has participated in the establishment of ALUMİL EGE ALÜMİNYUM SANAYİ VE TİCARET ANONİM ŞİRKETİ ("ALUMIL EGE"), with the head office in Turkey, by a cash contribution of RON equivalent at subscription date of 538,890, the equivalent value of TRY 380,000. As of 31 December 2016, following the share capital increase, the Company has subscribed the amount RON 1,107,152, the equivalent value of TRY 760,000, representing 40% of ALUMIL EGE's shares. As at 31 December 2017, the net asset of ALUMİL EGE is RON 7,757,893, the equivalent of TRY 7,526,089 (2016: RON 2,048,814, the equivalent value of TRY 1,766,219). As part of the economic activity performed in 2016, the Company's turnover was of TRY 11,406,744, the equivalent of RON 11,758,072, obtaining net profit of TRY 532,378, the equivalent of RON 548,775.

In 2016, the Company participated in the establishment of ALUMIL MISR FOR ALUMINIUM AND ACCESORIES INDUSTRY JSC, having head office in Egypt, Cairo, with cash contribution in RON equivalent at subscription date amounting to RON 178,640, the equivalent of 400,000 Egyptian Lira, representing 40% of ALUMIL MISR FOR ALUMINIUM AND ACCESORIES INDUSTRY JSC's shares. In November 2016, the first share capital increase was decided for ALUMIL MISR FOR ALUMINIUM AND ACCESORIES INDUSTRY JSC, up to the value of 16,000,000 Egyptian Lira, representing 16,000 shares having a nominal value of 1,000 Egyptian Lira each, out of which Alumil Rom Industry holds 40%, namely 6,400 shares at the nominal value of 1,000 Egyptian Lira each. In December 2016 a second share capital increase was decided for the company ALUMIL MISR FOR ALUMINIUM AND ACCESORIES INDUSTRY JSC and, therefore the Company's capital reached 30,000,000 Egyptian Lira, representing 30,000 shares having a nominal value of 1,000 Egyptian Lira each, of which Alumil Rom Industry holds 40%, namely 12,000 shares having a nominal value of 1,000 Egyptian Lira each, the RON equivalent of RON 2,947,320. During the financial year 2017, the Company performed no commercial activities, the only transactions relating its establishment.

## 10. LONG-TERM RECEIVABLES

As at 31 December 2017 and 2016, the long-term receivables are as follows:

	<b>31 December 2017</b>	<b>31 December 2016</b>
Guarantees for rent	13,193	-
Other long-term receivables	5,412	6,412
<b>Long-term receivables – total</b>	<b>18,605</b>	<b>6,412</b>

As at 31 December 2017, the long-term receivables mainly comprise guarantees for the locations rented: RON 13,193 (31 December 2016: -) and other guarantees: RON 5,412 (31 December 2016: RON 6,412).

## 11. INVENTORIES

	<b>31 December 2017</b>	<b>31 December 2016</b>
Raw materials and materials at cost and spare parts	3,657,306	2,666,244
Finished goods and merchandise at cost	11,394,201	9,608,270
Work in-progress	7,176	9,387
Impairment adjustments	(1,907,972)	(1,810,179)
<b>Total inventories, net</b>	<b>13,150,711</b>	<b>10,473,722</b>

The Company policy for inventory valuation provides that no provision is set for the inventories to be returned to the suppliers. For non-returnable items, provisions are set based on the accounting policy detailed in Note 5. The amount of the non-usable inventories is adjusted to the level of the recoverable value from aluminum waste. The amount of the inventories recognized as an expense during 2017 is RON 44,947,233 (2016: RON 36,101,059), being included in the statement of comprehensive income, in the cost of sales (and, as part of these, in the cost of inventory).

The Company set provisions for the impairment of merchandise inventories as follows:

	<b>31 December 2017</b>	<b>31 December 2016</b>
<b>Balance as at 31 December</b>	<b>1,810,179</b>	<b>1,901,839</b>
Provisions set during the year	98,129	35,765
Provisions reversed during the year	(336)	(127,425)
<b>Balance as at 31 December</b>	<b>1,907,972</b>	<b>1,810,179</b>

The amount of the provisions set or reversed is included in the statement of comprehensive income in the "cost of sales".

As of 31 December 2017, the value of inventories pledged as part of the short-term loan contracted by Banca Transilvania S.A. (**Note 17**) for a period of 1 year amounts to RON 13,150,711 (2016: RON 10,473,722).

## 12. RECEIVABLES

As at 31 December 2017 and 2016, the receivables were as follows:

	<b>31 December 2017</b>	<b>31 December 2016</b>
Outstanding receivables from customers	14,546,055	11,194,757
Receivables outstanding, but for which no provision was set	929,603	2,285,802
Receivables outstanding, and for which provisions were set	9,717,095	9,564,020
Provisions	(9,717,095)	(9,564,020)
<b>Total receivables</b>	<b>15,475,658</b>	<b>13,480,559</b>

As at 31 December 2017 and 2016, the statement of the age of outstanding receivables for which no provision was set is as follows:

	<b>31 December 2017</b>	<b>31 December 2016</b>
Outstanding one to 60 days	489,652	481,473
Outstanding 61 to 180 days	122,814	494,325
Outstanding above 180 days	317,137	1,310,004
<b>Total outstanding receivables</b>	<b>929,603</b>	<b>2,285,802</b>

The Company trading policy allows client crediting for zero to 180 days and provides the setting of allowances based on the receivable age as at balance sheet date and on specific factors related to receivable collectability from certain customers. When determining the recoverability of a receivable, the Company analyzes the client creditworthiness, payment history and current economic conditions. When recent information show the discount of the allowances is needed, the Company will record its change in the period when the conditions triggering the allowance discount are identified. Because the Company cannot foresee the changes in the clients' future financial stability, there is a possibility that additional allowances are needed in the future.

The Company set allowances for the impairment of trade receivables as follows:

	<b>31 December 2017</b>	<b>31 December 2016</b>
<b>Balance as at 31 December</b>	<b>9,564,020</b>	<b>9,206,231</b>
Provisions set during the year	1,323,721	1,376,949
Provisions reversed during the year	(1,170,646)	(1,019,160)
<b>Balance as at 31 December</b>	<b>9,717,095</b>	<b>9,564,020</b>

The allowances reversed in 2017 include amounts reversed following the collection of receivables in an amount of RON 51,856 and amounts reversed following the written-off of receivables in amount of RON 1,118,790. The amount of the allowances set or reversed, and of the receivables disposed, is included on the statement of comprehensive income on line "Sale and distribution expenses".

As at 31 December 2017, the amount of the receivables mortgaged as part of the short-term loan contracted from Banca Transilvania S.A. (Note 17) for one year is RON 13,806,687 (2016: RON 10,509,815).

Details on the balances of receivables from affiliates are presented in Note 28.

### 13. OTHER RECEIVABLES AND PREPAYMENTS

As at 31 December 2017 and 2016, other receivables and prepayments are as follows:

	<b>31 December 2017</b>	<b>31 December 2016</b>
Taxes and duties paid in excess	260,162	156,828
Sundry debtors and cash advances and other amounts	137,211	123,140
Sundry debtors	18,790,689	711,180
Provisions for sundry debtors and other receivables	(738,272)	(733,972)
Advances paid to suppliers	75,685	63,465
Prepayments	151,412	160,212
Other receivables	12,710	111,747
<b>Total other receivables and prepayments</b>	<b>18,689,597</b>	<b>592,600</b>

The details on the balances of the receivables with affiliates are presented in Note 28.

On 11 December 2017, based on ESGM decision from 14 December 2016 and on Board of Directors decision from 23 October 2017, it was signed the Sale-Purchase Agreement between the Company, as Seller, and FINROM BDC SRL, having as object the real estate properties owned by the Company situated in (i) București, sector 5, Str. Sebastian no. 88, (PLOT 12), comprising urban land having cadastral no. 228952 (old cadastral no. 2049/12), with a surface of square meters 6,949 as per documents and square meters 6,810 as per measurements, and in (ii) București, sector 5, Calea Rahovei no. 286A (ex. Str. Sebastian no. 88), comprising urban land having cadastral no. 219697 (old cadastral no. 310), with total surface of square meters 15,336 as per documents, square meters 15,486 as per measurements, together with the constructions existing on it.

The agreed selling price is Euro 4,000,000 with the application of VAT simplification measures, out of which the amount of Euro 100,000 was collected, and the difference of Euro 3,900,000, equivalent of RON 18,062,850, outstanding as of 31 December 2017, was fully collected on 26 January 2018.

The Company set provisions for the impairment of receivables related to sundry debtors as follows:

<b>Balance as at 31 December 2016</b>	<b>733,972</b>
Provisions set in 2017	10,569
Provisions reversed in 2017	(6,269)
<b>Balance as at 31 December 2017</b>	<b>738,272</b>

The amount of the provisions set and reversed is included on the statement of comprehensive income on line "Sale and distribution expenses".

#### 14. CASH AND CASH EQUIVALENTS

As at 31 December 2017 and 2016, the cash availabilities and cash equivalents consisted in the following:

	<b>31 December 2017</b>	<b>31 December 2016</b>
Bank accounts in RON	2,983,117	4,028,399
Bank accounts in foreign currency	711,349	411,680
Short-term deposits	6,042,271	8,036,395
Short-term cash collateral deposit	-	99,790
Petty cash in RON	20,555	11,871
Petty cash in foreign currency	8,192	-
Cash equivalents	-	-
<b>Total cash and cash equivalents</b>	<b>9,765,484</b>	<b>12,588,135</b>

The details regarding the restrictions on cash availability accounts are presented in Note 17.

The short-term deposits are time deposit for up to 30 days in RON and in foreign currency (RON 355,988 and EUR 1,220,311 as at 31 December 2017; RON 164,221 and EUR 1,733,539 as at 31 December 2016). The cash collateral deposit, in amount EUR 21,975, was set-up on the issue of a letter of bank guarantee for the securing of the rental agreement for the area used for the Baneasa Showroom, with the maturity 27 March 2017.

#### 15. SHARE CAPITAL

The shareholding structure as at 31 December 2017 and 31 December 2016 is as follows:

<b>Shareholder</b>	<b>% of shareholding</b>	<b>No. of shares</b>	<b>Restated amount</b>	<b>Historical amount</b>
Alumil Mylonas S.A.	55.90%	17,470,150	5,778,760	3,493,750
Sotiriou Michail	23.95%	7,485,150	2,475,873	1,496,875
Milonas George	0.02%	5,000	2,068	1,250
Milona Evangelina	0.02%	5,000	2,068	1,250
Korda Despina	0.02%	5,000	2,068	1,250
Other	20.09%	6,279,700	2,076,839	1,255,625
<b>Total share capital</b>	<b>100.00%</b>	<b>31,250,000</b>	<b>10,337,676</b>	<b>6,250,000</b>

The shares of the Company have a nominal value RON 0.2/share. Starting April 2007, the Company shares are traded on the Bucharest Stock Exchange.

## **16. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT**

The Company has liabilities and loans denominated in foreign currency. As a result, it may be affected by the changes in exchange rates and interest rates.

The significant risks are described below.

### **a) Interest rate risk**

The interest rate risk is the risk that the interest rate will fluctuate in time. The Company has short- and long-term loans bearing floating interest rates, which exposes the Company to cash risks.

The table below shows the sensitivity of the interest rate variation with all the other variables held constant and an impact on the gross profit.

<b>2017</b>	<b>Increase / (Decrease)</b>	<b>Impact on profit before tax</b>	
		<b>RON</b>	<b>EUR</b>
EUR	1%	(9.259)	(1.987)
EUR	(1)%	9.259	1.987
RON	1%	(76.868)	(16.496)
RON	(1)%	76.868	16.496

  

<b>2016</b>	<b>Increase / (Decrease)</b>	<b>Impact on profit before tax</b>	
		<b>RON</b>	<b>EUR</b>
EUR	1%	(41,363)	(9,109)
EUR	(1)%	41,363	9,109
RON	1%	(106,837)	(23,527)
RON	(1)%	106,837	23,527

### **b) Foreign exchange risk**

The functional currency of the Company is RON, while the loans and most of the trade liabilities are denominated in foreign currency (EUR). As a result, the Company may be affected by changes in exchange rates. The Company uses no derivative instruments to hedge the currency risk.

The table below shows the sensitivity of the exchange rate (EUR vs RON) variation with all the other variables held constant and an impact on the gross profit:

<b>2017</b>	<b>Increase / (Decrease)</b>	<b>Impact on profit before tax</b>	
		<b>RON</b>	<b>EUR</b>
EUR	5%	339,067	72,766
EUR	(5)%	(339,067)	(72,766)

  

<b>2016</b>	<b>Increase / (Decrease)</b>	<b>Impact on profit before tax</b>	
		<b>RON</b>	<b>EUR</b>
EUR	5%	200,184	44,083
EUR	(5)%	(200,184)	(44,083)

## 16. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

The tables below detail the balances in foreign currencies and in the functional currency as at 31 December 2017 and an analysis of the sensitivity of the evolution in the exchange rate differences:

<b>Assets</b>	<b>USD</b>	<b>EUR</b>	<b>RON</b>
<b>Monetary non-current assets:</b>			
Customers and other receivables	-	-	946,918
Shares held at affiliates	-	-	-
Long-term receivables	-	-	18,605
<b>Monetary current assets:</b>			
Customers and other receivables	216,153	452,288	31,216,570
Cash and cash equivalents	40,027	1,341,300	3,359,660
<b>Total monetary assets</b>	<b>256,180</b>	<b>1,793,588</b>	<b>35,541,753</b>

<b>Liabilities</b>	<b>EUR</b>	<b>RON</b>
<b>Monetary long-term liabilities:</b>		
Loans	-	4,833,333
Suppliers and other payables	-	5,170,111
<b>Monetary short-term liabilities:</b>		
Loans	148,702	3,086,499
Suppliers and other payables	403,515	7,247,693
<b>Total monetary liabilities</b>	<b>552,217</b>	<b>20,337,636</b>

<b>Ratio</b>	<b>USD</b>	<b>EUR</b>	<b>RON</b>
Net position, in the initial currency	256,180	1,241,371	15,204,117
Exchange rates	3.8915	4.6597	1
Net position, in the functional currency	996,925	5,784,416	15,204,117
Possible reasonable variation in exchange rates (+), %	5%	5%	0%
Effect on the comprehensive income, in the functional currency	49,846	289,221	-
Possible reasonable variation in exchange rates (-), %	-5%	-5%	0%
Effect on the comprehensive income, in the functional currency	(49,846)	(289,221)	-
Effect on the comprehensive income, in the functional currency, for each currency	USD	49,846	(49,846)
	EUR	289,221	(289,221)
	RON	-	-
	<b>Total</b>	<b>339,067</b>	<b>(339,067)</b>

## **16. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)**

### **c) Credit risk**

The maximum exposure of the Company to the credit risk is reflected in the amount of the receivables from customers and of other current assets, net of the provisions for impairment recognized at the balance sheet date, as disclosed on the related Notes (12 and 13). In regard to the exposure to the financial institutions through the current accounts and bank deposits (Note 14), the Company closely monitors the financial condition of the banks where it holds bank accounts and, to the date of these financial statements approval, it did not identify any deterioration indicator for the financial condition of these banks.

In recent years, the total number of customers was 2,500-3,000 and they are mainly aluminum and PVC joinery firms. In 2016, the top ten clients accounted for 19.9% of the total sales, and this weight increased in 2017 when the top ten customers accounted for approximately 22.5% of the total sales. Keeping this percentage as low as possible is due to the fact the Company permanently tried to avoid a significant dependence on a customer or group of customers.

### **d) Liquidity risk**

The liquidity risk results from the possibility of not collecting the receivables related to the Company under regular commercial terms, from potential issues in the recovery of long-term receivables, and from negative operating cash-flows. In order to control this risk, the Company periodically assesses the financial solvency of its clients.

The Company's policy is to maintain sufficient liquidity to cover the liabilities having reached maturity. The information on the Company liabilities as at 31 December 2017 and 2016 based on undiscounted future payments (including future interest) is shown below.

#### **As at 31 December 2017**

	<b>Short-term loans</b>	<b>Suppliers and other payables</b>	<b>Balances with affiliates</b>	<b>Long-term loans</b>	<b>Total</b>
Payments in a period below 3 months	2,596	7,792,444	1,342,109	534,030	<b>9,671,179</b>
Payments in a period of 3 to 12 months	235,171	-	-	3,174,143	<b>3,409,314</b>
Payments in a period of 1 to 5 years	-	-	-	5,465,794	<b>5,465,794</b>
<b>Total</b>	<b>237,767</b>	<b>7,792,444</b>	<b>1,342,109</b>	<b>9,173,967</b>	<b>18,546,287</b>

#### **As at 31 December 2016**

	<b>Short-term loans</b>	<b>Suppliers and other payables</b>	<b>Balances with affiliates</b>	<b>Long-term loans</b>	<b>Total</b>
Payments in a period below 3 months	2,593,787	2,476,824	1,949,178	916,160	<b>7,111,405</b>
Payments in a period of 3 to 12 months	230,368	-	-	2,748,480	<b>2,978,848</b>
Payments in a period of 1 to 5 years	-	-	-	9,076,135	<b>9,076,135</b>
<b>Total</b>	<b>2,824,155</b>	<b>2,476,824</b>	<b>1,949,178</b>	<b>11,916,231</b>	<b>19,166,388</b>

## **16. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)**

### **e) Fair value of financial instruments**

The best estimate of the fair value is the market value on an active market. If the market for the financial instruments is not active, the Company determines the fair value by using valuation techniques. The valuation techniques include the use of transactions with knowledgeable affiliates, performed by agreement of the parties at arm's length, if possible, by reference to another similar instrument, the analysis of discounted cash-flows.

As at 31 December 2017 and 2016, the carrying amounts of the financial instruments approximated their fair values as at the same dates.

### **f) Equity management**

Equity includes ordinary shares, equity attributable to the shareholders.

The main objective of the Company in terms of equity management is to ensure and maintain a favorable credit rating and performing equity ratios.

In terms of the indebtedness ratio, the Company aimed at not exceeding 50%.

	<b>31 December 2017</b>	<b>31 December 2016</b>
Total loans	8,612,741	14,653,342
Less: Cash and cash equivalents	(9,765,484)	(12,588,135)
<b>Net liabilities/(assets)</b>	<b>(1,152,743)</b>	<b>2,065,207</b>
<b>Equity</b>	<b>63,945,561</b>	<b>51,297,919</b>
<b>TOTAL CAPITAL EMPLOYED</b>	<b>62,792,818</b>	<b>53,363,126</b>
<b>Indebtedness ratio</b>	<b>-1.83%</b>	<b>3.90%</b>

## 17. LOANS

### Short-term loans

As at 31 December 2017, the company Alumil Rom Industry SA had the following credit facilities granted by local commercial banks:

Description	Type of loan	Contract date	Maturity	Interest rate	Currency	Principal	Interest 31 December 2017	Balance 31 December 2017
Piraeus Bank	Short-term facilities	29.01.2002	12.07.2018	EURIBOR 3M + 3.50%	EUR	500,000	-	232,985
B. Transilvania	Short-term facilities	14.03.2014	09.03.2018	EURIBOR 3M + 3.20%	EUR	1,946,089	-	408
OTP Bank	Short-term facilities	13.03.2014	09.03.2018	ROBOR 3M + 2.60%	RON	3,000,000	-	-

The current portion of short-term loans:

Description	Type of loan	Contract date	Maturity	Interest rate	Currency	Principal	Interest 31 December 2017	Balance 31 December 2017
OTP Bank		16.01.2012	27.12.2018	EURIBOR 3M + 3.75 / ROBOR 3M + 3.25	EUR / RON	8,313,158	-	1,546,015
OTP Bank		17.05.2016	14.05.2021	ROBOR 3M + 2.70	RON	9,000,000	-	2,000,000
<b>Total</b>							-	<b>3,779,408</b>

The short-term loan from Piraeus Bank is secured by a corporate guarantee from the parent company.

The Company has set in favor of Banca Transilvania Bank the following securities:

- a security interest in personal property over the Company's inventories of raw materials, of products in progress and of finished products;
- a security interest in personal property over the Company's accounts opened with Banca Transilvania Bank;
- a mortgage over all of the Company's present and future (trade) receivables;
- a mortgage over all the receivables related to the insurance contracts concluded in order to insure the goods that are the subject matter of the guarantees related to the loan contract to be concluded with Banca Transilvania Bank;
- a Corporate Guarantee issued by Alumil Industria Aluminiului SA, Greece;

The Company has set in favor of OTP the following securities:

- a first rank mortgage on the land located in Filipestii de Padure;
- a mortgage on the equipment located in the factory from Filipestii de Padure and the assignment of the insurance policy in favor of the Bank;
- a mortgage over the Company accounts opened with OTP Bank S.A., both current accounts, and deposit accounts;
- a security interest in personal property over the cash receivables paid based on the insurance policies concluded by the borrower in relation to this loan contract.

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**17. LOANS (continued)**

As at 31 December 2016, the Alumil Rom Industry SA had the following credit facilities granted by local commercial banks:

Description	Type of loan	Contract date	Maturity	Interest rate	Currency	Principal	Interest 31 December 2016	Balance 31 December 2016
Piraeus Bank	Short-term facilities	29.01.2002	12.07.2017	EURIBOR 3M + 5.50%	EUR	500,000	-	227,055
B. Transilvania	Short-term facilities	14.03.2014	09.03.2017	EURIBOR 3M + 3.20%	EUR	1,414,123	-	2,574,911
OTP Bank	Short-term facilities	13.03.2014	09.03.2017	ROBOR 3M + 2.60%	RON	3,000,000	-	-

The current portion of long-term loans:

Description	Type of loan	Contract date	Maturity	Interest rate	Currency	Principal	Interest 31 December 2016	Balance 31 December 2016
OTP Bank		16.01.2012		EURIBOR 3M + 3.75 / ROBOR 3M + 3.25	EUR / RON	8,313,158	-	1,495,500
OTP Bank		17.05.2016		ROBOR 3M + 2.70	RON	9,000,000	-	2,000,000
<b>Total</b>							-	<b>6,297,466</b>

**Long-term loans**

**As at 31 December 2017**

Description	Type of loan	Contract date	Maturity	Interest rate	Currency	Principal	Interest 31 December 2017	Balance 31 December 2017
OTP Bank	TM facility	17.05.2016	14.05.2021	ROBOR 3m + 3.25%	RON	9,000,000	-	4,833,333
<b>Total</b>								<b>4,833,333</b>

As at 31 December 2017, the balance of the long-term (investment) loan from OTP Bank is the RON equivalent of the amount EUR 0 and RON 0 (2016: EUR 293,835 and RON 1,683,707).

The current portion was disclosed under the section relating to short-term loans amounting to EUR 148,615 and RON 853,513 (2016: EUR 145,800 and RON 833,407).

The balance of the medium-term loan from OTP Bank is RON 6,833,333 (2016: RON 8,833,333), out of which the current portion was disclosed under the section relating to short-term loans amounting to RON 2,000,000 (2016: RON 2,000,000).

**17. LOANS (continued)**

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The investment facility granted by OTP Bank is secured by:

- A security interest in personal property over the accounts opened with the Bank;
- A first rank security interest in real property over the real estate property consisting in land with a total area 50,003 sq. m. located inside the built-up area of Filipești de Padure and the industrial hall having a total surface of 8,835 sq. m.;
- A security interest in personal property over the cash receivables paid based on the insurance policies concluded in relation to the loan contract;
- A corporate guarantee granted by the parent company.

**As at 31 December 2016**

Description	Type of loan	Contract date	Maturity	Interest rate	Currency	Principal	Interest 31 December 2016	Balance 31 December 2016
OTP Bank	Investment facility	16.01.2012	27.12.2018	EURIBOR 3m + 3.75% / ROBOR 3m + 3.25%	EUR / RON	8,313,158	-	1,522,543
OTP Bank	TMfacility	17.05.2016	14.05.2021	ROBOR 3m + 3.25%	RON	9,000,000	-	6,833,333
<b>Total</b>								<b>8,355,876</b>

**18. INVESTMENT SUBSIDIES**

The evolution of the investment subsidies as at 31 December 2017 and 2016 is shown below:

	2017	2016
As at 1 January	5,558,196	5,968,559
Subsidies recognized during the year	-	(30,740)
Depreciation in the profit and loss account during the year	(388,085)	(379,623)
<b>Balance as at 31 December</b>	<b>5,170,111</b>	<b>5,558,196</b>
Short-term portion	384,552	379,623
Long-term portion	4,785,559	5,178,573

The Subsidies recognized during the year line recorded in 2016 the regularization of the amounts actually obtained for subsidies as compared to the amounts initially budgeted under the SOP HRD 129742 project.

Under the Financing Contract SOP IEC 154271/18.05.2011, the Company undertook the fulfillment of the indicators below:

Result indicators	Description	Determined reference value	Indicator value under the contract	
			MU	Quantity
Turnover increase compared to the 2013 balance sheet (%)		71,164,470	%	49%
Number of jobs created		N/A	No.	45
Number of jobs maintained (existing on the contract signing date)		166	No.	166
Increase in exports compared to the 2013 balance sheet (%)*		3,523,005	%	100 %

Under the above-mentioned Financing Contract, the Company is subject to a five year monitoring period starting the implementation finalization, i.e., 2018. At the end of the monitoring period, the failure to fulfill the above-mentioned indicators may entail the penalization by way of reimbursement of at most 15% of the financed amount (RON 6,535,005), according to the percent in which the criteria are failed.

**19. INCOME TAX**

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The current tax of the Company is determined based on the statutory income, adjusted with the non-deductible expenses and taxable revenues at a rate 16% for 2017 and 2016.

For 2017 and 2016, the income tax consists in:

	2017	2016
Current income tax charge	2,738,011	359,663
Deferred income tax expense /(credit)	(1,093,780)	(98,816)
<b>Total income tax</b>	<b>1,644,231</b>	<b>260,847</b>

The numerical reconciliation between the income tax expense and the result of the multiplication between the accounting result and the taxation percentage in effect is shown below:

	2017	2016
<b>Result before tax – profit/(loss)</b>	<b>14,291,873</b>	<b>1,488,786</b>
Income tax 16%	2,286,700	238,206
Effect of non-deductible expenses	(642,469)	22,641
<b>Total income tax expense / (revenue)</b>	<b>1,644,231</b>	<b>260,847</b>
<b>Actual income tax rate</b>	<b>11.50%</b>	<b>17.52%</b>

The significant components of the deferred income tax payable included on the financial statements, in a rate 16%, are as follows:

	2017		2016	
	Cumulated temporary differences	Deferred income tax asset/ (liability)	Cumulated temporary differences	Deferred income tax asset/ (liability)
Non-current assets	(394,529)	(63,125)	(7,918,697)	(1,266,992)
Provisions for receivables	6,312,767	1,010,043	7,000,814	1,120,130
<b>Total</b>	<b>5,918,238</b>	<b>946,918</b>	<b>(917,883)</b>	<b>(146,862)</b>

The changes in deferred tax have been as follows:

	Deferred income tax - effect on the statement of financial position		Deferred income tax - effect on the statement of comprehensive income	
	2017	2016	2017	2016
Non-current assets	(63,125)	(1,266,992)	(1,203,868)	(968)
Provisions for receivables	1,010,043	1,120,130	110,088	99,784
<b>Total</b>	<b>(946,918)</b>	<b>(146,862)</b>	<b>(1,093,780)</b>	<b>98,816</b>

## 20. SUPPLIERS AND OTHER PAYABLES

The suppliers and other payables as at 31 December 2017 and 31 December 2016 are as follows:

	<b>31 December 2017</b>	<b>31 December 2016</b>
Suppliers	2,633,626	1,921,119
Advance payments from clients	420,599	1,048,510
Salaries	282,202	289,819
Taxes and duties on salaries	318,723	265,886
VAT payable	584,578	475,533
Dividends payable	666,526	677,801
Payables to affiliates	1,342,106	1,949,178
Other employee payables	120,196	135,087
Other	865,000	108
<b>Total suppliers and other payables</b>	<b>7,233,556</b>	<b>6,763,041</b>

The details on the balances of the payables to affiliates are presented in Note 28.

## 21. OPERATING INCOME

Operating income for the years ended 31 December 2017 and 2016 are as follows:

	<b>2017</b>	<b>2016</b>
Sale revenues	69,846,361	58,294,937
Commercial discounts granted	(623,784)	(367,480)
<b>Total sale revenues</b>	<b>69,222,577</b>	<b>57,927,457</b>
Other operating income	13,705,704	894,140
<b>Total operating income</b>	<b>82,928,281</b>	<b>58,821,597</b>

Other operating income consists of:

	<b>2017</b>	<b>2016</b>
Subsidies received	388,085	623,254
Gain from sale of fixed assets	13,162,289	-
Others	155,330	270,886
<b>Total other operating income</b>	<b>13,705,704</b>	<b>894,140</b>

As detailed in Note 16 c), the Company has no client accounting for more than 10% of the sales or outstanding as at 31 December 2017 and 31 December 2016.

Operating income from subsidies received represent the financing transferred to income for the expenses made in 2017 and the financing reversed to income during the life of the equivalent value of the financing received under the financing contracts, as follows:

## **21. OPERATING INCOME (continued)**

	<b>2017</b>	<b>2016</b>
Income from reversing investment subsidies		
Motor vehicles scrapping premium	6,500	-
Financing under SOP HRD 125/5.1/S/129742	58,716	56,085
Financing under SOP IEC 154271/18.05.2011	308,718	308,718
Financing under SOP HRD /106/5.1/G/76086	14,151	14,907
Income for financing expenses under SOP HRD 125/5.1/S/129742	-	243,544
<b>Total operating income</b>	<b>388,085</b>	<b>623,254</b>

Details on the gain from sale of fixed assets are presented in Note 13 "Other receivables and prepayments".

## **22. COST OF SALES**

The cost of sales for the years ended as of 31 December 2017 and 2016 is as follows:

	<b>2017</b>	<b>2016</b>
Cost of inventories	44,947,233	36,101,059
Wages	1,798,317	1,337,126
Salary contributions	443,969	314,081
Amortization	1,171,428	1,164,374
Utilities	404,415	382,686
Other expenses included in the cost of sales	835,842	537,556
<b>Total cost of sales</b>	<b>49,601,204</b>	<b>39,836,882</b>

In 2017, Other expenses included in the cost of sales comprise the management, insurance, security expenses, expenses with taxes and the expenses with the consumables related to the production activity of Filipeştii de Padure.

## **23. SALE AND DISTRIBUTION EXPENSES**

For 2017 and 2016, the sale and distribution expenses consisted in:

	<b>2017</b>	<b>2016</b>
Wages	4,910,558	4,615,852
Salary contributions	1,183,098	1,084,804
Amortization	1,128,271	1,202,137
Rental fees	949,636	907,585
Advertising costs	736,679	177,103
Insurances	62,022	73,019
Other taxes and charges	483,916	511,819
Transport costs	702,878	588,799
Utilities	212,119	249,724
Other sale and distribution expenses	3,803,872	3,498,581
<b>Total sale and distribution expenses</b>	<b>14,173,049</b>	<b>12,909,423</b>

In 2017, sale and distribution expenses included the management, security expenses, expenses with consumables, and the provisions for clients and sundry debtors set in 2017 amounting to RON 1,323,721 (2016: RON 1,376,949). Details regarding the provisions for clients and sundry debtors are disclosed in Note 12.

## **24. ADMINISTRATIVE EXPENSES**

For 2017 and 2016, administrative expenses consisted in:

	<b>2017</b>	<b>2016</b>
Amortization	160,246	152,478
Wages	1,763,396	1,511,734
Salary contributions	409,294	352,629
Other third party suppliers	534,042	835,520
Rental fees	151,100	24,069
Insurances	9,746	11,476
Taxes and charges	19,966	311,759
Utilities	55,020	61,417
Other administrative expenses	1,305,644	1,043,395
<b>Total administrative expenses</b>	<b>4,408,454</b>	<b>4,304,476</b>

Other administrative expenses include management, audit and security expenses.

## **25. SALARY EXPENSES**

For 2017 and 2016, the salary expenses consisted in:

	<b>2017</b>	<b>2016</b>
Gross salaries related to the year	8,472,271	7,464,712
Social security expenses	1,471,849	1,298,278
Health insurance expenses	440,559	388,165
Unemployment fund contribution expenses	39,281	32,207
Other contributions	84,672	32,864
<b>Total salary expenses</b>	<b>10,508,632</b>	<b>9,216,226</b>

## **26. EMPLOYEES, ADMINISTRATORS AND DIRECTORS**

As of 31 December 2017 and 31 December 2016, the employees' structure is as follows:

	<b>2017</b>	<b>2016</b>
Production	67	51
Sales & marketing	105	109
Administrative personnel	22	19
<b>Total employees</b>	<b>194</b>	<b>179</b>

Details on the members of the Board of Directors and the executive directors are presented in Note 28.

The Company has no payables to administrators or directors in the analyzed period. There were no advance payments or loans granted to administrators or directors.

## 27. DECLARED DIVIDENDS

	<b>2017</b>	<b>2016</b>
Dividends declared during the year	-	3,750,000

In the SGM of 21 April 2016, the distribution of dividends from the profit of 2015 and the retained earnings amounting to RON 3,750,000 were approved.

The Board of Administration's proposal for the appropriation of the profit for 2017 is to be subject to the approval of the SGM of 25 April 2018.

## 28. AFFILIATES

a) The main affiliates and a short description of their activity and of the major transactions with the Company during the years 2016 and 2017 are presented in the table below:

<b>Entity name</b>	<b>Nature of the operations with the Company</b>	<b>Country of origin</b>
Alumil Extrusion SRL	Subsidiary of the Company – Alumil Rom Industry (100.00%)	Romania
Alumil EGE SA	Associate of the Company – Alumil Rom Industry (40.00%)	Turkey
Alumil MISR for Aluminium and Accesories Industry SA	Associate of the Company – Alumil Rom Industry (40.00%)	Egypt
Alumil Aluminium Industry SA	The parent-entity and the main provider of semi-manufactured goods	Greece
Alumil Industry SRL	Subsidiary of the parent- entity, Alumil Mylonas (70.00%)	Moldova
Alumil Bulgaria Ltd.	Subsidiary of the parent- entity, Alumil Mylonas (99.87%)	Bulgaria
Alpro Vlasenica AD.	Subsidiary of the parent- entity, Alumil Mylonas (61.37%)	Serbia
BMP Hellas SA	Subsidiary of the Company – Alumil YU Industry SA (41.32%)	Greece
Alumil YU Industry SA	Subsidiary of the parent- entity, Alumil Mylonas (98.50%)	Serbia

Receivables from affiliates are the following:

	<b>31 December 2017</b>	<b>31 December 2016</b>
<b>Clients</b>		
Alumil Industry (Chisinau)	598,499	629,572
AlumilAluminium Industry (Greece)	695,160	246,632
Alumil Extrusion (Romania)	-	2,229,933
Alumil EGE SA Turkey	-	149,034
Alumil YU Serbia	694,935	2
<b>Total</b>	<b>1,988,594</b>	<b>3,255,173</b>

On 21 November 2016, in capacity of sole shareholder, the Company decided to dissolve and liquidate the company Alumil Extrusion SRL. Therefore, as at 31 December 2016, the Company set a provision in an amount RON 1,020,000. The provision was set at the uncovered amount of the receivables remaining after the selling of the Alumil Extrusion SRL assets.

The liquidation process reached the last phase as at 31 December 2017, and the provision for doubtful debts was cancelled against revenues, the certain loss being recognized in the same time. Only the provision for the value of the shares owned by the Company in Alumil Extrusion was maintained (RON 82,500).

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**28. AFFILIATES (continued)**

Payables to affiliates are the following:

	<b>31 December 2017</b>	<b>31 December 2016</b>
Alumil Aluminium Industry (Greece)	1,208,256	836,827
Alumil Extrusion (Romania)	-	983,564
BMP Hellas SA	133,853	128,786
<b>Total</b>	<b>1,342,109</b>	<b>1,949,177</b>

The Company had the following transactions with affiliates:

	<b>2017</b>			
	<b>Sales</b>	<b>Purchases of materials and merchandise</b>	<b>Purchases of fixed assets</b>	<b>Others</b>
Alumil Aluminium Industry (Greece)	486,183	40,737,929	31,984	1,291,264
Alumil Industry (Chisinau)	1,046,184	-	-	-
BMP Hellas SA	-	1,184,006	-	-
Alpro Vlasenica Bosnia Hertegovina	-	619,485	-	-
Alumil YU Serbia	5,692,768	-	-	-
Alumil Extrusion	-	-	77,350	-
	<b>7,225,135</b>	<b>42,541,420</b>	<b>109,334</b>	<b>1,291,264</b>

	<b>2016</b>			
	<b>Sales</b>	<b>Purchases of materials and merchandise</b>	<b>Purchases of fixed assets</b>	<b>Others</b>
Alumil Aluminium Industry (Greece)	446,533	30,629,478	-	1,222,867
Alumil Industry (Chisinau)	439,354	-	-	-
Alumil Bulgaria Ltd.	16,614	-	-	-
BMP Hellas SA	-	877,869	-	-
Alumil EGE Turkey	51,173	-	-	-
Alumil YU Serbia	1,119,660	-	-	-
Alumil Extrusion	268,036	844,472	-	-
	<b>2,341,370</b>	<b>32,351,819</b>	<b>-</b>	<b>1,222,867</b>

**28. AFFILIATES (continued)**

**b) The current members of the Company's Board of Administration are the following:**

No.	Name	Position	Date of appointment	Date of mandate expiry
1.	Michail Sotiriou	President of the Board of Directors/CEO	28.04.2014	27.04.2018
2.	Evangelia Mylona	Vice President of the Board	28.04.2014	27.04.2018
3.	Konstantinos Akrivopoulos	Board member	28.04.2014	27.04.2018
4.	Dimitris Koutsoupas	Board member	28.04.2014	27.04.2018
5.	Georgios Doukidis	Board member	28.04.2014	27.04.2018

Mrs. Evangelia Mylona is the sister of Mr. Georgios Mylonas, President of the parent entity's Board of Administration Alumil Milonas Industria Aluminului SA Greece.

Administrators' investments in the parent entity's capital are the following:

No.	Name	Position	No. of shares held	% prior to IPO	% after IPO
1.	Michail Sotiriou	President of the Board	7,485,150	29.94%	23.95%
2.	Evangelia Mylona	Vice President of the Board	5,000	0.02%	0.02%
3.	Konstantinos Akrivopoulos	Board member	-	-	-
4.	Dimitris Koutsoupas	Board member	-	-	-
5.	Georgios Doukidis	Board member	-	-	-

**c) The performance of the daily operations of Alumil Rom Industry S.A. is entrusted to the following directors:**

- Duca Vitalie – Commercial Director
- Balasca Ciprian – CFO
- Ionita Marius – Deputy CEO

The executive management's participation in the Company's capital as of 31 December 2017 is the following:

No.	Name	Position	No. of shares held
1.	Ciprian Balasca	CFO	1,000
2.	Marius Ionita	Deputy CEO	600
3.	Vitalie Duca	Commercial Director	600

In 2017, the expense with the remuneration of the executive management and of the directors amounted to RON 1,448,081 (2016: RON 1,184,036).

**d) The conditions and terms of transactions with affiliates:**

Overdue balances are not secured, non-interest bearing and discounts take place in cash. No guarantees were set and no guarantees were received for the receivables or payables from/to affiliates.

## **29. PROVISIONS, CONTINGENT EVENTS AND COMMITMENTS**

The Company did not set any provisions as of 31 December 2017 and 2016.

The Romanian tax system is in process of consolidation and harmonization with the European legislation and different interpretations may exist by authorities concerning the tax legislation, which may generate additional taxes, charges and penalties. If the state authorities discover breaches of the Romanian legal provisions, these may lead, as applicable, to the confiscation of the amounts in case, imposing additional tax obligations, applying fines, applying late payment penalties (applied to the amounts actually payable). Consequently, the tax sanctions resulted from breaches of the legal provisions can be significant amounts payable to the State.

The Company considers it has registered and presented in the financial statements all its tax obligations. In Romania, the tax position is open to further verification for 5 years.

S.C. ALUMIL ROM INDUSTRY S.A. conducted, starting 18.05.2011 the project "Eco efficient and innovative investment in a modern Aluminum processing facility", co-financed by the **European Regional Development Fund** under the financing contract signed with the Ministry of Economy, Trade and Business Environment, as the Managing Authority for the Operational Sectorial Program "Increase of Economic Competitiveness. The project objective was to increase the productivity of the company by creating a modern, eco-efficient Aluminum profiles production and processing facility. The project, implemented in Filipești de Padure, Minieri village no. 149, Prahova County, was completed in July 2013 and resulted in the building of a production hall of 8,835 square meters and the purchase of 11 state-of-the-art pieces of equipment, creating over 45 new jobs.

Following completion of this project, the Company has the obligation to report the fulfillment of the result indicators over the sustainability period ensuring that all indicators are fulfilled on completion, otherwise the Managing Authority may request a reduction of the co-financing by at most 15% on a pro-rata with the non-fulfillment percentage for these indicators, except for reasonably justified cases.

The Company estimates the full fulfillment of the indicators until the end of the sustainability period.

The Company does not have any commitments concerning tangible and intangible assets as of 31 December 2017 and 31 December 2016.

The Company is a part of operating lease agreements for cars, on 1 to 4 year periods.

The minimum payments under the operating lease agreements are as follows:

	<b>31 December 2017</b>	<b>31 December 2016</b>
Below one year	409,621	428,094
One to five years	340,902	632,650
<b>Total</b>	<b>750,523</b>	<b>1,060,744</b>

The Company is a party to rent agreements for commercial areas, signed for 1 to 3 year periods.

The Company has the option, according to certain agreements, to extend the rent agreement by another year.

## **29. PROVISIONS, CONTINGENT EVENTS AND COMMITMENTS (continued)**

The minimum payments according to rent agreements for commercial areas are as follows:

	<b>31 December 2017</b>	<b>31 December 2016</b>
Below one year	1,404,103	798,804
One to five years	4,243,948	50,227
<b>Total</b>	<b>5,648,051</b>	<b>849,031</b>

## **29. SUBSEQUENT EVENTS**

In March 2018 the Company has signed the addendum for extending the short-term loan from OTP Bank, for a period of 2 months, for the amount of RON 3,000,000 in order to fund the current activity (Interest: ROBOR 3 M + 2.6%), and it will sign for additional 10 months for the amount of RON 3,000,000 (Interest: ROBOR 3 M + 2.3%).

The loan reimbursement is guaranteed by the Company, as follows:

- a) a first degree mortgage over the land from Filipestii de Padure and the assignment of the insurance policy;
- b) a mortgage over the equipment located in the factory from Filipestii de Padure and the insurance policy in the Bank's favor;
- c) a mortgage over the Company's accounts opened with Millennium S.A. Bank, both current accounts and deposit accounts;
- d) a security interest in personal property over the monetary receivables paid for on the grounds of all the insurance policies concluded by the debtor in relation to the present loan contract.

In March 2018 the Company will sign the addendum for extending the short-term loan with Banca Transilvania S.A., for a period of 1 year, for the amount of EUR 2,000,000 for working capital and letter of guarantee issue cap in order to fund the current activity (EURIBOR 3 M + 2.5%).

From the ceiling of letters of guarantee and letters of credit, a Letter of Credit amounting to EUR 1,500,000 was issued in January 2018, with validity until March 2019.

The loan reimbursement is guaranteed by the Company, as follows:

- a) a security interest in personal property over the Company's inventories of raw materials, of products in progress and of finished products;
- b) a security interest in personal property over the Company's accounts opened with Banca Transilvania S.A.;
- c) mortgage over all of the Company's present and future (trade) receivables;
- d) a mortgage over all the receivables related to the insurance contracts concluded in order to insure the goods that are the subject matter of the guarantees related to the loan contract to be concluded with Banca Transilvania S.A.;
- e) Corporate Guarantee issued by Alumil Industria Aluminiului SA, Greece, in a layout accepted by the Bank.

These financial statements together with the explanatory notes were approved by the Board of Administration and signed on its behalf on 21 March 2018.

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Michail Sotiriou  
CEO

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Ciprian Balasca  
CFO

**ALUMIL ROM INDUSTRY S.A.**

**CONSOLIDATED FINANCIAL STATEMENTS**

**Prepared in accordance with  
The International Financial Reporting Standards**

**31 DECEMBER 2017**

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**CONSOLIDATED ANNUAL REPORT  
OF THE ADMINISTRATOR  
REGARDING THE FINANCIAL YEAR 2017**

**Name of issuer:** ALUMIL ROM INDUSTRY S.A.  
**Registered office:** Bucharest, Calea Rahovei no. 286 A, sector 5  
**Telephone number:** 021 424 34 56, fax: 021 423 39 32  
**Sole Registration Code with the Trade Registry Office:** RO10042631  
**Trade Register number:** J40/8540/1997  
**Share capital called up and paid in:** RON 6,250,000.

**Legal framework for the preparation of the consolidated annual financial statements**

S.C. ALUMIL ROM INDUSTRY S.A., with the registered office in Bucharest, Calea Rahovei no. 268A sector 5, is a joint-stock company operating in accordance with the provisions of the Company Law 31/1991, as republished with subsequent amendments.

The share capital of the Company is a private capital in full.

The Group companies are keeping their accounting records in accordance with the accounting principles and practices determined by the Romanian Government through the Romanian Accounting Law. Starting with 2012, the Parent entity is preparing annual separate financial statements compliant with the International Financial Reporting Standards as approved by the MPFO no. 2844/2016, as subsequently amended and supplemented. The consolidated financial statements include for the subsidiary certain adjustments and reclassifications that are not included in the statutory financial statements, for them to be presented according to the provisions of the International Financial Reporting Standards ("IFRS") published by the International Accounting Standards Board ("IASB"), in force as of 31 December 2015, as endorsed by the European Union.

The consolidated financial standards present comparative information concerning the prior periods. In addition, the Group includes an additional column of the Consolidated Statement of Financial Position at the beginning of the most recent column presented if there is a retroactive application of the accounting policies' amendment, a retrospective restatement or retrospective classification of a financial statements item.

**Presentation of the entities included in consolidation**

**1. Analysis of the company activity**

**1.1 Description of the company's main activity**

**a) Company presentation**

**ALUMIL ROM INDUSTRY S.A.** is a subsidiary of the company **ALUMIL ALUMINIUM INDUSTRY S.A. Greece**, an industrial group at European level operating in the Aluminum extrusion industry.

**ALUMIL ALUMINIUM INDUSTRY S.A.** is one of the European leaders in Aluminum extrusion, owning production sites with state-of-the-art technologies, being one of the top factories of Aluminum profiles for constructions, covering all types of applications known in this field.

**1. Analysis of the company activity (continued)**

**b) Company establishment. History**

ALUMIL ROM INDUSTRY S.A. was established and recorded with the Trade Registry attached to the Bucharest Court on 29 October 1997 under no. J/40/8540/1997, Sole Registration Code 10042631, fiscal attribute R, under the name MS METAL COM S.R.L as a limited liability company, a Romanian legal person, on an unlimited operating period, established and operating in accordance with Company Law. In December 1997, Mr. Michail Sotiriou assigned all his shares held in S.C. MS METAL COM S.R.L to a Greek company, ALUMIL ALUMINIUM INDUSTRY S.A. GREECE.

Also in December 1997, the Company name was changed to ALUMIL ROM INDUSTRY S.R.L. The Company's registered office is in Bucharest, Calea Rahovei no. 286 A, sector 5. As at 31 January 2006 Alumil Rom Industry S.R.L. changed its legal form from a limited liability company into a joint-stock company, with the name ALUMIL ROM INDUSTRY S.A.

**c) Company subsidiaries**

ALUMIL ROM INDUSTRY S.A. holds 100% of the share capital of ALUMIL EXTRUSION S.R.L. with the registered office in Filipești de Padure, Ditești village no. 927, Prahova County, recorded with the Prahova Trade Registry Office under no. J29/866/1999 and Sole Registration Code no. 12402281, with share capital owned by ALUMIL ROM INDUSTRY S.A. in a total amount USD 50,000, the equivalent value of RON 82,500.

ALUMIL EXTRUSION S.R.L. was established and recorded with the Trade Registry attached to the Prahova county Court on 9 November 1999 under no. J29/866/1999, Sole Registration Code 12402281, fiscal attribute R, under the name S.C. ALUMIL EXTRUSION S.R.L as a limited liability company, a Romanian legal person, on an unlimited operating period, established and operating in accordance with Company Law. The company was established in November 1999 by Mr. Michail Sotiriou, as the sole shareholder. The share capital of the company at the establishment date was RON 82,500, the equivalent of USD 50,000, divided into 1,000 indivisible nominal shares with a value RON 82.50 each. On 4 October 2001, Mr. Michail Sotiriou assigned 70% of the shares held in S.C. ALUMIL EXTRUSION S.R.L to the company ALUMIL MILONAS – ALUMINIUM INDUSTRY S.A. GREECE; following this assignment, the structure of the share capital was as follows: 300 shares held by Mr. Michail Sotiriou, representing 30% of the share capital, the equivalent value of RON 24,750, and 700 shares held by the Greek company ALUMIL MILONAS – ALUMINIUM INDUSTRY S.A. GREECE, representing 70% of the share capital, the equivalent value of RON 57,750. In October 2005, both Mr. Michail Sotiriou and ALUMIL MILONAS – ALUMINIUM INDUSTRY S.A. GREECE, assigned all the shares held in ALUMIL EXTRUSION S.R.L. to the company ALUMIL ROM INDUSTRY S.R.L., on 26 October 2005 this company becoming the sole shareholder of ALUMIL EXTRUSION S.R.L., and the share capital was RON 82,500, the equivalent value of USD 50,000, consisting in 1000 shares with a nominal value RON 82.50 each.

ALUMİL EGE ALÜMİNYUM SANAYİ VE TİCARET ANONİM ŞİRKETİ, having head office in Turkey, Fatih Mah., 1188 Sokak, No.13/B Gazimir /İZMİR, was established and registered in Turkey with the Gazimir Tax Office on 16 September 2015 under number 0680907038 and with the Izmir Chamber of Commerce under number: 183607 as a joint stock company, Turkish legal entity, having an unlimited operation duration and operating according to the Turkish Commercial Code. The company was established by SC ALUMIL ROM INDUSTRY SA, as sole shareholder. The company's share capital at the date of establishment was of 50,000 Turkish Lira, divided into 50 shares of 1,000 Turkish Lira each. On 16 November 2015, SC ALUMIL ROM INDUSTRY SA has assigned 60% of the shares in ALUMİL EGE ALÜMİNYUM SANAYİ VE TİCARET S.A., to the company ALUMIL INTERNATIONAL AG Switzerland, the shareholding structure following the assignment is as follows: 20 shares SC ALUMIL ROM INDUSTRY SA namely 40% of the share capital, the equivalent of 20,000 Turkish Lira and 30 shares the ALUMIL INTERNATIONAL AG Switzerland company, namely 60% of the share capital, the equivalent of 30,000 Turkish Lira.

## **1. Analysis of the company activity (continued)**

In December 2015, the share capital increase was decided for the ALUMİL EGE ALÜMİNYUM SANAYİ VE TİCARET ANONİM ŞİRKETİ, to the total value of 950,000 Turkish Lira, representing 950 shares having a nominal value of 1,000 Turkish Lira each, of which ALUMIL ROM INDUSTRY S.A. holds 40%, namely 380 shares at the nominal value of 1,000 Turkish Lira each. In April 2016, the share capital increase was decided for ALUMİL EGE ALÜMİNYUM SANAYİ VE TİCARET ANONİM ŞİRKETİ, to the total value of 1,900,000 Turkish Lira, representing 1,900 shares having a nominal value of 1,000 Turkish Lira each, of which ALUMIL ROM INDUSTRY S.A. holds 40%, namely 760 shares having a nominal value of 1,000 Turkish Lira each.

ALUMIL MISR FOR ALUMINIUM AND ACCESORIES INDUSTRY JSC, having head office in Egypt, Cairo, was established and registered in Egypt on 20 March 2016, according to the joint-stock company set up certificate number 1375/20.03.2016 issued by the General Investment and Free Area Authority as a joint stock company for a duration of 25 years. The Company's issued capital at the set up date was of 1,000,000 Egyptian Lira, divided into 1000 shares of 1,000 Egyptian Lira each. The share capital structure at the set up date is the following: Alumil International AG Switzerland 59%, Alumil Rom Industry SA Romania 40% and Alumil MISR for Trading Egypt 1%. In November 2016, the first share capital increase was decided for the ALUMIL MISR FOR ALUMINIUM AND ACCESORIES INDUSTRY JSC, to the total value of 16,000,000 Egyptian Lira, representing 16,000 shares having a nominal value of 1,000 Egyptian Lira each, of which Alumil Rom Industry holds 40%, namely 6,400 shares at the nominal value of 1,000 Egyptian Lira each. In December 2016, a new share capital increase was decided for the ALUMIL MISR FOR ALUMINIUM AND ACCESORIES INDUSTRY JSC and, therefore, the company's capital reached 30,000,000 Egyptian Lira, representing 30,000 shares having a nominal value of 1,000 Egyptian Lira each, of which Alumil Rom Industry holds 40%, namely 12,000 shares at the nominal value of 1,000 Egyptian Lira each

### **d) Main activities**

Alumil Rom Industry SA manufactures and trades a large range of Aluminum profiles systems (sliding, opening and partitioning systems) and accessories related to these systems, machine tools and specific tools used for aluminum joinery, interior doors and decorative Aluminum panels. The main activities of Alumil Rom Industry SA are the production of aluminum profiles, more specifically, processing of profiles through the provision of thermal breaks and electrostatic painting, as well as the trade of a large range of profiles, accessories, composite panels (J-Bond), and polycarbonate films.

### **Processing activity**

ALUMIL ROM INDUSTRY S.A. conducted, starting 18.05.2011 the project "Eco efficient and innovative investment in a modern Aluminum processing facility", co-financed by the **European Regional Development Fund** under the financing contract signed with the Ministry of Economy, Trade and Business Environment, as the Managing Authority for the Operational Sectorial Program "Increase of Economic Competitiveness ". The project objective was to increase the productivity of the company by creating a modern, eco-efficient Aluminum profiles production and processing facility.

The project, implemented in Filipeştii de Pădure, Minieri village no. 149, Prahova County, was completed in July 2013 and resulted in the building of a production hall of 8,835 square meters and the purchase of 11 state-of-the-art pieces of equipment, creating over 45 new jobs.

Therefore, ALUMIL ROM INDUSTRY S.A. has put into operation new modern equipment for:

- horizontal painting with two automatic painting booths capable of painting Aluminum profiles in all RAL colors. ALUMIL ROM INDUSTRY S.A. paints about 1,450 kinds of Aluminum profiles in about 200 RAL colors;
- wood-effect painting with a technology based on a pre-printed film for decorating profiles, Aluminum panels and Aluminum accessories, using the sublimation method;
- thermal break production with a capacity of 150 profiles /hour.

## **1. Analysis of the company activity (continued)**

### **Processing activity (continued)**

The installation also includes equipment for applying self-adhesive tape on Aluminum profiles in order to protect painted surfaces.

A small part of the production process is represented by the bending of profiles, an operation carried out only on client request.

The processing (painting) line is composed of:

- Chemical treatment line (baths) for filiform corrosion resistance with a waste water treatment plant;
- Frame preparation line;
- Electrostatic painting installation;
- Polymerization oven;
- Wood-effect painting installation;
- Thermal break production line;
- Profile assembly line.

The production and storage facilities are equipped with:

- fresh water installation and demineralized and fresh water tanks;
- deionized water installation;
- treatment plant (reduction-oxidation, neutralization, flocculation, settling, press filter);
- own wastewater and rainwater sewer network;
- own central heating plant (fuel: natural gas);
- air compressors;
- water supply installation;
- transformer station 10 /0.4 KV.

Moreover, the production area is equipped with a workshop for Aluminum cutting-off machine-tool, electronic platform scales - 2000 kg, portable metal analyzer (METALSCAN) and forklift.

ALUMIL EXTRUSION S.R.L., a subsidiary of ALUMIL ROM INDUSTRY S.A., has its registered office in Filipești de Padure and performs both profile processing activities such as thermal break application, and trading and distribution activities for Aluminum profiles and accessories. The processing activity is performed with a thermal break profile assembly installation and a production line for Aluminum accessories.

### **e) Products**

Alumil Rom Industry offers a wide range of Aluminum profiles and accessories and tools used for Aluminum profiles processing.

The main product categories of Alumil Rom Industry are:

- Aluminum profiles
- Accessories for Aluminum profiles
- J-Bond / Outdoor decorative panels
- Polycarbonates
- PVC profiles
- Geze automatic systems
- Interno interior doors.

## **1. Analysis of the company activity (continued)**

The Aluminum profiles are grouped in the following categories of systems:

### **I. Opening window systems**

- a) Without thermal break (3, 4, 5, 6 compartments): M940 Mini, M9300 Perfect, M9400 Softline, M15000 Prestige
- b) With thermal break: M9650 Alutherm Light, M11000 Alutherm Plus, M11500 Alutherm Super Plus, M11600 Alutherm Extra, M20000 Apollo Alutherm, M23000 Forestal

### **II. Sliding window systems**

- a) Sliding windows without thermal break: M900 Aero, M9000 Slide, M12000 Premier, M14000 DeLuxe, M14500 DeLuxe Light
- b) Sliding windows with thermal break: S200 Exclusive Alutherm, S300 DeLuxe Alutherm, M300 Falcon Alutherm, S400 Premier Alutherm.

### **III. Curtain wall systems**

The series M1 Solar Standard, M2 Solar Linear, M3(T) Solar Semistructural, M4(T) Solar Structural, M5 Solar ECO, M6 Solar Standard Plus, M50 Solar Standard Light

### **IV. Special systems**

The special systems are mainly systems for interior partitioning (P100 and P 200 Office), sun protection (M5600 Solar Protection), skylights (Skylight M9850, M10800 Skylight Alutherm), systems for protection against insects, pergola systems

## **f) Quality management and certifications**

The Company imports unpainted Aluminum profiles from the parent company in Greece. Alumil Aluminium Greece holds all the certificates necessary for a modern plant concerning the Management of production processes and of the quality, environmental and occupational health and safety.

For the activities carried out in Romania, **ALUMIL ROM INDUSTRY** has implemented and is maintaining a quality management system, according to the requirements of SR EN ISO 9001:2008, an environmental management system, according to the requirements of SR EN ISO 14001: 2005 and an occupational health and safety management system, according to the requirements of SR OHSAS 18001. The certification of the quality, environment and occupational health and safety management systems was performed by audits of the certification body SRAC CERT, Romanian certification body with the largest recognition of the brand and of the certificates as a result of the partnership with IQ Net (The International Certification Network) and of the accreditation by **RENAR** – body having signed the EA-MLA (European agreement on recognizing certification).

Ever since 2005, Alumil Rom Industry also holds a license to use the labels of **GSB “Approved Coated Aluminium”**, body for the certification of aluminum profile painting, certificate renewed under number 087 of 15.06.2015 valid through 31.07.2019.

In 2008, Alumil Rom Industry has also obtained the license to use the **QUALICOAT** labels, certificate that is renewed every year, being issued by the Aluminum Association of Greece Certification Committee, also a painting and production processes certification body.

Having obtained the GSB and QUALICOT licenses proves that ALUMIL ROM INDUSTRY meets the requirements for carrying out the production processes and it has the necessary equipment, the coverage materials required through specifications and regulations obtaining finished products of an adequate quality. All the requirements in the two GSB and QUALICOAT specifications must be met for a quality label to be granted and maintained.

**1. Analysis of the company activity (continued)**

**1.1.1 General evaluation items for 2017**

	<b>Consolidated ratios</b>	<b>MU</b>	<b>2017</b>	<b>2016</b>
a)	Net profit	RON	12,686,788	2,346,776
b)	Turnover	RON	69,222,577	57,669,666
c)	Cash and cash equivalents	RON	9,765,484	12,877,561

**1.1.2 Storage capacity**

ALUMIL ROM INDUSTRY S.A. has a storage total area of 28,500 square meters. The statement of the Company of the storage capacities is shown below:

	<b>Location</b>	<b>Surface (sq. m.)</b>	<b>Surface of land (sq. m.)</b>	<b>Total (sq. m.)</b>	<b>Type</b>
1	Alba Iulia	415	-	415	Rented
2	Bacau	417	-	417	Rented
3	Baia Mare	390	-	390	Rented
4	Bistrita	500	-	500	Rented
5	Brasov	990	642	1,632	Rented
6	Bucharest	852	-	852	Rented
7	Cluj	684	-	684	Rented
8	Constanta	309	-	309	Rented
9	Craiova	200	-	200	Rented
10	Galati	620	122	742	Owned
11	Iasi	349	-	349	Rented
12	Pitesti	320	-	320	Rented
13	Ploiesti	330	-	330	Rented
14	Sibiu	408	-	408	Rented
15	Slatina	500	-	500	Rented
16	Tg Mures	460	-	460	Rented
17	Timisoara	1,296	6,899	8,195	Owned
18	Filipestii de Padure	8,135	41,868	50,003	Owned
19	Filipestii de Padure	9,262	9,840	19,102	Owned
20	Filipestii de Padure	3,081	8,915	11,996	Owned
	<b>TOTAL</b>	<b>28,510</b>	<b>61,579</b>	<b>90,089</b>	

## **1. Analysis of the company activity (continued)**

### **New products introduced in 2017**

Alumil Rom Industry is continuously concerned about the client satisfaction, and as a response to the ever changing needs, it is focusing on developing new technical solutions to improve the quality, comfort and safety. The systems are designed, developed and tested in the Alumil Group Research & Development Department in Greece and then certified by internationally recognized certification institutions, such as IFT ROSENHEIM of Germany.



In recent years, Alumil Rom Industry in Romania has introduced a series of new premium systems:

1. **M 50 ENERGY** – a curtain wall system with thermal break and a high heat transfer coefficient;
2. **S5660 PERGOLA** – system intended for performing the pergola-type shadowing applications;
3. **M8200 GLASS RAILINGS** – Premium handrail system, that can include 21.52 mm and 17.52 mm glass;
4. **SMART95 RESIDENTIAL EXTERIOR DOORS** - a full range of high quality residential exterior doors, available in 3 versions of construction, IG (in boxes), HS (half structural) and DS (double structural) and a wide range of designs and finishing.
5. **S77 SUPREME** – swinging thermal break joinery, with excellent thermal and air and water proofing performance features. The system was certified by IFT Rosenheim embellished including by UbATC (Belgium)
6. **S440** - an increased thermal efficiency sliding system intended for use in medium-sized sliding typologies, designed to meet the requirements of modern architecture in terms of thermal comfort and minimalist design. The system was tested and certified by IFT Rosenheim
7. **S560** – a lift & slide joinery system intended for obtaining sliding by lifting features, with large and very large sizes (can withstand window frames of up to 300 kg). The system was tested and certified by IFT Rosenheim
8. **ALUMIL by Hoppe** - own range of handles for windows, doors, SENKKlappe and Lift & Slide openings, produced for ALUMIL by the well-known German company Hoppe;
9. **S91** – certified system for passive houses;
10. **M8259 Juliet** – French balcony system;
11. **ZEN** exterior residential doors;
12. **M9660** – roto-sliding system compliant with the national requirements for thermal rehabilitation;
13. **M7**– advanced curtain wall system.

In 2017, we continued promoting the systems mentioned above and added new groups of products to the portfolio:

1. **SUPREME Range:**  
S650 and S650 Automatic - sliding system completely hidden in the floor, ceiling and walls, including the automated option;  
SD77 - system dedicated to the realization of access doors with exceptional security features, tightness and thermal insulation, allowing the realization of doors with structural and semi-structural typologies;  
WOODEE - decking system WPC flooring system.
2. **SMARTIA Range:**  
S67 - roto-tipping system that permits the realization of all the typologies existing in the market, having excellent technical characteristics for the price segment to which it addresses;  
M14600 - sliding-lift-free sliding system for thermal applications for large-scale interior applications and exports to southern European countries.

## **1. Analysis of the company activity (continued)**

### **1.1.3 Evaluation of the supply activity**

The main supplier of Alumil Rom Industry SA is Alumil Aluminium Industry SA Greece for both processed and unprocessed profiles. The Company's competitive advantages consist in offering quality products, with a design and functionality of the highest level and the fact that it has access to favorable purchase prices because of the relationship with the parent company from Greece.

The price of Aluminum profiles is strongly influenced by the price of Aluminum on the international market, namely on London Metal Exchange. During 2017, the price of Aluminum on London Metal Exchange (LME) continued its ascending trend, the average quotes close to year end reached values above USD 2,200/ton.

### **1.1.4 Evaluation of the sale activity**

#### **a) Description of the sales evolution and long-term prospects**

The consolidated group data for 2017 indicate a turnover earned of RON 69,222,577, increasing by 20% as compared to 2016.

The quality of the products, the customer proximity and the ability to rapidly deliver painted profiles are the factors that have led to continued leadership in the market in the framework of a difficult year.

	<b>2017</b>	<b>2016</b>
Sales (RON)	69,222,577	57,669,666
Variation compared to the previous year	20.0%	-

*Source: Alumil management reporting - financial statements*

In 2017, approximately 87.9% of the turnover was achieved on the domestic market, 12.1% representing exports to Alumil YU Industry AD in Serbia, Alumil Industry SRL in Moldova, to the parent company, Alumil Aluminium Industry SA in Greece, and to other companies.

#### **b) Description of the competition and the market share**

The profile market for thermal insulation glass joinery in Romania is dominated by the profiles made of PVC (~ 70% of the value) and of Aluminum (more than 25%), according to the market studies performed in recent years. The other types of profiles (wood, steel and Aluminum and wood) have insignificant weights in the total purchases, accumulating about 1% of the market.

The Company estimates that during 2017 it has maintained and even strengthened its market leadership by an estimated share of about 30-35%.

#### **c) The description of any significant reliance on a single customer or group of customers**

In recent years, the total number of customers was 2,500-3,000 and they are mainly aluminum and PVC joinery firms. In 2016, the top ten clients accounted for 19.9% of the total sales, and this weight increased in 2017 when the top ten customers accounted for approximately 22.5% of the total sales. Keeping a percentage as small as possible is due to the fact that the Company has permanently tried to avoid a significant reliance on a single customer or group of customers.

## **1. Analysis of the company activity (continued)**

### **1.1.5 Evaluation of the matters concerning the Company's employees**

The increased activity of the Company in recent years has been translated into the increasing number of employees during the period 2003-2008, both those involved in production and those involved in sales. In 2017, the average number of employees was 178, number that decreased with 1.6% from 181 in 2016 due to the liquidation process of ALUMIL EXTRUSION SRL.

If in December 2016 the number of employees was 183, in December 2017 the number of employees increased to 194.

The evolution of the average number of employees, 2017 compared to 2016 is as follows:

	<b>2017</b>	<b>2016</b>
Average number of employees	178	181
Change percentage during the period	1.6%	-4.7%

*Source: Management reporting – consolidated statements.*

### **1.1.6 Evaluation of the matters related to the impact of the main activity on the environment**

#### **ALUMIL ROM INDUSTRY SA holds:**

- The Environmental Permit no. PH 481 of 18 October 2013, valid through 18 October 2018, issued by the Prahova National Agency for Environmental Protection.

- Water management authorization no. 176 of 29 September 2016, valid through 25 September 2018, concerning the water supply and the discharge of waste water, issued by the "Romanian Waters" National Administration, the S.G.A. Prahova unit.

### **1.1.7 Evaluation of the research and development activity**

Most research and development activities are performed at Group level, in the specialized department of the parent company in Greece. The operations in Romania include a Research & Development department and a technical support one for projects carried out with Alumil profiles. These departments operate closely with the research and development department at Group level, the teams working together to develop new series of profiles and improve existing ones to meet customer requirements.

### **1.1.8 The evaluation of the ALUMIL ROM INDUSTRY S.A. risk management activity**

The Company's exposure to:

- i) **Price risk** - Alumil Rom Industry SA has in place a flexible commercial policy and is able to adapt to any price fluctuations, especially since the Aluminum price fluctuations at an international level affects all market participants to the same extent. To this effect, it is an advantage that Alumil Rom is part of a group with high power to acquire and process Aluminum on the international market.
- ii) **Interest rate risk** - The Company's exposure to the interest rate fluctuation risk mainly relates to the floating interest-bearing loans contracted by the Company. At the end of 2017, the balance of short-term loans contracted by the Company was RON 3,779,408 (2016: RON 6,297,466), and of long-term loans was RON 4,833,333 (2016: RON 8,355,876). Considering the low gearing, the interest rate risk is also low.

**1. Analysis of the company activity (continued)**

- iii) **Credit risk** - The Company trades only with recognized, creditworthy third parties. It is the Company's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis, having as a result an insignificant exposure of the Company to bad debts.
- iv) **Liquidity /cash-flow risk** - Much of the company's sales involve cash receipts or credits granted to customers over a period of several days to several weeks. Together with the loans for working capital, these provide for the current liquidity needs of the Company. During 2017 and 2016, the loans for the working capital were underused, the Company being in a position of financing its activities with own funds. Under these conditions the Company faces a very low liquidity risk.

**1.1.9 Perspectives concerning the activity of ALUMIL ROM INDUSTRY SA S.A.**

**Alumil Rom Industry SA** produces and offers to potential customers from Romania Aluminum profiles at international standards with excellent mechanical and physical features, while also providing assistance and advice on all technical aspects of the products.

The main objectives of **Alumil Rom Industry SA** are to maintain market leadership in the production and sale of Aluminum profiles in Romania and to focus both on providing innovative internationally certified products and, from a commercial perspective, on commercial network improving and expanding. The objectives for the coming years are to increase the market share and improve profitability. Additionally to Aluminum profiles, the Company offers a wide range of products in the field, such as outdoor decorative panels, polycarbonate sheets, sun protection systems, interior doors, decorative panels and accessories, an important objective being to increase the market share on the segments mentioned above. All these objectives are based on the vision of **Alumil Rom Industry SA** and of its parent company from Greece to maintain the leadership on the Southeastern Europe markets and to expand on other markets.

To achieve these objectives in the coming years, **Alumil Rom Industry SA** will focus on increasing the quality of customer service, on increased promptness in fulfilling orders and reducing delivery times. These strategic elements have been a priority in recent years, and by improving the existing processes in the coming years, we will manage to achieve new results on these lines. An important step in this regard is the investment from Filipeştii de Pădure, a European-level investment with high efficiency equipment completed in July 2013.

An important success factor for **Alumil Rom Industry SA** is the experience of more than 30 years of parent company from Greece in the Aluminum extrusion field, the research and permanent development of new products and technologies and the dynamic presence on international markets. Alumil is recognized in Europe as one of the leading suppliers of profile systems for all known architectural applications (windows, doors, facades, skylights, interior partitions), designed, developed and tested by the Development and Research Department of the Company and certified by the International Institute IFT Rosenheim in Germany, a leading authority in the field.

## **1. Analysis of the company activity (continued)**

### **Land and buildings**

In terms of real estate properties in the Alumil Rom Industry SA estate, these are pieces of land located inside and outside the built-up area of localities, and also constructions, some of them ensuring the performance of the Company main activity.

Alumil Rom Industry owns a piece of land of 50,000 sq. m. located in Filipestii de Padure acquired in 2008 from the subsidiary S.C. Alumil Extrusion S.R.L. on which the real estate property with the total area of 8,835 sq. m. was commissioned and the land of 19,102 sq. m. purchased in Filipestii de Padure in 2009.

In December 2010 Alumil Rom Industry SA purchased in Filipestii de Padure a hall with a built area 2,955.86 square meters and the related land of 11,996 sq. m.

In July 2013, the building of the new production and storage hall as part of the project performed through SOP IEC was completed, with an area 8,835 square meters, and located in Filipestii de Padure, Minieri Village, where the production activity is currently performed.

### **Tools and machinery**

The table below details the equipment, installations and other major assets of the Company. The most important movable property of the Company is the dyeing installation put into operation in 2013. Additionally the Company records various other tools and machinery of lower value

<b>Category</b>	<b>Description</b>	<b>Date of purchase</b>	<b>Purchase value (RON)</b>
Tool	ELECTROSTATIC PAINTING INSTALLATION SOP IEC 154271	25-Jun-2013	2,251,811
Tool	THERMAL BREAK PRODUCTION LINE SOP IEC 154271/18.05.2011	10-Jul-2013	1,485,683
Tool	WOOD-EFFECT ELECTROSTATIC PAINTING INSTALLATION SOP IEC 154271	25-Jun-2013	1,015,542
Tool	FILIPESTI TREATMENT PLANT SOP IEC 154271/18.05.2011	12-Jul-2013	744,703
Tool	AUTOMATIC SYSTEM FOR WATER TREATMENT THROUGH FILTERING AND DEMINERALIZATION	10-Dec-2013	383,690
Tool	AUTOMATIC SYSTEM FOR STORAGE ON SHELVES SOP IEC 154271/18.05.2011	15-Jul-2013	342,886
Tool	SINGLE-BEAM TRAVELLING CRANE 154271/18.05.2011	1-Jun-2013	308,270
Tool	SINGLE-BEAM TRAVELLING CRANE 154271/18.05.2011	1-Jun-2013	308,270
Tool	FOUR-WAY LIFTING TOOL/SERIES 21719 SOP IEC 154271/18.05.2011	17-Jun-2013	221,091
Tool	FOUR-WAY LIFTING TOOL/SERIES 21720 SOP IEC 154271/18.05.2011	17-Jun-2013	221,091
Tool	ELECTRICAL AND PNEUMATIC SYSTEM FOR ELECTROSTATIC PAINTING INSTALLATION SOP IEC 154271	14-Jun-2013	126,464
Tool	LIFTING SYSTEM FOR PALLETS/BASKETS SOP IEC 154271	10-Jul-2013	122,769

In 2017, machines amounting to RON 84,161, a truck amounting to RON 159,625, 5 motor vehicles with a total value of RON 187,107, and IT equipment amounting to RON 87,491 were purchased.

## **2. The market for the securities issued by the Company**

### **2.1. The markets on which the securities issued by the Company are negotiated**

The shares of ALUMIL ROM INDUSTRY S.A. are traded on the market managed by the Bucharest Stock Exchange in Standard Category, section Equity Securities and the Shareholders' Register is managed by the Central Depository SA Bucharest.

### **2.2. Policy regarding the dividends**

The table below details the dividends proposed by the Board of Directors for 2017 and 2016.

	<b>2017</b>	<b>2016</b>
Retained earnings	6,784,920	4,438,144
Net profit	12,686,788	2,346,776
Dividends proposes	-	-
Level of appropriation of profit/retained earnings	0%	0%

Source: Company.

\* For 2016, the profit appropriation proposition will be subject to the approval of the SGM of 25.04.20178.

## **3. Management of the Company**

### **3.1. Company administrators**

The current composition of the Company Board of Directors is detailed below:

<b>No.</b>	<b>Name</b>	<b>Position</b>	<b>Date of appointment</b>	<b>Date of expiry of the term</b>
1.	Michail Sotiriou	President of the Board /CEO	28.04.2014	27.04.2018
2.	Evangelia Mylona	Vice-president of the Board	28.04.2014	27.04.2018
3.	Konstantinos Akrivopoulos	Member of the Board	28.04.2014	27.04.2018
4.	Dimitris Koutsoupas	Member of the Board	28.04.2014	27.04.2018
5.	Georgios Doukidis	Member of the Board	28.04.2014	27.04.2018

#### **a) Any agreement, understanding or family relation between the administrators and another person having influenced their appointment as an administrator:**

Mrs. Evangelia Mylona is Mr. Georgios Mylonas' sister, the latter being the President of the Board of Administration of the parent company - ALUMIL ALUMINIUM INDUSTRY S.A. GREECE.

#### **b) Administrators' contribution to the capital of S.C. ALUMIL ROM INDUSTRY S.A.**

<b>No.</b>	<b>Name</b>	<b>Position</b>	<b>No. of shares held</b>	<b>% before IPO</b>	<b>% after IPO</b>
1.	Michail Sotiriou	President of the Board	7,485,150	29.94%	23.95%
2.	Evangelia Mylona	Vice-president of the Board	5,000	0.02%	0.02%
3.	Konstantinos Akrivopoulos	Member of the Board	-	-	-
4.	Dimitris Koutsoupas	Member of the Board	-	-	-
5.	Georgios Doukidis	Member of the Board	-	-	-

### **3. Management of the Company (continued)**

#### **3.2. Members of the executive management of ALUMIL ROM INDUSTRY S.A.**

The daily operations of the Company are performed by the managers below, who are employed by the Company:

- (a) Ionita Marius – Deputy CEO
- (b) Duca Vitalie – Commercial Director
- (c) Balasca Ciprian – CFO

#### **c) Contribution of the executive management to the capital of the company**

<b>No.</b>	<b>Name</b>	<b>Position</b>	<b>No. of shares held</b>
1.	Ciprian Balasca	CFO	1,000
2.	Marius Ionita	Deputy CEO	600
3.	Vitalie Duca	Commercial Director	600

#### **3.3 Information on the relations with affiliates, subsidiaries and associates**

The relations with related companies and daughter companies are detailed below:

<b>Name of entity</b>	<b>Nature of operation with the Company</b>	<b>Country of origin</b>
Alumil EGE SA	Shareholder – Alumil Rom Industry (40.00%)	Turkey
Alumil MISR for Aluminium and Industry SA	Shareholder – Alumil Rom Industry (40.00%)	Egypt
Alumil Aluminium Industry SA	Parent and main supplier of semi-finished goods	Greece
Alumil Industry SRL	Subsidiary of the parent, Alumil Mylonas (70.00%)	Moldova
Alumil Bulgaria Ltd.	Subsidiary of the parent, Alumil Mylonas (99.87%)	Bulgaria
Alpro Vlasenica AD.	Subsidiary of the parent, Alumil Mylonas (61.37%)	Serbia
BMP Hellas SA	Subsidiary of the Company – Alumil YU Industry SA (41.32%)	Greece
Alumil YU Industry SA	Subsidiary of the parent, Alumil Mylonas (98.50%)	Serbia

The individuals referred to at points 3.1.a, 3.1.b and 3.2. are also affiliates.

#### **3.4. Members of the executive management of ALUMIL EXTRUSION S.R.L.**

As at the preparation date of this Report, according to the Organization Chart, the daily operations were performed by the following persons:

- Michail Sotiriou - CEO

### **3. Management of the Company (continued)**

#### **3.5. The Company internal control includes the following main components:**

- A clear definition of responsibilities;
- Work procedures;
- Code of Conduct;
- Internal dissemination of relevant information;
- Analysis of main risks and procedures for managing these risks;
- Appropriate control activities for each process

Control aims at the application of the internal rules and procedures, at all hierarchical and functional levels: approval, authorization, verification, operating performances evaluation, asset securing, and task separation.

Internal accounting and financial control is a major item of internal control and its main formalizing items relate to:

- The existence of an accounting policy manual, as well as of procedures to apply the related controls;
- Knowledge of the accounting and fiscal legislation's evolution;
- The performance of specific controls on sensitive matters;
- The identification and appropriate treatment of deviations;
- Adapting the software to the entity's needs;
- Ensuring the accuracy and exhaustiveness of the accounting records;
- Complying with the quality characteristics of the information included in the financial statements.

#### 4. Consolidated financial and accounting statement

##### a) Assets and liabilities during 2017-2016

RON

Balance sheet items	31 December 2017	31 December 2016
<b>Non-current assets</b>	<b>29,145,861</b>	<b>40,765,623</b>
Intangible assets	125,289	204,550
Tangible assets	24,128,095	36,695,785
Financial assets	3,954,552	3,865,288
Deferred tax asset	937,925	-
<b>Current assets</b>	<b>57,093,524</b>	<b>36,293,350</b>
Inventories	13,162,785	10,492,134
Receivables	34,165,255	12,923,655
Petty cash and bank accounts	9,765,484	12,877,561
<b>TOTAL ASSETS</b>	<b>86,239,385</b>	<b>77,058,973</b>
Equity	63,328,577	50,826,469
Long-term liabilities	10,003,444	14,069,927
Current liabilities	12,907,364	12,162,577
<b>TOTAL LIABILITIES</b>	<b>86,239,385</b>	<b>77,058,973</b>

##### b) Profit and loss statement for 2017-2016

	2017	2016
Sale revenues	69,222,577	57,669,666
Cost of sales	(49,601,203)	(39,439,236)
<b>Gross margin</b>	<b>19,621,374</b>	<b>18,230,430</b>
Other operating income	13,656,138	894,097
Sale and distribution expenses	(14,173,050)	(11,889,424)
Administrative expenses	(4,498,594)	(4,366,014)
<b>Operating profit</b>	<b>14,605,868</b>	<b>2,869,089</b>
Interest and related income	13,408	53,703
Interest expense	(422,587)	(357,070)
Foreign exchange gains/(losses)	(52,479)	19,660
Share of the shareholder's result	217,104	13,311
<b>Profit before tax</b>	<b>14,361,314</b>	<b>2,598,693</b>
Current income tax charge	(2,768,306)	(359,663)
Deferred income tax	1,093,780	107,746
<b>Net profit for the year</b>	<b>12,686,788</b>	<b>2,346,776</b>
<b>Earnings per share</b>	<b>0.4060</b>	<b>0.0751</b>

President of the Board of Directors,  
Michail Sotiriou

CFO  
Ciprian Balasca

**Statement of the Board of Directors**  
of ALUMIL ROM INDUSTRY Group

The Board of Directors of ALUMIL ROM INDUSTRY Group hereby states that they undertake the liability for the preparation of the consolidated annual financial statements of the Group as at 31 December 2017.

The Board of Directors of ALUMIL ROM INDUSTRY Group hereby confirms the following concerning the consolidated annual financial statements of the Group as at 31 December 2017:

- a) The consolidated annual financial statements are prepared in accordance with the International Financial Reporting Standards as endorsed by the European Union.
- b) The accounting policies used for the preparation of the consolidated annual financial statements are in compliance with the applicable accounting regulations;
- c) The consolidated annual financial statements give a fair view of the financial position, financial performance and of the other information regarding the activity performed;
- d) The Group performs its activity under the going concern principle.

This Statement is compliant with the provisions of Art. 30 of Accounting Law 82/1991 as republished.

**PRESIDENT OF THE BOARD OF DIRECTORS,**

CEO

Sotiriou Michail

## INDEPENDENT AUDITORS' REPORT

To the shareholders of Alumil Rom Industry S.A.

### Report on the Audit of the Consolidated Financial Statements

#### *Opinion*

1. We have audited the accompanying consolidated financial statements of **Alumil Rom Industry S.A. ("the Company")** which comprise the statement of financial position 31 December 2017, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes.
2. The consolidated financial statements mentioned above are identified as follows:
  - Net assets/Total equity: RON 63,328,577
  - Result for the year (profit): RON 12,686,788
3. In our opinion, the accompanying consolidated financial statements give a true and fair view of the financial position of the Company as at 31 December 2017 and of its financial performance and its cash flows for the year then ended, in accordance with the Order of the Minister of Public Finance no. 2844/2016, approving the accounting regulations compliant with the International Financial Reporting Standards, with all subsequent changes and clarifications.

#### *Basis for Opinion*

4. We conducted our audit in accordance with International Standards on Auditing („ISA”). Our responsibilities under those standards are further described in the „Auditor’s Responsibilities for the Audit of the Financial Statements” section of our report.

We are independent of the Company, in accordance with the International Ethics Standards Board for Accountants’ Code of Ethics for Professional Accountants (IESBA Code), in accordance with the ethical requirements that are relevant to the audit of the financial statements in Romania, and we fulfilled our ethical responsibilities in accordance with these requirements and the IESBA Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Emphasis of Matter Paragraph*

5. The consolidated financial statements of the Company as at December 31, 2016 and for the year ended on that date were not audited by us. In accordance with ISA 510, "Initial Audit Engagements - Opening balances" sufficient appropriate audit evidence have been obtained that:
- Closing balances of the previous financial year were correctly brought forward in the current period or, where appropriate, have been restated;
  - Appropriate accounting policies are consistently applied or, where appropriate, changes in accounting policies have been properly accounted for and adequately presented.

Our opinion is not modified regarding this aspect.

### *Key Audit Matters*

6. Key audit matters are those matters that, in our professional judgement, were of most significance for the audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and in forming our opinion thereon and we do not provide a separate opinion on these matters. For each matter identified, we presented a description of our approach to address it during our audit.

#### Accounts receivable

They represent a key audit matter, due to the significance of the trade receivables balance (representing 27% of the total current assets) and due to the uncertainties regarding the estimations for determination of the allowance adjustment.

As of 31 December 2017 the Company has receivables amounting to RON 25.192.753 (before the allowance adjustment of RON 9.717.095). The identification and determination of the trade receivable allowance requires management to make judgement and assumptions, representing a process with a high level of uncertainty. The main assumptions considered by the management in assessing the level of the allowance include: age of the balances, location of customers, existence of litigations / disputes, recent historic of the collections from the customer and any other available information on the creditworthiness of the customers.

Information on the trade receivables allowance is disclosed by the Company in Note 12 to the consolidated financial statements.

#### Description of the auditor's response

Our audit procedures focused on:

- assessing the assumptions considered by the management of the Company (for example in relation to significant balances for which an allowance for trade receivables was recognised or in relation to aged balances for which no allowance was recognised);
- understanding the management's rationale used to identify and assess the allowances;
- obtaining corroborative audit evidence (for example testing the subsequent collections from the customers, analysis of evolution in time of the allowances and their correlation with the customers' balances and the estimated collection dates, correspondence with lawyers representing the Company in the disputes with customers, measures taken by the management to recover the outstanding amounts, checking the compliance with the internal procedures regarding the credit limit given to customers).

We considered also the consistency of application of the policy for recognising an allowance with the prior years. Specifically we considered the value of the allowances recognised in previous periods and used during the current year (by recognising in the result for the year of losses from bad debts written-off), as well as of amounts released to revenue as a result of the collections during the current year.

We assessed the adequacy of the Company's disclosures in the consolidated financial statements of trade receivable allowances.

#### ***Other Information***

7. Management is responsible for the preparation and disclosure of other information. The other information includes the Administrator's Report, but does not include the consolidated financial statements and the auditor's report thereon.

Our audit opinion on the consolidated financial statements does not cover the other information and unless stated in our report, we do not express any form of assurance conclusion on it.

In connection with our audit of the consolidated financial statements for the year ended 31 December 2017, our responsibility is to read this other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements, or with our other knowledge obtained during the audit, or otherwise appears to be materially misstated. We have nothing to report in this regard.

#### ***Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements***

8. Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Order of Minister of Public Finance no. 2844/2016, approving the accounting regulations compliant with the International Financial Reporting Standards, with all subsequent changes and clarifications, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statement that are free from material misstatement, whether due to fraud or error.
9. In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.
10. Those charged with governance are responsible for overseeing the process of Company's financial reporting.

#### ***Auditors' Responsibilities for the Audit of the Financial Statements***

11. Our objectives are to obtain reasonable assurance about whether the consolidated financial statements, as a whole, are free of material misstatements, whether due to fraud or error, and to issue an auditor's report that includes our opinion.  
Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISA will always detect a material misstatement, when it exists.  
Misstatements may arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

12. As part of an audit in accordance with ISA, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:
- Identify and assess the risks of material misstatements of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations and the override of internal control.
  - Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the the purpose of expressing an opinion on the effectiveness of the Company's internal control.
  - Assess the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
  - Conclude on the appropriateness of management's use of going concern basis for accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company;s ability to continue it's activity. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
  - Assess the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
13. We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
14. We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.
15. From the matters communicated to those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rarely circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

***Report on Other Legal and Regulatory Requirements responsibilities - Administrators' Report***

16. In addition to our reporting responsibilities according to ISA described in section "Other Information", with respect to the Administrators' Report, we have read the Administrators' Report and report that:

- In the Administrators' Report we have not identified information which is not consistent, in all material respects, with the information presented in the accompanying consolidated financial statements as at 31 December 2017;
- The Administrators' Report, identified above, includes, in all material respects, the required information according to the provisions of the Ministry of Public Finance Order no. 2844/2016, approving the accounting regulations compliant with the International Reporting Standards, with all subsequent changes and clarifications, Annex 1, points 15-19;
- Based on our knowledge and understanding of the entity and its environment acquired during our audit of the consolidated financial statements as at 31 December 2017, we have not identified information included in the Administrators' Report that contains a material misstatement of fact.

Mihaela Manea,

*Registered with the Chamber of Financial Auditors of Romania  
under no. 155/15.10.2000*

*On behalf of:*

**Accordserve Advisory SRL**

*Registered with the Chamber of Financial Auditors of Romania  
under no. 110/28.11.2001*

Bucharest, Romania  
21 March 2018

**ALUMIL ROM INDUSTRY S.A.**  
**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**for the year ended 31 December 2017**  
*(All amounts are expressed in RON, unless otherwise stated)*

	Notes	2017	2016
<b>Net revenue</b>	<b>21</b>	<b>69,222,577</b>	<b>57,669,666</b>
Cost of sales	<b>22</b>	(49,601,203)	(39,439,236)
<b>Gross margin</b>		<b>19,621,374</b>	<b>18,230,430</b>
Other operating income	<b>21</b>	13,656,138	894,097
Sale and distribution expenses	<b>23</b>	(14,173,050)	(11,889,424)
Administrative expenses	<b>24</b>	(4,498,594)	(4,366,014)
<b>Operating profit</b>		<b>14,605,868</b>	<b>2,869,089</b>
Interest income		13,408	53,703
Interest expense		(422,587)	(357,070)
Foreign exchange gains/(losses)		(52,479)	19,660
Share of the shareholder's result		217,104	13,311
<b>Profit before tax</b>		<b>14,361,314</b>	<b>2,598,693</b>
Current income tax charge	<b>19</b>	(2,768,306)	(359,663)
Deferred income tax	<b>19</b>	1,093,780	107,746
<b>Net profit for the year</b>		<b>12,686,788</b>	<b>2,346,776</b>
Other comprehensive income		-	-
<b>Comprehensive income for the year</b>		<b>12,686,788</b>	<b>2,346,776</b>
<b>Earnings per share</b>	<b>27</b>	<b>0.4060</b>	<b>0.0751</b>

**ALUMIL ROM INDUSTRY S.A.**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**for the year ended 31 December 2017**  
*(All amounts are expressed in RON, unless otherwise stated)*

	Notes	2017	2016
<b>Non-current assets</b>			
Intangible non-current assets	8	125,289	204,550
Tangible non-current assets	7	24,128,095	36,695,785
Investments in associates	9	3,895,077	3,810,436
Long-term receivables	10	59,475	54,852
Deferred tax assets	10	937,925	-
<b>Total non-current assets</b>		<b>29,145,861</b>	<b>40,765,623</b>
<b>Current assets</b>			
Inventories	11	13,162,785	10,492,134
Receivables	12	15,475,658	12,270,766
Other receivables and prepayments	13	18,689,597	652,889
Cash and cash equivalents	14	9,765,484	12,877,561
<b>Total current assets</b>		<b>57,093,524</b>	<b>36,293,350</b>
<b>TOTAL ASSETS</b>		<b>86,239,385</b>	<b>77,058,973</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Equity</b>			
Capital	15	10,337,676	10,337,676
Share premiums		26,565,006	26,565,006
Retained earnings		6,784,920	4,438,144
Result for the year		12,686,788	2,346,776
Reserves		6,954,187	7,138,867
<b>Total equity</b>		<b>63,328,577</b>	<b>50,826,469</b>
<b>Long-term liabilities</b>			
Long-term loans	17	4,833,333	8,355,876
Deferred income tax	19	-	155,855
Investment subsidies	18	5,170,111	5,558,196
Other long term liabilities		-	-
<b>Total long-term liabilities</b>		<b>10,003,444</b>	<b>14,069,927</b>
<b>Current liabilities</b>			
Suppliers and other payables	20	7,233,559	5,848,476
Short-term loans	17	3,779,408	6,297,466
Current income tax payable		1,894,397	16,635
<b>Total current liabilities</b>		<b>12,907,364</b>	<b>12,162,577</b>
<b>LIABILITIES AND EQUITY - TOTAL</b>		<b>86,239,385</b>	<b>77,058,973</b>

These financial statements and the accompanying notes were approved by the Board of Directors and signed on their behalf on 21 March 2018.

\_\_\_\_\_  
Michail Sotiriou  
CEO

\_\_\_\_\_  
Ciprian Balasca  
CFO

**ALUMIL ROM INDUSTRY S.A.**  
**CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY**  
**for the year ended 31 December 2017**

*(All amounts are expressed in RON, unless otherwise stated)*

	<b>Capital</b>	<b>Share premium</b>	<b>Reserves</b>	<b>Retained earnings</b>	<b>Total equity</b>
<b>1 January 2016</b>	<b>10,337,676</b>	<b>26,565,006</b>	<b>7,355,344</b>	<b>8,188,144</b>	<b>52,446,170</b>
Dividends distributed	-	-		(3,750,000)	(3,750,000)
Profit for 2016	-	-		2,346,776	2,346,776
Translation differences	-	-	(216,477)	-	(216,477)
<b>31 December 2016</b>	<b>10,337,676</b>	<b>26,565,006</b>	<b>7,138,867</b>	<b>6,784,920</b>	<b>50,826,469</b>
Dividends distributed	-	-	-	-	-
Profit for 2017	-	-	-	12,686,788	12,686,788
Translation differences	-	-	(184,860)	-	(184,860)
<b>31 December 2017</b>	<b>10,337,676</b>	<b>26,565,006</b>	<b>6,954,187</b>	<b>19,471,708</b>	<b>63,328,577</b>

The legal reserves of the Parent Company, set in accordance with the Company Law, are in an amount RON 1,250,000 as at 31 December 2017 (31 December 2016: RON 1,250,000).

The legal reserve is set in accordance with the provisions of the Romanian Company Law, which requires that 5% of the annual accounting profit is transferred to legal reserves until the balance of this reserve reaches 20% of the share capital of the Company. If this reserve is used in full or in part for covering the losses or for the distribution in any way (such as issuing of new shares according to the Companies Law), it becomes taxable.

**ALUMIL ROM INDUSTRY S.A.**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**for the year ended 31 December 2017**  
*(All amounts are expressed in RON, unless otherwise stated)*

	<b>2017</b>	<b>2016</b>
<b>Cash flows from operating activities</b>		
<b>Profit before tax</b>	<b>14,361,314</b>	<b>2,598,693</b>
<b>Adjustments for monetary items:</b>		
Amortization expenses	2,459,945	2,620,353
Setting /(Reversal) of provisions for doubtful customers and inventories	255,170	276,258
Setting /(Reversal) of other provisions net	849,998	135,087
(Profit) /loss from sale of tangible assets	(13,056,307)	-
Revenues from reversal of investment subsidies	(388,086)	(379,623)
Interest (income)/expenses – net	409,179	320,205
<b>Operating income before other changes in working capital</b>	<b>4,891,213</b>	<b>5,570,973</b>
(Increases)/Decreases in trade and other receivables	(5,315,978)	6,358,707
(Increase)/Decrease in inventories	(2,768,445)	(399,538)
Increases/(Decreases) in suppliers and other payables	535,089	(6,004,891)
<b>Net cash after changes in working capital</b>	<b>(2,478,121)</b>	<b>5,525,251</b>
Income tax paid	(890,545)	(529,019)
Interest paid	(422,587)	(357,070)
<b>Net cash generated from / (used in) operating activities</b>	<b>(3,791,253)</b>	<b>4,639,162</b>
<b>Net cash flows from investment</b>		
Purchases of tangible and intangible assets	(359,374)	(4,880,033)
Receipts from the sale of tangible and intangible assets	7,065,743	29,304
Interest received	13,408	36,865
<b>Net cash used in investment</b>	<b>6,719,777</b>	<b>(4,813,864)</b>
<b>Cash flows from finance activities</b>		
Dividends paid	-	(3,750,000)
Loans received	-	9,000,000
Loans reimbursement	(6,040,601)	(5,322,179)
<b>Net cash generated from finance activities</b>	<b>(6,040,601)</b>	<b>(72,179)</b>
Increase/(decrease) in cash and cash equivalents	(3,112,077)	(246,881)
<b>Cash and cash equivalents at beginning of period</b>	<b>12,877,561</b>	<b>13,124,442</b>
<b>Cash and cash equivalents at the end of period</b>	<b>9,765,484</b>	<b>12,877,561</b>

## **1. GENERAL INFORMATION**

ALUMIL ROM INDUSTRY S.A. is a Romanian private capital trading company having head office in Bucharest, Calea Rahovei nr. 286 A, sector 5, Romania, having a national distribution network through the warehouses from Bucharest, Alba-Iulia, Bacau, Baia-Mare, Bistrita, Brasov, Cluj-Napoca, Craiova, Constanta, Galati, Iasi, Pitesti, Ploiesti, Sibiu, Slatina, Targu-Mures, Timisoara, Filipestii de Padure. Alumil Rom Industry is a joint-stock company. Starting May 2007, the Company shares are listed on the Bucharest Stock Exchange.

ALUMIL EXTRUSION S.R.L. is a Romanian private company with the head office in Filipestii de Padure, Strada Principala no. 941, Prahova County, recorded with the Trade Register under no. J29/866/1999. Starting October 2005, the Company is 100% owned by ALUMIL ROM INDUSTRY S.A. Due to lack of opportunities for company's business, it was decided to cease the activity and start the procedure of simultaneous and voluntary liquidation of ALUMIL EXTRUSION SRL, decision recorded at the Trade Register on 12 December 2016.

ALUMIL EGE ALÜMİNYUM SANAYİ VE TİCARET ANONİM ŞİRKETİ, is a joint-stock company having the head office in Turkey, Fatih Mah., 1188 Sokak, No.13/B Gaziemir /İZMİR, established and registered in Turkey with the Gaziemir Tax Office on 16 September 2015 under number 0680907038 and with the Izmir Chamber of Commerce under number: 183607. The company was established by ALUMIL ROM INDUSTRY SA, as the sole shareholder, but starting September 2015, following the assignment to ALUMIL INTERNATIONAL AG Switzerland; ALUMIL ROM INDUSTRY SA holds 40% of the share capital of ALUMIL EGE.

ALUMIL MISR FOR ALUMINIUM AND ACCESORIES INDUSTRY JSC, is a joint-stock company having the head office in Egypt, Cairo, established and registered in Egypt on 20 March 2016, according to the set up certificate number 1375/20.03.2016 issued by the General Investment and Free Area Authority; SC ALUMIL ROM INDUSTRY SA holds 40% of the share capital of ALUMIL MISR.

The previously-mentioned companies form the ALUMIL Group.

The ALUMIL Group is a member of a European multinational industrial group involved in Aluminum extrusion. The direct and ultimate parent of the ALUMIL Group is ALUMIL ALUMINIUM INDUSTRY S.A., a company with the trading name ALUMIL S.A., established in 1998, recorded in Kilkis, Greece, 611 00.

### *The main activity of the Group*

ALUMIL ROM INDUSTRY S.A. sells Aluminum profiles and accessories, equipment for Aluminum joinery, interior doors and Aluminum panels.

### *Going concern*

The decision on the dissolution of ALUMIL EXTRUSION SRL was filed with the Prahova County Court National Trade Registry Office on 12 December 2016.

## **2. OPERATING ENVIRONMENT**

In recent years, Romania has undergone substantial political and economic changes. Romania is a market with a developing business infrastructure. The operations performed in Romania involve risks. The dynamics regarding the political, legal and tax environments could significantly affect the Group's ability to perform its commercial activity and it is not possible to estimate what changes may occur or their effect on the Group's financial conditions or future operating results.

### **3. BASIS FOR PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS**

#### *Statement of compliance*

The consolidated financial statements of the Group have been prepared in accordance with the provisions of the International Financial Reporting Standards, including the Interpretations of the International Financial Reporting Standards, as endorsed by the European Union as at 31 December 2017. The International Financial Reporting Standards have not been early adopted. For the purposes of the preparation of these financial statements in accordance to IFRS, the functional currency of the Parent to be the Romanian Leu (RON) was adopted. The Group has been preparing consolidated financial statements since 2007 and they are also available on the company's website [www.alumil.com/ro](http://www.alumil.com/ro).

The consolidated financial statements have been prepared on a historic cost basis.

The financial statements are presented in RON and all amounts are rounded to the nearest RON, unless otherwise stated.

#### *Basis of consolidation*

The consolidated financial statements comprise the financial statements of Alumil Rom Industry S.A. and those of the controlled entity (Alumil Extrusion S.R.L.) as at 31 December each year. This control is normally clear when the Company holds, either directly or indirectly, more than 50% of the voting rights of the controlled entity and is able to order its financial and operational policies, for the purposes of its own activity. There is no equity or net profit attributable to minority shareholders, because Alumil Extrusion S.R.L. is 100% held by the parent company Alumil Rom Industry S.A.

The consolidation of the financial statements of the parent (Alumil Rom Industry S.A.) and of the subsidiary (Alumil Extrusion S.R.L.) will continue until there is no more control from the parent over the subsidiary.

The Group has a significant influence over the associate Alumil EGE Turkey – a company established in 2015, in which it holds 40% of the capital shares and of the voting rights. Significant influence is the power to participate in the operating and financial decisions, but over which there is no control.

The Group has a significant influence over the associate Alumil MISR Egypt – a company established in 2016, in which it holds 40% of the capital shares and of the voting rights. Significant influence is the power to participate in the operating and financial decisions, but over which there is no control. The Group did not apply the equity method when registering the investments in the mentioned associate in order to prepare the consolidated financial statements, since it did not perform any economic activities in 2017 and its inclusion in the consolidated financial statements is not representative for them.

The equity method implies the initial recognition of the investment in the associate at cost. The carrying amount of the investment is adjusted with the Group's portion of the associate's net asset at purchase date. The consolidated statement of comprehensive income reflects the Group's portion of the associate's results. Any change in other comprehensive income is presented as part of the Group's comprehensive income.

The financial statements of the controlled subsidiary have been prepared for the same reporting period as those of the parent, using the same accounting policies.

All intra-group balances, and the revenues, expenses and unrealized gains and losses resulting from intra-group transactions are eliminated.

### **3. BASIS FOR PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**

#### **3.1. BASIS FOR PREPARATION**

The financial statements of the Group are prepared in accordance with the provisions of the Minister of Public Finance Order no. 2844/2016 approving the Accounting Regulations compliant with the International Financial Reporting Standards applicable to companies whose securities are admitted to trading on a regulated market, with all subsequent amendments and clarifications. These provisions are aligned with the requirements of the International Financial Reporting Standards (IFRSs) as endorsed by the European Union (EU), with the exception of the provisions of IAS 21 The Effects of Changes in Foreign Exchange Rates regarding the functional currency. For the purposes of the preparation of these financial statements in accordance to Romanian legislative requirements, the functional currency of the Company is deemed to be the RON ("Romanian Leu").

The consolidated financial statements present comparative information concerning the prior periods. In addition, the Group includes an additional column of the consolidated statement of financial position at the beginning of the most recent column presented if there is a retroactive application of the accounting policies' amendment, a retrospective restatement or retrospective classification of a financial statements item.

### **4. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES**

#### **Standards adopted in current period**

The adopted accounting policies are consistent with those applied in the prior financial year, except the following amended IFRS, which were adopted by the Company as of 1 January 2017:

- **IAS 7: Disclosure Initiative (Amendments)**

The Amendments are effective for annual periods beginning on or after 1 January 2017 with earlier application permitted. The objective of the Amendments is to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. The Amendments specify that one way to fulfil the disclosure requirement is by providing a tabular reconciliation between the opening and closing balances in the statement of financial position for liabilities arising from financing activities, including changes from financing cash flows, changes arising from obtaining or losing control of subsidiaries or other businesses, the effect of changes in foreign exchange rates, changes in fair values and other changes. These amendments have not yet been endorsed by the EU. Management has assessed that these Amendments will not have a significant impact on the financial statements.

- **IAS 12: Recognition of Deferred Tax Assets for Unrealized Losses (Amendments)**

The Amendments become effective for annual periods beginning on or after 1 January 2017 with earlier application permitted. The objective of the Amendments is to clarify the requirements of deferred tax assets for unrealized losses in order to address diversity in practice in the application of IAS 12 Income Taxes. The specific issues where diversity in practice existed relate to the existence of a deductible temporary difference upon a decrease in fair value, to recovering an asset for more than its carrying amount, to probable future taxable profit and to combined versus separate assessment. These amendments have not yet been endorsed by the EU. Management has assessed that these Amendments will not have a significant impact on the financial statements.

- **IFRS 12: Disclosure of Interests in Other Entities (Amendments)**

The Amendments clarify the fact that the disclosure requirements of IFRS 12, except for those from summary financial information for subsidiaries, joint ventures and associated entities, apply to the interest of an entity in a subsidiary, joint venture and associated entity classified as held for sale, held for distribution or discontinued activity in accordance with IFRS 5.

The Amendments become effective after 1 January 2017 and must be applied retrospectively. Management has assessed that these Amendments will not have a significant impact on the financial statements.

### **4. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)**

**Standards issued but not yet effective and not early adopted**

- **IFRS 9 Financial Instruments: Classification and Measurement**

The standard is effective for annual periods beginning on or after 1 January 2018, with early application permitted. The final version of IFRS 9 Financial Instruments reflects all phases of the financial instruments project and replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. These amendments have not yet been endorsed by the EU. Management has assessed the standard's impact and considers it will not have a limited impact on the financial statements.

- **IFRS 15 Revenue from Contracts with Customers**

The standard is effective for annual periods beginning on or after 1 January 2018. IFRS 15 establishes a five-step model that will apply to revenue earned from a contract with a customer (with limited exceptions), regardless of the type of revenue transaction or the industry. The standard's requirements will also apply to the recognition and measurement of gains and losses on the sale of some non-financial assets that are not an output of the entity's ordinary activities (e.g., sales of property, plant and equipment or intangibles). Extensive disclosures will be required, including disaggregation of total revenue; information about performance obligations; changes in contract asset and liability account balances between periods and key judgments and estimates. Management is still assessing the potential impact of adopting this standard.

- **IFRS 15: Revenue from Contracts with Customers (Clarifications)**

The Clarifications apply for annual periods beginning on or after 1 January 2018 with earlier application permitted. The objective of the Clarifications is to clarify the IASB's intentions when developing the requirements in IFRS 15 *Revenue from Contracts with Customers*, particularly the accounting of identifying performance obligations amending the wording of the "separately identifiable" principle, of principal versus agent considerations including the assessment of whether an entity is a principal or an agent as well as applications of control principle and of licensing providing additional guidance for accounting of intellectual property and royalties. The Clarifications also provide additional practical expedients for entities that either apply IFRS 15 fully retrospectively or that elect to apply the modified retrospective approach. These clarifications have not yet been endorsed by the EU. Management has not assessed yet the impact of adopting these Clarifications.

- **IFRS 2: Classification and Measurement of Share based Payment Transaction (Amendments)**

The Amendments are effective for annual periods beginning on or after 1 January 2018 with earlier application permitted. 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 have not yet been endorsed by the EU. Management has assessed that these Amendments will not have a significant impact on the financial statements.

- **IFRS 4: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (Amendments)**

The Amendments became effective for annual periods beginning on or after 1 January 2018 and they should not be applied retrospectively. The Amendments addresses concerns arising from implementing IFRS 9 before implementing the standard which is currently developed by IASB to replace IFRS 4. The Amendments introduce two options. One option is the temporary exemption from applying IFRS 9, postponing its application for certain insurers. The other option is an overlay approach of presentation to alleviate the volatility which may appear when IFRS 9 is applied before the future standard for insurance contracts. These Amendments have not yet been endorsed by the EU. Management has assessed that these Amendments will not have a significant impact on the financial statements.

**4. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)**

- **IAS 40 Investment Property (Amendments)**

The Amendments are effective for annual periods beginning on or after 1 January 2018.

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 criteria from the definition of investment property and there is evidence of the change in use. A mere change of management's intentions for the use of property does not provide evidence of a change in use. Entities should apply the Amendments prospectively to changes in use that occur on or after the beginning of the annual reporting period in which the entity first applies the Amendments. An entity should reassess the classification of property held at that date and, if applicable, reclassify property to reflect the conditions that exist at that date. Retrospective application in accordance with IAS 8 is only permitted if that is possible without the use of hindsight. Early application of the amendments is permitted and must be disclosed. The Amendments will eliminate the diversity in practice.

- **IFRS 16: Leases**

The standard is effective for annual periods beginning on or after 1 January 2019. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer ('lessee') and the supplier ('lessor'). The new standard requires lessees to recognize most leases on their financial statements. Lessees will have a single accounting model for all leases, with certain exemptions. Lessor accounting is substantially unchanged. The standard has not been yet endorsed by the EU. Management has not yet estimated the impact of this new standard on the financial statements.

- **IFRIC 22 Interpretation: Foreign Currency Transactions and Advance Consideration**

The Interpretation is effective for annual periods beginning on or after 1 January 2018 with earlier application permitted. The Interpretation clarifies the accounting for transactions that include the receipt or payment of advance consideration in a foreign currency. The Interpretation addresses transactions in foreign currency for which the entity recognizes a prepayment asset or a deferred income liability in respect of that consideration, in advance of the recognition of the related asset, expense or income. The Interpretation provides that the date of the transaction, for the purpose of determining the exchange rate, is the date of initial recognition of the non-monetary prepayment asset or deferred income liability. If there are multiple payments or receipts in advance, a date of transaction is established by the entity for each payment or receipt. This Interpretation has not yet been endorsed by the EU. Management has assessed that this adoption will not have a significant impact on the financial statements.

- **IFRIC 23 Interpretation: Uncertainty over Income Tax Treatment**

The Interpretation is effective for annual periods beginning on or after 1 January 2019 and clarifies application of the recognition and measurement requirements in IAS 12 Income Taxes when there is uncertainty over income tax treatments.

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12. The Interpretation does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments.

The Interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of tax treatments by taxation authorities
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances

Management has not assessed yet the impact of this new standard on the financial statements.

#### **4. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)**

- **IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments).**

The enforcement date was not yet decided by IASB, however early application is permitted.

The amendments clarify that a full gain or loss is recognised when a transfer to an associate or joint venture involves a business, so that:

- The gain or loss is fully recognized when a transaction between an investor and its associate or joint venture involves the transfer of an assets or assets which constitute a business (no matter if it is hosted in a subsidiary or not), while
- The gain or loss is partially recognized when a transaction between an investor and its associated entity or joint venture involves assets which do not constitute a business, even if these assets are hosted in a subsidiary.

Management has assessed that the first adoption will not have a significant impact on the financial statements.

- **IASB has issued the Annual improvements to IFRSs – 2014 - 2016 Cycle**, which is a collection of amendments to IFRS. The amendments are effective for annual periods beginning on or after 1 January 2017 in case of *IFRS 12 Disclosure of Interests in Other Entities* and for periods beginning on or after 1 January 2018 in case of *IFRS 1 First-time Adoption of International Financial Reporting Standards*. These Annual improvements have not yet been endorsed by the EU. Management has assessed that this adoption will not have a significant impact on the financial statements.

## **5. SUMMARY OF ACCOUNTING POLICIES**

The significant accounting policies adopted for the preparation of the consolidated financial statements are detailed below:

### **a) Estimates and assumptions**

The preparation of the IFRS financial statements requires management to make estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and related information, and the disclosure of contingent liabilities, at the end of the reporting period. Real results may be different from these estimates. These estimates are reviewed periodically and, where adjustments are required, they are reported in income statement in the periods when they occur.

Uncertainty about these assumptions and estimates could result in material adjustments in the future to the amounts disclosed on the financial statements.

The Group makes estimates concerning the capacity to cash in the invoices having overdue maturities and set provisions for that portion of the receivables for which the receipt becomes uncertain. Specific provisions are set for the clients against which legal procedures were opened, regardless of their age. For invoices older than one year, the company sets provisions covering 100% of their value. For determining this percentage, the Company is analyzing the history of receipts and the current economic conditions. If recent information shows that it is necessary to adjust the provision, the Group will register an adjustment of it in the period when the conditions leading to the discounting of the provision were identified. Since the Group cannot foresee the changes in the clients' future financial stability, it is possible that, in the future, the setting of additional provisions will be necessary.

## **5. SUMMARY OF ACCOUNTING POLICIES (continued)**

### ***b) Shares in associates***

An associate is an enterprise over which the Group is in a position to exercise significant influence, through participation in the financial and operating policy decisions of the investee, however, without holding exclusive control over such decisions. The Group is presumed to have significant influence over another entity if it holds 20 percent of the voting power of that entity. The results, assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting. Under the equity method, the investment in the associate is carried in the statement of financial position at cost plus post acquisition changes in the Group's share of net assets of the associate. Goodwill relating to an associate is included in the carrying amount of the investment and it is not tested for impairment at individual level. After application of the equity method, the Group determines whether it is necessary to recognize any additional impairment loss with respect to Group's net investment in the associate.

The income statement reflects the share of the results of operations of the associate. Where there has been a change recognized in other comprehensive income of the associate, the Group recognizes its share of the changes and discloses it in other comprehensive income. The Group recognizes the dividend from an associate when the right to receive a dividend is established, and presents separately (Note 9) its share of the results of operations of the associate corresponding to dividends received.

### ***c) Tangible assets***

The initial cost of tangible assets comprises its purchase price, including import duties and non-refundable purchase taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditures incurred after the fixed assets have been put into operation, such as repairs and maintenance costs, are normally charged to the statement of comprehensive income in the period when they are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of the asset beyond its originally assessed standard of performance, the expenditures are capitalized as an additional cost.

Depreciation is charged on a straight-line basis, using the economic useful lives estimated by the management and considered to be representative from the perspective of the use by the Group of the future economic benefits generated by the assets. The subsequent improvement costs are capitalized and amortized over the remaining useful life of the asset. No depreciation is computed for land.

The estimated useful lives are as follows:

<b>Category</b>	<b>Useful live (years)</b>
Buildings and special constructions	20 – 60
Tools and machinery	5 – 15
Motor vehicles	4 – 6
Furniture	3 – 15

The estimated useful lives and depreciation method are reviewed periodically to ensure that they are consistent with the expected pattern of economic benefits from tangible assets.

The Group management assesses on an annual basis whether there is an indication that the net value of assets may be impaired. If any indication exists, the Group estimates the asset's recoverable amount and, where appropriate, it records impairment expenses for the difference between the recoverable amount and the net book value.

Tangible assets are eliminated from the balance sheet when the asset is disposed or when no benefits are expected from its use. Gains or losses on the retirement/sale of non-current assets are recognized in the statement of comprehensive income.

## **5. SUMMARY OF ACCOUNTING POLICIES (continued)**

### **d) Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the asset. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

### **e) Business combinations and goodwill**

Businesses combinations are accounted for using the acquisition method. The assets and liabilities of the acquired subsidiaries are included at their fair value on the acquisition date. For each business combination, the Group elects whether it measures the minority interest in the acquiree.

Goodwill is initially measured at cost being the excess of the cost of the business combination over the Group's share in the net fair value of the acquiree's identifiable assets, liabilities and potential identifiable liabilities acquired.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill resulting from a business combination is, from the acquisition date, allocated to each of the Group's cash generating unit that is expected to benefit from the combination synergies, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill is part of a cash-generating unit and an operation within that unit is part of a disposal transaction, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

Where the fair value of the assets, liabilities and potential identifiable liabilities acquired is less than cost of the combination, the resulting negative goodwill is immediately charged to the statement of comprehensive income.

### **f) Intangible assets**

Intangible assets are measured at cost and are amortized on a straight-line basis over 3 to 5 years.

### **g) Impairment of non-financial assets**

According to IAS 36 *Impairment of Assets*, the value of the tangible and intangible assets and financial assets is assessed annually for identifying the circumstances indicating their impairment. Whenever the net value of an asset exceeds its recoverable amount, an impairment loss is recognized in the statement of comprehensive income for tangible and intangible assets.

The recoverable amount of an asset is the higher of the fair value less the costs generated by the asset's sale and the value in use.

The fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date and the value in use is the present value of the future cash flows expected to be derived from an asset or cash-generating unit.

The recoverable amounts are estimated for individual assets, and when this is not possible, for cash flow generating units. The reversal of impairment losses recognized in prior years may only occur when there is an indication that the impairment loss previously recorded for that asset may no longer exist or may have decreased, the reversal is charged as income.

## **5. SUMMARY OF ACCOUNTING POLICIES (continued)**

***h) Financial assets***

In accordance with IAS 39 Financial Instruments: Recognition and Measurement, the Group's financial assets classified as: held to maturity and loans and receivables generated by the Group. The investments with fixed or determinable payments and fixed maturity, other than loans or receivables generated by the Company, are classified as held to maturity.

These financial assets are recognized initially at fair value plus the transaction costs directly attributable.

Receivables and loans are the most relevant for the Group. Receivables and loans are non-derivative financial instruments with fixed determinable payments that are not quoted on an active market. After initial recognition, these financial assets are recognized at depreciated cost using the effective interest rate method. The amortized cost is computed by taking into account any discount, premium or purchase costs that form the effective interest rate. The amortization based on the effective interest rate is included in profit and loss under financial result. The losses resulted from amortization are recognized in profit and loss under financial result, in case of loans, and under operating expenses, in case of receivables.

Financial assets, other than FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered impaired when there is objective proof that, following one or several events that took place after the initial recognition of the financial asset, the estimated future cash flows of the investment were affected.

Objective proof of impairment could include:

- Significant financial difficulties of the issuer or partner; or
- Breaching the contract, such as the failure to comply with the financial obligations or deviations from the payments of interest or principal; or
- It becomes likely that the debtor will become insolvent or subject to financial reorganization; or
- The disappearance of an active market for the financial asset because of the financial difficulties.

For certain categories of financial assets, such as trade receivables, assets that are assessed as individually impaired are, in addition, assessed for impairment collectively. The objective proof of an asset's impairment could include the Company's past experience in collecting payments, an increase in the portfolio's number of late payments above the average credit period, as well as the noticeable changes in the national or local economic conditions that are correlated with the failure to comply with the financial obligations related to receivables.

The carrying amount of the financial asset is decreased by impairment losses directly for all financial assets, except for trade receivables, where the book value is decreased by using an allowance for impairment account. Subsequent recoveries of values canceled previously are credited to the allowance for impairment account. Changes in the carrying amount of the allowance for impairment account are recognized in profit and loss.

The financial assets are derecognized when the rights to receive cash flows from the asset have expired or the Company has transferred its rights to receive cash flows from the asset (either directly or under a "pass-through" arrangement). The Company has no financial assets at fair value through profit and loss or financial assets available for sale.

## **5. SUMMARY OF ACCOUNTING POLICIES (continued)**

### ***i) Financial liabilities***

In accordance with IAS 39 Financial Instruments: Recognition and Measurement, the Group's financial assets classified as: loans, trade and other payables.

These financial liabilities are recognized initially at fair value net of the transaction costs directly attributable and are subsequently measured at amortized cost or based on the effective interest rate method.

Gains and losses are charged to the statement of comprehensive income when the liabilities are derecognized, as well as through the amortization process.

The financial liabilities are derecognized when the obligation is met or cancelled or expires.

The financial assets and liabilities are offset only when the Group has an enforceable legal right to offset and the intention to settle on a net basis, or to realize the assets and settle the liability simultaneously.

### ***j) Operating lease***

Rental payments are recognized as an expense in the statement of comprehensive income on a straight-line basis over the lease term.

### ***k) Foreign currency transactions***

The functional and presentation currency: the financial statements of the Group are prepared in the functional currency of the Parent - Romanian Leu ("RON"). The functional and presentation currency for the financial statements is the Romanian Leu ("RON").

Transactions arising in foreign currencies are translated into RON at the exchange rate prevailing at the date of the transaction. Monetary assets and liabilities in foreign currencies are re-measured in RON at the exchange rate prevailing at the balance sheet date.

Foreign exchange gains or losses, either realized or unrealized, are charged to the statement of comprehensive income. The RON/USD and RON/EUR as at 31 December 2017 and 2016 are detailed below:

<b>Currency</b>	<b>31 December 2017</b>	<b>31 December 2016</b>
RON/EUR	4.6597	4.5411
RON/USD	3.8915	4.3033

### ***l) Inventories***

Inventories are valued at the lower of cost and net realizable value, using the weighted average cost method.

The net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale. Where necessary, impairment is recorded for excess, obsolete or defective inventory.

## **5. SUMMARY OF ACCOUNTING POLICIES (continued)**

### ***m) Receivables***

Receivables are initially carried at the fair value of the consideration receivable and subsequently measured at amortized cost, after allowance for impairment estimated based on factors relevant for their collectability. Evidence of impairment include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in payments, the probability that they will enter in bankruptcy or other financial reorganization. Actual losses may differ from current estimates.

### ***n) Cash and cash equivalents***

Cash includes petty cash and bank accounts. Cash equivalents are highly liquid short-term investments that can be quickly transformed into a known amount, with original maturity of at most three months and have an insignificant risk of change in value.

### ***o) Payables***

Liabilities are initially carried at the fair value of the consideration payable and subsequently measured at amortized cost, and include amounts payable, whether or not invoiced, for goods, works and services.

### ***p) Loans***

The Group classified the loans in short and long-term loans, according to the maturity provided by the loan agreement.

The loans are initially carried at the amount of the drawings, net of transaction costs. Subsequently, they are reflected at amortized cost using the effective interest rate, the difference between the amount of the drawings and the amount reimbursable being carried in the net profit for the period, over the loan period. The transaction cost includes commissions and fees paid to agents, brokers or dealers.

### ***q) Government grants***

Government grants are recognized where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognized as income over the period necessary to match the grant on a systematic basis to the costs that it is intended to compensate. When the grant relates to an asset, it is recognized as deferred income and released to income in equal amounts over the expected useful life of the related asset.

When loans or similar assistance are provided by governments or related institutions with an interest rate below the current applicable market rate, the effect of this favorable interest is regarded as additional government grants.

## **5. SUMMARY OF ACCOUNTING POLICIES (continued)**

### ***r) Employee benefits***

#### ***Short-term benefits:***

Short-term employee benefits include salaries and social security contributions. They are recognized as expenses as services are rendered.

#### ***Post-employment benefits – pension plan:***

Both the Group and its employees have the obligation to pay monthly contributions (including social security contributions) to the National Pension Fund administered by the Social Insurance of the Romanian State and to private pension funds (starting 2008). Therefore, the Group has no legal obligation to pay future amounts, other than these contributions related to pensions. If the Group no longer employs new personnel who are members of the Social Insurance of the Romanian State, it will have no obligation to pay the benefits obtained by its employees in prior years. The Group's contributions to the pension plan are charged to the statement of comprehensive income in the year to which they relate.

### ***s) Profit tax***

The tax on the profit or loss for the year comprises the current tax and the deferred tax. Current tax assets and liabilities for the current and prior periods are carried at the amount expected to be recovered from or paid to the taxation authorities.

The current income tax is computed according to the fiscal legislation in force in Romania and is based on the results reported on the statement of comprehensive income of the Group, prepared in accordance with the local accounting standards, following any adjustments for fiscal purposes. The current income tax is applied on the accounting profit adjusted according to the fiscal legislation in a rate 16% (2016: 16%). The fiscal losses may be carried forward for seven years.

The deferred income tax reflects the tax effect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the fiscal amounts used for current income tax purposes. The deferred income tax recoverable or payable is determined using the tax rate expected to be applicable in the year when the temporary differences will be recovered or settled. The assessment of the deferred tax payable or recoverable reflects the tax consequences that would result from the manner in which the Group expects to realize or settle the carrying amount of its assets and liabilities as at the balance sheet date.

The deferred tax liabilities are recognized regardless of the time when is probable to realize the temporary differences. Deferred tax assets and liabilities are not discounted. Deferred tax assets are recognized when it is probable that future taxable profit will be available against which the deferred tax can be utilized. Deferred tax liabilities are recognized for all taxable temporary differences.

### ***t) Value Added Tax (VAT)***

The revenues, expenses, assets and liabilities are recognized net of the amount of VAT, except:

- When the VAT incurred on a purchase of assets or services is not recoverable from the taxation authority, it is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable.
- Receivables and liabilities are stated with the amount including VAT.

The net VAT amount recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

## **5. SUMMARY OF ACCOUNTING POLICIES (continued)**

### ***u) Revenue recognition***

The revenue is recognized when it is probable that economic benefits related to the transaction will flow to the Group and the revenue can be reliably measured.

The sales, which exclude taxes and discounts, are recognized on delivery of the goods or the rendering of the services and when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on their delivery.

Interest income is recognized when the interest becomes due

The revenues from dividends are recognized when the Group's right to receive the payment is established.

### ***v) Fair value of financial instruments***

The Group is valuing the financial instruments at the fair value as the balance sheet date. Presentations related to the fair value of financial instruments are presented in Note 16. Fair value is the price the company would receive for the sale of an asset or for transferring a liability within a transaction between two market participants at the date of measuring. The fair value is determined based on the assumption that the transaction to sell the asset or transfer the liability takes place:

- On the main market of assets and liabilities, or
- In the absence of a main market, on the most advantageous market for that asset or liability

The fair value of an asset or of a liability is determined based on the assumptions the market participants would use, assuming that the market participants were acting to their best economic interests.

All assets and liabilities for which the fair value is determined or presented in the financial statements are included in the fair value hierarchy, presented below, based on the lowest input that is significant for determining the fair value:

- Level 1 — Unadjusted market prices for similar assets or liabilities
- Level 2 — Valuation techniques for which the lowest input value, significant for the fair value, is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest material input value is not observable

For assets and liabilities recognized in the financial statements at fair value based on a recurrent basis, the Group determines whether there were transfers between hierarchy categories by assessing the categorization at the end of each reporting period. In order to present the fair value, the Group has determined classes of assets and liabilities based on the nature, characteristics and risks of the assets and liabilities, as well as on the fair value hierarchy, as presented above.

### ***w) Provisions***

The provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, and if it is probable (is more likely than not) that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The provisions are reviewed at the end of each financial year as adjusted to reflect the current best estimate. When the effect of the time value of money is material, the amount of the provisions is the discounted amount of the expenses necessary to settle the obligation.

## **5. SUMMARY OF ACCOUNTING POLICIES (continued)**

**x) Contingencies**

Contingent liabilities are not recognized in the financial statements. They are disclosed in the notes, unless the possibility of an outflow of resources embodying economic benefits is remote.

A contingent asset is not recognized in the financial statements but disclosed in the notes when an inflow of economic benefits is probable.

**y) Subsequent events**

The events after the balance sheet date are those events, favorable or unfavorable, that occur between the balance sheet date and the date when the financial statements are authorized for issue.

The events after the balance sheet date that provide additional information on the Company position at the balance sheet date are adjusting events after the balance sheet date.

The events after the balance sheet date that are indicative of the conditions that arose after the balance sheet date are non-adjusting events after the balance sheet date.

**z) Affiliates**

A party is considered an affiliate when, through ownership, by contract, family relations or otherwise, has the ability to control, directly or indirectly, or to have a significant influence over the other party.

Affiliates also include individuals such as the main owners, the management, and members of the Company's Board of Directors and members of their families.

## 6. SEGMENT REPORTING

Alumil Rom Industry offers a wide range of Aluminum profiles and accessories and tools used for Aluminum profiles processing. The Group has a single operating segment according to IFRS 8.

The sale detailing by value for the main categories of products is as follows:

<b>Product category</b>	<b>2017</b>	<b>2016</b>
Profiles	43,921,064	38,434,030
Accessories	16,309,576	13,870,356
Composite Aluminum panels	1,063,510	1,650,520
Aluminum Bars	5,654,652	1,117,178
Systems for automation applications	474,308	617,185
Painting services, waste and other	1,799,467	1,980,397
<b>TOTAL</b>	<b>69,222,577</b>	<b>57,669,666</b>

The value structure of the sales on the domestic and foreign market, respectively, is shown below:

<b>Market</b>	<b>2017</b>	<b>2016</b>
Domestic	60,819,546	54,546,454
Foreign	8,403,031	3,123,212
<b>TOTAL</b>	<b>69,222,577</b>	<b>57,669,666</b>

## 7. TANGIBLE ASSETS - NET

As at 31 December 2017 and 2016, the tangible assets – net, are as follows:

	<b>31 December 2017</b>	<b>31 December 2016</b>
Land and buildings	16,355,058	27,782,486
Equipment and motor vehicles	7,266,395	8,253,129
Furniture	430,525	458,421
Advances and tangible assets in progress	76,117	201,749
<b>Total tangible assets</b>	<b>24,128,095</b>	<b>36,695,785</b>

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**7. TANGIBLE ASSETS - NET (continued)**

The evolution of the tangible assets during the period 31 December 2015 to 31 December 2016 is shown below:

	<b>Land and Buildings</b>	<b>Tools and Motor Vehicles</b>	<b>Furniture</b>	<b>Advances and Tangible Assets in Progress</b>	<b>Total</b>
<b>Cost</b>					
<b>01.01.2016</b>	<b>34,310,219</b>	<b>23,424,642</b>	<b>1,822,076</b>	<b>15,687</b>	<b>59,572,624</b>
Additions 2016	329,227	187,600	143,812	188,199	848,838
Disposals 2016	-	(122,404)	-	-	(122,404)
Transfers 2016	2,137	-	-	(2,137)	-
<b>31.12.2016</b>	<b>34,641,583</b>	<b>23,489,838</b>	<b>1,965,888</b>	<b>201,749</b>	<b>60,299,058</b>
Additions 2017	-	178,133	55,547	100,586	334,266
Disposals 2017	(15,754,422)	(2,294,125)	(57,366)	-	(18,105,913)
Transfers 2017	-	187,769	31,944	(226,218)	(6,505)
<b>31.12.2017</b>	<b>18,887,161</b>	<b>21,561,615</b>	<b>1,966,013</b>	<b>76,117</b>	<b>42,520,906</b>
<b>Accumulated depreciation</b>					
<b>01.01.2016</b>	<b>5,705,335</b>	<b>14,100,368</b>	<b>1,404,518</b>	<b>-</b>	<b>21,210,221</b>
Expense for 2016	1,153,762	1,258,745	102,949	-	2,515,456
Accumulated depreciation related to disposals 2016	-	(122,404)	-	-	(122,404)
<b>31.12.2016</b>	<b>6,859,097</b>	<b>15,236,709</b>	<b>1,507,467</b>	<b>-</b>	<b>23,603,273</b>
Expense for 2017	1,041,932	1,199,616	114,028	-	2,355,576
Accumulated depreciation related to disposals 2017	(5,368,926)	(2,141,105)	(56,007)	-	(7,566,038)
<b>31.12.2017</b>	<b>2,532,103</b>	<b>14,295,220</b>	<b>1,565,488</b>	<b>-</b>	<b>18,392,811</b>
<b>Remaining value</b>					
<b>31.12.2016</b>	<b>27,782,486</b>	<b>8,253,129</b>	<b>458,421</b>	<b>201,749</b>	<b>36,695,785</b>
<b>31.12.2017</b>	<b>16,355,058</b>	<b>7,266,395</b>	<b>430,525</b>	<b>76,117</b>	<b>24,128,095</b>

As at 31 December 2017, the Group records no fixed assets based on financial lease contracts.

As at 31 December 2017 and 2016, the Group management verified whether indication that assets may be impaired exists and concluded no such indication, from external or internal sources, existed.

*Borrowing costs capitalized*

The Company Alumil Rom Industry SA (Parent Company) signed in May 2011 the funding agreement with the Managing Authority within the Ministry of Economy, Trade and Business Environment, as part of the "Sectorial Operational Program Increasing Economic Competitiveness". The project was implemented over 26 months and consisted in the building of the industrial hall and of the office area, and the purchase of state-of-the-art tools and equipment. The main equipment purchased under the project are: thermal break profile production line, wood-effect electrostatic painting, wood-effect horizontal electrostatic painting, treatment plant, lifting system for pallets, travelling cranes, automatic system for storage on shelves, etc.

The project was finalized in 2013, and the value of the investment, VAT excluded, as at 31 December 2013 was RON 20,085,466, out of which, non-reimbursable funding RON 5,963,721. The building was funded in part under a financing contract "Investment facility" signed in 2012 with Millennium Bank. Consequently, in 2016 and 2017, no interest was capitalized. The non-amortized value of the investment as at 31 December 2017 is RON 16.173.033 (31 December 2016: RON 17,112,984).

Details on the pledged fixed assets are presented in Note 17. The net value of the non-current assets set as guarantees as of 31 December 2017 is of RON 14,976,000 (31 December 2016: 16,770,963).

The gross value of the fixed assets fully depreciated as of 31 December 2017 is of RON 16,399,810 (31 December 2016: RON 16,188,361).

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**8. INTANGIBLE ASSETS - NET**

As at 31 December 2017 and 2016, the intangible assets include:

	31 December 2017	31 December 2016
Software	105,860	204,550
Advances and intangible assets in progress	19,429	-
<b>Total intangibles</b>	<b>125,289</b>	<b>204,550</b>

The evolution of the intangible assets during the period is as follows:

	Software	Other intangible assets	Advances and Intangible Assets in Progress	Total
<b>Cost</b>				
<b>01.01.2016</b>	<b>5,678,971</b>	<b>3,016</b>	<b>-</b>	<b>5,681,987</b>
Additions 2016	-	-	-	-
Disposals 2016	-	-	-	-
Transfers 2016	3,016	(3,016)	-	-
<b>31.12.2016</b>	<b>5,681,987</b>	<b>-</b>	<b>-</b>	<b>5,681,987</b>
Additions 2017	5,679	-	19,429	25,108
Disposals 2017	-	-	-	-
Transfers 2017	-	-	-	-
<b>31.12.2017</b>	<b>5,687,666</b>	<b>-</b>	<b>19,429</b>	<b>5,707,095</b>
<b>Accumulated amortization</b>				
<b>01.01.2016</b>	<b>5,372,539</b>	<b>-</b>	<b>-</b>	<b>5,372,539</b>
Expense for 2016	104,898	-	-	104,898
Disposals 2016	-	-	-	-
<b>31.12.2016</b>	<b>5,477,437</b>	<b>-</b>	<b>-</b>	<b>5,477,437</b>
Expense for 2017	104,369	-	-	104,369
Disposals 2017	-	-	-	-
<b>31.12.2017</b>	<b>5,581,808</b>	<b>-</b>	<b>-</b>	<b>5,581,808</b>
<b>Remaining value</b>				
<b>31.12.2016</b>	<b>204,550</b>	<b>-</b>	<b>-</b>	<b>204,550</b>
<b>31.12.2017</b>	<b>105,860</b>	<b>-</b>	<b>19,429</b>	<b>125,289</b>

As at 31 December 2017 and 31 December 2016, no indication of impairment for intangible assets was identified.

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**9. INVESTMENTS IN ASSOCIATES**

In 2015, the Alumil Rom Industry SA participated in the establishment of ALUMİL EGE ALÜMİNYUM SANAYİ VE TİCARET ANONİM ŞİRKETİ ("ALUMIL EGE"). Alumil EGE is registered and operates in accordance with the Turkish legislation and it has as main activity the procession, painting and trading of Aluminum and PVC structures and materials. In its capacity as an associate, Alumil Rom Industry SA holds 40% of the company share capital. Alumil EGE performed no trading activities during 2015. Starting 2016, after finalization of the set-up procedures, the company has initiated performing trading operations.

Starting 2016, the company shareholding in Alumil EGE is accounted in the consolidated financial statements under the equity method.

	<b>31 December 2017</b>	<b>31 December 2016</b>
Non-current assets	1,028,270	356,558
Current assets	6,729,623	5,436,059
Long-term liabilities	-	-
Short-term liabilities	5,388,499	3,634,827
Equity	2,369,394	2,157,790
<b>Shareholding held</b>	<b>947,757</b>	<b>863,116</b>

  

	<b>31 December 2017</b>	<b>31 December 2016</b>
Revenues	11,770,187	7,592,432
Cost of sales	(9,143,230)	(5,658,497)
Distribution expenses	(1,178,506)	(1,107,793)
Administrative expenses	(831,889)	(710,240)
Financial expenses	50,128	(85,693)
Gross profit	666,690	30,210
Tax on profit	(123,931)	-
<b>Net profit</b>	<b>542,759</b>	<b>30,210</b>
<b>Group share in the net result</b>	<b>217,104</b>	<b>12,084</b>

In 2016, the Company participated in the establishment of ALUMIL MISR FOR ALUMINIUM AND ACCESORIES INDUSTRY JSC, having the head office in Egypt, Cairo, with cash contribution in RON equivalent at subscription date amounting to RON 178,640, the equivalent of 400,000 Egyptian Lira, representing 40% of ALUMIL MISR FOR ALUMINIUM AND ACCESORIES INDUSTRY JSC's shares. In November 2016, the first share capital increase was decided for ALUMIL MISR FOR ALUMINIUM AND ACCESORIES INDUSTRY JSC, up to the value of 16,000,000 Egyptian Lira, representing 16,000 shares having a nominal value of 1,000 Egyptian Lira each, out of which Alumil Rom Industry holds 40%, namely 6,400 shares at the nominal value of 1,000 Egyptian Lira each. In December 2016 a second share capital increase was decided for the company ALUMIL MISR FOR ALUMINIUM AND ACCESORIES INDUSTRY JSC and, therefore the Company's capital reached 30,000,000 Egyptian Lira, representing 30,000 shares having a nominal value of 1,000 Egyptian Lira each, of which Alumil Rom Industry holds 40%, namely 12,000 shares having a nominal value of 1,000 Egyptian Lira each, the RON equivalent of RON 2,947,320.

During the financial years 2017 and 2016, the Company performed no commercial activities, the only transactions relating its establishment, with an immaterial impact on the income statement.

**10. LONG-TERM RECEIVABLES**

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As at 31 December 2017 and 2016, the long-term receivables are as follows:

	<b>31 December 2017</b>	<b>31 December 2016</b>
Guarantees for rent	13,193	-
Other long-term receivables	46,282	54,852
<b>Long-term receivables – total</b>	<b>59,475</b>	<b>54,852</b>

As at 31 December 2016, the long-term receivables mainly comprise guarantees for the locations rented: RON 13,193 (31 December 2016: -) and other guarantees: RON 46,282 (31 December 2016: RON 54,852).

## 11. INVENTORIES

	<b>31 December 2017</b>	<b>31 December 2016</b>
Raw materials and materials at cost	3,667,428	2,672,581
Raw materials and materials at net realizable value	-	-
Finished goods and merchandise at cost	11,394,201	9,620,345
Finished goods and merchandise at net realizable value	9,128	9,387
Impairment adjustments	(1,907,972)	(1,810,179)
<b>Total inventories, net</b>	<b>13,162,785</b>	<b>10,492,134</b>

The Group policy for inventory valuation provides that no provision is set for the inventories to be returned to the suppliers. For non-returnable items, provisions are set (these are valued at the value of Aluminum waste). The amount of the non-usable inventories is adjusted to the level of the recoverable value from aluminum waste. The amount of the inventories recognized as an expense during 2017 is RON 44,947,233 (2016: RON 35,544,658), being included in the consolidated statement of comprehensive income, in the cost of sales (and, as part of these, in the cost of inventory).

The Group set allowances for the impairment of merchandise inventories as follows:

	<b>31 December 2017</b>	<b>31 December 2016</b>
<b>Balance as at 31 December</b>	<b>1,810,179</b>	<b>1,901,839</b>
Provisions set during the year	98,129	35,765
Provisions reversed during the year	(336)	(127,425)
<b>Balance as at 31 December</b>	<b>1,907,972</b>	<b>1,810,179</b>

The amount of the provisions set or reversed is included in the statement of comprehensive income in the "cost of sales".

As of 31 December 2017, the value of inventories mortgaged as part of the short-term loan contracted from Banca Transilvania S.A. (Note 17) for a period of 1 year amounts to RON 13,150,711 (2016: RON 10,473,722).

## 12. RECEIVABLES

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As at 31 December 2017 and 2016, the receivables were as follows:

	<b>31 December 2017</b>	<b>31 December 2016</b>
Outstanding receivables from customers	14,546,055	11,194,898
Receivables outstanding, but for which no provision was set	929,603	1,075,868
Receivables outstanding, and for which provisions were set	9,717,095	8,544,020
Provisions	(9,717,095)	(8,544,020)
<b>Total receivables</b>	<b>15,475,658</b>	<b>12,270,766</b>

As at 31 December 2017 and 2016, the statement of the age of outstanding receivables for which no provision was set is as follows:

	<b>31 December 2017</b>	<b>31 December 2016</b>
Outstanding 1 to 60 days	489,652	481,473
Outstanding 61 to 180 days	122,814	494,325
Outstanding above 180 days	317,137	100,070
<b>Total outstanding receivables</b>	<b>929,603</b>	<b>1,075,868</b>

The Group trading policy allows client crediting for zero to 180 days and provides the setting of allowances based on the receivable age as at balance sheet date and on specific factors related to receivable collectability from certain customers. When determining the recoverability of a receivable, the Company analyzes the client creditworthiness, payment history and current economic conditions. When recent information show the discount of the allowances is needed, the Company will record its change in the period when the conditions triggering the allowance discount are identified. Because the Company cannot foresee the changes in the clients' future financial stability, there is a possibility that additional allowances are needed in the future.

The Group set allowances for the impairment of receivables from customers as follows:

	<b>31 December 2017</b>	<b>31 December 2016</b>
<b>Balance as at 31 December</b>	<b>8,544,020</b>	<b>9,206,231</b>
Provisions set during the year	1,323,721	356,949
Provisions reversed during the year	(150,646)	(1,019,160)
<b>Balance as at 31 December</b>	<b>9,717,095</b>	<b>8,544,020</b>

The allowances reversed in 2017 include amounts reversed following the collection of receivables in an amount of RON 51,856 and amounts reversed following the written-off of receivables in amount of RON 1,118,790. The amount of the allowances set or reversed, and of the receivables disposed, is included on the statement of comprehensive income on line "Sale and distribution expenses".

As at 31 December 2017, the amount of the receivables mortgaged as part of the short-term loan contracted from Banca Transilvania S.A. (Note 17) for one year is RON 13,806,687 (2016: RON 10,509,815).

Details on the balances of receivables from affiliates are presented in Note 29.

## **12. RECEIVABLES (continued)**

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The amount of the provisions set or reversed is included in the consolidated statement of comprehensive income in the "Sale and distribution expenses".

### 13. OTHER RECEIVABLES AND PREPAYMENTS

As at 31 December 2017 and 2016, other receivables and prepayments are as follows:

	<b>31 December 2017</b>	<b>31 December 2016</b>
Taxes and duties paid in excess	260,162	187,633
Sundry debtors and cash advances and other amounts	137,211	123,418
Sundry debtors	18,790,689	722,814
Provisions for sundry debtors and other receivables	(738,272)	(733,972)
Advances paid to suppliers	75,685	63,465
Other receivables	151,412	102,341
Prepayments	12,710	187,190
<b>Total other receivables and prepayments</b>	<b>18,689,597</b>	<b>652,889</b>

On 11 December 2017, based on ESGM decision from 14 December 2016 and on Board of Directors decision from 23 October 2017, it was signed the Sale-Purchase Agreement between the Company, as Seller, and FINROM BDC SRL, having as object the real estate properties owned by the Company situated in (i) București, sector 5, Str. Sebastian no. 88, (PLOT 12), comprising urban land having cadastral no. 228952 (old cadastral no. 2049/12), with a surface of square meters 6,949 as per documents and square meters 6,810 as per measurements, and in (ii) București, sector 5, Calea Rahovei no. 286A (ex. Str. Sebastian no. 88), comprising urban land having cadastral no. 219697 (old cadastral no. 310), with total surface of square meters 15,336 as per documents, square meters 15,486 as per measurements, together with the constructions existing on it.

The agreed selling price is Euro 4,000,000 with the application of VAT simplification measures, out of which the amount of Euro 100,000 was collected, and the difference of Euro 3,900,000, equivalent of RON 18,062,850, outstanding as of 31 December 2017, was fully collected on 26 January 2018.

The Group set provisions for the impairment of receivables related to sundry debtors as follows:

	<b>31 December 2017</b>	<b>31 December 2016</b>
<b>Balance as at 31 December</b>	<b>733,972</b>	<b>723,843</b>
Provisions set during the year	10,569	11,754
Provisions reversed during the year	(6,269)	(1,625)
<b>Balance as at 31 December</b>	<b>738,272</b>	<b>733,972</b>

The amount of the provisions set and reversed is included on the consolidated statement of comprehensive income on line "Sale and distribution expenses".

### 14. CASH AND CASH EQUIVALENTS

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As at 31 December 2017 and 2016, the cash availabilities and cash equivalents consisted in the following:

	<b>31 December 2017</b>	<b>31 December 2016</b>
Bank accounts in RON	2,983,117	4,033,518
Bank accounts in foreign currency	711,349	409,725
Short-term deposits	6,042,271	8,306,185
Short-term cash collateral deposit	-	99,790
Cash equivalents	20,555	-
Petty cash in RON	8,192	28,343
Petty cash in foreign currency	-	-
<b>Total cash and cash equivalents</b>	<b>9,765,484</b>	<b>12,877,561</b>

The details regarding the restrictions on cash availability accounts are presented in Note 17.

The short-term deposits are time deposit for up to 30 days in RON and in foreign currency (RON 355,988 and EUR 1,220,311 as at 31 December 2017; RON 164,221, EUR 1,733,539 and USD 62,694 as at 31 December 2016). The cash collateral deposit, in an amount EUR 21,975, was set-up on the issue of a letter of bank guarantee for the securing of the rental agreement for the area used for the Baneasa Showroom, with the maturity 27 March 2017.

## 15. SHARE CAPITAL

The shareholding structure as at 31 December 2017 and 31 December 2016 is as follows:

<b>Shareholder</b>	<b>% of shareholding</b>	<b>No. of shares</b>	<b>Restated amount</b>	<b>Historical amount</b>
Alumil Mylonas	55.90%	17,470,150	5,778,760	3,493,750
Sotiriou Michail	23.95%	7,485,150	2,475,873	1,496,875
Milonas George	0.02%	5,000	2,068	1,250
Milona Evangelina	0.02%	5,000	2,068	1,250
Korda Despina	0.02%	5,000	2,068	1,250
Other	20.09%	6,279,700	2,076,839	1,255,625
<b>Total share capital</b>	<b>100.00%</b>	<b>31,250,000</b>	<b>10,337,676</b>	<b>6,250,000</b>

The shares of the Parent Company have a nominal value RON 0.2/share. Starting April 2007, the Company shares are traded on the Bucharest Stock Exchange.

## 16. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Group has liabilities and loans denominated in foreign currency. As a result, it may be affected by the changes in exchange rates and interest rates.

The significant risks are described below.

**a) Interest rate risk**

The interest rate risk is the risk that the interest rate will fluctuate in time. The Group has short- and long-term loans bearing floating interest rates, which exposes the Group to cash risks.

The table below shows the sensitivity of the interest rate variation with all the other variables held constant and an impact on the gross profit.

<u>2017</u>	<u>Increase / (Decrease)</u>	<u>Impact on profit before tax</u>	
		<u>RON</u>	<u>EUR</u>
EUR	1%	(9,259)	(1,987)
EUR	(1)%	9,259	1,987
RON	1%	(76,868)	(16,496)
RON	(1)%	76,868	16,496

  

<u>2016</u>	<u>Increase / (Decrease)</u>	<u>Impact on profit before tax</u>	
		<u>RON</u>	<u>EUR</u>
EUR	1%	(41,363)	(9,109)
EUR	(1)%	41,363	9,109
RON	1%	(106,837)	(23,527)
RON	(1)%	106,837	23,527

**b) Foreign exchange risk**

The functional currency of the Group is RON, while the loans and most of the trade liabilities are denominated in foreign currency (EUR). As a result, the Group may be affected by changes in exchange rates. The Group uses no derivative instruments to hedge the currency risk.

The table below shows the sensitivity of the exchange rate (EUR vs RON) variation with all the other variables held constant and an impact on the gross profit:

<u>2017</u>	<u>Increase / (Decrease)</u>	<u>Impact on profit before tax</u>	
		<u>RON</u>	<u>EUR</u>
EUR	5 %	339,067	72,766
EUR	(5) %	(339,067)	(72,766)

  

<u>2016</u>	<u>Increase / (Decrease)</u>	<u>Impact on profit before tax</u>	
		<u>RON</u>	<u>EUR</u>
EUR	5%	214,171	47,163
EUR	(5)%	(214,171)	(47,163)

## 16. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

The tables below detail the balances in foreign currencies and in the functional currency as at 31 December 2017 and an analysis of the sensitivity of the evolution in the exchange rate differences:

Assets	USD	EUR	RON
<b>Monetary non-current assets:</b>			
Customers and other receivables	-	-	947,757
Shares held at affiliates	-	-	-
Long-term receivables	-	-	59,475
<b>Monetary current assets:</b>			
Customers and other receivables	216,153	452,288	32,052,892
Cash and cash equivalents	40,027	1,341,300	3,359,660
<b>Total monetary assets</b>	<b>256,180</b>	<b>1,793,588</b>	<b>36,419,784</b>

Liabilities	EUR	RON
<b>Monetary long-term liabilities:</b>		
Loans	-	4,833,333
Suppliers and other payables	-	5,170,111
<b>Monetary short-term liabilities:</b>		
Loans	148,702	3,086,499
Suppliers and other payables	403,515	7,247,693
<b>Total monetary liabilities</b>	<b>552,217</b>	<b>20,337,636</b>

Ratio	USD	EUR	RON
Net position, in the initial currency	256,180	1,241,371	16,082,148
Exchange rates	3.8915	4.6597	1
Net position, in the functional currency	996,925	5,784,414	16,082,148
Possible reasonable variation in exchange rates (+), %	5%	5%	0%
Effect on the comprehensive income, in the functional currency	49,846	289,221	-
Possible reasonable variation in exchange rates (-), %	-5%	-5%	0%
Effect on the comprehensive income, in the functional currency	(49,846)	(289,221)	-
Effect on the comprehensive income, in the functional currency, for each currency	USD	49,846	(49,846)
	EUR	289,221	(289,221)
	RON	-	-
	<b>Total</b>	<b>339,067</b>	<b>(339,067)</b>

### c) Credit risk

The maximum exposure of the Group to the credit risk is reflected in the amount of the receivables from customers and of other current assets, net of the provisions for impairment recognized at the balance sheet date, as disclosed on the related Notes (12 and 13). In regard to the exposure to the financial institutions through the current accounts and bank deposits (Note 14), the Parent Company closely monitors the financial condition of the banks where it holds bank accounts and, to the date of these financial statements approval, it did not identify any deterioration indicator for the financial condition of these banks.

In recent years, the total number of customers was 2,500-3,000 and they are mainly aluminum and PVC joinery firms. In 2016, the top ten clients accounted for 19.9% of the total sales, increasing in 2017 when the top ten customers accounted for approximately 22.5% of the total sales. Keeping this percentage as low as possible is due to the fact that the company has permanently tried to avoid a significant reliance on a single customer or group of customers.

## 16. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

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**d) Liquidity risk**

The liquidity risk results from the possibility of not collecting the receivables related to the Company under regular commercial terms, from potential issues in the recovery of long-term receivables, and from negative operating cash-flows. In order to control this risk, the Company periodically assesses the financial solvency of its clients.

The Group's policy is to maintain sufficient liquidity to cover the liabilities having reached maturity. The information on the Group liabilities as at 31 December 2017 and 2016 based on undiscounted future payments (including future interest) is shown below.

**As at 31 December 2017**

	<b>Short-term loans</b>	<b>Suppliers and other payables</b>	<b>Balances with affiliates</b>	<b>Long-term loans</b>	<b>Total</b>
Payments in a period below 3 months	2,596	7,792,444	1,342,109	534,030	<b>9,671,179</b>
Payments in a period of 3 to 12 months	235,171	-	-	3,174,143	<b>3,409,314</b>
Payments in a period of 1 to 5 years	-	-	-	5,465,794	<b>5,465,794</b>
<b>Total</b>	<b>237,767</b>	<b>7,792,444</b>	<b>1,342,109</b>	<b>9,173,967</b>	<b>18,546,287</b>

**As at 31 December 2016**

	<b>Short-term loans</b>	<b>Suppliers and other payables</b>	<b>Balances with affiliates</b>	<b>Long-term loans</b>	<b>Total</b>
Payments in a period below 3 months	2,593,787	2,645,930	790,610	916,160	<b>6,946,487</b>
Payments in a period of 3 to 12 months	230,368	-	-	2,748,480	<b>2,978,848</b>
Payments in a period of 1 to 5 years	-	-	-	9,076,135	<b>9,076,135</b>
<b>Total</b>	<b>2,824,155</b>	<b>2,645,930</b>	<b>790,610</b>	<b>12,740,775</b>	<b>19,001,470</b>

**e) Fair value of financial instruments**

The best estimate of the fair value is the market value on an active market. If the market for the financial instruments is not active, the Group determines the fair value by using valuation techniques. The valuation techniques include the use of transactions with knowledgeable affiliates, performed by agreement of the parties at arm's length, if possible, by reference to another similar instrument, the analysis of discounted cash-flows.

As at 31 December 2017 and 2016, the carrying amounts of the financial instruments approximated their fair values as at the same dates.

## 16. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

### f) Equity management

Equity includes ordinary shares, equity attributable to the shareholders.

The main objective of the Group in terms of equity management is to ensure and maintain a favorable credit rating and performing equity ratios.

In terms of the indebtedness ratio, the Group aimed at not exceeding 50%.

	31 December 2017	31 December 2016
Total loans	8,612,741	14,653,342
Less: Cash and cash equivalents	(9,765,484)	(12,877,561)
<b>Net liabilities/(assets)</b>	<b>(1,152,743)</b>	<b>1,775,781</b>
<b>Equity</b>	<b>63,328,577</b>	<b>50,826,469</b>
<b>TOTAL CAPITAL EMPLOYED</b>	<b>62,175,834</b>	<b>52,602,250</b>
<b>Indebtedness ratio</b>	<b>-1.8%</b>	<b>3.4%</b>

## 17. LOANS

### Short-term loans

As at 31 December 2017, the company Alumil Rom Industry SA had the following credit facilities granted by local commercial banks:

Description	Type of loan	Contract date	Maturity	Interest rate	Currency	Principal	Interest 31 December 2017	Balance 31 December 2017
Piraeus Bank	Short-term facilities	29.01.2002	12.07.2018	EURIBOR 3M + 3.50%	EUR	500,000	-	232,985
B. Transilvania	Short-term facilities	14.03.2014	09.03.2018	EURIBOR 3M + 3.20%	EUR	1,946,089	-	408
OTP Bank	Short-term facilities	13.03.2014	09.03.2018	ROBOR 3M + 2.60%	RON	3,000,000	-	-

The current portion of short-term loans:

Description	Type of loan	Contract date	Maturity	Interest rate	Currency	Principal	Interest 31 December 2017	Balance 31 December 2017
OTP Bank		16.01.2012	27.12.2018	EURIBOR 3M + 3.75% / ROBOR 3M + 3.25%	EUR / RON	8,313,158	-	1,546,015
OTP Bank		17.05.2016	14.05.2021	ROBOR 3M + 2.70%	RON	9,000,000	-	2,000,000
<b>Total</b>							-	<b>3,779,408</b>

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**17. LOANS (continued)**

The short-term loan from Piraeus Bank is secured by a corporate guarantee from the parent company.

The Company has set in favor of Banca Transilvania Bank the following securities:

- a security interest in personal property over the Company's inventories of raw materials, of products in progress and of finished products;
- a security interest in personal property over the Company's accounts opened with Banca Transilvania S.A. Bank;
- a mortgage over all of the Company's present and future (trade) receivables;
- a mortgage over all the receivables related to the insurance contracts concluded in order to insure the goods that are the subject matter of the guarantees related to the loan contract to be concluded with Banca Transilvania S.A. Bank;
- a Corporate Guarantee issued by Alumil Industria Aluminiului SA, Greece;

The company has set in favor of OTP the following securities:

- a first rank mortgage on the land located in Filipestii de Padure;
- a mortgage on the equipment located in the factory from Filipestii de Padure and the assignment of the insurance policy in favor of the Bank;
- a mortgage over the company accounts opened with OTP Bank S.A., both current accounts, and deposit accounts;
- a security interest in personal property over the cash receivables paid based on the insurance policies concluded by the borrower in relation to this loan contract.

As at 31 December 2016, the Alumil Rom Industry SA had the following credit facilities granted by local commercial banks:

Description	Type of loan	Contract date	Maturity	Interest rate	Currency	Principal	Interest 31 December 2016	Balance 31 December 2016
Piraeus Bank	Short-term facilities	29.01.2002	12.07.2017	EURIBOR 3M + 5.50%	EUR	500,000	-	227,055
B. Transilvania	Short-term facilities	14.03.2014	09.03.2017	EURIBOR 3M + 3.20%	EUR	1,414,123	-	2,574,911
OTP Bank	Short-term facilities	13.03.2014	09.03.2017	ROBOR 3M + 2.60%	RON	3,000,000	-	-

The current portion of short-term loans:

Description	Type of loan	Contract date	Maturity	Interest rate	Currency	Principal	Interest 31 December 2016	Balance 31 December 2016
OTP Bank		16.01.2012		EURIBOR 3M + 3.75% / ROBOR 3M + 3.25%	EUR / RON	8,313,158	-	1,495,500
OTP Bank		17.05.2016		ROBOR 3M + 2.70%	RON	9,000,000	-	2,000,000
<b>Total</b>							-	<b>6,297,466</b>

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**17. LOANS (continued)**

**Long-term loans**

**As at 31 December 2017**

Description	Type of loan	Contract date	Maturity	Interest rate	Currency	Principal	Interest 31 December 2017	Balance 31 December 2017
OTP Bank	TM facility	17.05.2016	14.05.2021	ROBOR 3m + 3.25%	RON	9,000,000	-	4,833,333
<b>Total</b>								<b>4,833,333</b>

As at 31 December 2017, the balance of the long-term (investment) loan from OTP Bank is the RON equivalent of the amount EUR 0 and RON 0 (2016: EUR 293,835 and RON 1,683,707).

The current portion was disclosed under the section relating to short-term loans amounting to EUR 148,615 and RON 853,513 (2016: EUR 145,800 and RON 833,407).

The balance of the medium-term loan from OTP Bank is RON 6,833,333 (2016: RON 8,833,333), out of which the current portion was disclosed under the section relating to short-term loans amounting to RON 2,000,000 (2016: RON 2,000,000).

The investment facility granted by OTP Bank is secured by:

- A security interest in personal property over the accounts opened with the Bank;
- A first rank security interest in real property over the real estate property consisting in land with a total area 50,003 sq. m. located inside the built-up area of Filipești de Padure and the industrial hall having a total surface of 8,835 sq. m.;
- A security interest in personal property over the cash receivables paid based on the insurance policies concluded in relation to the loan contract;
- A corporate guarantee granted by the parent company.

**As at 31 December 2016**

Description	Type of loan	Contract date	Maturity	Interest rate	Currency	Principal	Interest 31 December 2016	Balance 31 December 2016
OTP Bank	Investment facility	16.01.2012	27.12.2018	EURIBOR 3m + 3.75% / ROBOR 3m + 3.25%	EUR / RON	8,313,158	-	1,522,543
OTP Bank	TM facility	17.05.2016	14.05.2021	ROBOR 3m + 3.25%	RON	9,000,000	-	6,833,333
<b>Total</b>								<b>8,355,876</b>

## 18. INVESTMENT SUBSIDIES

The evolution of the investment subsidies as at 31 December 2017 and 2016 is shown below:

	2017	2016
As at 1 January	5,558,196	5,968,559
Subsidies recognized during the year	-	(30,740)
Depreciation in the profit and loss account during the year	(388,085)	(379,623)
<b>Balance as at 31 December</b>	<b>5,170,111</b>	<b>5,558,196</b>
Short-term portion	384,552	379,623
Long-term portion	4,785,559	5,178,573

The Subsidies recognized during the year line recorded in 2016 the correction of the amounts actually obtained for subsidies as compared to the amounts initially budgeted under the SOP HRD 129742 project.

Under the Financing Contract SOP IEC 154271/18.05.2011, the Company undertook the fulfillment of the indicators below:

Result indicators	Description	Determined reference value	Indicator value under the contract	
			MU	Quantity
Turnover increase compared to the 2013 balance sheet (%)		71,164,470	%	49%
Number of jobs created		N/A	No.	45
Number of jobs maintained (existing on the contract signing date)		166	No.	166
Increase in exports compared to the 2013 balance sheet (%)*		3,523,005	%	100 %

Under the above-mentioned Financing Contract, the Company is subject to a five year monitoring period starting the implementation finalization, i.e., 2018. At the end of the monitoring period, the failure to fulfill the above-mentioned indicators may entail the penalization by way of reimbursement of at most 15% of the financed amount (RON 6,535,005), according to the percent in which the criteria are failed.

## 19. INCOME TAX

The current tax of the Group is determined based on the statutory income, adjusted with the non-deductible expenses and taxable revenues at a rate 16% for 2017 and 2016.

For 2017 and 2016, the income tax consists in:

	2017	2016
Current income tax charge	2,768,306	359,663
Deferred income tax expense /(credit)	(1,093,780)	(107,746)
<b>Total income tax</b>	<b>1,674,526</b>	<b>251,917</b>

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**19. INCOME TAX (continued)**

The numerical reconciliation between the income tax expense and the result of the multiplication between the accounting result and the taxation percentage in effect is shown below:

	<b>2017</b>	<b>2016</b>
<b>Result before tax – profit/(loss)</b>	<b>14,361,314</b>	<b>2,598,693</b>
Income tax 16%	2,297,810	415,791
Effect of non-deductible expenses	(623,284)	(163,874)
	-	-
<b>Total income tax expense / (revenue)</b>	<b>1,674,526</b>	<b>251,917</b>
<b>Actual income tax rate</b>	<b>11.66%</b>	<b>9.69%</b>

The significant components of the deferred income tax payable included on the financial statements as of 31 December 2017 and 2016, in a rate 16%, are as follows:

	<b>2017</b>		<b>2016</b>	
	<b>Cumulated temporary differences</b>	<b>Deferred income tax asset/ (liability)</b>	<b>Cumulated temporary differences</b>	<b>Deferred income tax asset/ (liability)</b>
Non-current assets	450,735	72,117	7,974,909	1,275,985
Provisions for receivables	(6,312,766)	(1,010,042)	(7,000,814)	(1,120,130)
<b>Total</b>	<b>(5,862,031)</b>	<b>(937,925)</b>	<b>974,095</b>	<b>155,855</b>

**20. SUPPLIERS AND OTHER PAYABLES**

The suppliers and other payables as at 31 December 2017 and 2016 are as follows:

	<b>31 December 2017</b>	<b>31 December 2016</b>
Suppliers	2,633,626	1,921,149
Advance payments from clients	420,599	1,048,510
Salaries	282,202	291,579
Taxes and duties on salaries	318,723	258,200
VAT payable	584,578	540,662
Dividends payable	666,526	677,801
Payables to affiliates	1,342,106	965,613
Other	985,199	144,962
<b>Total suppliers and other payables</b>	<b>7,233,559</b>	<b>5,848,476</b>

The details on the balances of the payables to affiliates are presented in Note 29.

## 21. OPERATING INCOME

Operating income for the years ended 31 December 2017 and 2016 are as follows:

	<b>2017</b>	<b>2016</b>
Sale revenues	69,846,361	58,037,146
Commercial discounts granted	(623,784)	(367,480)
Other operating income	13,656,138	894,097
<b>Total operating income</b>	<b>82,878,715</b>	<b>58,563,763</b>

Other operating income consists of:

	<b>2017</b>	<b>2016</b>
Subsidies received	388,085	623,254
Gain from sale of fixed assets	13,162,289	-
Others	105,764	270,886
<b>Total other operating income</b>	<b>13,656,138</b>	<b>894,140</b>

As detailed in Note 17 c), the Company has no client accounting for more than 10% of the sales or outstanding as at 31 December 2017 and 31 December 2016.

Operating income from subsidies received represent the financing transferred to income for the expenses made in 2016 and the financing reversed to income during the life of the equivalent value of the financing received under the financing contracts, as follows:

	<b>2017</b>	<b>2016</b>
Income from reversing investment subsidies		
Motor vehicles scrapping premium	6,500	-
Financing under SOP HRD 125/5.1/S/129742	58,716	56,085
Financing under SOP IEC 154271/18.05.2011	308,718	308,718
Financing under SOP HRD /106/5.1/G/76086	14,151	14,907
Income for financing expenses under SOP HRD 125/5.1/S/129742	-	243,544
<b>Total operating income</b>	<b>388,085</b>	<b>623,254</b>

## 22. COST OF SALES

The cost of sales for the years ended as of 31 December 2017 and 2016 is as follows:

	<b>2017</b>	<b>2016</b>
Cost of inventories	44,947,233	35,544,658
Wages	1,798,317	1,373,739
Salary contributions	443,969	322,508
Amortization	1,171,428	1,265,739
Utilities	404,415	384,225
Others	835,841	548,367
Other expenses included in the cost of sales		
<b>Total cost of sales</b>	<b>49,601,203</b>	<b>39,439,236</b>

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In 2017, Other expenses included in the cost of sales comprise the management, insurance, security expenses, expenses with taxes and the expenses with the consumables related to the production activity of Filipești de Pădure.

**23. SALE AND DISTRIBUTION EXPENSES**

For 2017 and 2016, the sale and distribution expenses consisted in:

	<b>2017</b>	<b>2016</b>
Wages	4,910,558	4,615,852
Salary contributions	1,183,098	1,084,804
Amortization	1,128,271	1,202,137
Rental fees	949,636	907,585
Advertising costs	736,679	73,019
Insurances	62,022	177,103
Other taxes and charges	483,916	511,819
Transport costs	702,878	588,799
Utilities	212,119	249,724
Other sale and distribution expenses	3,803,873	2,478,581
<b>Total sale and distribution expenses</b>	<b>14,173,050</b>	<b>11,889,423</b>

In 2017, Sale and distribution expenses included the management, security expenses, expenses with consumables, and the provisions for clients and sundry debtors set in 2017 amounting to RON 1,323,721 (2016: RON 1,376,949). Details regarding the provisions for clients and sundry debtors are disclosed in Note 13.

**24. ADMINISTRATIVE EXPENSES**

For 2017 and 2016, administrative expenses consisted in:

	<b>2017</b>	<b>2016</b>
Amortization	160,246	152,478
Wages	1,772,883	1,553,651
Salary contributions	411,493	362,277
Other third party suppliers	534,042	835,520
Rental fees	151,100	24,074
Insurances	9,746	11,476
Taxes and charges	20,268	311,759
Utilities	55,020	61,417
Other administrative expenses	1,383,796	1,053,362
<b>Total administrative expenses</b>	<b>4,498,594</b>	<b>4,366,014</b>

In 2017, Other administrative expenses include management, audit and security expenses.

## 25. SALARY EXPENSES

For 2017 and 2016, the salary expenses have consisted in:

	<b>2017</b>	<b>2016</b>
Gross salaries related to the year	8,566,478	7,576,493
Social security expenses	1,412,411	1,259,115
Health insurance expenses	441,054	392,218
Unemployment fund contribution expenses	39,329	32,597
Other contributions	61,046	52,409
<b>Total salary expenses</b>	<b>10,520,318</b>	<b>9,312,832</b>

## 26. EMPLOYEES, ADMINISTRATORS AND DIRECTORS

As of 31 December 2017 and 31 December 2016, employees' structure is as follows:

	<b>2017</b>	<b>2016</b>
Production	67	54
Sales & marketing	105	109
Administrative personnel	22	20
<b>Total employees</b>	<b>194</b>	<b>183</b>

Details on the members of the Board of Directors and the executive directors are presented in Note 29.

The Group has no payables to administrators or directors in the analyzed period. There were no advance payments or loans granted to administrators or directors.

## 27. EARNINGS PER SHARE

The computation of earnings per share for the years ended 31 December 2016 and 2015 can be summarized as follows:

<b>Number of shares as of 31 December 2016</b>	<b>31,250,000</b>
Shares issued during 2017	-
<b>Number of shares as of 31 December 2017</b>	<b>31,250,000</b>
Weighted average number of shares for the year ended 31 December 2017	31,250,000
Net profit of 2016	12,686,788
<b>Earnings per share (in RON per share):</b>	<b>0.4060</b>
<b>Number of shares as of 31 December 2015</b>	<b>31,250,000</b>
Shares issued during 2016	-
<b>Number of shares as of 31 December 2016</b>	<b>31,250,000</b>
Weighted average number of shares for the year ended 31 December 2016	31,250,000
Net profit of 2016	2,346,776
<b>Earnings per share (in RON per share) (restated):</b>	<b>0.0751</b>

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**28. DECLARED DIVIDENDS**

	<b>2017</b>	<b>2016</b>
Dividends declared during the year	-	3,750,000

During the SGM from 21 April 2016, the distribution of dividends from the profit for 2015 and the retained earnings amounting to RON 3,750,000 were approved.

The Board of Administration's proposal to appropriate the profit of 2017 is to be subject to the approval of the SGM of 25 April 2018.

**29. AFFILIATES**

- a) **The main affiliates and a short description of their activity and of the major transactions with the Company during the 2017 and 2015 are presented in the table below:**

<b>Entity name</b>	<b>Nature of the operations with the Company</b>	<b>Country of origin</b>
Alumil EGE SA	Shareholder – Alumil Rom Industry (40.00%)	Turkey
Alumil MISR for Aluminium and Accesories Industry SA	Shareholder – Alumil Rom Industry (40.00%)	Egypt
Alumil Aluminium Industry SA	The parent-entity and the main provider of semi-manufactured goods	Greece
Alumil Industry SRL	Subsidiary of the parent- entity, Alumil Mylonas (70.00%)	Moldova
Alumil Bulgaria Ltd.	Subsidiary of the parent- entity, Alumil Mylonas (99.87%)	Bulgaria
Alpro Vlasenica AD.	Subsidiary of the parent- entity, Alumil Mylonas (61.37%)	Serbia
BMP Hellas SA	Subsidiary of the Company – Alumil YU Industry SA (41.32%)	Greece
Alumil YU Industry SA	Subsidiary of the parent- entity, Alumil Mylonas (98.50%)	Serbia

Receivables from affiliates are the following:

	<b>31 December 2017</b>	<b>31 December 2016</b>
<b>Clients</b>		
Alumil Industry (Chisinau)	598,499	629,572
Alumil Aluminium Industry (Greece)	695,160	246,632
Alumil EGE SA Turkey	-	149,034
Alumil YU Serbia	694,935	2
<b>Total</b>	<b>1,988,594</b>	<b>1,025,804</b>

On 21 November 2016, in capacity of sole shareholder, the Company decided to dissolve and liquidate the company Alumil Extrusion SRL, the liquidation process reaching the final phase as at 31 December 2017. Only the provision for the value of the shares held by the Company in Alumil Extrusion was kept (RON 82,500).

Debts to affiliates are the following:

	<b>31 December 2017</b>	<b>31 December 2016</b>
Alumil Aluminium Industry (Greece)	1,208,256	836,827

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BMP Hellas SA	133,853	128,786
<b>Total</b>	<b>1,342,109</b>	<b>965,613</b>

**29. AFFILIATES (continued)**

The Group has had the following transactions with affiliates:

<b>2017</b>				
	<b>Sales</b>	<b>Purchases of materials and merchandise</b>	<b>Purchases of fixed assets</b>	<b>Others</b>
Alumil Aluminium Industry (Greece)	492,200	40,737,929	31,984	1,291,263
Alumil Industry (Chisinau)	1,046,184	-	-	-
BMP Hellas SA	-	1,184,006	-	-
Alpro Vlasenica Bosnia Hertegovina	-	619,485	-	-
Alumil YU Serbia	5,692,768	-	-	-
	<b>7,231,152</b>	<b>42,541,420</b>	<b>31,984</b>	<b>1,291,263</b>

  

<b>2016</b>				
	<b>Sales</b>	<b>Purchases of materials and merchandise</b>	<b>Purchases of fixed assets</b>	<b>Others</b>
Alumil Aluminium Industry (Greece)	446,533	30,629,478	-	1,222,867
Alumil Industry (Chisinau)	439,354	-	-	-
Alumil Bulgaria Ltd.	16,614	-	-	-
BMP Hellas SA	-	877,869	-	-
Alumil EGE Turkey	51,173	-	-	-
Alumil YU Serbia	1,119,660	-	-	-
	<b>2,073,334</b>	<b>31,507,347</b>	<b>-</b>	<b>1,222,867</b>

**b) The current members of the Parent Company's Board of Administration are the following:**

<b>No.</b>	<b>Name</b>	<b>Position</b>	<b>Date of appointment</b>	<b>Date of mandate expiry</b>
1.	Michail Sotiriou	President of the Board of Directors/CEO	28.04.2014	27.04.2018
2.	Evangelia Mylona	Vice President of the Board	28.04.2014	27.04.2018
3.	Konstantinos Akrivopoulos	Board member	28.04.2014	27.04.2018
4.	Dimitris Koutsoupas	Board member	28.04.2014	27.04.2018
5.	Georgios Doukidis	Board member	28.04.2014	27.04.2018

Mrs. Evangelia Mylona is the sister of Mr. Georgios Mylonas, President of the parent entity's Board of Administration Alumil Industria Aluminiului SA Greece.

## 29. AFFILIATES (continued)

Administrators' investments in the Parent entity's capital are the following:

No.	Name	Position	No. of shares held	% prior to IPO	% after IPO
1.	Michail Sotiriou	President of the Board	7,485,150	29.94%	23.95%
2.	Evangelia Mylona	Vice President of the Board	5,000	0.02%	0.02%
3.	Konstantinos Akrivopoulos	Board member	-	-	-
4.	Dimitris Koutsoupas	Board member	-	-	-
5.	Georgios Doukidis	Board member	-	-	-

**c) The performance of the daily operations of Alumil Rom Industry S.A. is entrusted to the following directors:**

- Duca Vitalie – Commercial Director
- Balasca Ciprian – CFO
- Ionita Marius – Deputy CEO

The executive management's participation in the Parent's capital as of 31 December 2017 is the following:

No.	Name	Position	No. of shares held
1.	Ciprian Balasca	CFO	1,000
2.	Marius Ionita	Deputy CEO	600
3.	Vitalie Duca	Commercial Director	600

In 2017, the expense with the remuneration of the executive management and of the directors amounted to RON 1,448,081 (2016: RON 1,184,036).

**d) Members of the executive management of Alumil Extrusion S.R.L.**

At the date of these financial statements, according to the Organizational Chart the performance of the daily operations is entrusted to the following persons:

- Michail Sotiriou - CEO;

**e) The conditions and terms of transactions with affiliates:**

Overdue balances are not secured, non-interest bearing and discounts take place in cash. No guarantees were set and no guarantees were received for the receivables or payables from/to affiliates.

### **30. PROVISIONS, CONTINGENT EVENTS AND COMMITMENTS**

The Group set no provisions as of 31 December 2017 and 2016.

The Romanian tax system is in process of consolidation and harmonization with the European legislation and different interpretations may exist by authorities concerning the tax legislation, which may generate additional taxes, charges and penalties. If the state authorities discover breaches of the Romanian legal provisions, these may lead, as applicable, to the confiscation of the amounts in case, imposing additional tax obligations, applying fines, applying late payment penalties (applied to the amounts actually payable). Consequently, the tax sanctions resulted from breaches of the legal provisions can be significant amounts payable to the State.

The Group considers it has registered and presented in the financial statements all its tax obligations. In Romania, the tax position is open to further verification for 5 years.

S.C. ALUMIL ROM INDUSTRY S.A. conducted, starting 18.05.2011 the project "Eco efficient and innovative investment in a modern Aluminum processing facility", co-financed by the **European Regional Development Fund** under the financing contract signed with the Ministry of Economy, Trade and Business Environment, as the Managing Authority for the Operational Sectorial Program "Increase of Economic Competitiveness. The project objective was to increase the productivity of the company by creating a modern, eco-efficient Aluminum profiles production and processing facility. The project, implemented in Filipești de Padure, Minieri village no. 149, Prahova County, was completed in July 2013 and resulted in the building of a production hall of 8,835 square meters and the purchase of 11 state-of-the-art pieces of equipment, creating over 45 new jobs.

Following completion of this project, the Parent has the obligation to report the fulfillment of the result indicators over the sustainability period ensuring that all indicators are fulfilled on completion, otherwise the Managing Authority may request a reduction of the co-financing by at most 15% on a pro-rata with the non-fulfillment percentage for these indicators, except for reasonably justified cases.

The Parent estimates the full fulfillment of the indicators until the end of the sustainability period.

The Group has no commitments for the acquisition of tangible and intangible assets as at 31 December 2017 and 2016.

The Parent is party to operating lease agreements for cars, on 1 to 4 year periods.

The minimum payments under the operating lease agreements are as follows:

	<b>31 December 2017</b>	<b>31 December 2016</b>
Below one year	409,621	428,094
One to five years	340,902	632,650
<b>Total</b>	<b>750,523</b>	<b>1,060,744</b>

The Company is a party to rent agreements for commercial areas, signed for 1 to 3 year periods.

The Company has the option, according to certain agreements, to extend the rent agreement by another year.

### **30. PROVISIONS, CONTINGENT EVENTS AND COMMITMENTS (continued)**

The minimum payments according to rent agreements for commercial areas are as follows:

	<b>31 December 2016</b>	<b>31 December 2016</b>
Below one year	1,404,103	798,804
One to five years	4,243,948	50,227
<b>Total</b>	<b>5,648,051</b>	<b>849,031</b>

### **31. SUBSEQUENT EVENTS**

In March 2018 the Company has signed the addendum for extending the short-term loan from OTP Bank, for a period of 2 months, for the amount of RON 3,000,000 in order to fund the current activity (Interest: ROBOR 3 M + 2.6%), and it will sign for additional 10 months for the amount of RON 3,000,000 (Interest: ROBOR 3 M + 2.3%).

The loan reimbursement is guaranteed by the Company, as follows:

- a) a first degree mortgage over the land from Filipestii de Padure and the assignment of the insurance policy;
- b) a mortgage over the equipment located in the factory from Filipestii de Padure and the insurance policy in the Bank's favor;
- c) a mortgage over the Company's accounts opened with Millennium S.A. Bank, both current accounts and deposit accounts;
- d) a security interest in personal property over the monetary receivables paid for on the grounds of all the insurance policies concluded by the debtor in relation to the present loan contract.

In March 2018 the Company will sign the addendum for extending the short-term loan with Banca Transilvania S.A., for a period of 1 year, for the amount of EUR 2,000,000 for working capital and letter of guarantee issue cap in order to fund the current activity (EURIBOR 3 M + 2.5%).

From the ceiling of letters of guarantee and letters of credit, a Letter of Credit amounting to EUR 1,500,000 was issued in January 2018, with validity until March 2019.

The loan reimbursement is guaranteed by the Company, as follows:

- a) a security interest in personal property over the Company's inventories of raw materials, of products in progress and of finished products;
- b) a security interest in personal property over the Company's accounts opened with Banca Transilvania S.A.;
- c) mortgage over all of the Company's present and future (trade) receivables;
- d) a mortgage over all the receivables related to the insurance contracts concluded in order to insure the goods that are the subject matter of the guarantees related to the loan contract to be concluded with Banca Transilvania S.A.;
- e) Corporate Guarantee issued by Alumil Industria Aluminiului SA, Greece, in a layout accepted by the Bank.

These financial statements together with the explanatory notes were approved by the Board of Administration and signed on its behalf on 21 March 2018.

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Michail Sotiriou  
CEO

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Ciprian Balasca  
CFO