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RAPORTUL AUDITORULUI INDEPENDENT
INDEPENDENT AUDITOR'S REPORT

Catre actionarii Alum S.A.
To the Shareholders of Alum S.A.

Raport asupra auditului situatiilor financiare
Report on the Audit of the Financial Statements

Opinia
Opinion

Am auditat situatiile financiare individuale ale societatii ALUM SA („Societatea") cu sediul social in Tulcea, strada Isaccei nr. 82, identificata prin codul unic de inregistrare fiscala 2360405, care cuprind bilantul la data de 31 decembrie 2019, contul de profit si pierdere, situatia modificarilor capitalului propriu si situatia a fluxurilor de trezorerie pentru exercitiul financiar incheiat la aceasta data si un sumar al politicilor contabile semnificative si alte informatii explicative.
We have audited the individual financial statements of ALUM SA (the Company) with official head office in Tulcea, Isaccei Str. nr. 82, identified by sole fiscal registration number 2360405, which comprise the balance sheet as at December 31, 2019, and the income statement, statement of changes in shareholders' equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

In opinia noastra, situatiile financiare anexate ofera o imagine fidela si justa a pozitiei financiare a Societatii la data de 31 decembrie 2019, cat si a performantei financiare si a fluxurilor de trezorerie ale acesteia pentru exercitiul financiar incheiat la aceasta data, in conformitate cu Ordinul Ministrului Finantelor Publice nr. 1802/2014, cu modificarile si clarificarile ulterioare si cu politicile contabile descrise in notele la situatiile financiare.
In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at December 31, 2019, 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. 1802/2014 with all subsequent modifications and clarifications and the accounting policies described in the notes to the financial statements.

Bazele opiniei
Basis for opinion

Noi am efectuat auditul conform Standardelor Internationale de Audit (ISA). Responsabilitatile noastre conform acestor standarde sunt descrise mai detaliat in sectiunea „Responsabilitatile auditorului pentru auditul situatiilor financiare" din raportul nostru. Suntem independenti fata de Societate conform Codului International de etica al profesionistilor contabili (inclusiv standardele internaționale de independenta) emis de Consiliul pentru Standarde Internationale de Etica pentru Contabili (codul IESBA) si conform cerintelor etice care sunt relevante pentru auditul situatiilor financiare in Romania si ne-am indeplinit responsabilitatile etice conform acestor cerinte si conform Codului IESBA. Consideram ca probele de audit pe care le-am obtinut sunt suficiente si adecvate pentru a constitui baza pentru opinia noastra.
We conducted our audit in accordance with International Standards on Auditing (ISAs). 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 Code of Ethics for Professional Accountants (including International Independence Standards) as issued by the International Ethics Standards Board for Accountants (IESBA Code) together with the ethical requirements that are relevant to the audit of the financial statements

Traducerea in limba engleza are doar scop informativ. Traducerea raportului trebuie citita impreuna cu situatiile financiare, luate in ansamblu. In situatiile in care informatiile, punctele de vedere si opiniile sunt susceptibile de interpretare, versiunea originala in limba romana a raportului nostru prevaleaza acestei traduceri.
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in Romania, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Aspecte cheie de audit
Key audit matters

Aspectele cheie de audit sunt acele aspecte care, in baza rationamentului nostru profesional, au avut cea mai mare importanta pentru auditul situatiilor financiare din perioada curenta. Aceste aspecte au fost abordate in contextul auditului desfasurat asupra situatiilor financiare in ansamblu, si in formarea opiniei noastre asupra acestora, si nu emitem o opinie separata cu privire la aceste aspecte cheie.
Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Pentru fiecare aspect de mai jos, am prezentat in acel context o descriere a modului in care auditul nostru a abordat respectivul aspect.
For each matter below, our description of how our audit addressed the matter is provided in that context.

Am indeplinit responsabilitatile descrise in sectiunea „Responsabilitatile auditorului pentru auditul situatiilor financiare" din raportul nostru, inclusiv in legatura cu aceste aspecte cheie. In consecinta, auditul nostru a inclus efectuarea procedurilor proiectate sa raspunda la evaluarea noastra cu privire la riscul de erori semnificative in cadrul situatiilor financiare. Rezultatele procedurilor noastre de audit, inclusiv ale procedurilor efectuate pentru a aborda aspectele de mai jos, constituie baza pentru opinia noastra de audit asupra situatiilor financiare anexate.
We have fulfilled the responsibilities described in the "Auditor's responsibilities for the audit of the financial statements" section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Aspecte cheie de audit	Modul de adresare
Analiza deprecierii investitiei in filiale si de recuperabilitatea creantelor si avansurilor de la Sierra Mineral Holdings Ltd. ("SMHL") Informațiile privind creanțele comerciale de la Sierra Mineral Holding Ltd. și investițiile în filiale, inclusiv deprecierea aferentă, sunt prezentate în nota 5, nota 10.6, respectiv nota 1.c.	
Investitia detinuta in Global Aluminium Ltd, societatea-mama a Sierra Mineral Holding Limited, creantele fata de SMHL, precum si avansurile acordate catre SMHL, sunt semnificative pentru auditul nostru, avand in vedere soldurile inregistrate – valoarea contabila bruta a investitiei in filiala in valoare de 82.581 mii RON (valoarea contabila neta este zero), valoarea contabila bruta a creantelor detinute de Societate de	Procedurile noastre de audit au inclus, printre altele, implicarea specialistilor nostri in evaluare pentru a ne asista in evaluarea ipotezelor cheie si a metodologiilor utilizate de catre Societate in cadrul testului de depreciere al investitiilor in filiale si de recuperabilitate a creantelor si avansurilor de la SMHL.

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la SMHL in valoare de 49.487 mii RON (valoarea contabila neta este 649 mii RON) si valoarea contabila bruta a avansurilor acordate SMHL in valoare de 212.370 mii RON (valoarea contabila neta este 189.800 mii RON).

Evaluarea de catre conducere a indicatorilor de depreciere pentru investitia detinuta in filiale implica luarea in considerare a diverselor surse de informatii, inclusiv a factorilor de mediu economic.

In anii anteriori, industria aluminiului a inregistrat o descrestere cliclica in perioada 2013 - 2016, ceea ce a condus la inchiderea de capacitati si amanarea de catre multi jucatori a investiilor in aceasta industrie. Acești factori au avut un efect semnificativ asupra valorii contabile a investitiei detinute de Societate in Global Aluminium Ltd si asupra creantelor si avansurilor recuperabile de la SMHL, asa cum este reflectat de cheltuielile de depreciere inregistrate în situațiile financiare ale exercitiului financiar precedent.

La 31 decembrie 2019 conducerea Societatii a actualizat testul de depreciere a investitiei detinute si de recuperabilitate a creantelor si avansurilor de la filiale, din care a rezultat o ajustare de depreciere suplimentara in valoare de 7.335 mii RON cu privire la creantele si avansurile recuperabile de la SMHL.

Testul anual de depreciere a investitiei detinute in filiale si recuperabilitate a creantelor si avansurilor este semnificativ pentru auditul nostru, intrucat procesul de evaluare este complex, necesita estimari semnificative din partea conducerii si este bazat pe ipoteze care sunt fundamentate pe evolutia viitoare a pretului bauxitei (o marfa globala) si a conditiilor de operare din Sierra Leone.

In mod specific, procedurile noastre, au inclus, dar nu s-au limitat la:

- evaluarea competentei, capabilitatilor si obiectivitatii evaluatorului extern;
- validarea ratei de actualizare utilizata in model, inclusiv a elementelor utilizate pentru determinarea acesteia, cum ar fi rata fara risc, rata de risc a tarii, gradul de indatorare si costul capitalurilor imprumutate;
- analiza principalelor ipoteze luate in calcul la estimarea fluxurilor viitoare de numerar (cum ar fi evolutia viitoare a preturilor de vanzare, volumul productiei, costuri si cheltuieli, modificari in capitalului circulant, etc) prin analiza consecventei ipotezelor cu evolutia mediului economic general si specific industriei, cu informatiile relevante de piata disponibile si cu planul de afaceri al Grupului;
- daca anumite ipoteze au luat in considerare sau nu riscurile asociate fluxurilor de trezorerie, au inclus variabilitatea potentiala a valorii si perioadei de realizare a fluxurilor de trezorerie si efectul aferent asupra ratei de actualizare;
- analiza senzitivitatii valorilor recuperabile, pentru a intelege impactul potential al modificarilor rezonabile in ipotezele semnificative ale modelului;
- am evaluat acuratetea bugetelor si previziunilor precedente ale managementului prin comparatie cu performanta actuala inregistrata in anul curent fata de cea prongozata anterior;
- am testat acuratetea matematica a modelului de depreciere utilizat precum si conformitatea acestuia cu cerintele standardelor de evaluare.

De asemenea, am evaluat masura in care informatiile prezentate de Societate cu privire la testul de depreciere a investitiei detinute in filiale si recuperabilitate a creantelor si avansurilor de la acestea sunt adecvate.

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Key audit matter	How our audit addressed the key audit matter
Impairment testing of investment in subsidiaries and recoverability analysis for trade receivables and advances from Sierra Mineral Holdings Ltd. ("SMHL") Alum's disclosures of trade receivables from Sierra Mineral Holding Ltd. and the investment in subsidiaries, including the related impairment, are presented in Note 5, Note 10.6 and Note 1.c, respectively.	
Investment in Global Aluminium Ltd, the parent of SMHL, trade receivables and advances to SMHL, are significant to our audit because of their magnitude, with a gross carrying value of RON 82,581 thousand (net carrying amount is nil) for the investment in subsidiary, gross carrying value of RON 49,487 thousand for the trade receivable (net carrying value is RON 649 thousand) and gross carrying value of RON 212,370 thousand for advances granted to SMHL (net carrying value is 189,800 mii RON). The management assessment of impairment indicators for investments involves consideration of various sources of information, including the economic environment factors. The aluminium industry has suffered a cyclical downturn in the period 2013 - 2016, resulting in capacity shutdowns and deferred investments by many players in the industry. These factors had a significant effect on the carrying value of the Company's investment in Global Aluminium Ltd and on the receivables and advances receivable from SMHL as reflected by the impairment charges recorded in the prior year's financial statements. As of 31 December 2019, the management has updated the impairment test for the investment and the recoverability analysis for trade receivables and advances from subsidiaries, which resulted in an additional impairment adjustment of RON 7,335 thousand in relation to trade receivables and advances receivable from SMHL. The annual impairment test for the investment and the recoverability of trade receivables and advances are significant to our audit because the assessment process is	Our audit procedures included, among others, involvement of our internal valuation specialists to assist us in evaluating the key assumptions and methodologies used by the Company for the impairment testing of its investment in subsidiaries and the recoverability of trade receivables and advances from SMHL. Specifically, our work included, but was not limited to, the following procedures: • assessed the competence, capabilities and objectivity of the external valuation expert; • evaluated the discount rate used in the model including specific inputs to the determination of the discount rate such as the risk-free rate and country risk rates, along with gearing and cost of debt; • analysed the key assumptions applied in the estimates of future cash flows (such as expected sales prices, production / sales volumes, cost and expenses, working capital changes, etc.) for consistency with the general and industry-specific economic environment and relevant available market information and the business plans of the Group; • assessed whether or not certain assumptions considered the risks associated with the cash flows, included the potential variability in the amount and timing of cash flows and the related effect on the discount rate; • analysed the sensitivity of the recoverable amounts, to understand the potential impact to reasonable changes in the significant assumptions; • assessed the historical accuracy of management's budgets and forecasts by comparing them to actual performance and to prior year; • tested the mathematical accuracy of the impairment model used and its conformity

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complex, requires significant management judgment and is based on assumptions that are affected by expected future prices of bauxite (a global commodity) and market conditions in Sierra Leone.	with the requirements of the valuation standards. We further assessed the adequacy of the Company's disclosures about impairment testing of investment in subsidiaries and recoverability of trade receivables and advances from them.

Alte informatii
Other information

Alte informatii includ Raportul administratorilor, dar nu includ situatiile financiare si raportul nostru de audit cu privire la acestea. Conducerea este responsabila pentru alte informatii.
The other information comprises the Directors' Report but does not include the financial statements and our auditors' report thereon. Management is responsible for the other information.

Opinia noastra de audit asupra situatiilor financiare nu acopera alte informatii si nu exprimam nicio forma de concluzie de asigurare asupra acestora.
Our audit opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In legatura cu auditul efectuat de noi asupra situatiilor financiare, responsabilitatea noastra este de a citi aceste alte informatii si, facand acest lucru, de a analiza daca acestea nu sunt in concordanta, in mod semnificativ, cu situatiile financiare sau cunostintele pe care le-am obtinut in urma auditului sau daca acestea par sa includa erori semnificative. Daca, in baza activitatii desfasurate, ajungem la concluzia ca exista erori semnificative cu privire la aceste alte informatii, noi trebuie sa raportam acest lucru. Nu avem nimic de raportat in acest sens.
In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsabilitatea conducerii si a persoanelor responsabile cu guvernanta pentru situatiile financiare
Responsibilities of Management and Those Charged with Governance for the Financial Statements

Conducerea Societatii are responsabilitatea intocmirii si prezentarii fidele a situatiilor financiare in conformitate cu Ordinul Ministrului Finantelor Publice nr. 1802/2014, cu modificarile si clarificarile ulterioare, si pentru acel control intern pe care conducerea il considera necesar pentru a permite intocmirea de situatii financiare care sunt lipsite de denaturari semnificative, cauzate fie de frauda, fie de eroare.
Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Order of the Minister of Public Finance no. 1802/2014 with all subsequent modifications and clarifications, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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La intocmirea situatiilor financiare, conducerea este responsabila sa evalueze abilitatea Societatii de a-si desfasura activitatea conform principiului continuitatii activitatii si sa prezinte, daca este cazul, aspectele referitoare la continuitatea activitatii si folosirea principiului continuitatii activitatii, mai putin in cazul in care conducerea intentioneaza sa lichideze Societatea sau sa ii inceteze activitatea sau nu are nicio alternativa reala decat sa procedeze astfel.
In preparing the 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.

Persoanele responsabile cu guvernanta au responsabilitatea supravegherii procesului de raportare financiara a Societatii.
Those charged with governance are responsible for overseeing the Company's financial reporting process.

Responsabilitatile auditorului pentru auditul situatiilor financiare
Auditor's Responsibilities for the Audit of the Financial Statements

Obiectivele noastre constau in obtinerea unei asigurari rezonabile privind masura in care situatiile financiare, luate in ansamblu, nu contin denaturari semnificative cauzate de eroare sau frauda si de a emite un raport de audit care sa includa opinia noastra. Asigurarea rezonabila reprezinta un nivel ridicat de asigurare, insa nu este o garantie ca un audit desfasurat in conformitate cu standardele ISA va detecta intotdeauna o denaturare semnificativa, daca aceasta exista. Denaturarile pot fi cauzate fie de frauda fie de eroare si sunt considerate semnificative daca se poate preconiza, in mod rezonabil, ca acestea, atat la nivel individual sau luate in ansamblu, vor influenta deciziile economice ale utilizatorilor luate in baza acestor situatii financiare.
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Ca parte a unui audit in conformitate cu standardele ISA, ne exercitam rationamentul profesional si ne mentinem scepticismul profesional pe intreg parcursul auditului. De asemenea:
As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identificam si evaluam riscurile de denaturare semnificativa a situatiilor financiare, cauzate fie de frauda fie de eroare, stabilim si efectuam proceduri de audit care sa raspunda acestor riscuri si obtinem probe de audit suficiente si adecvate pentru a constitui o baza pentru opinia noastra. Riscul de nedetectare a unei denaturari semnificative cauzate de frauda este mai ridicat decat cel de nedetectare a unei denaturari semnificative cauzate de eroare, deoarece frauda poate include complicitate, falsuri, omisiuni intentionate, declaratii false sau evitarea controlului intern.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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- Intelegem controlul intern relevant pentru audit pentru a stabili procedurile de audit adecvate in circumstantele date, dar nu si in scopul exprimarii unei opinii asupra eficacitatii controlului intern al Societatii.
- 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.

- Evaluam gradul de adecvare a politicilor contabile utilizate si rezonabilitatea estimarilor contabile si a prezentarilor aferente de informatii realizate de catre conducere.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Concluzionam asupra caracterului adecvat al utilizarii de catre conducere a principiului continuitatii activitatii, si determinam, pe baza probelor de audit obtinute, daca exista o incertitudine semnificativa cu privire la evenimente sau conditii care ar putea genera indoieli semnificative privind capacitatea Societatii de a-si continua activitatea. In cazul in care concluzionam ca exista o incertitudine semnificativa, trebuie sa atragem atentia, in raportul de audit, asupra prezentarilor aferente din situatiile financiare sau, in cazul in care aceste prezentari sunt neadecvate, sa ne modificam opinia. Concluziile noastre se bazeaza pe probele de audit obtinute pana la data raportului nostru de audit. Cu toate acestea, evenimente sau conditii viitoare pot determina ca Societatea sa nu isi mai desfasoare activitatea in baza principiului continuitatii activitatii.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the 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.

- Evaluam prezentarea, structura si continutul general al situatiilor financiare, inclusiv al prezentarilor de informatii, si masura in care situatiile financiare reflecta tranzactiile si evenimentele de baza intr-o maniera care realizeaza prezentarea fidela.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Comunicam persoanelor responsabile cu guvernanta, printre alte aspecte, obiectivele planificate si programarea in timp a auditului, precum si constatarile semnificative ale auditului, inclusiv orice deficiente semnificative ale controlului intern, pe care le identificam pe parcursul auditului nostru.
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.

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De asemenea, prezentam persoanelor responsabile cu guvernanta o declaratie cu privire la conformitatea noastra cu cerintele etice privind independenta si le comunicam toate relatiile si alte aspecte care pot fi considerate, in mod rezonabil, ca ar putea sa ne afecteze independenta si, unde este cazul, masurile de siguranta aferente.
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.

Dintre aspectele pe care le comunicam persoanelor responsabile cu guvernanta, stabilim acele aspecte care au avut cea mai mare importanta in cadrul auditului asupra situatiilor financiare din perioada curenta si, prin urmare, reprezinta aspecte cheie de audit.
Descriem aceste aspecte in raportul nostru de audit, cu exceptia cazului in care legislatia sau reglementarile impiedica prezentarea publica a aspectului respectiv sau a cazului in care, in circumstante extrem de rare, determinam ca un aspect nu ar trebui comunicat in raportul nostru deoarece se preconizeaza in mod rezonabil ca efectele negative ale acestei comunicari depasesc beneficiile interesului public al comunicarii respectivului aspect.
From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period 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.

Raport asupra altor cerinte legale si de reglementare
Report on Other Legal and Regulatory Requirements

Raportare asupra unor informatii, altele decat situatiile financiare si raportul nostru de audit asupra acestora
Reporting on Information Other than the Financial Statements and Our Auditors' Report Thereon

Pe langa responsabilitatile noastre de raportare conform standardelor ISA si descrise in sectiunea „Alte informatii", referitor la Raportul administratorilor, noi am citit Raportul administratorilor si raportam urmatoarele:

a) in Raportul administratorilor nu am identificat informatii care sa nu fie consecvente, sub toate aspectele semnificative, cu informatiile prezentate in situatiile financiare la data de 31 decembrie 2019, atasate;
b) Raportul administratorilor, identificat mai sus, include, sub toate aspectele semnificative, informatiile cerute de Ordinul Ministrului Finantelor Publice nr. 1802/2014, cu modificarile ulterioare, punctele 489-492;
c) pe baza cunostintelor noastre si a intelegerii dobandite in cursul auditului situatiilor financiare intocmite la data de 31 decembrie 2019 cu privire la Societate si la mediul acesteia, nu am identificat informatii eronate semnificative prezentate in Raportul administratorilor.

In addition to our reporting responsibilities according to ISAs described in section "Other information", with respect to the Directors' Report, we have read the Directors' Report and report that:

a) in the Directors' Report we have not identified information which is not consistent, in all material respects, with the information presented in the accompanying financial statements as at December 31, 2019;
b) the Directors' Report identified above includes, in all material respects, the required information according to the provisions of the Ministry of Public Finance Order no. 1802/2014 and subsequent amendments, points 489-492;

Traducerea in limba engleza are doar scop informativ. Traducerea raportului trebuie citita impreuna cu situatiile financiare, luate in ansamblu. In situatiile in care informatiile, punctele de vedere si opiniile sunt susceptibile de interpretare, versiunea originala in limba romana a raportului nostru prevaleaza acestei traduceri.
English translation only for information purposes. The translation of the report should be read with the financial statements, as a whole. In all matters of interpretations of information, views or opinions, the original Romanian language version of our report takes precedence over this translation.

c) based on our knowledge and understanding concerning the entity and its environment gained during our audit of the financial statements as at December 31, 2019, we have not identified information included in the Directors' Report that contains a material misstatement of fact.

In numele,
On behalf of,

Ernst & Young Assurance Services SRL
Bd. Ion Mihalache 15-17, etaj 21, Bucuresti, Romania
15-17, Ion Mihalache Blvd., floor 21, Bucharest, Romania

Inregistrat in Registrul Public electronic cu nr. 77
Registered in the electronic Public Register under No. 77

Nume Auditor / Partener Asociat: Ariadna Oslobeanu
Name of the Auditor/ Partner: Ariadna Oslobeanu
Inregistrat in Registrul Public electronic cu nr. 2199
Registered in the electronic Public Register under No. 2199

Bucuresti, Romania
Bucharest, Romania
25 martie 2020
25 March 2020

Traducerea in limba engleza are doar scop informativ. Traducerea raportului trebuie citita impreuna cu situatiile financiare, luate in ansamblu. In situatiile in care informatiile, punctele de vedere si opiniile sunt susceptibile de interpretare, versiunea originala in limba romana a raportului nostru prevaleaza acestei traduceri.
English translation only for information purposes. The translation of the report should be read with the financial statements, as a whole. In all matters of interpretations of information, views or opinions, the original Romanian language version of our report takes precedence over this translation.

ALUM S.A. TULCEA

INDEPENDENT AUDITOR'S REPORT

AND

THE INDIVIDUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

Prepared in accordance with Ministry of Public Finance Order no. 1802/2014
with subsequent amendments

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

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ALUM S.A. TULCEA
INDIVIDUAL BALANCE SHEET
AS AT DECEMBER 31, 2019
(all amounts are expressed in RON, unless specified otherwise)

COUNTY **TULCEA**
UNIT: **ALUM S.A. TULCEA**
ADDRESS: loc. **TULCEA**
82, **ISACCEI** Street
TELEPHONE 0240 535022 FAX 0240 535495
Trade Registry no.
J/36/29/1991

OWNERSHIP FORM 34
MAIN BUSINESS
(name of CAEN class)
Metalurgy of Aluminum
CODE CAEN CLASS 2442
VAT NO
RO2360405

Code 10

No.		Row	December 31, 2018	December 31, 2019
A	**NON-CURRENT ASSETS**			
I	**Intangible assets**			
1	Set-up expenses	**01**	-	-
2	Development expenses	**02**	-	-
3	Concessions, patents, licenses, trademarks, similar rights and values and other intangible assets	**03**	23,247	42,597
4	Goodwill	**04**	-	-
5	Intangible assets for exploration and evaluation of mineral resources	**05**	-	-
6	Advances	**06**	-	-
	Total (rows 01 to 06)	**07**	**23,247**	**42,597**
II	**Property, plant and equipment**			
1	Land and buildings	**08**	72,772,800	76,556,642
2	Technical installations and machinery	**09**	48,647,504	80,203,109
3	Other fixtures, plant and furniture	**10**	773,115	713,174
4	Investment property	**11**	-	-
5	Tangible assets in progress	**12**	53,863,999	29,768,974
6	Investment property in progress	**13**	-	-
7	Tangible assets for exploration and evaluation of mineral resources	**14**	-	-
8	Biological assets	**15**	-	-
4	Advances	**16**	3,052,996	-
	Total (rows 08 to 16)	**17**	**179,110,414**	**187,241,899**
III	**Financial assets**			
1	Shares held in related parties	**18**	-	-
2	Loans to related parties	**19**		-
3	Participating interests	**20**	-	-
4	Loans to entities based on participating interests	**21**	-	-
5	Other investments	**22**	-	-
6	Other borrowings	**23**	-	-
	Total (rows 18 to 23)	**24**	**-**	**-**
	Total NON-CURRENT ASSETS (rows 07+17+24)	**25**	**179,133,661**	**187,284,496**

The accompanying notes are an integral part of these individual financial statements.
This is a free translation from the original Romanian binding version.

ALUM S.A. TULCEA
INDIVIDUAL BALANCE SHEET
AS AT DECEMBER 31, 2019
(all amounts are expressed in RON, unless specified otherwise)

No.		Row	December 31, 2018	December 31, 2019
B	**CURRENT ASSETS**			
I	**Inventories**			
1	Raw materials and consumables	**26**	69,115,551	108,894,427
2	Work in progress	**27**	63,489,866	65,003,821
3	Finished goods and merchandise	**28**	6,340,916	12,891,218
4	Advances	**29**	203,358,859	213,174,007
	Total (rows 26 to 29)	**30**	**342,305,191**	**399,963,473**
II	**Receivables**			
1	Trade receivables (net)	**31**	11,047,194	23,036,756
2	Amounts receivable from Group companies	**32**	1,059,136	-
3	Amounts receivable from participating interests	**33**	-	-
4	Other receivables	**34**	1,779,448	643,812
5	Capital subscribed and paid in	**35**	-	-
5	Capital subscribed and paid in	**35a**	-	-
	Total (rows 31 to 35 + 35a)	**37**	**13,885,778**	**23,680,568**
III	**Short term financial investments**			
1	Shares held in related parties	**38**	-	-
2	Other short term investments	**39**	-	-
	Total (rows 38+39)	**40**	**-**	**-**
IV	**Petty cash and bank accounts**	**41**	**4,088,184**	**1,512,397**
	TOTAL CURRENT ASSETS (rows 31+37+40+41)	**42**	**360,279,153**	**425,156,439**
C	**PREPAID EXPENSES (rows 44+45)**	**43**	**2,378,883**	**1,834,214**
	Amounts to be resumed within 1 year	**44**	2,378,883	1,834,214
	Amounts to be resumed within a period >1 year	**45**	-	-
D	**PAYABLES WITHIN 1 YEAR**			
1	Debenture loans	**46**	-	-
2	Amounts due to credit institutions	**47**	300,132	30,983,013
3	Advances on account of orders	**48**	67,948,863	19,325,509
4	Trade payables	**49**	57,855,029	27,427,376
5	Bills of exchange payable	**50**	-	-
6	Amounts due to Group companies	**51**	-	-
7	Amounts due to related parties	**52**	-	-
8	Other payables, including tax and social security	**53**	14,452,909	44,058,139
	Total (rows 46 to 53)	**54**	**140,556,932**	**121,794,036**
E	**NET CURRENT ASSETS/NET CURRENT LIABILITIES (rows 42+44-54-71-74-77)**	**55**	**222,020,386**	**304,817,835**

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ALUM S.A. TULCEA
INDIVIDUAL BALANCE SHEET
AS AT DECEMBER 31, 2019
(all amounts are expressed in RON, unless specified otherwise)

No.		Row	December 31, 2018	December 31, 2019
F	**TOTAL ASSETS LESS CURRENT LIABILITIES (rows 25+45+55)**	**56**	**401,154,049**	**492,102,332**
G	**LONG TERM PAYABLES**			
1	Debenture loans	**57**	-	-
2	Amounts due to credit institutions	**58**	61,104,000	76,085,714
3	Advances received on account of orders	**59**	-	-
4	Trade payables	**60**	-	-
5	Bills of exchange payable	**61**	-	-
6	Amounts due to affiliates	**62**	-	-
7	Amounts due to related parties	**63**	-	-
8	Other payables, including tax and social security	**64**	1,504,127	516,573
	Total (rows 57 to 64)	**65**	**62,608,127**	**76,602,287**
H	**PROVISIONS**			
1	Provisions for employees benefits	**66**	4,033,226	4,843,396
2	Provisions for taxes	**67**	-	-
3	Other provisions	**68**	22,476,822	22,112,089
	Total (rows 66 to 68)	**69**	**26,510,048**	**26,955,485**
I	**DEFERRED INCOME**			
1	Subsidies for investments (rows 71+72)	**70**	4,842,936	5,334,485
	Amounts to be resumed within 1 year	**71**	80,716	378,780
	Amounts to be resumed within a period >1 year	**72**	4,762,220	4,955,705
2	Deferred income (rows 74+75)	**73**	-	-
	Amounts to be resumed within 1 year	**74**	-	-
	Amounts to be resumed within a period >1 year	**75**	-	-
3	Deferred income for assets transferred from clients (rows 77+78)	**76**	-	-
	Amounts to be resumed within 1 year	**77**	-	-
	Amounts to be resumed within a period >1 year	**78**	-	-
4	Negative goodwill	**79**	-	-
	TOTAL (rows 70+73+76+79)	**80**	**4,842,936**	**5,334,485**
J	**EQUITY AND RESERVES**			
I	**Equity**			
1	Capital subscribed and paid in	**81**	488,412,908	488,412,908
2	Capital subscribed and not paid in	**82**	-	-
3	Company patrimony	**83**	-	-
4	Patrimony of national research institute	**84**	-	-
5	Other equity items	**85**	-	-
	TOTAL (rows 81 to 85)	**86**	**488,412,908**	**488,412,908**

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ALUM S.A. TULCEA
INDIVIDUAL BALANCE SHEET
AS AT DECEMBER 31, 2019
(all amounts are expressed in RON, unless specified otherwise)

No.		Row	December 31, 2018	December 31, 2019
II	**Share premiums**	**87**	**-**	**-**
III	**Revaluation reserves**	**88**	**40,838,093**	**36,052,175**
IV	**Reserves**			
	1 Legal reserves	**89**	12,308,887	16,900,281
	2 Statutory or contractual reserves	**90**	-	-
	4 Other reserves	**91**	53,511	53,511
	TOTAL (rows 89 to 91)	**92**	**12,362,398**	**16,953,792**
	Own shares	**93**	-	-
	Gains related to equity instruments	**94**	-	-
	Losses related to equity instruments	**95**	-	-
V	**PROFIT OR LOSS CARRIED FORWARD**			
	– Cr balance	**96**	-	-
	– Dr balance	**97**	285,169,751	229,553,827
VI	**PROFIT OR LOSS FOR THE YEAR**			
	– Cr balance	**98**	54,135,130	76,315,201
	– Dr balance	**99**	-	-
	Allocation of profit	**100**	3,305,124	4,591,394
	Total equity (rows 86+87+88+92-93+94-95+96-97+98-99-100)	**101**	**307,273,654**	**383,588,855**
	Public patrimony	**102**	-	-
	Private patrimony	**103**	-	-
	TOTAL EQUITY AND RESERVES (rows 101+102+103)	**104**	**307,273,654**	**383,588,855**

These individual financial statements were approved today, March 25, 2020.

Gheorghe Dobra
General Manager

Mihaela Duralia
Chief Financial Officer

The accompanying notes are an integral part of these individual financial statements.
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ALUM S.A. TULCEA
INDIVIDUAL INCOME STATEMENT
FOR THE YEAR ENDED
DECEMBER 31, 2019
(all amounts are expressed in RON, unless specified otherwise)

Code 20 No.		Row	Year ended December 31, 2018	Year ended December 31, 2019
1	**Net turnover (rows 02+03-04+05+06)**	**01**	**876,424,730**	**784,359,001**
	Income from production sold	**02**	876,482,820	784,253,577
	Income from sales of goods	**03**	118,872	105,424
	Commercial discounts granted	**04**	176,962	-
	Interest income recorded by entities removed from the General Register and who have ongoing leases	**05**	-	-
	Income from operating subsidies pertaining to net turnover	**06**	-	-
2	Income pertaining to the cost of the Work in progress			
	– Cr balance	**07**	17,145,299	7,959,637
	– Dr balance	**08**	-	-
3	Production for own purposes and capitalized	**09**	-	268.166
4	Income from revaluation of tangible assets	**10**	-	-
5	Income from property investment production	**11**	-	-
6	Income from subsidies	**12**	-	
7	Other operating income	**13**	2,406,053	78,612,534
	out of which, income from negative goodwill	**14**	-	-
	out of which, income from subsidies for investments	**15**	-	347,215
	Total operating income (rows 01+07-08+09+10+11+12+13)	**16**	**895,976,082**	**871,199,338**
8	a) Raw materials and consumables	**17**	517,760,232	461,317,506
	Other material expenses	**18**	168,666,975	169,221,796
	b) Other external expenses (power and water supply)	**19**	28,449,501	26,326,138
	c) Merchandise expenses	**20**	90,761	120,045
	Commercial discounts received	**21**	177,678	97,080
9	**Personnel related expenses (rows 23+24)**	**22**	**53,612,918**	**62,128,058**
	a) Salaries and bonuses	**23**	51,257,308	59,018,365
	b) Social security	**24**	2,355,610	3,109,694
10	**a) Adjustments for tangible and intangible assets (rows 26-27)**	**25**	**18,839,203**	**22,741,768**
	a. 1) Expenses	**26**	18,880,842	22,777,543
	a. 2) Revenues	**27**	41,639	35,775

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ALUM S.A. TULCEA
INDIVIDUAL INCOME STATEMENT
FOR THE YEAR ENDED
DECEMBER 31, 2019
(all amounts are expressed in RON, unless specified otherwise)

Code 20 No.		Row	Year ended December 31, 2018	Year ended December 31, 2019
	b) Adjustments for current assets (rows 29-30)	**28**	**12,786,870**	**7,584,585**
	b. 1) Expenses	**29**	16,954,748	7,599,595
	b. 2) Revenues	**30**	4,167,878	15,010
11	**Other operating expenses (rows 32 to 38)**	**31**	**37,453,259**	**34,661,038**
	11.1. External services	**32**	31,816,743	26,629,060
	11.2. Other taxes and similar payments	**33**	1,689,106	1,875,188
	11.3. Expenses on environmental protection	**34**	741,906	697,989
	11.4. Expenses from revaluation of tangible assets	**35**	-	-
	11.5. Expenses related to calamities and other similar events	**36**	-	-
	11.6. Other expenses	**37**	3,205,504	5,458,802
	Refinancing interest expense recorded by entities removed from the General Register and who have ongoing leases	**38**	-	-
	Impairment adjustments (rows40-41)	**39**	**3,535,670**	**(2,199,135)**
	Expenses	**40**	3,906,420	1,194,958
	Income	**41**	370,750	3,394,093
	Total operating expenses (rows 17 to 20-21+22+25+28+31+39)	**42**	**841,017,713**	**781,804,719**
	Operating Result			
	- profit (rows 16-42)	**43**	54,958,369	89,394,618
	- loss (rows 42-16)	**44**	-	-
12	Income from participating interests	**45**	14,540,732	-
	- of which, income from affiliates	**46**	14,540,732	-
13	Interest income	**47**	820,854	15,233
	- of which, income obtained from affiliates	**48**	820,609	14,484
14	Income from other financial investments and loans part of the non-current assets	**49**	-	-
15	Other financial income	**50**	34,888,611	47,242,807
	- of which, income from affiliates	**51**	-	-
	Total financial income (rows 45+47+49+50)	**52**	**50,250,198**	**47,258,040**
16	Adjustments for long term financial assets and financial investments held as current assets (rows 54-55)	**53**	-	-
	Expenses	**54**	-	-
	Income	**55**	-	-

The accompanying notes are an integral part of these individual financial statements.
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ALUM S.A. TULCEA
INDIVIDUAL INCOME STATEMENT
FOR THE YEAR ENDED
DECEMBER 31, 2019
(all amounts are expressed in RON, unless specified otherwise)

Code 20 No.		Row	Year ended December 31, 2018	Year ended December 31, 2019
17	Interest expenses	56	2,145,078	7,772,388
	- of which, expenses incurred with affiliates	57	-	-
	Other financial expenses	58	36,961,008	37,009,506
	Total financial expenses (rows 53+56+58)	59	**39,106,087**	**44,781,894**
	Financial profit or loss			
	- profit (rows 52-59)	60	11,144,111	2,476,145
	- loss (rows 59-52)	61	-	-
	Total income (rows 16+52)	62	**946,226,280**	**918,457,377**
	Total expenses (rows 42+59)	63	**880,123,799**	**826,586,614**
18	**Gross profit or loss**			
	- profit (rows 62-63)	64	66,102,480	91,870,763
	- loss (rows 63-62)	65	-	-
19	Income tax	66	11,924,475	15,512,687
20	Income tax specific to certain activities	67	42,875	42,875
21	Other taxes not included in the captions above	68	-	-
22	**Net profit or loss for the year**			
	- profit (rows 64-65-66-67-68)	69	54,135,130	76,315,201
	- loss (rows 65+66+67+68-64)	70	-	-

These individual financial statements were approved today, March 25, 2020.

Gheorghe Dobra
General Manager

Mihaela Duralia
Chief Financial Officer

The accompanying notes are an integral part of these individual financial statements.
This is a free translation from the original Romanian binding version.

ALUM S.A. TULCEA
INDIVIDUAL CASH FLOW STATEMENT
AS AT DECEMBER 31, 2019
(all amounts are expressed in RON, unless specified otherwise)

	Year ended December 31, 2018	Year ended December 31, 2019
Cash flows from operations		
Gross profit	**66,102,480**	**91,870,763**
Adjustments for:		
Amortization/depreciation of intangible and tangible assets	18,845,068	22,777,543
Adjustment for the impairment of tangible and financial assets	(5,865)	(35,775)
Adjustments for the impairment of receivables	(4,129,427)	1,969,285
Provisions	3,535,670	(2,199,135)
Adjustments for the impairment of inventories	16,916,297	5,615,299
Profit/(Loss) from foreign exchange differences	600,303	2,325,094
Net earning pertaining to disposals of tangible assets	(392,002)	14,535
Interest income	(1,032,785)	(230,312)
Interest expenses	2,115,036	7,395,744
Dividend income	(14,540,732)	-
Cash from operations before changes to working capital	**88,014,043**	**129,503,042**
(Increase) of inventories	(55,573,286)	(63,273,582)
(Increase)/decrease of trade receivables and other receivables	43,120,483	(10,073,552)
(Decrease) in trade payables and other payables	(100,612,626)	(74,711,867)
Cash flow from/(used in) operations	**(25,051,386)**	**(18,555,958)**
Interests received	1,741,615	15,276
Interests paid	(1,910,641)	(6,394,662)
Dividends received	14,540,732	-
Income tax paid	(7,240,047)	(17,892,966)
Net cash from/(used in) operations	**(17,919,727)**	**(42,828,311)**
Cash flow from/(used in) investment activities		
Purchases of tangible and intangible assets	(49,916,451)	(34,052,031)
Government grants received	3,244,436	838,764
Net cash used for investment activities	**(46,672,015)**	**(33,213,266)**
Cash flow from/(used in) financing activities		
Proceeds from borrowings	60,426,000	73,465,790
Repayment of bank loans	-	-
Net cash from/(used in) financing activities	**60,426,000**	**73,465,790**

The accompanying notes are an integral part of these individual financial statements.
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	Year ended December 31, 2018	Year ended December 31, 2019
Cash and cash equivalents at the beginning of the year	8,253,926	4,088,184
Net increase/(decrease) in cash and cash equivalents	(4,165,742)	(2,575,787)
Cash and cash equivalents at the end of the year	**4,088,184**	**1,512,397**

* The company modified the presentation of the variation of advances for the acquisitions of stocks that in the previous financial year was included in the statement of cash flows on the line "(Increase) / decrease of trade receivables and other receivables", by including it on the line "(Increase) of inventories", in order to align with the presentation of the respective advances in the balance sheet. The comparative figures of the previous financial year on these two lines from the statement of cash flows have been modified accordingly with the amount of RON 10,831,846 (increase of inventories and decrease of trade receivables and other receivables).

These individual financial statements were approved today, March 25, 2020.

Gheorghe Dobra
General Manager

Mihaela Duralia
Chief Financial Officer

ALUM S.A. TULCEA
INDIVIDUAL STATMENT OF CHANGES IN SHAREHOLDERS' EQUITY
AS AT DECEMBER 31, 2019
(all amounts are expressed in RON, unless specified otherwise)

Element of equity	Balance as at January 1, 2018	Increases	out of which transfers	Decreases	out of which transfers	Balance as at December 31, 2018
Capital subscribed and paid in	488,412,908	-	-	-	-	488,412,908
Legal reserves	9,003,764	3,305,124	3,305,124	-	-	12,308,888
Reserves representing surplus made from revaluation reserves	-	-	-	-	-	-
Other reserves	53,511	-	-	-	-	53,511
Revaluation reserves	45,753,271	-	-	4,915,179	4,915,179	40,838,092
Retained earnings	(302,134,810)	17,672,838	17,672,838	-	-	(284,461,972)
Retained earnings from the adjustment of accounting errors	(707,779)	-	-	-	-	(707,779)
Result for the year	13,429,115	54,135,130	-	13,429,115	13,429,115	54,135,130
Allocation of profit	(671,455)	(3,305,124)	(3,305,124)	(671,456)	(671,456)	(3,305,124)
Total	**253,138,524**	**71,807,968**	**17,672,838**	**17,672,838**	**17,672,838**	**307,273,655**

These individual financial statements were approved today, March 25, 2020.

Gheorghe Dobra
General Manager

Mihaela Duralia
Chief Financial Officer

The accompanying notes are an integral part of these individual financial statements.
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Element of equity	Balance as at January 1, 2019	Increases	out of which transfers	Decreases	out of which transfers	Balance as at December 31, 2019
Capital subscribed and paid in	488,412,908	-	-	-	-	488,412,908
Legal reserves	12,308,888	4,591,394	4,591,394	-	-	16,900,282
Reserves representing surplus made from revaluation reserves	-	-	-	-	-	-
Other reserves	53,511	-	-	-	-	53,511
Revaluation reserves	40,838,092	-	-	4,785,917	4,785,917	36,052,175
Retained earnings	(284,461,972)	55,615,924	55,615,924	-	-	(228,846,048)
Retained earnings from the adjustment of accounting errors	(707,779)	-	-	-	-	(707,779)
Result for the year	54,135,130	76,315,201	-	54,135,130	54,135,130	76,315,202
Allocation of profit	(3,305,124)	(4,591,394)	(4,591,394)	(3,305,124)	(3,305,124)	(4,591,394)
Total	**307,273,655**	**131,931,125**	**55,615,924**	**55,615,924**	**55,615,924**	**383,588,856**

These individual financial statements were approved today, March 25, 2020.

Gheorghe Dobra
General Manager

Mihaela Duralia
Chief Financial Officer

1 NON-CURRENT ASSETS

a) Property, plant and equipment

COST	Balance as at January 1, 2019	Increases	Decreases	Balance as at December 31, 2019
Land and buildings	120,842,455	12,003,520	60,363	132,785,612
Installations and machinery	361,862,243	43,641,593	380,402	405,123,435
Measurement, control, adjustment installations and devices	14,931,926	1,980,602	49,395	16,863,133
Vehicles	19,782,183	345,995	32,733	20,095,444
Other installations, plant	1,054,860	35,325	47,404	1,042,781
Advances and tangibles in progress	58,708,494	29,049,686	56,197,708	31,560,473
TOTAL	**577,182,161**	**87,056,721**	**56,768,005**	**607,470,877**

ACCUMULATED DEPRECIATION	Balance as at January 1, 2019	Depreciation recorded during the year	Reductions	Revaluation	Balance as at December 31, 2019
Land and buildings	47,929,523	8,240,917	60,363	-	56,110,077
Installations and machinery	322,819,740	12,242,621	365,867	-	334,696,494
Measurement, control, adjustment installations and devices	9,892,137	1,170,075	49,395	-	11,012,817
Vehicles	14,208,811	999,889	32,733	-	15,175,966
Other installations, plant	281,745	95,266	47,404	-	329,607
TOTAL	**395,131,956**	**22,748,768**	**555,763**	**-**	**417,324,961**

1 FIXED ASSETS (continued)

ADJUSTMENT FOR IMPAIRMENT

	Balance as at January 1, 2019	Increases	Transfers	Decreases	Balance as at December 31, 2019
Constructions	140,133	-	-	21,240	118,893
Installations and machinery	1,008,160	-	-	14,535	993,625
Tangible assets in progress	1,791,499	-	-	-	1,791,499
Total	**2,939,791**	**21,240**	**-**	**35,775**	**2,904,016**
Net value	**179,110,414**				**187,241,899**

As of December 31, 2019 the net book value of tangible assets acquired through finance leasing is RON 591,068 (December 31, 2018: RON 821,933).
Tangible assets in progress include improvements made to the existent fixed assets and new investments in equipment that have not been put in function yet.

The gross book value of the fully amortized fixed assets as of December 31, 2019 is in amount of RON 160,875,816 (2018: RON 148,797,827).

The gross book value of the disposed fixed assets in 2019 is in amount of RON 570,298 (2018: 1,494,846 RON).

As of December 31, 2019 the pledged fixed assets had a net book value of RON 151,978 thousand (2018: RON 114,880 thousand).

Impairment tests for property, plant and equipment

The company analyzed the net book value recorded at the balance sheet date for the depreciable property, plant and equipment, in order to evaluate the possibility of their depreciation, which could lead to the recording of an adjustment for depreciation.
There were no impairment indications identified, therefore there was no need to perform an impairment test of the property, plant and equipment as at 31 December 2019 and 31 December 2018.

b) Intangible assets

COST

	Balance as at January 1, 2019	Increases	Decreases	Balance as at, December 31, 2019
Development expenses	5,034,412	-	-	5,034,412
Advances and intangible assets in progress	-	-	-	-
Concessions, patents, licenses	356,908	48,125	-	405,033
Total	**5,391,320**	**48,125**	**-**	**5,439,445**

1 FIXED ASSETS (continued)

b) Intangible assets (continued)

ACCUMULATED AMORTIZATION

	Balance as at January 1, 2019	Increases	Decreases	Balance as at, December 31, 2019
Development expenses	5,034,412	-	-	5,034,412
Concessions, patents, licenses	333,661	28,774	-	362,435
Total	**5,368,073**	**28,774**	**-**	**5,396,847**
Net value	**23,248**			**42,598**

The development expenses include projects, solution and efficiency studies related to the study of the process of silicon removal and technological sizing per variants, increasing the capacity of the static oven, respectively technical and technological rehabilitation and are depreciated over a period of 5 years.

c) Financial long term assets

In May 2011, the Company purchased 100% of the share capital of Global Aluminium Ltd BVI, with the head office in Trinity Chambers, PO Box 4301, Road Town Tortola, British Virgin Islands, for the amount of USD 30 million, the equivalent of RON 82,581,000. The Company carried out an impairment test of its investment in Global Aluminium Ltd. BVI as of December 31, 2013. As a result of this test there was recorded an adjustment for impairment for the entire value of the investment. According to the analysis as of December 31, 2019 the impairment remained at the same value as for the previous year.

2 PROVISIONS

	Balance as at January 1, 2019	Increases	Decreases	Balance as at December 31, 2019
Provisions for pensions and similar obligations	4,033,226	1,194,958	384,788	4,843,396
Provisions for rehabilitation of fixed assets	19,467,517	2,644,572	-	22,112,089
Provision for employees remuneration	3,009,305	-	3,009,305	-
Total	**26,510,048**	**3,839,530**	**3,394,093**	**26,955,485**

The provision for pensions and similar obligations was set up for the Company's obligation to give retirement benefits to the employees in accordance with the provisions of the collective employment contract.

The Company makes full provision for the future cost of decommissioning and rehabilitating the storage facilities for residual product (red mud lake) on a discounted basis.
The rehabilitation provision represents the present value of rehabilitation costs relating to the site, which are expected to be incurred up to 2023, which is when the storage on the site should be either closed or extended.

2 PROVISIONS

These provisions have been recorded based on the estimates made by the experienced constructions engineers specialists from ALUM. Assumptions based on the current economic environment have been made, which management believes are a reasonable basis upon which to estimate the future liability. These estimates are reviewed regularly to take into account any material changes to the assumptions. However, actual rehabilitation costs will ultimately depend upon future market prices for the necessary rehabilitation works required that will reflect market conditions at the relevant time. Also, the timing of rehabilitation is likely to depend on when the site cease to store at economically viable rates. The discount rate used in the calculation of the provision as at 31 December 2019 was 3.02% (2018: 4.29%).

The provisions for employees compensation are recognized by the Company basically in accordance with the Collective Labour Agreements. In 2019, the management analysed the financial results for the period and decided not to book a provision for this period.

3 ALLOCATION OF PROFIT

The Company recorded a profit of RON 76,315,201 for the year ended December 31, 2019 that will be allocated in the General Shareholders Meeting according to the actual legislation.

In 2019 there has been distributed to legal reserves the amount of RON 4,591,394 representing 5% from the gross profit for 2019.

4 ANALYSIS OF THE OPERATING RESULT

Caption		Year ended December 31, 2018	Year ended December 31, 2019
1.	**Net turnover**	**876,424,730**	**784,359,001**
2.	**Cost of goods sold and services provided (3+4+5+6)**	**768,896,248**	**723,322,795**
3.	Basic activity expenses	561,104,205	517,431,305
3.1	Raw materials and other materials	483,753,505	437,548,682
3.2	Direct salary expenses	17,126,313	20,341,154
3.3	Other direct material expenses	60,224,387	59,541,470
4.	Auxiliary activity expenses	172,537,253	173,866,742
5.	Production overheads	35,164,030	31,904,703
6.	Expenses regarding the materials sold	90,761	120,045
7.	**Gross result pertaining to net turnover (1-2)**	**107,528,481**	**61,036,206**
8.	Marketing expenses	3,157,660	2,841,915
9.	General administrative expenses	31,645,642	35,215,696
10.	Other operational expenses	20,543,613	15,590,604
11.	Other operating income*)	2,776,803	82,006,627
12.	**Operating result (7-8-9-10+11)**	**54,958,369**	**89,394,618**

*) In 2019 the Company obtained incomes from sale of unused CO2 emission rights in amount of RON 74,793 thousand, income included in the category “Other operating income”

5 RECEIVABLES AND PAYABLES

Receivables	Balance as at December 31, 2019	Due within 1 year	Due over 1 year
Domestic clients	5,269,212	5,269,212	-
Foreign clients	67,117,570	67,117,570	-
Adjustment for the impairment of doubtful receivables	(49,350,026)	(49,350,026)	-
Trade receivables	**23,036,756**	**23,036,756**	**-**
VAT under settlement	99,915	99,915	-
Advances to personnel	270,032	270,032	-
Other receivables	5,914	5,914	-
Sundry debtors	284,015	284,015	-
Adjustments for the impairment of other receivables	(16,063)	(16,063)	-
Other receivables	**643,812**	**643,812**	**-**
Total	**23,680,568**	**23,680,568**	**-**

Receivables	Balance as at December 31, 2018	Due within 1 year	Due over 1 year
Domestic clients	4,382,645	4,382,645	-
Foreign clients	54,045,290	54,045,290	-
Adjustment for the impairment of doubtful receivables	(47,380,741)	(47,380,741)	-
Trade receivables	**11,047,194**	**11,047,194**	**-**
VAT under settlement	141,251	141,251	-
VAT recoverable	1,418,120	1,418,120	-
Advances to personnel	213,051	213,051	-
Income tax	-	-	-
Other receivables	19,538	19,538	-
Sundry debtors	3,551	3,551	-
Adjustments for the impairment of other receivables	(16,063)	(16,063)	-
Other receivables	**1,779,448**	**1,779,448**	**-**
Loans to affiliates	**1,059,136**	**1,059,136**	**-**
Total	**13,885,778**	**13,885,778**	**17,175,010**

According to the impairment test performed by CMF Consulting, an independent valuation company, as of December 31, 2019 there is a potential loss from trade receivables from SMHL in amount of RON 48,838 thousand (USD 11,462 thousand) higher than the provision recorded by the Company as of December 31, 2018 of RON 47,133 thousand (USD 11,570 thousand).

7 RECEIVABLES AND PAYABLES (continued)

In April 2016, the Company concluded a loan agrement with Sierra Mineral Holdings I Limited, with the head office in Sea Meadow House, Blackburne Highway, Road Town Tortola, British Virgin Islands, for the amount of USD 1,400,000 for putting the dryer facility in operation. The interest according to the contract is Libor 3M + 5% per year. The loan was reimbursed in 3 years, in 8 equal installments, with a grace period of 1 year.
In 2019, the balance as of December 31, 2018 in amount of USD 260 thousand (the equivalent of RON 1,059 thousand) has been fully reimbursed.

In 2019, the company signed a framework contract for export factoring. The factoring facility is without regress, so that the risks and rewards related to the receivables are substantially transferred to a factor and as a result the transferred amount at the transfer date is derecognized, and the factoring fees and related finance costs are recognized at the payment date. As of December 31, 2019, the global factoring limit in the amount of EUR 3,000,000 was unused.

Movement in allowance for trade receivables is as follows:

	2018	2019
Balance at beginning of the year	51,510,168	47,380,741
Charge during the year	15,241	1,969,285
Release during the year	4,144,668	-
Balance at end of the year	**47,380,741**	**49,350,026**

Company's receivables from related parties are presented in Note 10.8.

Payables	**Balance as at December 31, 2019**	**Due**	
		within 1 year	**over 1 year**
Trade payables and similar accounts	27,427,376	27,427,376	-
Creditor clients	19,325,509	19,325,509	-
Bank loans	106,979,115	30,893,401	76,085,714
Other loans and similar debts	32,445,473	32,445,473	-
VAT payable	2,291,814	2,291,814	-
Guarantees received from suppliers	2,035,985	1,519,413	516,573
Dividends payable	4,534	4,534	-
Sundry creditors	71,665	71,665	-
Other payables	5,446,390	5,446,390	-
Income tax	2,368,462	2,368,462	-
Total	**198,396,323**	**121,794,036**	**76,602,287**

8 RECEIVABLES AND PAYABLES (continued)

Payables	Balance as at December 31, 2018	Due	
		within 1 year	over 1 year
Trade payables and similar accounts	57,855,029	57,855,029	-
Creditor clients	67,948,863	67,948,863	-
Bank loans	61,404,132	300,132	61,104,000
VAT payable	3,692,412	3,692,412	-
Guarantees received from suppliers	2,088,204	683,327	1,404,877
Dividends payable	4,534	4,534	-
Sundry creditors	65,497	65,497	-
Other payables	5,400,522	5,301,273	99,250
Income tax	4,705,866	4,705,866	-
Total	**203,165,059**	**140,556,932**	**62,608,127**

Company's payables to related parties are presented in Note 10.8.

On 17 May 2018, Alum concluded a loan in amounting to USD 20 million with Black Sea Trade and Development Bank and USD 5 million with Garanti Bank Romania S.A., respectively. The scope of these loan facilities are mainly investments, and they will be repaid in seven half-yearly instalments after a grace period of two years. On 31 December 2019 the amount drawn down from these loans was of USD 25 million. The bank borrowings of the Company will mature in 2023. In 2019, the interest rates ranged between 5.05% and 6.39% (2018: 5.62% și 6.39%).

According to the existing borrowing agreements the Company is subject to certain restrictive covenants. These covenants require the Company, among other things, to maintain a minimum or maximum level for certain financial ratios, including: financial debt to EBITDA and current ratio.

At 31 December 2018, the Company was compliant with all the financial loan covenants.

The Company borrowings are secured with accounts receivable amounting to RON 3,406 thousand, with current account opened with the banks amounting to RON 581 thousand , with property, plant and equipment (land, buildings, equipment) with a net book value of RON 151,978 thousand and with inventories of RON 209,422 thousand.

In August 2019, the Company concluded a contract with a commercial partner for selling CO2 emission certificates for an amount of RON 32,446 thousand. The emission certificates were sold at a spot price agreed by the parties based on the quotations used in the specific market at that date. According to the contract, if the market price of the emission certificates moves upwards but below a certain threshold up to 9 December 2020, the Company is bound to repurchase them at a price fixed by contract, which is slightly higher than the price for which it has sold them. If the market price moves upwards exceeding the same specified threshold, then the Company will not repurchase the certificates, but it will receive a termination payment from the counterparty, equal to the difference between the threshold and the initial sales price. At the transaction date and at the reporting date, the Company analyzed the market circumstances and estimated that there is a low possibility for the future market price to exceed the specified threshold at the termination date (in December 2020), and that it is more likely that it will have to buy back the certificates.

5 RECEIVABLES AND PAYABLES (continued)

The Company analyzed the contract, and determined that, due to the buy-back clause included in the contract, and due to the obligation to repurchase the certificates at a fixed price established in advance, and not at a market price applicable in future, the company has not transferred substantially the risks and rewards from the certificates, and it is thus a finance transaction.
Therefore, the amount of RON 32,446 thousand was recognized as Other loans under Short term borrowings and lease at 31 December 2019 (nil at 31 December 2018), with the surplus between the future repurchase price and the price received at transaction date being accrued as interest expense under Interest expense: RON 90 thousand for 2019 (nil for 2018). The maturity of the contract is December 2020.

6 SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

These individual financial statements are the responsibility of the Company's management and are prepared in compliance with the Order of Ministry of Public Finance no. 1802/2014 ("OMF no. 1802/2014"), with the subsequent amendments.

MoPFO no.1802/2014, as revised is harmonized with the stipulations of the following directives:

a) Directive 2013/34/EU of the European Parliament and of the Council regarding the annual individual financial statements, consolidated financial statements and related reports of certain types of companies, that modifies the Directive 2006/43/EC of the European Parliament and of the Council and annules the Directives 78/660/EEC and 83/349/EEC, published in the Official Journal of the European Union series L, no. 182 from June 29th 2013;
b) Directive 2014/95/EU of the European Parliament and of the Council from October 22nd 2014 amending the Directive 2013/34/EU regarding disclosure of non-financial information and information on diversity by some enterprises and large groups, published in the Official Journal of the European Union, Series L, no. 330 dated November 15th 2014 and differs from the International Financial Reporting Standards. As a result, these financial statements are not to be considered as being in accordance with the International Financial Reporting Standards.

These financial statements, prepared in accordance with MoPFO no. 1802/2014 as revised, are not to be used by third parties or users of the financial statements that are not familiar with MoPFO no. 1802/2014 as revised, applicable in Romania.

The financial statements refer only to Alum S.A.

The company has subsidiaries (Alum S.A. is the parent company of the Alum group (Note 1)) and it is necessary, according to the requirements of OMF 1802/2014, to draw up consolidated financial statements. The consolidated financial statements of the Alum group are drawn up in accordance with the International Financial Reporting Standards adopted by the European Union and are issued in a separate document.

The accounting records on the basis of which these financial statements were prepared are made in lei ("RON") at historical cost, except for the situations in which the fair value was used, according to the accounting policies of the Company and according to OMF 1802/2014.

6 SIGNIFICANT ACCOUNTING POLICIES (continued)

A. Accounting principles

Currency of presentation

These individual financial statements are presented in RON, except for the cases in which is specified another currency.

These individual financial statements for the period ended December 31, 2019 have been prepared in accordance with the following accounting principles:

Going concern

These individual financial statements are prepared based on the assumption that the company will continue normal operations for the foreseeable future, without becoming unable to continue its operations or significantly reduce the operating activity.

As of 31 December 2019 the Company recorded a profit of RON 76,315 thousands (2018: profit of RON 54,135 thousand) and net current assets of RON 304,818 thousands (2018: net current assets of RON 220,020 thousand). The profit before taxation as of 31 December 2019 consists of (1) an operating profit of RON 89,395 thousand and (2) financial profit of RON 2,476 thousand.

The financial year ended December 31, 2019 continued in line with the expectations of the management of the Company, so that the management of the Company does not consider that there would be any aspect that would affect the continuity of the activity. Thus the financial statements were prepared according to the principle of business continuity. Management believes that the support provided by the Alro Group will be sufficient to allow the continuity of the activity and settlement of liabilities in due course of business, without the need to sell substantial assets, forced interruption of the activity generated by external factors, or other similar actions.

Consistency

The same rules, methods, norms regarding the evaluation, registration and presentation in the accounting of the elements of patrimony are used, in order to ensure the comparability in time of the accounting information.

Prudence

In the preparation of these individual financial statements, all value adjustments due to the depreciation of the assets' value have been taken into consideration, also all foreseeable obligations and potential losses which appeared during the financial year concluded or during any of the previous years.

Cut-off

In the preparation of these individual financial statements, there have been considered all the incomes and expenses of the financial year, without considering the date of receipt or of making the payment.

Separate valuation of asset and liabilities

In order to determine the total value corresponding to a balance sheet position, the value of each individual element of asset and liability was separately determined.

6 SIGNIFICANT ACCOUNTING POLICIES (continued)

A. Accounting principles (continued)

Use of estimates

The preparation of the individual financial statements in accordance with the revised MoPFO 1802/2014 requires the management to make certain estimates and assumptions that affect the reported values of the assets and liabilities, the presentation of the contingent assets and liabilities as at the date of preparation of the individual financial statements and the income and expenses reported for the corresponding period. Although these estimates are made by management based on the best information available as at the date of these individual financial statements, actual results may differ from these estimates.

These estimates are periodically revised and any necessary adjustments are recorded in the income statement in the period when they become known. Although these individual estimates present a degree of uncertainty, the cumulated effect of this on the individual financial statements is considered to be insignificant.

Comparatives

For each caption of the individual balance sheet, individual income statement and, where applicable, individual statement of changes in shareholders' equity and individual statement of cash flows, it is presented the value pertaining to the corresponding caption of the prior financial year.

Non-offsetting

The value of the captions representing assets have not been offset with the values of the captions representing liabilities, that is income with expenses, except for the offsetting between the assets and liabilities allowed by MoPFO 1802/2014, as revised.

Substance over form

The information presented in the individual financial statements reflect the economic reality of the events and transactions, not only their legal form.

Materiality

Any caption of a significant value is presented distinctly in the financial statements.

B. Significant accounting policies

Treatment of accounting errors

Any possible errors of the current period noted in the same period are adjusted before the individual financial statements are authorized to be issued. However, it is possible that certain significant errors are discovered subsequently to the period to which they refer. These errors pertaining to a prior period are retrospectively adjusted and recorded in the account "Retained earnings from the adjustment of errors".

6 SIGNIFICANT ACCOUNTING POLICIES (continued)

Translation of foreign transactions

The Company's transactions expressed in a foreign currency are recorded as at the exchange rates of the date of the transactions. The earnings and losses resulted from the settlement of the transactions in a foreign currency and from the translation of the monetary assets and liabilities in a foreign currency are recognized in the income statement. Such balances are translated in RON at the exchange rates at the official exchange rate of the National Bank of Romania existent at the end of each month.

As at December 31, 2019, the official exchange rate used was USD 1 = RON 4.2608 and EUR 1 = RON 4.7793.

As at December 31, 2018, the official exchange rate used was USD 1 = RON 4.0736 and EUR 1 = RON 4.6639.

Property, plant and equipment

a. Cost

Property, plant and equipment are initially stated at cost. Subsequently, property, plant and equipment have been restated based on several government decisions, by adjusting the historic cost with indexes set by the respective government decisions. The increases in the book value of the property, plant and equipment resulted from the restatements made in the past which were initially credited in the revaluation reserves or share capital, in accordance with the provisions of the respective laws.

The constructions were subsequently revalued, based on evaluations carried out by qualified professionals. The revaluation difference is reflected in the revaluation reserve. The last revaluation of the constructions was performed as at December 31, 2012 by an independent appraiser, member of ANEVAR. The reassessment aimed to adjust the net book values of the elements included in this category to their fair value taking into account their physical state and market value. The revaluations of the constructions are done with sufficient regularity, so that the book value does not differ substantially from the one that would be determined using the fair value from the balance sheet date. At December 31, 2019, following an analysis, the Company concluded that a new reassessment at the current balance sheet date is not required.

The maintenance and repairs to the fixed assets are charged against income as incurred.

Fixed assets in the form of inventory items, such as small tools, are charged against income at the put in function date and are not included in the book value of the tangible assets.

The tangible assets that are disposed of are written off the balance sheet together with the corresponding accumulated depreciation. Any profit or loss resulted from such an operation is included in the current profit and loss account. Significant upgrading are capitalized when they meet the defining criteria of the assets. The earnings and losses from the disposal of fixed assets are determined based on their book value and are included in the operating profit.

b. Depreciation

Depreciation is calculated at restated cost on a straight line basis. Depreciation is calculated throughout the estimated useful life of the assets, as follows:

6 SIGNIFICANT ACCOUNTING POLICIES (continued)

	Years
Buildings and special constructions	2 - 52
Technical installations and machinery	1 - 25
Equipments and vehicles	1 - 25

Land is not depreciated as it is assumed that it has an indefinite service life.

The earnings and losses generated by the disposal of land and fixed assets are determined by comparison to their book value and are included in the determination of the operating profit.

Impairment of property, plant and equipment

The Company should make sure that its assets are not recorded at a value that exceeds their recoverable value. An asset is recorded at a value higher than its recoverable value, if its book value exceeds the value recoverable from the use or disposal of the asset.

The fixed assets held and used by an entity should be analyzed from the point of view of diminishing the value of such an asset whenever events occur that indicate the possibility of not recovering the book value of an asset from the future cash flows. In cases where the estimated future cash flows are insufficient to cover the book value of the asset, there needs to be applied an adjustment to reflect the impairment of the fixed assets.

Intangible assets

Set-up expenses

Development expenses are capitalized and amortized on a straight line basis for a period from 3 to 5 years.

Licenses and software

Usually, the costs associated with the development and maintaining the computer software are charged against income as incurred. Direct costs associated with computer software whose future economic benefits are probable and for a period of more than one year are recognized as intangible assets.

The expense with the purchased computer software is capitalized and amortized on a straight line basis throughout their useful life, without exceeding a period of 5 years. Intangible assets are not restated.

The book value of each intangible asset is verified annually and adjusted from the point of view of the permanent impairment, where necessary.

Inventories

Inventories are recorded at the lower of evaluated cost and net realizable value, determined based on the FIFO (“first in, first out”) method. The cost of the finished and semifinished products includes raw materials, direct salary expenses, other direct expenses and production overheads (based on the normal production capacity), but excludes the general administrative expenses, marketing expenses and financial expenses. Net realizable value is determined based on the sale price in normal conditions. Adjustments are recorded for the impairment of slowly moving, deteriorated and obsolete inventories.

6 SIGNIFICANT ACCOUNTING POLICIES (continued)

Trade receivables

Trade receivables are recorded at anticipated net realizable value. For doubtful receivables, an estimated adjustment is made based on an analysis of all amounts outstanding at year end. Non recoverable receivables are charged against income in the year when they are identified.

Other receivables

Receivables are recorded at a value estimated to be recovered.

Cash and cash equivalents

Cash and cash equivalents are recorded in the individual balance sheet at cost. For the individual cash flow statement, cash and cash equivalents include petty cash, current accounts and demand deposits with banks.

Payables

Payables are recorded at nominal value.

Provisions

Provisions are recognized as at the time when the Company has a legal or contractual obligation resulted from past events, when an outflow of resources embodying economic benefits is necessary to settle the obligation and when a reliable estimate can be made with regard to the value of the obligation.

Provision for decommissioning

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

Impairment of investments in subsidiaries

The Company’s investments in subsidiaries are accounted for at cost less the impairment. Impairment exists when the carrying value of an investment exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm’s length, for similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a DCF model. The cash flows are derived from the Company’s budget and do not include restructuring activities that the Company is not yet committed to or significant future investments that will enhance the asset's performance of the CGU being tested. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes.

6 SIGNIFICANT ACCOUNTING POLICIES (continued)

Contributions for employees

The Company pays contributions to the State Budget for the work insurance contribution and the employees pay contributions to the State Budget for social insurance and health insurance according to the levels established by the law and in effect during the year, calculated on the basis of the gross salaries. The value of these contributions is recorded in the income statement in the same period as the related salary expenses.

Retirement and other post retirement benefits

In the normal course of its business, the Company makes payments to several institutions of the Romanian state on the account of the pensions of its employees. All the Company employees are members of the pensions plan of the Romanian state.
Starting with 01.04.2017, the Company paid a contribution to the voluntary pension fund for employees of the Company adhering to it, in amount of 200 EUR/year, tax deductible, representing 75 RON per employee monthly. Starting with 01.04.2018 the monthly contribution increased to 100 RON per employee, and from 01.04.2019 the monthly contribution increased to 150 RON per employee.

Upon retirement, the Company offers its employees, according to the collective employment contract, a bonus ranging between 2 - 6 salaries, plus permanent bonuses for the last worked month, according to the length of service in the Company. For these amounts, the Company records in the financial statements a provision revised annually by an actuarial calculation expert.

Borrowings

Short and long term borrowings are presented at the outstanding value as at the date of the individual balance sheet date. The current part of the long term loans and the accumulated interest as at the balance sheet date are classified as “Payables within one year”. The costs related to obtaining the loans are recorded as expenses in advance and amortized over the loan period when they are significant.

Financial leases

Financial lease is the lease obligation that transfers, to a large extent, all the risks and benefits related to the ownership over the asset. The title can be eventually transferred or not.
Financial lease operations are recorded at the fair values of the leased item or by the updated value of the minimum lease installments, if the latter is lower. To calculate the discounted value of the minimum lease payments, the discount factor is considered the effective interest rate of the lease agreement.

Subsidies

Subsidies for assets, including non-monetary grants at fair value, are recorded in accounting as investment grants and are recognized in the balance sheet as deferred income. The deferred income is recorded in the profit and loss account as the expenses are recorded with the depreciation or at the disposal or disposal of the assets.

Subsidies related to income include all subsidies, other than those for assets. Grants are recognized, on a systematic basis, during the period in which the expenses corresponding to these subsidies have been recognized.

6 SIGNIFICANT ACCOUNTING POLICIES (continued)

Share capital

The share capital composed of ordinary shares is recorded at the value established on the basis of the deed of incorporation and additional acts, as the case may be, as well as the supporting documents regarding the capital payments.

The repurchased own shares, according to the law, are presented in the balance sheet as a correction of the equity.

Gains or losses related to the issuance, redemption, sale, disposal for free or cancellation of the equity instruments of the entity (shares, shares) are recognized directly in the equity in the lines of "Gains / or Losses related to equity instruments" .

Retained earnings

The legal reserve is created in accordance with the provisions of the Companies Law, according to which 5% of the annual profit before taxation is transferred to legal reserves until their balance reaches 20% of the Company's share capital.

The accounting profit left after the distribution of the legal reserve share realized, within the limit of 20% of the share capital is taken in the retained earnings at the beginning of the financial year following the one for which the annual financial statements are drawn up, from where it will be distributed to the other legal destinations.

The bookkeeping of the destinations of the accounting profit is made in the following year after the general meeting of the shareholders or associates who approved the distribution of the profit, by recording the amounts representing dividends due to the shareholders or associates, reserves and other destinations, according to the law. The records made regarding the distribution of the profit cannot be returned.

The increases in the retained earnings representing the surplus realized from revaluation reserves were constituted by the transfer from the revaluation reserve of the amounts corresponding to the revalued assets as they were used by the company. The surplus realized from the revaluation reserves thus created is distributable, while the revaluation reserve is not distributable. The Company does not intend to distribute the surplus realized from revaluation reserves in the balance on December 31, 2019.

In the situation in which the surplus realized from revaluation reserves is distributed, from a fiscal point of view it will be taxed in so far as, according to the tax legislation applicable at the time of the revaluation, the expenses with the depreciation related to the revalued fixed assets were considered deductible expenses in the calculation of the profit tax and the surplus realized from the revaluation reserves, respectively, it has not already been assimilated to the income for the calculation of the profit tax.

Income

The income from sales is recorded upon the delivery of the products and, when applicable, upon their receipt by the client, or upon the provision of services. Recording is made net of VAT, and any possible sale fees or commercial discounts.

6 SIGNIFICANT ACCOUNTING POLICIES (continued)

Income (continued)

The Company uses carbon dioxide certificates. According to the group policy, the certificates are recognized in the financial statements based on the net exposure/emission method. According to this method, it is recognized as a liability the value of the certificates for the emission that exceeds the equivalent of the certificates granted according to GD 780/2006 issued by the National Environment Authority.

The Company estimates the annual amount of emissions as at each balance sheet date and recognizes the supplementary liability at the market value of the additional certificates that need to be purchased or at the level of the penalties that need to be paid according to the laws in force.

The additional liability is recognized in the income statement based on the production unit method. If the Company estimates the use of a lower number of certificates that the allocated level, the income resulted from the sale of the supplementary certificates is recognized only at the time of the actual sale.

Income tax

Income tax is calculated based on the result of the year adjusted for various elements that are neither taxable nor deductible. It is calculated using the income tax rate in effect as at the balance sheet date.

Financial instruments

The financial instruments recorded in the individual financial statements include cash and cash equivalents, receivables and trade receivables, other assets and long term liabilities. The particular methods of recognition adopted are presented in the individual accounting policies associated to each element.

The real value of the financial instruments represents the amount for which an instrument can be traded between willing and knowing parties in an arm's length transaction. This represents a general approximation of the possible value and it might never be realized.

The Company is subject to the fluctuation of various economic variables, as follows:
(a) The foreign exchange rate of the RON against the foreign currencies;
(b) The interest rates that influence the financial assets and liabilities;
(c) The increase/decrease in the purchasing power of the RON;

As a result the real market value of the financial instruments as at the date of closure of the individual balance sheet is approximately in agreement with the value presented in the financial statements of the Company.

Cash and cash equivalents, receivables and other current monetary assets, trade payables and other obligations are reflected in the individual financial statements at fair value as a result of the short term due dates of these instruments.

7 SHARE CAPITAL

The share capital is in amount of RON 488,412,908 representing 82,086,203 shares having a par value of RON 5.95 per share. The share capital subscribed and paid in as at December 31, 2019 is in amount of RON 488,412,908.

	Value
As at January 1, 2019	488,412,908
Increases	-
As at December 31, 2019	**488,412,908**

	2018		
	Number of shares	Nominal value	%
ALRO S.A.	81,595,860	485,495,367	99.4026
Individuals	487,778	2,902,279	0.5942
Legal entities	2,565	15,262	0.0031
Total	**82,086,203**	**488,412,908**	**100**

	2019		
	Number of shares	Nominal value	%
ALRO S.A.	81,595,860	485,495,367	99.4026
Individuals	487,778	2,902,279	0.5942
Legal entities	2,565	15,262	0.0031
Total	**82,086,203**	**488,412,908**	**100**

8 INFORMATION REGARDING THE EMPLOYEES, ADMINISTRATORS AND DIRECTORS

	2018	2019
Average number of employees	765	791

Salaries expenses per categories of personnel in 2018 was:

	No. of employees	Salaries RON
Management	15	4,257,457
Administrative staff	145	11,276,143
Operatives	605	33,080,428
TOTAL	**765**	**48,614,028**

8 INFORMATION REGARDING THE EMPLOYEES, ADMINISTRATORS AND DIRECTORS (continued)

Salaries expenses categories of personnel in 2019 was:

	No. of employees	Salaries RON
Management	14	3,685,341
Administrative staff	148	13,117,335
Operatives	629	39,521,480
TOTAL	**791**	**56,324,156**

9 CALCULATION AND ANALYSIS OF THE MAIN FINANCIAL RATIOS

Caption	2018	2019
Liquidity ratios		
Current liquidity ratio (current capital ratio)	2.58	3.51
Quick liquidity ratio (acid test)	0.14	0.22
Risk ratios		
Gearing	19.89	19.84
Interest cover ratio	31.82	12.82
Activity ratios (management ratios)		
Turnover of inventories	2.38	1.95
Days in store	153.32	187.28
Turnover of trade receivables – days	6.65	7.93
Turnover of trade payables – days	24.92	19.84
Turnover of fixed assets	4.89	4.19
Turnover of total assets	1.62	1.28
Profitability ratios		
Profitability of capital employed	0.19	0.22
Result per share RON	0.66	0.93
Gross margin from sales – %	6.27	11.40

The indicators presented above are not detailed in OMF 1802/2014

10 OTHER INFORMATION

10.1 Information regarding the presentation of the Company

The Company was initially incorporated in March 1972, ALUM S.A. Tulcea being the only manufacturer of calcined alumina in Romania.

The main business is the hydro-metallurgical processing of bauxite to obtain aluminum oxide, the raw material for obtaining aluminum.

10 OTHER INFORMATION (continued)

10.1 Information regarding the presentation of the Company (continued)

Bayer method, which uses caustic soda to produce a solution, is used to extract the aluminum hydroxide from the processing of bauxite in order to obtain aluminum oxide, the raw material for the production of alumina. The production capacity of the refinery is of about 600,000 ton/year.

The Company's shares are allowed for trading on the alternative transactional system AeRO within Bucharest Stock Exchange. In 2019, the price per share was as follows:

	RON
- minimum price	1.02
- maximum price	4.86
- average price	2.94

10.2 Turnover

	Year ended December 31, 2018	**Year ended December 31, 2019**
Sales of alumina	751,332,604	700,282,893
Sales of hydrate	123,768,263	82,149,982
Revenues from sales of scrap iron and wastes	367,271	878,344
Revenues from sales of utilities	516,614	623,644
Other revenues	439,978	424,138
Total	**876,424,730**	**784,359,001**

10.3 Other material expenses

	Year ended December 31, 2018	**Year ended December 31, 2019**
Natural gas expenses	166,705,201	167,494,039
Packaging materials expenses	942,287	984,067
Work protection materials	587,511	484,803
Small assets	431,977	258,886
Total	**168,666,975**	**169,221,796**

10 OTHER INFORMATION (continued)

10.4 External services

	Year ended December 31, 2018	Year ended December 31, 2019
Third parties repairs	11,622,705	4,810,671
Rent	805,465	1,078,563
Insurance	760,806	1,284,160
Transport	2,017,127	1,357,304
Audit and consultancy	2,234,521	2,151,510
Guard services	3,090,192	3,311,568
Other services	11,285,927	12,635,283
Total	**31,816,743**	**26,629,060**

10.5 Petty cash and bank accounts

	December 31, 2018	December 31, 2019
Bank accounts	880,706	627,210
Petty cash	2,910	7,067
Letters of credit	3,204,568	878,120
Total	**4,088,184**	**1,512,397**

10.6 Inventories

Inventories are presented in the balance sheet after deducting the impairment adjustments.

	December 31, 2018	December 31, 2019
Raw materials, materials and goods	85,407,091	130,683,244
Work in progress	62,798,466	56,277,558
Small tools	607,745	656,598
Semi finished products and finished goods	7,031,909	21,617,211
Packaging	118,779	187,814
Adjustments for the impairment of inventories	(17,017,658)	(22,632,957)
Advances for inventories	203,358,859	213,174,007
Total	**342,305,191**	**399,963,473**

The value of inventories pledged for securing the Company's borrowings amounts RON 209,422 thousand (31 December 2018: 153,238).

The advances for inventories include payments for bauxite to Sierra Minerals Holding Ltd, affiliate, in amount of RON 212,369,821 (see Note 10.8).

10 OTHER INFORMATION (CONTINUED)

10.6 Inventories (continued)

According to the impairment test performed by CMF Consulting, an independent valuation company, as of December 31, 2019 there is a potential loss from advances for bauxite paid to SMHL in amount of RON 22,570 thousand (USD 5,297 thousand) (31 December 2018: 16,940 thousand RON (4,158 thousand USD), for which an impairment provision was recorded.

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	Balance as at January 1, 2019	Transfers		Balance as at December 31, 2019
		to acc.	from acc.	
Adjustment for the impairment of raw materials	16,939,507	5,630,309	-	22,569,816
Adjustment for the impairment of materials	78,151	-	15,010	63,141
Adjustment for the impairment of work in progress	-	-	-	-
Adjustment for the impairment of finished goods	-	-	-	-
Adjustment for the impairment of semi finished products	-	-	-	-
Total	**17,017,658**	**5,630,309**	**15,010**	**22,632,957**

10.7 Indicators regarding the result per share

The basic result per share is calculated by dividing the number of shareholders by the weighted average number of ordinary shares in circulation during the year, less the shares bought back by the Company during the year. There were no ordinary potentially diluted during the year.

	2018	2019
Net profit for the year	54,135,130	76,315,201
Number of shares	82,086,203	82,086,203
Result per share, basic – RON	0.66	0.93
Average market price per share	1.99	2.94

10.8 Transactions and balances with related parties

Affiliates are entities with direct or indirect common shareholders, common directors or management. A significant part of the Company transactions are conducted with related parties.

The nature of the relations with the related parties with which the Company conducted significant transactions or which have significant balances not settled as at the balance sheet date are detailed below. The relations were established in the normal course of the Company's activity. Management considers that the prices at which the transactions were conducted were in an arm's length.

10 OTHER INFORMATION (continued)

10.8 Transactions and balances with related parties (continued)

Related party	Related party type	Transaction type
Alro S.A.	Shareholder	Sales/purchases of goods/services
Sierra Minerals Holding Ltd.	Subsidiary	Sales/purchases of goods/services
Global Aluminium Ltd *	Subsidiary	Assignment of receivables
Vimetco Management Romania S.R.L.	Common control	Purchases of goods and services
Vimetco Extrusion	Common control	Sales/purchases of goods
Conef Gaz S.R.L.	Common control	Purchases of goods
Centrul Rivergate	Common control	Sales/purchases of goods/services
Rivergate Fire	Common control	Sales/purchases of goods/services

The transactions and balances with related parties are detailed below:

(i) Sales

	December 31, 2018	December 31, 2019
ALRO Slatina	602,842,674	642,464,040
CENTRUL RIVERGATE	36,110	36,870
SIERRA MINERALS HOLDING LTD.	88,168	695,210
VIMETCO EXTRUSION	1,880	2,668
Total	**602,968,832**	**643,198,789**

(ii) Purchases

	December 31, 2018	December 31, 2019
ALRO Slatina	29,097,623	27,204,966
CENTRUL RIVERGATE	3,110,194	3,346,700
VIMETCO MANAGEMENT ROMANIA	780,000	780,000
RIVERGATE FIRE	2,896,584	3,095,328
CONEF GAZ	166,705,201	169,933,085
SIERRA MINERALS HOLDING LTD.	240,273,430	215,816,947
Total	**442,863,033**	**420,177,026**

(iii) Receivables

	December 31, 2018	December 31, 2019
SIERRA MINERALS HOLDING LTD. – receivables, gross*	47,133,479	49,487,350
SIERRA MINERALS HOLDING LTD. – advances, gross*	202,502,613	212,369,821
SIERRA MINERALS HOLDING LTD. (loan)	1,059,136	-
CENTRUL RIVERGATE	3,584	3,677
VIMETCO POWER	3,153,001	3,153,001
VIMETCO EXTRUSION	274	301
ALRO Slatina	366,360	405,818
Total	**254,218,447**	**265,419,968**

10 OTHER INFORMATION (continued)

10.8 Transactions and balances with related parties (continued)

* for receivables and advances recoverable from SIERRA MINERALS HOLDING LTD, the company recorded at December 31, 2019 provisions for depreciation of receivables in amount of RON 48,838,451 (2018: RON 47,133,479) and for depreciation of advances in amount of RON 22,569,816 (2019: RON 16,939,507).

(iv) Payables

	December 31, 2018	December 31, 2019
ALRO Slatina	89,190,346	22,469,087
CONEF GAZ	478,692	733,285
CENTRUL RIVERGATE	306,444	328,397
RIVERGATE FIRE	287,245	306,953
Total	**90,262,726**	**23,837,723**

In 2019, the following related party transactions were also conducted:

	2018	2019
Interest income - Global Aluminium Ltd,	680,774	-
Interest income - Sierra Minerals Holding Ltd,	139,835	14,484

The remuneration of directors and other members of key management personnel during the year was in amount of 2,356,084 RON (2018: RON 2,047,227).

10.9 Legal reserve

As at December 31, 2019, the legal reserve amounted to RON 16,900,281 (December 31, 2018: RON 12,308,887).

10.10 Information regarding the income tax

The Company records net income tax in accordance with the financial statements, in compliance with the laws in force regarding the income tax.
The Company did not record extraordinary income or expenses during the financial year ended December 31, 2018.

The reconciliation between the result of the year and the fiscal result for the year is presented below:

10 OTHER INFORMATION (continued)

10.10 Information regarding the income tax (continued)

Calculation of the income tax

	Year ended December 31, 2018	Year ended December 31, 2019
Total income	946,226,280	918,457,377
Total expenses	(880,123,799)	(826,586,614)
Gross profit	**66,102,480**	**91,870,763**
Allocation to the legal reserve	(3,305,124)	(4,591,394)
Elements similar to income	2,388,259	2,220,954
Non taxable income	(4,580,268)	(3,444,878)
Non deductible expenses	24,610,500	12,191,569
Prior years loss	(7,595,516)	-
Fiscal profit/(loss)	**77,620,331**	**98,247,013**
Current income tax	**11,924,475**	**15,512,687**

10.11 Guarantees and commitments

The Company has the following investment commitments as at December 31, 2019 for the year 2020:

Description	**th. USD**
Reducing emissions and increasing energy efficiency by installing a low NOx combustion system at boiler no. 4	78
Acquisition and installation a disc filter for coarse seed	582
Filtering process control efficiency enhancing by acquiring and installing vertical filters	601
Increasing the storage capacity of the red mud pond by elevating the height of the perimetral dyks	2.223
Maintenance Capex (Digestion modernization - autoclaves registers and agitators for 1 Digestion and Evaporation batteries)	61
Total	**3,545**

10 OTHER INFORMATION (continued)

10.11 Guarantees and commitments (continued)

The Company has the following purchasing commitments as at December 31, 2019 for the year 2020:

Description	Amount	
Contract with Sierra Mineral Holdings LTD for bauxite	39.050.000	USD
Contract with Cargill Carriersfor bauxite freight	11.577.500	USD
Contracts for bauxite handling Constanta-Tulcea	8.494.715	EUR
Contract with Conef Gaz for natural gas	145.618.760	RON
Contract with ALRO Slatina for electricity	8.291.599	USD
Contract with Chimcomplex Borzesti/Contract with Chimcomplex Suc. Rm. Vâlcea for caustic soda	13.503.600	EUR
Contract with Celco SA for industrial lime	8.686.200	USD
Contract with Carmeuse Holding Brașov for hydrated lime	2.521.800	RON
Contract with NALCO- flocculants	513.813	EUR
Contract with FLOCHEM INDUSTRIES SRL Bucuresti – flocculants	397.215	EUR
Contract with CYTEC INDUSTRIES, The Netherlands – flocculants	717.678	EUR
Contracts for caustic soda transport	9.409.408	EUR

Under financing contract signed on 8 September 2016, Alum SA launched a project (SMIS 2014+) co-financed under the European Regional Development through Operational Program of Competitiveness 2014-2020 " Investing in Sustainable Development ".

The only achievement indicator to be pursued by the end of the project, respectively the number of staff in the R & D department that needs to grow by 16 people by March 8th, 2019, was achieved.

Result indicators, i.e. turnover and market share, are reported annually after the project activities have been completed, only to inform the Managing Authority, but their achievement / failure is verified with the appropriate consequences only at the end of the sustainability period in 2024.

Litigations

As at December 31, 2019, the Company was subject to a number of disputes in court resulted from the normal course of its business.

Alum SA Tulcea filed an action against the Ministry of European Funds - DGPEC against the decision 64411 / 21.08.2019, by which were established financial corrections for Alum's final reimbursement request in amount of 631.300 RON.
The management considers that based on the lawyers opinion these actions will not have a significant effect on the individual economic results and individual financial position of the Company.

As at December 31, 2019, the Company had in the balance the amount of RON 231,493 RON for doubtful or litigating receivables (other than related parties), amount for which a provision has been recorded (Note 5).

10 OTHER INFORMATION (continued)

10.12 Contingencies

Taxation

Taxation system in Romania is undergoing a phase of consolidation and harmonization with the European legislation. However, there are still different interpretations of the fiscal legislation. In certain cases, tax authorities can treat differently certain aspects, calculating supplementary tax and interests, in potential significant amounts. In Romania, the fiscal year remains open for fiscal verification for 5 years. Management considers that the tax obligations included in these financial statements are adequate.

At 31 December 2019, the Company was subject to fiscal audits from the National Agency for Fiscal Administration regarding the period 2013 - 2018. At the date when these financial statements were approved, the fiscal inspections were not finalized. The Company's management does not expect any significant financial impact from these fiscal audits.

In accordance with the provisions issued by the Ministry of Public Finance, which regulate the tax regime of the elements of equity that have not been subject to income tax as at the date of recording in the accounts, considering their nature, should the Company change the destination of the revaluation reserves in the future (to cover losses or to distribute to the shareholders), this will lead to supplementary income tax liabilities.

Transfer price

The fiscal legislation in Romania has included rules regarding the transfer prices between affiliates since the year 2000. The current legislative framework defines the principle of “market value”, as well as the methods of establishing transfer prices. As a result, it is expected that the tax authorities should initiate thorough verifications in order to make sure that the fiscal results and/or the value in customs of the imported goods are not distorted by the effect of the prices used in the relations with the related parties.

The Company cannot quantify the result of such verifications, but the management considers that the related party transactions are in agreement with the fiscal legislation in Romania with regard to the transfer price and the necessary documentation regarding the transfer prices is available and can be presented to the authorities in case of a tax audit.

10.13 Financial Auditor’s Fee

The fee for the financial audit of the financial statements for 2019 is in accordance with the service rendering agreement and is in amount of 219,190 RON (2018: 203,070 RON).

10.14 Risk management

a. Foreign exchange (“FX”) risk

FX risk is the risk that the value of a financial instrument should fluctuate because of the variations in the FX rate.

The Company is exposed to the fluctuations in the FX rates in the commercial and financing transactions. FX risk results from the commercial assets and liabilities recognized, including borrowings, expressed in foreign currencies. Given the high associated costs, the Company’s policy is not to use derivative financial instruments to mitigate this risk.

10 OTHER INFORMATION (continued)

10.14 Risk management (continued)

b. Interest rate risk regarding the cash flow and fair value

The interest rate risk regarding the cash flow is the risk that the future cash flows should fluctuate due to the variations in the market interest rates.

The interest rate risk at fair value is the risk that the value of a financial instrument should fluctuate due to the variation in the market interest rate. The financial instruments bear interest at market values and, as a result, it is considered that their fair values do not significantly differ from the book values.

c. Credit risk

Credit risk is the risk that one of the parties of a financial instrument should fail to meet the obligation assumed causing a financial loss to the other party.

The Company is subject to a credit risk due to its trade receivables and other types of receivables. The Company has policies meant to ensure that the sales are made to clients with proper references regarding their reliability.
The receivables are mainly related to Alro (over 90 %). The company is dependent operationally and financially on Alro.
The due date of the liabilities is carefully monitored and the amounts due after exceeding the term are promptly monitored. Trade receivables (clients) are presented net of the adjustments for doubtful receivables (Note 5). The Company develops policies that limit the value of the credit exposure against any financial institution.

d. Liquidity risk

Liquidity risk (also called financing risk) is the risk that an entity should encounter difficulties in meeting the commitments pertaining to the financial instruments. Liquidity risk may result from the incapacity to rapidly sell a financial asset at a value close to its fair value.

A prudent liquidity risk management involves maintaining sufficient cash and credit lines available, by continuously monitoring the estimated and real cash flow, by correlating the due dates of the financial assets and liabilities. Due to their nature, the Company aims at maintaining flexibility in the financing possibilities, including by the support of the majority shareholder.

d. Fair value of the financial instruments

Fair value is the amount for which a financial instrument can be traded between willing and knowing parties in an arm’s length transaction.

Specific recognition methods are presented in the individual policies corresponding to each element. The Book values of the financial instruments as at the balance sheet date approximate their fair values, according to the mentions in the accounting policies of the Company and according to MoPFO 1802/2014 as revised.

The Company does not use financial instruments traded on active markets.

10 OTHER INFORMATION (continued)

10.15 Subsidies

	2018 th. RON	2019 th. RON
Balance as at 1 January	**1,769**	**4,843**
Increases during the year	3,074	839
Revenues recognized through income statement	-	347
Balance as at 31 December	**4,843**	**5,335**
Out of which:		
Short term	323	379
Long term	4,520	4,956

Under financing contract signed on 8 September 2016, Alum SA launched a project (SMIS 2014+) co-financed under the European Regional Development through Operational Program of Competitiveness 2014-2020 "Investing in Sustainable Development". The equipments purchased in 2018 within these investment projects were placed into operation in 2019 and the subsidies received are recognized as income on a straight line basis during the useful life of the equipments.

In 2019 the Company received as non-refundable funds the amount of RON 839 th (2018: RON 3.244 th).

10.16 Subsequent events

On 30 December 2019, a government ordinance was issued (the Emergency Ordinance for amending GEO no.115/2011) laying out the framework for a support scheme applicable for 2018 - 2020, which would partly compensate intensive energy users for the high indirect electricity costs incurred since the European Trading Scheme for carbon dioxide emissions was implemented. The State aid scheme is a transposition of the provisions resulting from the EU ETS Guidelines 2012/C 158/ 04. The Company expects to be able to benefit from the application of this scheme in 2020.

In December 2019, China announced the appearance of a new virus originally linked to a market in the city of Wuhan, China. The virus, initially called “the novel coronavirus” and later officially named “Covid-19”, affects the respiratory system of humans and is very easily transmitted, which soon led to an epidemics and spread around the world. By the date of approval of this report, over 200,000 of cases were reported worldwide, and nearly 10,000 deaths, which determined governments to take extraordinary measures such limiting the movement of persons and even restricting businesses. It is estimated that the situation might have some negative consequences due to the economic slowdown caused by the temporary closure of businesses and freezing of activities in the most affected countries. In respect of the aluminium industry, a decrease of the aluminium price was registered in 2020, however, the aluminium market has seen even lower quotations in the past, and such volatility is common to the industry, so the level of correlation between the evolution of the epidemics and the evolution of the aluminium price cannot be ascertained. Alro Group, of which the Company is part of, has been monitoring the situation from the very beginning of the outbreak, and it has taken all the legal and necessary measures to limit the spread of the virus through its activities.

10 OTHER INFORMATION (continued)

10.16 Subsequent events (continued)

At the date of approval of this report by the Board of Directors, several countries have temporarily closed their borders causing certain disruption to the deliveries from Romania outwards and for imports of some materials from affected countries. However, the Alro Group remains alert to find the best solutions in order to keep potential slowdowns at minimum levels. The management of the Company considers that this is a subsequent event that does not adjust the financial statements for the financial year 2019 and does not change the assumptions for the valuation of assets as of December 31, 2019. The management made a preliminary analysis, taking into account the situation at the date of issuing the financial statements and considers that the principle of continuity of activity continues to be applicable.

Report of the directors
and
their discharge from liabilities

- 2019 -

This is a free translation from the official Romanian version

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1.5 Financial risk management policies
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2.1 Status of synthetic indicators defining company's activity for 2019
2.2 Economic indicators chart for 2019
2.3 Profit and loss account for 2019
2.4 Discharge from liabilities of the Board of Directors for 2019

Report of the directors for 2019
and their discharge from liabilities

1.1 Company orientation

The main goal of ALUM SA ("ALUM"/ "Company") is to continue its efforts to capitalize its human and material resources in order to be among the profitable and competitive companies on the alumina market. The Company aims to become a model of private plant, which will continue to bring important economical and social benefits both to Tulcea town and to the national economy.

For this purpose the Company established the following main objectives:

- Ongoing implementation of co-financed with UE funds investment project according with agreed schedule with ANCSI, investment project which will lead to an increasing of ALUM's efficiency and competitiveness;
- Ongoing implementation of the projects for the purchase and installation of the Bokela coarse seed slurry filter and four Gaudfrin vertical filters to ensure filtering control for 1,300 m3/h aluminate liquor;
- Continuation of elevating works for the Red mud pond to +48.5 meters above sea level;
- Continuation of the modernization process in order to meet the new demands regarding the economical efficiency, environmental protection and social responsibility;
- Ensuring raw materials and energy resources on long term basis;
- Increasing the energetical efficiency for the entire production process;
- Active management of contractual and market risks (financial), taking into account the evolution of the domestic and international market;
- Continuous compliance with environmental rules;
- Developping new products and activities.

1.1.1. The main development directions of ALUM

The future development projects which ALUM put into commissoining intend to implement are briefly presented below:

1. Projects previously approved and under implementation consisting of:
   - Red mud pipe, length 4.5 km (refinery to red mud pond) ;
   - Reducing emissions and increasing energy efficiency by installing a low NOx combustion system at boiler no. 4;
   - Burned gases fan for Steam Boiler no. 2;
   - Acquisition and installation a disc filter for coarse seed;
   - Filtering process control efficiency enhancing by acquiring and installing vertical filters;
   - Different acquisition (PPE, MCE, ENDOWMENTS) approved in 2018;
   - Increasing Alum comptetitiveness by installing equipment to obtain wet and dry hydrate
2. Projects to ensure operating conditions and safe continuity of the production process (maintenance capex):
   - Increasing the storage capacity of the red mud pond by elevating the height of the perimetral dykes;
   - Increasing recirculated water cooling system capacity of Precipitation Installation;
   - Investments for maintenance and improvement of equipment parameters - Alum (PPE) 2019;
   - Replacing the obsolete equipment, Endowments 2019;
   - Maintenance Capex (Digestion modernization - autoclaves registers and agitators for 1 Digestion and Evaporation batteries);
3. New Investment Objectives:
   - Packaging, storage and distribution of new Alum products;
   - Optimization of steam lines and installing steam traps in 1 Digestion batteries / steam pressure reduction station.

1.1.2. Branch offices of ALUM

We mention that ALUM does not have fiscally registered branch offices.

1.2 Management and organizational culture

The management team promotes the values that define the Company's organizational culture and mainly:

- **Performance**

In Alum continues the implementation of an efficient performance management system based on establishing department goals, derived from Company's goals, quantifiable and agreed between the managers and their subordinates

- **Competence**

Main performance competences will be identified in close relation with Company's strategic objectives, by means of real, financial, operational and behaviour indicators. The existing strong points that facilitate the implementation of this system consist in the good experience gathered in the field and in the human, financial and technical potential of the Company.

- **Rentability**, meaning the concern, on all decisional levels, for the increase of the profitability through measures that ensure the continuous improvement on technological, commercial at financial level
- **Ecological and social responsibility**, that presumes, among other things, the protection of the environment (compliance with the requirements from the Integrated Environmental Licence), the contribution to the local society development and for the general economic progress.

Alum's main goals regarding the environment are the following:

- Compliance with the environmental law adopted under the requirements of the European Directives and strictly respect all legal regulations applicable to the company;
- Continuous improvement of activities, processes, products and environmental performance;
- Preparation for emergencies situations and the ability to respond, organizing and conducting simulation exercises for incidents involving dangerous substances;
- Pollution prevention and combat the environmental factors through investments, organizational measures, maintenance and repairs and technological changes;
- Continuous monitoring of environmental aspects of production activity through weekly environmental programs.

Through its environmental policy, the Company creates the premises for the activity in the most demanding environmental standards set by the athorities.

Thus, at the end of 2019:

- The modernization works have been completed and has been put into operation (after demonstration of operating parameters) for the C2AP boiler No. 1.
- The modernization works were completed and the operating parameters demonstration tests have been finalized for the no. 4 boiler. The steam boiler modernization works were aimed at meeting European standards for NOx emissions below 100 mg / Nm3 (3% O2) in burned gases.
- For the enhancement of the operational safety, the rehabilitation works for the red mud pipe used for the transfer from the plant to the red mud storage area were completed.
- The environmental agreement was obtained for the new project for the increasing height of the dams from the red mud storage area (project made by UTCB Bucharest, Iprolam Bucharest). The works for the first stage of elevation under the new project were started in the second semester of 2019.
- The works to increase the capacity of the Precipitation water cooling system have been finalized. The works consisted in the design, purchase and installation of a new cooling system to ensure the cooling of a water flow of 800 m3/h, from a temperature of 50 degrees Celsius to 30 degrees Celsius.
- The works for the installation of a new flue gas exhaust for the steam boiler no. 2 have been completed, which provide low pressure in the boiler combustion chamber.

1.3 Corporate social responsibility

The concept of corporate social responsibility (CSR) refers to the involvement of Companies in solving problems of the communities in which they operate and represents the set of actions, principles and practices by which a Company commits to the society, in order to ensure a positive impact of its activity and to contribute to the development of that society.
The advantages of implementing the social responsibility management system are:

- Demonstrated commitment to business ethics, socially responsible;
- Protecting the brand;
- Enhanced reputation as a socially responsible corporate citizen;
- Consumer confidence and a positive perception from investors side;
- Improved employees morale;
- Attracting, maintaining and motivating competent employees, while improving relations with staff, unions and other stakeholders, the opportunity to negotiate collectively, constructive social dialogue in the organization;
- A correct, safe and fair working environment;
- Better control of processes and risks, protection of health, reduction of administrative costs;
- Promoting principles regarding respect for employees, the local community and respect for professional ethics;
- Improved working conditions;
- Commercial risk management;
- Operability and effectiveness in applying corrective and preventive actions;
- Differentiation from global competitors.

In order to implement CSR in Alum, the following steps were taken:

- Procedures have been developed regarding the relations with the media, as well as the development of the mechanism for the resolution of petitions (the Procedure for solving the petitions) and the organization of hearings. In this way, the Company manifests its openness for listening and solving community problems (employees, citizens, local authorities, collaborating companies, etc.) as well as involvement in education, education and other social utility activities. Also, a procedure has been elaborated regarding the granting of sponsorships that can benefit the members of the local or national community (educational units, students, talented or potentially special students, hospital units, etc.). The sponsorships are carried out in compliance with the legislation in force;
- Questionnaires were developed and distributed on how the Company is perceived within the community by the different organizations with which it is connected (public administration, financial-banking institutions, culture and sports, worship, education, protection organizations environment etc.). Following the feedback received from the collaborating organizations, it turned out that Alum is actively involved in the life of the local community, having a decisive influence;
- Questionnaires have been developed and distributed to all employees of the company (called "Employee consultation questionnaire on quality, environment, safety and occupational health, energy issues") as part of ALUM's management strategy regarding the implementation of the integrated quality-environment-health and safety system occupational and energy. The purpose of these questionnaires is to realize the improvement of the activity, as well as the external recognition of the quality of the activities carried out within the company. In this way, the company will adopt the most appropriate policy in the field, to respond to the demands of the system;

Maintaining an ongoing dialogue with the local community – in doing that ALUM representatives are actively involved as members of various organizations (Red Cross of Romania, County Commission for Equal Opportunities between Women and Men, Tulcea Local Partnership Development Committee, Tripartite Consultative Council established at the level of the Territorial Labour Inspectorate Tulcea etc.), as well as volunteering activities in which employees of the company participate individually (e.g. charitable actions, blood donations, planting of trees).
In this respect, in 2019 Alum, as an active partner of the local community, activated on social plan on multiple directions, by:

- Ensuring, through the offered work conditions, the compliance with the human rights, the equality and the welfare of its employees. In this regard, the recruitment, the selection and the hiring of the work force are made, mainly, from Tulcea county. Also, the percentage of women employees increased from 10% in 2010 to 16.48% in the present;
- Financial support for various projects initiated by non-profit associations in activities aimed at involving children in socio-cultural activities (participation of prize-winning students in

excursions, supporting students in robotics and IT, chess, promotion and practicing of sports disciplines, program for children and youth education by volunteers, supporting activities for the education of children from disadvantaged families).

- Sponsoring the International Delta & Wetlands 2019 International Symposium - an annual event presenting the latest achievements of researchers in the Danube Delta Biosphere Reserve, which discusses the scientific issues related to the implementation of the European Environmental Directives at national level, such as those related to cross-border and interregional cooperation.
- Sponsorship for the “Rowmania FEST” event - International Rowing Boat Festival organized by the non-profit association “Ivan Patzaichin – Mila 23”;
- Collecting funds for providing food and clothes on Easter and Christmas holidays for families with low incomes and many children and for the people from the Nursing Home for Elderly in Tulcea;
- Financial support for the non-profit organization "Casiana" for supporting children suffering from incurable diseases;
- Financial support for the non-profit organization "The Danube Delta psychology center" in the benefit of children with autism and other people in distress;
- Financial support for the non-profit organization "The Association of the blind” in Romania for helping people with visual disabilities.
- Continuing a partnership with a local instructor to offer free swimming lessons for Alum’s employees children and supporting their participation in sports competitions (swimming, triathlon, etc).

.1.4 Internal control

Company's internal control aimes at ensuring:

- Compliance with the existing law;
- Implementation of decisions taken by the Company’s management;
- Proper functioning of the internal affairs of the Company;
- Reliability of financial information;
- The effectiveness of its operations;
- Efficient use of resources;
- Prevention and control of risks of not achieving the objectives set.

As a result, the main objectives of the internal control procedures:

- on one hand, the Company's business registration and tracking behavior of staff within the framework defined by applicable laws, values, rules and internal rules of society;
- on the other hand, checking whether the accounting, financial and business management information communicated accurately reflect the situation of society.

Control activities are an integral part of the process by which the entity seeks to achieve management objectives. Control concerns the application of rules and internal control procedures at all levels: approval, authorization, verification, assessment of operational performance, asset security, separation of functions.

Starting 2017, ALRO Group publishes, in addition to the Annual Report, a Sustainability Report in line with the G4 Core Global Reporting Initiative Guidelines (GRI). This report describes how ALRO Group performs, monitors and achieves the most important environmental, social and corporate governance issues. The Sustainability Report enhances the information provided on the Group, Parent-Company and its main subsidiaries actions realised in the sustainability area in the same transparent manner as the Annual Report and adds value to shareholders, other stakeholders and to the communities in which the Group and its subsidiaries operate.

ALUM is part of ALRO Group and the mandatory requirement for preparing a Sustainability Report (i.e. a Non-Financial Report) is covered by the fact that the Parent-Company, ALRO decided to prepare a Consolidated Non-Financial Report, i.e. ALRO Group's Sustainability Report. This Report is available for the public to consult on ALUM's website.

1.5 Financial risk management policies

a) Currency risk

The Company is exposed to foreign exchange risk because a part of its sales of alumina is denominated in or linked to the USD while the vast majority of its operating costs (such as power costs, wages, etc.) are denominated in or linked to the RON. The currency exposure is related to the fact that most of the Company's receivables are linked to USD of EUR while the liabilities are denominated in RON. The Company is therefore exposed to the risk that movements in the RON/USD exchange rates will affect both its net income and financial position, as expressed in RON.

b) Interest rate risk on cash flow and fair value

Interest rate risk on cash flow is a risk that future cash flows will fluctuate because of changes in market interest rates.
The interest rate risk is the risk that the value of a financial instrument would fluctuate as a result of the variation of the interest rates on market. Financial instruments are bearing interest at market rate, therefore it is considered that their fair values do not differ significantly from book values.

On 17 May 2018, Alum concluded a loan in amounting to USD 20 million with Black Sea Trade and Development Bank and USD 5 million with Garanti Bank Romania S.A., respectively. The scope of these loan facilities are mainly investments, and they will be repaid in seven half-yearly instalments after a grace period of two years. On 31 December 2019 the amounts have been withdrawn in totality. The company's bank loans are due until 2023. In 2019, interest rates ranged from 5.05% și 6.39% (2018: 5.62% to 6.39%.

In August 2019, the Company concluded a contract with a commercial partner for selling CO2 emission certificates for an amount of RON 32,446 thousand. The emission certificates were sold at a spot price agreed by the parties based on the quotations used in the specific market at that date. According to the contract, if the market price of the emission certificates moves upwards but below a certain threshold up to 9 December 2020, the Company is bound to repurchase them at a price fixed by contract, which is slightly higher than the price for which it has sold them. If the market price moves upwards exceeding the same specified threshold, then the Company will not repurchase the certificates, but it will receive a termination payment from the counterparty, equal to the difference between the threshold and the initial sales price. At the transaction date and at the reporting date, the Company analyzed the market circumstances and estimated that there is a low possibility for the future market price to exceed the specified threshold at the termination date (in December 2020), and that it is more likely that it will have to buy back the certificates. The Company analyzed the contract, and determined that, due to the buy-back clause included in the contract, and due to the obligation to repurchase the certificates at a fixed price established in advance, and not at a market price applicable in future, the company has not transferred substantially the risks and rewards from the certificates, and it is thus a finance transaction. Therefore, the amount of RON 32,446 thousand was recognized as Other loans under Short term borrowings and lease at 31 December 2019 (nil at 31 December 2018), with the surplus between the future repurchase price and the price received at transaction date being accrued as interest expense under Interest expense (see Note 27): RON 90 thousand for 2019 (nil for 2018).

Also, the Company has a ongoing finance lease agreements for backhoes for a period of three years. The net book value of leased assets at Company level as of December 31, 2019 was of RON 591,068 (31 December 2018: RON 821,933).

In 2016 the Company entered into a operating lease contract for vehicles, with lease terms of up to 5 years. The operating lease expense amounted in 2019 to RON 259,956 (in 2018: RON 174,339).

c) Credit risk

The credit risk represents the risk that one of the parties participating in the financial instrument will fail to fulfill an obligation, thus causing a financial loss to the other party.
Financial assets that expose the Company to the potential credit risk concentrations comprise mainly receivables from the main activity. The Company has policies to ensure that sales are to customers with appropriate references on their creditworthiness. Date of maturity of debt is carefully monitored and the overdue amounts are promptly pursued. These are presented at the net adjusting value for uncertain receivables.

d) Liquidity risk

The liquidity risk, also named financing risk, is the risk that a plant has difficulties in accumulating funds in order to fulfill the obligations related to the financial instruments. The liquidity risk can arise from the inability to sell quickly a financial asset at a value close to its actual value.

Prudent liquidity risk management implies maintaining sufficient cash and available credit lines, through continuous monitoring of estimated and real cash flows and matching the estimated maturities of financial assets and liabilities. Due to the nature of the business, the Company seeks to maintain flexibility in funding opportunities, including majority shareholder support.

1.6 Market

In 2019 Alum had a turnover in amount of 784,359 th RON structured as follows:

✓ Sales of alumina	700.283	th RON
✓ Sales of hydrate	82.150	th RON
✓ Revenues from sales of scrap iron and wastes	878	th RON
✓ Revenues from sales of utilities	624	th RON
✓ Other revenues	424	th RON

1.7 Competition

The competition on the alumina market is given by the sale price and quality of products. In order to get an as big as possible market share, each producer supports the marketing strategy with investments in technology and continuous modernization of the production process.

Under the circumstances of a more and more competitive global market, ALUM must continue the strategy for reducing the production cost by means of reducing consumptions (development of new ecological technologies), investing in human capital and development of new, competitive and high added value products.

In this respect, under the financing contract signed on 8 September 2016, Alum SA launched a project (SMIS 2014+) co-financed under the European Regional Development through Operational Program of Competitiveness 2014-2020 " Investing in Sustainable Development ".

The equipments purchased in 2018 within these investment projects were placed into operation in 2019 and the subsidies received are recognized as income on a straight line basis during the useful life of the equipments.

1.8 Shareholding structure and share capital

SHAREHOLDERS	Number of shares	Owned percentage (%)
ALRO SA SLATINA	81,595,860	99.4026
Other shareholders – natural persons	487,778	0.5942
Other shareholders – legal persons	2,565	0.0031
TOTAL	**82,086,203**	**100**

On 31.12.2019, the share capital is of 488,412,908 RON and the number of issued shares 82,086,203.

2.1 Status of synthetic indicators defining company's activity as compared to the income and expenditure budget

SYNTHETIC INDICATORS	Actual 2018	Budget 2019	Actual 2019	Difference as compared to Budget	%	Difference as compared to 2018	%
	RON	RON	RON	RON		RON	
TURNOVER	**876,424,730**	**918,938,810**	**784,359,001**	**(134,579,809)**	**85**	**(92,065,729)**	**89**
TOTAL OPERATING REVENUES	**895,976,082**	**1,009,826,327**	**871,199,338**	**(138,626,989)**	**86**	**(24,776,744)**	**97**
TOTAL OPERATING EXPENSES	**841,017,713**	**888,264,109**	**781,804,719**	**(106,459,390)**	**88**	**(59,212,993)**	**93**
of which:- raw material and material expenses	517,760,232	551,450,519	461,317,506	(90,133,013)	84	(56,442,726)	89
- other expenses (inventory objects)	1,961,774	353,425	1,727,757	1,374,332	489	(234,017)	88
- energy, gas and water expenses	195,845,288	230,084,220	194,511,468	(35,572,752)	85	(1,333,820)	99
- staff expenses	53,612,918	51,975,973	62,128,058	10,152,085	120	8,515,140	116
- depreciation expenses	18,845,068	21,376,564	21,724,341	347,776	102	2,879,273	115
- third parties services	33,328,170	33,023,408	28,407,168	(4,616,240)	86	(4,921,003)	85
- merchandise expenses	90,761	-	120,045	120,045		29,284	132
- other expenses (penalties, disposal of fixed assets)	3,256,825	-	5,465,500	5,465,500		2,208,674	168
- value adjustments	16,316,675	-	6,402,877	6,402,877		(9,913,798)	39
Operating result	**54,958,369**	**121,562,218**	**89,394,618**	**(32,167,599)**	**74**	34,436,249	**163**
FINANCIAL REVENUES	50,250,198	16,600	47,258,040	47,241,439	284,684	(2,992,158)	94
FINANCIAL EXPENSES	39,106,087	7,398,213	44,781,894	37,383,681	605	5,675,808	115
Financial result	**11,144,111**	**(7,381,613)**	**2,476,145**	**9,857,758**	**(34)**	**(8,667,966)**	**22**
TOTAL REVENUES	946,226,280	1,009,842,927	918,457,377	(91,385,550)	91	(27,768,902)	97
TOTAL EXPENSES	880,123,799	895,662,323	826,586,614	(69,075,709)	92	(53,537,185)	94
SYNTHETIC INDICATORS	**Actual 2018**	**Budget 2019**	**Actual 2019**	**Difference as compared to Budget**	**%**	**Difference as compared to 2018**	**%**
	RON	**RON**	**RON**	**RON**		**RON**	
GROSS PROFIT	**66,102,480**	**114,180,605**	**91,870,763**	**(22,309,841)**	**80**	**25,768,283**	**139**
PROFIT TAX	11,924,475	18,262,037	15,512,687	(2,749,350)	**85**	3,588,212	**130**
SPECIFIC TAX	42,875	42,875	42,875	-	**100**	-	**100**
NET PROFIT	**54,135,130**	**95,875,693**	**76,315,201**	**(19,560,492)**	**80**	**22,180,071**	**141**

The turnover has been lower than the budgeted value mainly due to the decrease of the sales of calcined alumina and hydrate, the main variations being as follows:

		Value:	
- turnover	-	134,580	th RON
The difference from forecasts was mainly determined by:			
- alumina sales	-	51,376	th RON
- hydrate sales	-	85,130	th RON
- revenues from scrap sales	+	878	th RON
- revenues from utilities sales	+	624	th RON
- other revenues	+	287	th RON
- other operating revenues			
- revenues from CO2 certificates sales	-	19,877	th RON
- revenues from fixed assets	+	268	th RON
- revenues from stored production	+	4,083	th RON

Operational expenses have been lower than the budget by RON 106,459 thousand due, mainly, to the decrease of the alumina production with 102,239 mt compared to the budget, the main variations being as follows:

		Value:	
- raw materials and materials expenses	-	90,133	th RON
- raw materials expenses	-	88,054	th RON
- other material expenses (fuel, spare parts, auxiliary materials)	-	2,079	th RON
- energy and water expenses	-	206	th RON
- natural gas expenses	-	35,366	th RON
- goods expenses	+	120	th RON
- staff expenses	+	10,152	th RON
- value adjustments (provisions)	+	6,403	th RON
- depreciation expenses	+	348	th RON
- other operating expenses (sponsorships,,taxes, social aids, work protection)	+	132	th RON
- other expenses (penalties, ceased assets, other operating expenses)	+	5,465	th RON
- third parties services (commissions, insurrances, transport, processing, advertising, import – export services, etc,)	-	4,748	th RON

There were no impairment indications identified for the company, therefore no impairment test of the property, plant and equipment was performed as at 31 December 2019.

According to the impairment test performed by CMF Consulting, an independent valuation company, as of December 31, 2019 there is a potential loss from receivables from SMHL in amount of RON 48,838 thousand (USD 11,462 thousand) lower than the provision recorded by the Company as of December 31, 2018 in amount of RON 47,133 thousand (USD 11,570 thousand).

According to the impairment test performed by CMF Consulting, an independent valuation company, as of December 31, 2019 there is also a potential loss from advances for bauxite paid to SMHL in amount of RON 22,570 thousand (USD 5,297 thousand) (31 December 2018: 16,940 thousand (USD 4,158 thousand)).

- As for the financial revenues, they were excedeed by 47,241 th RON, being due to:

	Value:	
✓ revenues from exchange rate differences	+ 46,659	th RON
✓ revenues from interests	+ 583	th RON

- Financial expenses were exceded by 37,384 th RON and factorially, they were due to:

	Value:	
✓ expenses with exchange rate differences	+ 37,010	th RON
✓ expenses with interests	+ 374	th RON

Concluding, at the end of 2019 ALUM registered a profit of 76,315 th RON compared to the budgeted profit of 95,876 th ron.

❖ **Fiscally non-deductible expenses**

The fiscally non-deductible expenses amount to 12.19 million RON of which the most important are the following:

- expenses with fiscally non-deductible value adjustments in the amount of 8.79 million RON out of which:
  - 5.63 million RON value adjustment for potential loss in raw materials and consumables;
  - 1.19 million RON value adjustment for pensions and similar obligations;
  - 1.97 million RON value adjustment for potential loss receivables;
- depreciation expenses for fixed assets revalued in 2009 in amount of 0.43 million RON;
- depreciation expenses for fixed assets revalued in 2012 in amount of 0.35 million RON;

- depreciation expenses for spare parts treated as fixed assets 0.03 million RON;
- depreciation for the value adjustment for the estimated expenses to close the red mud lake 1.06 million RON;
- other fiscally non-deductible expenses (compensations, amortization of fixed assets written off, interest for the value adjustment for the estimated expenses to close the red mud lake, fines, penalties, fuel) in the amount of 1.27 million RON.

❖ **Investments**

ALUM had forecasted and approved for 2019 an investment program in amount of 8,301 th USD.

The status of 2019 investments achievements is as follows:

No.	Investment project	Budget (th. USD)	Actual (th. USD)	Difference (th. USD)
1	Red mud pipe, length 4.5 km (refinery to red mud pond)	850	726	(124)
2	Reducing emissions and increasing energy efficiency by installing a low NOx combustion system at boiler no. 4	350	404	54
3	Burned gases fan for Steam Boiler no. 2	300	236	(64)
4	Acquisition and installation a disc filter for coarse seed	870	561	(309)
5	Filtering process control efficiency enhancing by acquiring and installing vertical filters	1,800	1,795	(5)
6	Different acquisition (PPE, MCE, ENDOWMENTS) approved in 2018	1,351	961	(390)
7	Increasing the competitiveness of the company by installing equipments for obtaining wet and dry hydrates	60	44	(16)
8	Increasing the storage capacity of the red mud pond by elevating the height of the perimetral dyks	500	308	(192)
9	Increasing recirculated water cooling system capacity of Precipitation Installation	550	481	(69)
10	Investments for maintenance and improvement of equipment parameters - Alum (PPE) 2019	453	219	(234)
11	Replacing the obsolete equipment, Endowments 2019	447	186	(261)
12	Maintenance Capex (Digestion modernization - autoclaves registers and agitators for 1 Digestion and Evaporation batteries)	450	724	274
13	Packaging, storage and distribution of new Alum products	120	220	100
14	Optimization of steam lines and installing steam traps in 1 Digestion batteries / steam pressure reduction station	200	0	(200)
TOTAL		**8,301**	**6,865**	**(1,436)**

Under financing contract signed on 8 September 2016, Alum SA launched a project (SMIS 2014+) co-financed under the European Regional Development through Operational Program of Competitiveness 2014-2020 " Investing in Sustainable Development ".
The only achievement indicator to be pursued by the end of the project is the number of staff in the R & D department that needs to grow by 16 people by March 8th, 2019, was achieved.

In 2019 the Company received as non-refundable funds the amount of RON 839 thousand (2018: RON 3,244 thousand).

❖ **Litigations status**

On 31.12.2019 ALUM is involved in some litigations as a result of its normal activity.

The Company filed appeal at Tulcea Court against the Decision no. 64411/21.08.2019 issued by Ministry of European Funds - DGPEC, by which were established financial corrections for Alum's final reimbursement request in amount of RON 631 thousand.

On the basis of the legal consulting provided by the Company's lawyers, the management considers that those litigations won't have negative effects on the results or on the financial postion of the Company,
On December 31, 2019 the Company had in its balance the amount of 231,493 RON for uncertain clients or under litigation, amount for which value adjustment is registered.

2.2 Economic indicators chart

Caption	2018	2019
Liquidity ratios		
Current liquidity ratio (current capital ratio)	2.58	3.51
Quick liquidity ratio (acid test)	0.14	0.22
Risk ratios		
Gearing	19.89	19.84
Interest cover ratio	31.82	12.82
Activity ratios (management ratios)		
Turnover of inventories	2.38	1.95
Days in store	153.32	187.28
Turnover of trade receivables – days	6.65	7.93
Turnover of trade payables – days	24.92	19.84
Turnover of fixed assets	4.89	4.19
Turnover of total assets	1.62	1.28
Profitability ratios		
Profitability of capital employed	0.19	0.22
Gross margin from sales – %	6.27	11.40
Result per share RON	0.66	0.93

Analyzing the economic – financial indicators, the following conclusions may be drawn:

- the inventory turnover decreased as compared to the previous year due to the decrease of cost of sales and the increase of stocks.
- as regards the receivables recovery period, respectively the period for reimbursing the debts, ALUM collects its receivables at 8 days and pays its commercial debts at 20 days.
- regarding the fixed assets turnover, it decreased due to the decrease of turnover and the increase of the fixed assets.
- the turnover of the total assets decreased due to the decrease of the turnover and the increase of total assets.

2.3 Profit and loss account

Considering all the above, we submit to the approval of the General Shareholders Meeting the following:

- profit and loss account
- balance sheet
- statement of changes in equity
- statement of cashflows
- notes to financial statements
- approval of net profit distribution

2.4 Discharging from liabilities of the Board of Directors for 2019

For the period 01.01.2019 – 31.12.2019 based on the Decision of the Ordinary Shareholders Meeting no. 37/14.08.2015 and GSM Decision no. 43 dated August 9, 2019, the Board of Directors consisted of:

1. Dobra Gheorghe - Chairman
2. Barabanov Aleksandr - Vice Chairman
3. Cilianu Marin - Member
4. Popa Ioan - Member
5. Duralia Mihaela - Member

We propose the discharge from liabilities of the Board of Directors of ALUM SA Tulcea for 2019.

CHAIRMAN OF THE BOARD OF DIRECTORS
PhD Eng Gheorghe Dobra