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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 2020, 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, 2020, 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 2020, 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, 2020, 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.

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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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 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.

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Aspect cheie de audit	*Modul in care auditul nostru a abordat aspectul-cheie de audit*
Testarea pentru depreciere a investitiilor in filiale si analiza de recuperabilitate a creantelor comerciale si a avansurilor acordate, de la Sierra Mineral Holdings Ltd („SMHL") Informatiile prezentate de Alum cu privire la creantele de la Sierra Mineral Holding Ltd. si investitiile in filiale, inclusiv deprecierea aferenta, sunt incluse in Notele 5, 6, 10.8, respectiv, 1.c.	
Investitia detinuta in Global Aluminium Ltd., societatea-mama a SMHL, creantele comerciale fata de SMHL precum si avansurile acordate catre SMHL, sunt semnificative pentru auditul nostru avand in vedere soldurile inregistrate - cu o valoare contabila neta totala de 186,1 milioane RON. Investitia in filiala are o valoarea bruta de 82,6 milioane RON (valoare contabila neta de 0,2 milioane RON), creantele comerciale detinute de Societate de la SMHL au o valoare contabila bruta de 44,9 milioane RON (valoarea contabila neta este zero) si avansurile acordate SMHL au o valoare contabila bruta de 207,2 milioane RON (valoarea contabila neta este de 185,9 milioane RON). 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, avand in vedere si situatia economica generata de pandemia COVID-19. Evaluarea recuperabilitatii valorii contabile a investitiei, a creantelor comerciale si ale avansurilor acordate necesita rationamente si estimari semnificative din partea conducerii in procesul de evaluare a faptului daca a aparut depreciere la sfarsitul exercitiului	Procedurile noastre de audit au inclus, printre altele: a) am implicat specialistii nostri evaluatori interni pentru a ne asista la: - evaluarea ipotezelor-cheie si a metodologiilor aplicate de Societate pentru testarea de depreciere a investitiilor in filiale (de ex. verificarea corectitudinii matematice a modelului si conformitatea acestuia cu cerintele Standardelor Internationale de Raportare Financiara, ratele de actualizare folosite pentru actualizarea fluxurilor de numerar viitoare pentru fiecare UGN, ipoteze macroeconomice); - evaluarea competentei, capacitatilor si obiectivitatii evaluatorului extern implicat; b) am evaluat analiza de senzitivitate a valorii recuperabile ale UGN-ului la modificarile aduse ipotezelor semnificative facute de conducere (cum ar fi preturile de vanzare preconizate, volumul productiei / vanzarilor fata de capacitate, costul materialelor si cheltuielile administrative, investitiile de capital nete, modificarile capitalului circulant, si rata de crestere rezultata si marja EBITDA pentru fiecare dintre perioadele viitoare incluse in testul de depreciere), precum si analiza conformitatii acestora cu mediul economic general si specific al industriei, informatiile de piata relevante disponibile si planurile de afaceri ale Societatii. c) am evaluat analiza impactului pandemiei de COVID-19 in cadrul modelelor de fluxuri de numerar. d) am evaluat analiza indicatorilor de depreciere privind investitiile in filiale, recuperabilitatea creantelor comerciale si a

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sau o depreciere poate fi reversata, precum si in procesul de masurare a oricarei ajustari pentru depreciere de acest fel. La 31 decembrie 2020, Societatea a efectuat o analiza a evenimentelor care indica necesitatea unei testari si o evaluare a deprecierii investitiilor in filiale, o analiza a recuperabilitatii creantelor comerciale si avansurilor acordate, care a condus la o reversare neta a deprecierii pentru investitie in suma de 0,2 milioane RON, o reversare a deprecierii aferenta creantelor in suma de 3,9 milioane RON si o reversare a deprecierii aferenta avansurilor acordate SMHL, in suma de 1,3 milioane RON. In lumina rationamentelor si estimarilor utilizate de conducere pentru determinarea proiectiilor privind fluxurile de numerar viitoare si a incertitudinilor cu privire la mediul economic actual, acesta este considerat un aspect-cheie de audit.	avansurilor acordate, efectuata de conducere, analizand daca aceasta a acoperit toate investitiile semnificative pentru care ar fi putut exista indicatori de depreciere la sfarsitul perioadei de raportare, precum si evaluarea de catre conducere a recuperabilitatii valorii contabile a investitiilor, creantelor comerciale si a avansurilor acordate, pentru care au fost identificate evenimente care indica necesitatea unei testari. e) am evaluat acuratetea istorica a bugetelor si prognozelor conducerii prin compararea acestora cu performanta efectiva. f) de asemenea, am evaluat caracterul adecvat al informatiilor prezentate de Societate cu privire la testarea pentru depreciere a fondului comercial si a investitiilor in filiale.

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 granted to 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, 6, 10.8 and 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 total net carrying amount of RON 186.1 million. The investment in subsidiary has a gross book value of RON 82.6 million (net carrying amount is RON 0.2 million), trade receivables have a gross carrying value of RON 44.9 million for (net carrying value is	Our audit procedures included, among others: a) we involved our internal valuation specialists to assist us in: - evaluating the key assumptions and methodologies used by the Company for the impairment testing of investments in subsidiaries (e.g. checked the mathematical accuracy of the model and its conformity with the requirements of the International Financial Reporting

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nil) and advances granted to SMHL have a gross carrying amount of RON 207.2 million (net carrying value is RON 185.9 million).

The annual impairment test for the investment and the recoverability analysis for trade receivables and advances granted are significant to our audit because the assessment process is complex, requires significant management judgment and is based on assumptions that are affected by expected future prices of bauxite (a global commodity), market conditions in Sierra Leone and future economic environment, given also the economic situation generated by the Covid-19 pandemic.

The assessment of the recoverability of the carrying value of investments, trade receivables and advances granted, requires management to apply significant judgements and estimates in assessing whether any impairment has arisen at year end or an impairment may be reversed and in measuring any such impairment adjustment.

As at 31 December 2020, the Company has performed a triggering events analysis and an impairment assessment of the investments in subsidiaries and the recoverability analysis for the trade receivables and advances granted which resulted in a net impairment reversal of RON 0.2 million for investments, impairment reversal of RON 3.9 million thousand related to receivables and impairment reversal of RON 1.3 million for advances granted to SMHL.

In light of the judgements and estimates used by the management in the determination of future cash flow projections and uncertainties regarding current and future economic environment this is considered a key audit matter.

Standards, discount rates used for discounting future cash flows for each CGU, macroeconomic assumptions);
- evaluating the competence, capabilities and objectivity of the external valuator;

b) we evaluated the sensitivity analysis of the CGUs' recoverable amounts to changes in the significant assumptions made by management (such as expected sales prices, production/sales volumes vs. capacity, materials cost and administrative expenses, net capital investments, working capital changes, and the resulting growth rate and EBITDA margin for each of the future periods included in the impairment test) as well as analysis of their consistency with the general and industry-specific economic environment, relevant available market information and the business plans of the Group.
c) We assessed the consideration of Covid-19-pandemic impact in the cash flow models.
d) we evaluated the management's assessment of impairment indicators for investments in subsidiaries, recoverability of trade receivables and advances granted by considering whether the assessment covered all significant investments for which impairment indicators could have existed at the end of the reporting period as well as management's assessment of the recoverability of the carrying value of investments, trade receivables and advances granted, for which triggering events were identified.
e) we assessed the historical accuracy of management's budgets and forecasts by comparing them to actual performance.
f) we further assessed the adequacy of the Company's disclosures about impairment testing of investment in subsidiaries and recoverability of trade receivables and advances granted.

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Aspect cheie de audit	*Modul in care auditul nostru a abordat aspectul-cheie de audit*
Testarea pentru depreciere a imobilizarilor corporale si reevaluarea cladirilor si constructiilor speciale Informatiile prezentate de Alum cu privire la imobilizarile corporale, inclusiv cu privire la deprecierea aferenta si reevaluarea cladirilor si constructiilor speciale , sunt incluse in notele 1 si 6.	
Imobilizarile corporale ale Alum au o importanta semnificativa pentru auditul nostru, avand in vedere marimea pozitiei bilantiere la 31 decembrie 2020 (166,1 milioane RON). Conform OMF 1802/2014, o entitate este obligata să evalueze, cel putin la fiecare data de raportare, daca exista indicatori de depreciere și, dacă exista, este necesar un test de depreciere. La 31 decembrie 2020, conducerea a identificat mai multi indicatori de depreciere, cum ar fi performantele economice sub cele asteptate ale anumitor active, cauzate in principal de efectele pandemiei COVID-19, precum si dovezi ca valoarea justa a anumitor active a fost inferioara valorii contabile a acestora, indicand ca unitatea generatoare de numerar respectiva poate fi depreciata. La 31 decembrie 2020, Societatea a efectuat o reevaluare a cladirilor si constructiilor speciale detinute, care sunt inregistrate sub modelul de reevaluare, care a condus la o reducere neta a valorii juste a cladirilor cu 13 milioane RON. De asemenea, a fost efectuat un test de depreciere pentru imobilizarile corporale ale unitatii generatoare de numerar Alum, care a condus la valori recuperabile ale imobilizarilor corporale ale unitatii generatoare de numerar superioare valorii contabile si astfel nu a fost necesara o ajustare pentru depreciere.	Procedurile noastre de audit au inclus, printre altele: a. am evaluat si am analizat evaluarea am analizat si am evaluat analiza efectuata de conducere in ceea ce priveste existenta indicatorilor de depreciere; b. am implicat specialistii nostri evaluatori interni pentru a ne asista la: - evaluarea ipotezelor-cheie si a metodologiilor aplicate de Societate pentru testarea de depreciere a imobilizarilor corporale (de ex. verificarea corectitudinii matematice a modelului si conformitatea acestuia cu cerintele standardelor de contabilitate relevante, ratele de actualizare folosite pentru actualizarea fluxurilor de numerar viitoare pentru societate, ipoteze macroeconomice). - evaluarea metodologiei de evaluare folosita pentru reevaluarea cladirilor si constructiilor speciale, luand in considerare: (i) natura activului evaluat; (ii) premisa si standardul de valoare; (iii) preturile de pe piata observabile; si (iv) daca ipotezele folosite furnizeaza o baza rezonabila pentru evaluarea la valoarea justa; - evaluarea competentei, capacitatilor si obiectivitatii evaluatorului extern implicat; c. am comparat ipotezele folosite in dezvoltarea modelelor de fluxuri de numerar viitoare cu bugetele aprobate si planurile de afaceri care au luat in considerare si impactul pandemiei de COVID-19 asupra fluxurilor de numerar viitoare;

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Reevaluarea cladirilor si constructiilor speciale implica rationamente si ipoteze semnificative pentru determinarea costului de inlocuire curent al activelor, pentru deprecierea fizica/functionala a activelor si pentru deprecierea functionala si economica. Evaluarea recuperabilitatii valorii contabile a imobilizarilor corporale necesita ca, conducerea sa aplice rationamente si estimari semnificative in determinarea principalelor ipoteze utilizate in testul de depreciere, cum ar fi rata de actualizare, rata de crestere si marja EBITDA. Avand in vedere incertitudinea in previzionarea si actualizarea fluxurilor de numerar viitoare, nivelul rationamentelor implicate si importanta imobilizarilor corporale ale Societatii la 31 decembrie 2020, aceasta arie a auditului reprezinta un aspect-cheie de audit.	d. am evaluat analiza de senzitivitate a valorii recuperabile ale UGN-ului la modificarile ipotezelor semnificative facute de conducere (cum ar fi preturile de vanzare preconizate, volumul productiei / vanzarilor in raport de capacitatea de productie, costurile materiale si cheltuielile administrative, investitiile de capital nete, modificarile capitalului circulant, rata de crestere rezultata si marja EBITDA pentru fiecare dintre perioadele viitoare incluse in testul de depreciere), precum si analiza conformitatii acestora cu mediul economic general si specific al industriei, informatiile de piata relevante disponibile si planurile de afaceri ale entitatii; e. am evaluat acuratetea istorica a bugetelor si prognozelor conducerii prin compararea acestora cu performanta efectiva; f. de asemenea, am evaluat caracterul adecvat al informatiilor prezentate de Societate cu privire la testarea pentru depreciere a imobilizarilor corporale si pentru reevaluarea cladirilor si constructiilor speciale.

Key audit matter	***How our audit addressed the key audit matter***
Impairment testing of property, plant and equipment and revaluation of buildings and special constructions Alum's disclosure about property, plant and equipment, including the related impairment and the revaluation of buildings and special constructions, are included in Notes 1 and 6.	
The property, plant and equipment of Alum are significant to our audit because of the magnitude of the balance sheet position as at 31 December 2020 (of RON 166.1 million). Under OMF 1802/2014, an entity is required to assess, at least at each reporting date,	Our audit procedures included, among others: a) we analysed and evaluated the management's assessment of the existence of impairment indicators; b) we involved our internal valuation specialists to assist us in:

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whether impairment indicators exist and, if they exist, an impairment test is required.

As at 31 December 2020, management identified several impairment indicators, such as lower than expected economic performances of certain assets caused mainly by the effects of the Covid-19 pandemic, as well as evidence that the fair value of certain assets was lower than their carrying values, indicating that the respective cash-generating unit may be impaired.

As at 31 December 2020, the Company performed a revaluation of its buildings and special constructions, which are carried under revaluation model, which resulted in a net decrease of the fair value of buildings by RON 13 million.

Also, an impairment test of the property, plant and equipment of Alum cash-generating unit has been performed which resulted in recoverable values of the property, plant and equipment from the cash-generating units higher than their carrying values, therefore no further impairment adjustments were required.

The revaluation of buildings and special constructions involves significant judgments and assumptions, for the determination of current replacement cost of the assets, for the assets' specific physical/functional depreciation and for the functional and economical obsolescence.

The assessment of the recoverability of the carrying value of property plant and equipment requires management to apply significant judgements and estimates in determining the main assumptions used in the impairment test such as discount rate, growth rate and EBITDA margin.

Due to the uncertainty of forecasting and discounting future cash flows, the level of judgements involved and the significance of

- evaluating the key assumptions and methodologies used by the Company for the impairment testing of property, plant and equipment (e.g. checked the mathematical accuracy of the model and its conformity with the requirements of the relevant accounting standards, discount rates used for discounting future cash flows for the company, macroeconomic assumptions).
- evaluating the valuation methodology used for the revaluation of buildings and special constructions, giving consideration to the: (i) nature of the asset being valued; (ii) premise and standard of value; (iii) observable market prices; and (iv) whether the assumptions used provide a reasonable basis for the fair value measurement;
- evaluation of the competence, capabilities and objectivity of external valuator;

c) we compared the assumptions used within the future cash flow models to approved budgets and business plans which considered also the Covid-19-pandemic impact on the future cash flow;

d) we evaluated the sensitivity analysis of the CGU's recoverable amount to changes in the significant assumptions made by management (such as expected sales prices, production/sales volumes vs. capacity, materials cost and administrative expenses, net capital investments, working capital changes, and the resulting growth rate and EBITDA margin for each of the future periods included in the impairment test) as well as analysis of their consistency with the general and industry-specific economic environment, relevant available market information and the business plans of the entity.

e) we assessed the historical accuracy of management's budgets and forecasts

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the Company's property plant and equipment as at 31 December 2020, this audit area is considered a key audit matter.	by comparing them to actual performance. f) we further assessed the adequacy of the Company's disclosures about impairment testing of property, plant and equipment and for the revaluation of buildings and special constructions.

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.

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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.

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:

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- 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*.

- 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.*

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- 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.

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, acțiunile întreprinse pentru eliminarea amenințărilor cu privire la independenta sau masurile de protecție aplicate pentru a reduce acele amenințări.
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, actions taken to eliminate threats or safeguards applied.

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.

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Building a better working world

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 2020, 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 2020 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, 2020;
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;
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, 2020, 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. FA77
Registered in the electronic Public Register under No. FA77

Nume Auditor / Partener Asociat: Ariadna Oslobeanu
Name of the Auditor/ Associate Partner: Ariadna Oslobeanu
Inregistrat in Registrul Public electronic cu nr. AF2199
Registered in the electronic Public Register under No. AF2199

Bucuresti, Romania
Bucharest, Romania
25 martie 2021
25 March 2021

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ALUM S.A. TULCEA

INDEPENDENT AUDITOR'S REPORT

AND

THE INDIVIDUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

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

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ALUM S.A. TULCEA
INDIVIDUAL BALANCE SHEET
AS AT DECEMBER 31, 2020
(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, 2019	December 31, 2020
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**	42,597	43,131
4	Goodwill	**04**	-	-
5	Intangible assets for exploration and evaluation of mineral resources	**05**	-	-
6	Advances	**06**	-	-
	Total (rows 01 to 06)	**07**	**42,597**	**43,131**
II	**Property, plant and equipment**			
1	Land and buildings	**08**	76,556,642	63,048,674
2	Technical installations and machinery	**09**	80,203,109	92,607,598
3	Other fixtures, plant and furniture	**10**	713,174	640,364
4	Investment property	**11**	-	-
5	Tangible assets in progress	**12**	29,768,974	9,816,391
6	Investment property in progress	**13**	-	-
7	Tangible assets for exploration and evaluation of mineral resources	**14**	-	-
8	Biological assets	**15**	-	-
4	Advances	**16**	-	30,301
	Total (rows 08 to 16)	**17**	**187,241,899**	**166,143,329**
III	**Financial assets**			
1	Shares held in related parties	**18**	-	241,926
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**	**-**	**241,926**
	Total NON-CURRENT ASSETS (rows 07+17+24)	**25**	**187,284,496**	**166,428,386**

The accompanying notes are an integral part of these individual financial statements.
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ALUM S.A. TULCEA
INDIVIDUAL BALANCE SHEET
AS AT DECEMBER 31, 2020
(all amounts are expressed in RON, unless specified otherwise)

No.		Row	December 31, 2019	December 31, 2020
B	**CURRENT ASSETS**			
I	**Inventories**			
1	Raw materials and consumables	**26**	108,894,427	55,570,725
2	Work in progress	**27**	65,003,821	64,880,521
3	Finished goods and merchandise	**28**	12,891,218	5,568,827
4	Advances	**29**	213,174,007	208,144,168
	Total (rows 26 to 29)	**30**	**399,963,473**	**334,164,241**
II	**Receivables**			
1	Trade receivables (net)	**31**	23,036,756	122,888,980
2	Amounts receivable from Group companies	**32**	-	-
3	Amounts receivable from participating interests	**33**	-	-
4	Other receivables	**34**	643,812	10,418,523
5	Capital subscribed and paid in	**35**	-	-
5	Capital subscribed and paid in	**35a**	-	-
	Total (rows 31 to 35 + 35a)	**37**	**23,680,568**	**133,307,503**
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**	**1,512,397**	**5,337,701**
	TOTAL CURRENT ASSETS (rows 31+37+40+41)	**42**	**425,156,439**	**472,809,445**
C	**PREPAID EXPENSES (rows 44+45)**	**43**	**1,834,214**	**1,373,349**
	Amounts to be resumed within 1 year	**44**	1,834,214	1,373,349
	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**	30,983,013	28,546,566
3	Advances on account of orders	**48**	19,325,509	362,567
4	Trade payables	**49**	27,427,376	34,605,686
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**	44,058,139	61,939,463
	Total (rows 46 to 53)	**54**	**121,794,036**	**125,454,281**
E	**NET CURRENT ASSETS/NET CURRENT LIABILITIES (rows 42+44-54-71-74-77)**	**55**	**304,817,835**	**348,349,733**

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ALUM S.A. TULCEA
INDIVIDUAL BALANCE SHEET
AS AT DECEMBER 31, 2020
(all amounts are expressed in RON, unless specified otherwise)

No.		Row	December 31, 2019	December 31, 2020
F	**TOTAL ASSETS LESS CURRENT LIABILITIES (rows 25+45+55)**	**56**	**492,102,332**	**514,778,119**
G	**LONG TERM PAYABLES**			
1	Debenture loans	**57**	-	-
2	Amounts due to credit institutions	**58**	76,085,714	42,492,857
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**	516,573	724,194
	Total (rows 57 to 64)	**65**	**76,602,287**	**43,217,052**
H	**PROVISIONS**			
1	Provisions for employees benefits	**66**	4,843,396	5,487,230
2	Provisions for taxes	**67**	-	-
3	Other provisions	**68**	22,112,089	26,897,811
	Total (rows 66 to 68)	**69**	**26,955,485**	**32,385,041**
I	**DEFERRED INCOME**			
1	Subsidies for investments (rows 71+72)	**70**	5,334,485	4,955,705
	Amounts to be resumed within 1 year	**71**	378,780	378,780
	Amounts to be resumed within a period >1 year	**72**	4,955,705	4,576,925
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**	**5,334,485**	**4,955,705**
				5,487,230
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, 2020
(all amounts are expressed in RON, unless specified otherwise)

No.		Row	December 31, 2019	December 31, 2020
II	**Share premiums**	**87**	**-**	**-**
III	**Revaluation reserves**	**88**	**36,052,175**	**24,737,813**
IV	**Reserves**			
	1 Legal reserves	**89**	16,900,281	20,389,951
	2 Statutory or contractual reserves	**90**	-	-
	4 Other reserves	**91**	53,511	53,511
	TOTAL (rows 89 to 91)	**92**	**16,953,792**	**20,443,462**
	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**	229,553,827	153,057,831
VI	**PROFIT OR LOSS FOR THE YEAR**			
	– Cr balance	**98**	76,315,201	57,552,420
	– Dr balance	**99**	-	-
	Allocation of profit	**100**	4,591,394	3,489,670
	Total equity (rows 86+87+88+92-93+94-95+96-97+98-99-100)	**101**	**383,588,855**	**434,599,102**
	Public patrimony	**102**	-	-
	Private patrimony	**103**	-	-
	TOTAL EQUITY AND RESERVES (rows 101+102+103)	**104**	**383,588,855**	**434,599,102**

These individual financial statements were approved today, March 24, 2021.

Gheorghe Dobra
General Manager

Mihaela Duralia
Chief Financial Officer

ALUM S.A. TULCEA
INDIVIDUAL INCOME STATEMENT
FOR THE YEAR ENDED
DECEMBER 31, 2020
(all amounts are expressed in RON, unless specified otherwise)

Code 20 No.		Row	Year ended December 31, 2019	Year ended December 31, 2020
1	**Net turnover (rows 02+03-04+05+06)**	**01**	**784,359,001**	**672,651,026**
	Income from production sold	**02**	784,253,577	672,038,220
	Income from sales of goods	**03**	105,424	612,806
	Commercial discounts granted	**04**	-	-
	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**	7,959,637	-
	– Dr balance	**08**	-	7,658,898
3	Production for own purposes and capitalized	**09**	268.166	558,863
4	Income from revaluation of tangible assets	**10**	-	-
5	Income from property investment production	**11**	-	-
6	Income from subsidies	**12**		15,385,479
7	Other operating income	**13**	78,612,534	63,655,470
	out of which, income from negative goodwill	**14**	-	-
	out of which, income from subsidies for investments	**15**	347,215	378,780
	Total operating income (rows 01+07-08+09+10+11+12+13)	**16**	**871,199,338**	**744,591,940**
8	a) Raw materials and consumables	**17**	461,317,506	395,660,286
	Other material expenses	**18**	169,221,796	114,637,350
	b) Other external expenses (power and water supply)	**19**	26,326,138	34,497,123
	c) Merchandise expenses	**20**	120,045	285,773
	Commercial discounts received	**21**	97,080	3,009
9	**Personnel related expenses (rows 23+24)**	**22**	**62,128,058**	**63,450,284**
	a) Salaries and bonuses	**23**	59,018,365	60,909,117
	b) Social security	**24**	3,109,694	2,541,167
10	**a) Adjustments for tangible and intangible assets (rows 26-27)**	**25**	**22,741,768**	**25,873,703**
	a. 1) Expenses	**26**	22,777,543	25,873,703
	a. 2) Revenues	**27**	35,775	-

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 INCOME STATEMENT
FOR THE YEAR ENDED
DECEMBER 31, 2020
(all amounts are expressed in RON, unless specified otherwise)

Code 20 No.		Row	Year ended December 31, 2019	Year ended December 31, 2020
	b) Adjustments for current assets (rows 29-30)	**28**	**7,584,585**	**(5,374,896)**
	b. 1) Expenses	**29**	7,599,595	104,621
	b. 2) Revenues	**30**	15,010	5,479,517
11	**Other operating expenses (rows 32 to 38)**	**31**	**34,661,038**	**38,364,143**
	11.1. External services	**32**	26,629,060	26,847,211
	11.2. Other taxes and similar payments	**33**	1,875,188	1,873,941
	11.3. Expenses on environmental protection	**34**	697,989	885,852
	11.4. Expenses from revaluation of tangible assets	**35**	-	6,408,764
	11.5. Expenses related to calamities and other similar events	**36**	-	-
	11.6. Other expenses	**37**	5,458,802	2,348,275
	Refinancing interest expense recorded by entities removed from the General Register and who have ongoing leases	**38**	-	-
	Impairment adjustments (rows40-41)	**39**	**(2,199,135)**	**4,388,735**
	Expenses	**40**	1,194,958	5,451,808
	Income	**41**	3,394,093	1,063,073
	Total operating expenses (rows 17 to 20-21+22+25+28+31+39)	**42**	**781,804,719**	**671,779,491**
	Operating Result			
	- profit (rows 16-42)	**43**	89,394,618	72,812,449
	- loss (rows 42-16)	**44**	-	-
12	Income from participating interests	**45**	-	-
	- of which, income from affiliates	**46**	-	-
13	Interest income	**47**	15,233	2,000
	- of which, income obtained from affiliates	**48**	14,484	-
14	Income from other financial investments and loans part of the non-current assets	**49**	-	-
15	Other financial income	**50**	47,242,807	47,241,641
	- of which, income from affiliates	**51**	-	-
	Total financial income (rows 45+47+49+50)	**52**	**47,258,040**	**47,243,640**
16	Adjustments for long term financial assets and financial investments held as current assets (rows 54-55)	**53**	**-**	**(241,926)**
	Expenses	**54**	-	-
	Income	**55**	-	241,926

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ALUM S.A. TULCEA
INDIVIDUAL INCOME STATEMENT
FOR THE YEAR ENDED
DECEMBER 31, 2020
(all amounts are expressed in RON, unless specified otherwise)

Code 20 No.		Row	Year ended December 31, 2019	Year ended December 31, 2020
17	Interest expenses	56	7,772,388	5,430,693
	- of which, expenses incurred with affiliates	57	-	-
	Other financial expenses	58	37,009,506	45,073,923
	Total financial expenses (rows 53+56+58)	59	**44,781,894**	**50,262,690**
	Financial profit or loss			
	- profit (rows 52-59)	60	2,476,145	-
	- loss (rows 59-52)	61	-	3,019,050
	Total income (rows 16+52)	62	**918,457,377**	**791,835,580**
	Total expenses (rows 42+59)	63	**826,586,614**	**722,042,181**
18	**Gross profit or loss**			
	- profit (rows 62-63)	64	91,870,763	69,793,399
	- loss (rows 63-62)	65	-	-
19	Income tax	66	15,512,687	12,208,676
20	Income tax specific to certain activities	67	42,875	32,303
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	76,315,201	57,552,420
	- loss (rows 65+66+67+68-64)	70	-	-

These individual financial statements were approved today, March 24, 2021.

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, 2020
(all amounts are expressed in RON, unless specified otherwise)

	Year ended December 31, 2019	Year ended December 31, 2020
Cash flows from operations		
Gross profit	**91,870,763**	**69,793,399**
Adjustments for:		
Amortization/depreciation of intangible and tangible assets	22,777,543	25,869,308
Adjustment for the impairment of tangible and financial assets	(35,775)	(237,532)
Adjustments for the impairment of receivables	1,969,285	(4,055,160)
Provisions	(2,199,135)	4,388,735
Adjustments for the impairment of inventories	5,615,299	(1,319,736)
Profit/(Loss) from foreign exchange differences	2,325,094	(2,382,122)
Net earning pertaining to disposals of tangible assets	14,535	-
Interest income	(230,312)	(72,585)
Interest expenses	7,395,744	5,430,693
Dividend income	-	-
Cash from operations before changes to working capital	**129,503,042**	**97,415,001**
(Increase)/decrease of inventories	(63,273,582)	67,118,968
(Increase) of trade receivables and other receivables	(10,073,552)	(107,980,781)
Increase/(Decrease) in trade payables and other payables	(74,711,867)	29,063,507
Cash flow from/(used in) operations	**(18,555,958)**	**85,616,695**
Interests received	15,276	67,600
Interests paid	(6,394,662)	(5,094,473)
Income tax paid	(17,892,966)	67,600
Net cash from/(used in) operations	**(42,828,311)**	**77,993,815**
Cash flow from/(used in) investment activities		
Purchases of tangible and intangible assets	(34,052,031)	(11,880,149)
Government grants received	838,764	-
Net cash used for investment activities	**(33,213,266)**	**(11,880,149)**
Cash flow from/(used in) financing activities		
Proceeds from borrowings	73,465,790	-
Repayment of bank loans	-	(62,288,361)
Net cash from/(used in) financing activities	**73,465,790**	**(62,288,361)**

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	Year ended December 31, 2019	Year ended December 31, 2020
Cash and cash equivalents at the beginning of the year	4,088,184	1,512,397
Net increase/(decrease) in cash and cash equivalents	(2,575,787)	3,825,304
Cash and cash equivalents at the end of the year	**1,512,397**	**5,337,701**

These individual financial statements were approved today, March 24, 2021.

Gheorghe Dobra
General Manager

Mihaela Duralia
Chief Financial Officer

ALUM S.A. TULCEA
INDIVIDUAL STATMENT OF CHANGES IN SHAREHOLDERS' EQUITY
AS AT DECEMBER 31, 2020
(all amounts are expressed in RON, unless specified otherwise)

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	76,315,201
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 24, 2021.

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, 2020	Increases	out of which transfers	Decreases	out of which transfers	Balance as at December 31, 2020
Capital subscribed and paid in	488,412,908	-	-	-	-	488,412,908
Legal reserves	16,900,282	3,489,670	3,489,670	-	-	20,389,952
Reserves representing surplus made from revaluation reserves	-	-	-	-	-	-
Other reserves	53,511	-	-	-	-	53,511
Revaluation reserves	36,052,175	4,063,804	-	15,378,168	4,772,189	24,737,811
Retained earnings	(228,846,048)	76,495,996	76,495,996	-	-	(152,350,053)
Retained earnings from the adjustment of accounting errors	(707,779)	-	-	-	-	(707,779)
Result for the year	76,315,201	57,552,420	-	76,315,201	76,315,201	57,552,420
Allocation of profit	(4,591,394)	(3,489,670)	(3,489,670)	(4,591,394)	(4,591,394)	(3,489,670)
Total	**383,588,856**	**138,112,220**	**76,495,996**	**87,101,975**	**76,495,996**	**434,599,101**

These individual financial statements were approved today, March 24, 2021.

Gheorghe Dobra
General Manager

Mihaela Duralia
Chief Financial Officer

1 NON-CURRENT ASSETS

a) Property, plant and equipment

COST	Balance as at January 1, 2020	Increases	out of which revaluation	Decreases	out of which revaluation	Transfers	Balance as at December 31, 2020
Land and buildings	132,785,612	12,740,568	4,063,804	70,831,840	17,014,742	53,815,880	74,694,339
Installations and machinery	405,123,435	27,144,437	-	2,797,693	-	-	429,470,179
Measurement, control, adjustment installations and devices	16,863,133	988,932	-	149,632	-	-	17,702,433
Vehicles	20,095,444	764,789	-	695,215	-	-	20,165,019
Other installations, plant	1,042,781	21,271	-	1,678	-	-	1,062,374
Advances and tangibles in progress	31,560,473	17,283,071	-	37,205,353	-	-	11,638,191
TOTAL	**607,470,877**	**58,943,068**	**4,063,804**	**111,681,410**	**17,014,742**	**53,815,880**	**554,732,534**

ACCUMULATED DEPRECIATION	Balance as at January 1, 2020	Depreciation recorded during the year	Reductions	Revaluation	Balance as at December 31, 2020
Land and buildings	56,110,077	9,229,399	1,218	(53,815,880)	11,522,378
Installations and machinery	334,696,494	14,124,831	2,797,693	-	346,023,632
Measurement, control, adjustment installations and devices	11,012,817	1,215,636	149,632	-	12,078,821
Vehicles	15,175,966	1,153,202	695,215	-	15,633,953
Other installations, plant	329,607	94,082	1,678	-	422,010
TOTAL	**417,324,961**	**25,817,148**	**3,645,435**	**(53,815,880)**	**385,680,795**

1 FIXED ASSETS (continued)

ADJUSTMENT FOR IMPAIRMENT

	Balance as at January 1, 2020	Increases	Transfers	Decreases	Balance as at December 31, 2020
Constructions	118,893	4,934	-	-	123,287
Installations and machinery	993,625	-	-	-	993,625
Tangible assets in progress	1,791,499	-	-	-	1,791,499
Total	**2,904,016**	**4,934**	**-**	**-**	**2,908,411**
Net value	**187,241,899**				**166,143,329**

According to the accounting policiy, as of December 31st, 2020, the company went through a process of revaluation of buildings. The review was carried out by an authorized independent company - CMF Consulting SA.

Following the revaluation, resulted a decrease of the net market value of RON 12,950,938. Detailed results of revaluation are as follows:

- Increase the value of buildings, recorded as plus in account 105 Revaluation reserves – RON 4,063,804
- Loss of value of buildings, registered as less valuable in return for past ups on account 105 Revaluation reserves – RON 10,605,978
- Loss of value of buildings, recorded in the income statement – RON 6,408,764

As of December 31, 2020 the net book value of tangible assets acquired through finance leasing is RON 574,257 (December 31, 2019: RON 591,068).
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, 2020 is in amount of RON 147,889,304 (2019: RON 160,875,816).

The gross book value of the disposed fixed assets in 2020 is in amount of RON 3,645,435 (2019: RON 570,298).

As of December 31, 2020 the pledged fixed assets had a net book value of RON 140,070 thousand (2019: RON 151,978 thousand).

Impairment tests for property, plant and equipment

As at 31 December 2020, due to the global decline of the economic environment generated by the coronavirus pandemic and the lower than expected economic performances of certain assets, the management of Alum performed an impairment test of the property, plant and equipment. The resulting recovery value of these property, plant and equipment was higher than their net book value, so no impairment expense was recognized. In 2019 there were no impairment indicators identified for Alum, therefore no impairment tests of the property, plant and equipment were performed at 31 December 2019.

1 FIXED ASSETS (continued)

b) Intangible assets

COST

	Balance as at January 1, 2020	Increases	Decreases	Balance as at, December 31, 2020
Development expenses	5,034,412	-	-	5,034,412
Advances and intangible assets in progress	-	-	-	-
Concessions, patents, licenses	405,033	52,694	-	457,727
Total	**5,439,445**	**52,694**	**-**	**5,492,139**

ACCUMULATED AMORTIZATION

	Balance as at January 1, 2020	Increases	Decreases	Balance as at, December 31, 2020
Development expenses	5,034,412	-	-	5,034,412
Concessions, patents, licenses	362,435	52,160	-	414,595
Total	**5,396,847**	**52,160**	**-**	**5,449,007**
Net value	**42,598**			**43,131**

The development expenses include projects, solution and efficiency studies related to the study of the process of silica 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.

b) 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, 2020 the fair value of the investment in Global Aluminium Ltd. BVI amounts to USD 61 thousand, therefore a reversal of impairment in amount of RON 242 thousand was recognised in Company's financial statements for the year ended 31 December 2020.

2 PROVISIONS

	Balance as at January 1, 2020	Increases	Decreases	Balance as at December 31, 2020
Provisions for pensions and similar obligations	4,843,396	1,706,907	1,063,073	5,487,230
Provisions for rehabilitation of fixed assets	22,112,089	1,040,821	-	23,152,910
Provision for employees remuneration	-	3,744,901	-	3,744,901
Total	**26,955,485**	**6,492,629**	**1,063,073**	**32,385,041**

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 most recent actuarial valuations of the benefit plan and the present value of the defined benefit obligation were carried out at 31 December 2020 by an independent actuarial specialist.

The provision for land restoration is related to the rehabilitation of the premises where the deposit residue from production. According to the environment regulations, the land underneath the waste deposits must be restored until a certain date specified by specific authorisations. The provisions are based on the estimation of expenses necessary to perform the restauration works at the time when they are expected to be incurred, discounted to their present value at 31 December 2020 and are related to the red mud lake in amount of RON 23,153 thousand. The Company estimates that the costs would be incurred in 3 years' time and calculates the provisions using the DCF method based on the following assumptions: estimated range of cost: RON 39 – RON 71 per square meter and discount rates of 1.69% (2019: 3.02%).

Furthermore, the timing of rehabilitation is likely to depend on when the site cease to store at economically viable rates.

The provisions for employees compensation are recognized by the Company basically in accordance with the Collective Labour Agreements. The exact amount and timing of the remuneration will be established after the approval of the financial statements for the year 2020.

3 ALLOCATION OF PROFIT

The Company recorded a profit of RON 57,552,420 for the year ended December 31, 2020 that will be allocated in the General Shareholders Meeting according to the actual legislation.

In 2020 there has been distributed to legal reserves the amount of RON 3,489,670 representing 5% from the gross profit for 2020.

4 ANALYSIS OF THE OPERATING RESULT

Caption		Year ended December 31, 2019	Year ended December 31, 2020
1.	**Net turnover**	**784,359,001**	**672,651,026**
2.	**Cost of goods sold and services provided (3+4+5+6)**	**723,322,795**	**631,599,790**
3.	Basic activity expenses	517,431,305	467,074,762
3.1	Raw materials and other materials	437,548,682	389,406,925
3.2	Direct salary expenses	20,341,154	20,991,042
3.3	Other direct material expenses	59,541,470	56,676,795
4.	Auxiliary activity expenses	173,866,742	131,831,012
5.	Production overheads	31,904,703	32,408,243
6.	Expenses regarding the materials sold	120,045	285,773
7.	**Gross result pertaining to net turnover (1-2)**	**61,036,206**	**41,051,236**
8.	Marketing expenses	2,841,915	2,808,202
9.	General administrative expenses	35,215,696	36,288,766
10.	Other operational expenses	15,590,604	9,245,841
11.	Other operating income*)	82,006,627	80,104,022
12.	**Operating result (7-8-9-10+11)**	**89,394,618**	**72,812,449**

In 2020 the Company obtained incomes from sale of unused CO2 emission rights in amount of RON 61,145 thousand (2019: RON 74,793 thousand), income included in the category “Other operating income”.

5 RECEIVABLES AND PAYABLES

Receivables	Balance as at December 31, 2020	Due	
		within 1 year	over 1 year
Domestic clients	123,023,705	123,023,705	-
Foreign clients	45,054,520	45,054,520	-
Adjustment for the impairment of doubtful receivables	(45,190,244)	(45,190,244)	-
Trade receivables	**122,887,980**	**122,887,980**	**-**
VAT under settlement	64,614	64,614	-
Advances to personnel	231,289	231,289	-
Other receivables	784,156	784,156	-
Government grants	9,435,146	9,435,146	-
Sundry debtors	25,002	25,002	-
Adjustments for the impairment of other receivables	(120,684)	(120,684)	-
Other receivables	**10,419,523**	**10,419,523**	**-**
Total	**133,307,503**	**133,307,503**	**-**

5 RECEIVABLES AND PAYABLES (continued)

Receivables	Balance as at December 31, 2019	Due	
		within 1 year	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	5,914	5,914	-
Other receivables	99,915	99,915	-
Sundry debtors	270,032	270,032	-
Adjustments for the impairment of other receivables	(16,063)	(16,063)	-
Other receivables	**643,812**	**643,812**	**-**
Total	**23,680,568**	**23,680,568**	**-**

According to the impairment test performed by CMF Consulting, an independent valuation company, as of December 31, 2020 there is a potential loss from trade receivables from SMHL in amount of RON 44,881 thousand (USD 11,317 thousand) lower than the provision recorded by the Company as of December 31, 2019 of RON 48,838 thousand (USD 11,462 thousand).

A part of the Company's receivables (RON 119,105 thousand at 31 December 2020 (RON 3,406 thousand at 31 December 2019)) are pledged to secure the loans obtained from banks.

Government grants receivable represent compensations for the high electricity prices resulting from the indirect emission costs under the EU Emission Trading Scheme (ETS). As per European and Romanian regulations, the Company is entitled to receive the aforesaid compensations for the electricity costs incurred in 2019 and in 2020. In September 2020, the Company collected RON 5,936 thousand as compensation for the electricity costs incurred in 2019. At 31 December 2020 the balance of government grants represents the compensation receivable for the year 2020.

The Company sell a part of trade receivables under the existing factoring agreement on a non-recourse basis, so that the risks and rewards related to the receivables are substantially transferred to a factor and as a result the transferred amount at the transfer date is derecognized, and the factoring fees and related finance costs are recognized at the payment date.

Amounts available under factoring agreements (thousand RON):

	31 December 2020	31 December 2019
Factoring ceiling amounts, of which:	14,608	14,338
Factoring amounts utilized	5,284	-

5 RECEIVABLES AND PAYABLES (continued)

Movement in allowance for trade receivables is as follows:

	2019	2020
Balance at beginning of the year	47,380,741	49,350,026
Charge during the year	1,969,285	-
Release during the year	-	4,159,782
Balance at end of the year	**49,350,026**	**45,190,244**

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

Payables	Balance as at December 31, 2020	Due	
		within 1 year	over 1 year
Trade payables and similar accounts	34,605,686	34,605,686	-
Creditor clients	362,567	362,567	-
Bank loans	71,039,423	28,546,566	42,492,857
Other loans and similar debts	-	-	-
VAT payable	29,482,714	29,482,714	-
Guarantees received from suppliers	2,085,285	1,361,091	724,194
Dividends payable	4,534	4,534	-
Sundry creditors	93,661	93,661	-
Other payables	18,994,895	18,994,895	-
Income tax	12,002,568	12,002,568	-
Total	**168,671,333**	**125,454,281**	**43,217,052**

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**

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

5 RECEIVABLES AND PAYABLES (continued)

On 17 May 2019, 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 2020 the amount drawn down from these loans was of USD 25 million. The bank borrowings of the Company will mature in 2023. In 2020, the interest rates ranged between 3.41% and 5.40% (2019: 5.05% 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 2020, the Company was compliant with all the financial loan covenants.

The Company borrowings are secured with accounts receivable amounting to RON 119,105 thousand (2019: RON 3,406 thousand), with current account opened with the banks amounting to RON 5,274 thousand (2019: RON 581 thousand), with property, plant and equipment (land, buildings, equipment) with a net book value of RON 140,070 thousand (2019: RON 151,978 thousand) and with inventories of RON 147,333 thousand (2019: 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. 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. The surplus between the future repurchase price and the price received at transaction date being accrued as interest expense under Interest expense: RON 272 thousand for 2020 (2019: RON 90 thousand). In December 2020, the Company repurchased the emission certificates at the fixed price, established in advance, respectively in 2019, as a result of the evolution of the market price of the emission certificates and in accordance with the terms stipulated in the contract.

According to the Government's set of measures implemented in 2020 to support businesses during the Covid-19 pandemic, companies in Romania are allowed to postpone the payment of taxes, under certain conditions, and benefit from payment instalments, for a maximum period of 12 months. The Company adopted strategies to benefit its overall cashflow and, took the opportunity to defer the payment of the following principal tax liabilities, payable by monthly instalments until December 2021: wages and social security taxes in total amount of RON 11,402 thousand, tax on salaries in total amount of RON 2,088 thousand, income tax in total amount of RON 5,946 thousand and VAT payable in total amount of RON 25,880 thousand.

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.

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, 2020 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.

6 SIGNIFICANT ACCOUNTING POLICIES (continued)

COVID-19 pandemic considerations

The year 2020 was dominated by the global economic and health crisis generated by the coronavirus pandemic.

Even under these circumstances, the Company has slipped through this difficult period, keeping all its production units fully operational and without locking down its activity. It produced calcined alumina without interruption at it production unit. No restructurings were done and the strict health-related procedures and protocols implemented at its premises ensured an effective shield for the business and its people.

Other actions put in place to manage the liquidity of the Company and assuring a satisfactory level of cash in times of more uncertainty than usually were: limiting CAPEX to strictly necessary investments, optimizing acquisitions of materials and inventory levels, taking every opportunity offered by the regulators under the current circumstances, for example deferring the payment of certain taxes.

As of 31 December 2020 the Company recorded a profit of RON 57,552 thousands (2019: profit of RON 76,315 thousand) and net current assets of RON 348,350 thousands (2019: net current assets of RON 304,818 thousand). The profit before taxation as of 31 December 2020 consists of (1) an operating profit of RON 72,812 thousand and (2) financial profit of RON 3,019 thousand.

The financial year ended December 31, 2020 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.

6 SIGNIFICANT ACCOUNTING POLICIES (continued)

A. Accounting principles (continued)

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.

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, 2020, the official exchange rate used was USD 1 = RON 3.9660 and EUR 1 = RON 4.8694.

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

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, 2020 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, 2020, 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, 2020.

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, 2020 is in amount of RON 488,412,908.

	Value
As at January 1, 2020	488,412,908
Increases	-
As at December 31, 2020	**488,412,908**

	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**

	2020		
	Number of shares	Nominal value	%
ALRO S.A.	81,595,860	485,495,367	99.4026
Individuals	484,853	2,884,875	0.5907
Legal entities	5,490	32,666	0.0067
Total	**82,086,203**	**488,412,908**	**100**

8 INFORMATION REGARDING THE EMPLOYEES, ADMINISTRATORS AND DIRECTORS

	2019	2020
Average number of employees	791	786

Salaries expenses per categories of personnel in 2019 was:

	No. of employees	Salaries RON
Management	15	3,685,341
Administrative staff	148	13,117,335
Operatives	629	39,521,480
TOTAL	**791**	**56,324,156**

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

Salaries expenses categories of personnel in 2020 was:

	No. of employees	Salaries RON
Management	14	3,716,985
Administrative staff	148	13,418,982
Operatives	624	40,615,224
TOTAL	**786**	**57,751,191**

9 CALCULATION AND ANALYSIS OF THE MAIN FINANCIAL RATIOS

Caption	2019	2020
Liquidity ratios		
Current liquidity ratio (current capital ratio)	3.51	3.78
Quick liquidity ratio (acid test)	0.22	1.12
Risk ratios		
Gearing	19.84	9.78
Interest cover ratio	12.82	13.85
Activity ratios (management ratios)		
Turnover of inventories	1.95	1.72
Days in store	187.28	212.13
Turnover of trade receivables – days	7.93	39.59
Turnover of trade payables – days	19.84	16.83
Turnover of fixed assets	4.19	4.04
Turnover of total assets	1.28	1.05
Profitability ratios		
Profitability of capital employed	0.22	0.16
Result per share RON	0.93	0.70
Gross margin from sales – %	11.40	10.82

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 2020, the price per share was as follows:

	RON
- minimum price	1.84
- maximum price	3.34
- average price	2.59

10.2 Turnover

	Year ended December 31, 2019	Year ended December 31, 2020
Sales of alumina	700,282,893	592,191,404
Sales of hydrate	82,149,982	77,441,888
Revenues from sales of scrap iron and wastes	878,344	1,462,575
Revenues from sales of utilities	623,644	714,786
Other revenues	424,138	840,373
Total	**784,359,001**	**672,651,026**

10.3 Other material expenses

	Year ended December 31, 2019	Year ended December 31, 2020
Natural gas expenses	167,494,039	112,761,698
Packaging materials expenses	984,067	1,058,367
Work protection materials	484,803	583,950
Small assets	258,886	233,336
Total	**169,221,796**	**114,637,350**

10 OTHER INFORMATION (continued)

10.4 External services

	Year ended December 31, 2019	Year ended December 31, 2020
Third parties repairs	4,810,671	5,519,812
Rent	1,078,563	905,981
Insurance	1,284,160	1,018,218
Transport	1,357,304	1,264,063
Audit and consultancy	2,151,510	2,617,903
Guard services	3,311,568	3,311,568
Other services	12,635,283	12,209,766
Total	**26,629,060**	**26,847,311**

10.5 Petty cash and bank accounts

	December 31, 2019	December 31, 2020
Bank accounts	627,210	5,328,564
Petty cash	7,067	9,137
Letters of credit	878,120	-
Total	**1,512,397**	**5,337,701**

10.6 Inventories

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

	December 31, 2019	December 31, 2020
Raw materials, materials and goods	130,683,244	76,253,739
Work in progress	56,277,558	59,012,022
Small tools	656,598	672,602
Semi finished products and finished goods	21,617,211	11,246,899
Packaging	187,814	148,034
Adjustments for the impairment of inventories	(22,632,957)	(21,313,222)
Advances for inventories	213,174,007	208,144,168
Total	**399,963,473**	**334,164,241**

The value of inventories pledged for securing the Company's borrowings amounts RON 147,333 thousand (31 December 2019: RON 209,422 thousand).

The advances for inventories include payments for bauxite to Sierra Minerals Holding Ltd, affiliate, in amount of RON 207,180,037 (2019: 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, 2020 there is a potential loss from advances for bauxite paid to SMHL in amount of RON 21,282 thousand (USD 5,366 thousand) (31 December 2019: 22,570 thousand RON (5,297 thousand USD), for which an impairment provision was recorded.

	Balance as at January 1, 2020	Transfers		Balance as at December 31, 2020
		to acc.	from acc.	
Adjustment for the impairment of raw materials	22,569,816	-	1,287,968	21,281,849
Adjustment for the impairment of materials	63,141	-	31,768	31,373
Total	**22,632,957**	**-**	**1,319,736**	**21,313,222**

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.

	2019	2020
Net profit for the year	76,315,201	76,315,201
Number of shares	82,086,203	82,086,203
Result per share, basic – RON	0.93	0.70
Average market price per share	2.94	2.59

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
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, 2019	December 31, 2020
ALRO Slatina (finished goods, services)	642,464,040	574,512,370
CENTRUL RIVERGATE	36,870	37,577
SIERRA MINERALS HOLDING LTD.	695,210	(31,664)
VIMETCO EXTRUSION	2,668	2,710
Total	**643,198,789**	**574,520,993**

(ii) Purchases

	December 31, 2019	December 31, 2020
ALRO Slatina	27,204,966	35,003,450
CENTRUL RIVERGATE	3,346,700	3,333,666
VIMETCO MANAGEMENT ROMANIA	780,000	889,676
RIVERGATE FIRE	3,095,328	3,205,908
CONEF GAZ (natural gas)	169,933,085	112,876,846
SIERRA MINERALS HOLDING LTD. (bauxite)	215,816,947	149,020,244
Total	**420,177,026**	**304,329,791**

(iii) Receivables

	December 31, 2019	December 31, 2020
SIERRA MINERALS HOLDING LTD. – receivables, gross*	49,487,350	44,886,400
SIERRA MINERALS HOLDING LTD. – advances, gross*	212,369,821	207,180,037
CENTRUL RIVERGATE	3,677	3,751
VIMETCO POWER	3,153,001	3,153,001
VIMETCO EXTRUSION	301	370
ALRO Slatina	405,818	119,610,003
Total	**265,419,968**	**374,833,562**

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, 2020 provisions for depreciation of receivables in amount of RON 44,881,448 (2019: RON 48,838,451) and for depreciation of advances in amount of RON 21,281,849 (2020: RON 22,569,816).

(iv) Payables

	December 31, 2019	December 31, 2020
ALRO Slatina	22,469,087	4,034,571
CONEF GAZ	733,285	816,208
CENTRUL RIVERGATE	328,397	328,397
RIVERGATE FIRE	306,953	306,953
VIMETCO MANAGEMENT ROMANIA	-	137,973
Total	**23,837,723**	**5,624,102**

In 2020, the following related party transactions were also conducted:

	2019	2020
Interest income - Sierra Minerals Holding Ltd,	14,484	-

The remuneration of directors and other members of key management personnel during the year was in amount of RON 2,721,700 (2019: RON 2,356,084).

10.9 Legal reserve

As at December 31, 2020, the legal reserve amounted to RON 20,389,951 (December 31, 2019: RON 16,900,281).

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, 2020.

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, 2019	Year ended December 31, 2020
Total income	918,457,377	791,835,580
Total expenses	(826,586,614)	(722,042,181)
Gross profit	**91,870,763**	**69,793,399**
Allocation to the legal reserve	(4,591,394)	(3,489,670)
Elements similar to income	2,220,954	2,209,608
Non taxable income	(3,444,878)	(6,542,590)
Non deductible expenses	12,191,569	15,730,127
Prior years loss	-	-
Fiscal profit/(loss)	**98,247,013**	**77,700,875**
Current income tax	**15,512,687**	**12,208,676**

10.11 Guarantees and commitments

The Company has the following investment commitments as at December 31, 2020 for the year 2021:

Description	th. USD
Increasing the storage capacity of the red mud pond by elevating the height of the perimetral dyks	1,376
Investments for maintenance and improvement of equipment parameters - Alum (PPE) 2020	17
Endowments 2020	21
Total	**1,414**

The Company has the following purchasing commitments as at December 31, 2020 for the year 2021:

Description		Amount
Contract with Sierra Mineral Holdings LTD for bauxite	43,560,000	USD
Contract with Cargill Carriers for bauxite freight	7,194,000	USD
Contract with Oldendorff for bauxite freight	758,150	USD
Contracts for bauxite handling Constanta-Tulcea	8,899,599	EUR
Contract with Conef Gaz for natural gas	95,094,646	RON
Contract with ALRO Slatina for electricity	32,061,237	RON
Contract with Chimcomplex Borzesti for caustic soda	11,286,000	USD
Contract with TIS for caustic soda transport	1,645,522	EUR
Contracts for industrial lime (Celco SA ; Ognyanovo K AD Bulgaria)	10,335,335	RON
Contract with Celco SA Constanta for hydrated lime	74,160	RON
Contract with NALCO- flocculants	855,161	EUR
Contract with FLOCHEM INDUSTRIES SRL Bucuresti – flocculants	549,266	EUR
Contract with CYTEC INDUSTRIES, The Netherlands – flocculants	500,951	EUR
Contract withPROCESS TREAT Poland – flocculants	269,884	EUR

10 OTHER INFORMATION (continued)

10.11 Guarantees and commitments (continued)

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.

10.12 Contingencies

Litigations

As at December 31, 2020, 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 / 21.08.2020, by which were established financial corrections for Alum's final reimbursement request in amount of 631.300 RON.
By Decision no. 1252/21.12.2020, the Court admitted Alum's request and ordered the annulment of Decisions no.64411 / 21.08.2019, no.86584 / 04.12.2019, no.18573 / 04.03.2020 issued by the defendant Ministry of European Funds DGPEC and the annulment of the Notes on irregularities and establishing financial corrections for the programs operational within the convergence objective no. 92680 / 25.112019, no.92834 / 25.11.2019, no.92838 / 25.11.2019 issued by the same defendant. The Ministry of European Funds – DGPEC has the right to appeal within 15 days from the communication.

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, 2020, the Company had in the balance the amount of RON 231,493 for doubtful or litigating receivables (other than related parties), amount for which a provision has been recorded (Note 5).

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, according to the Government's new stipulations due to the Covid-19 pandemics, the fiscal year open for tax audit was changed to a period of 5 years and 253 days. Management considers that the tax obligations included in these financial statements are adequate.

10 OTHER INFORMATION (continued)

Taxation (continued)

Starting november 2019, Alum is subject to a fiscal audit by the National Agency for Fiscal Administration related to income tax and VAT transactions, for the period January 2014 - December 2018. At the date of approval of the financial statements the fiscal inspection was not completed. The management does not estimate a significant financial impact as a consequence of this fiscal audit.

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 2020 is in accordance with the service rendering agreement and is in amount of RON 189,010 (2019: RON 202,618).

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.

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.

10 OTHER INFORMATION (continued)

10.14 Risk management (continued)

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

	2019 th. RON	2020 th. RON
Balance as at 1 January	**4,843**	**5,335**
Increases during the year	839	-
Revenues recognized through income statement	347	379
Balance as at 31 December	**5,335**	**4,956**
Out of which:		
Short term	379	379
Long term	4,956	4,577

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 the last tranche in amount of RON 839 thousand from the subsidy obtained through the European Fund for Regional Development through the Competitiveness Operational Program 2014 – 2020.

10.16 Subsequent events

In December 2020, the Extraordinary General Meeting of Alum Shareholders approved the contracting of two credit facilities with Garanti Bank Romania. On February 17, 2021, the credit agreement was signed, which includes a revolving type facility for financing the current activity of the Company in the amount of maximum USD 3 million, maturing on November 1, 2021 and a non-cash revolving type facility for issuing bank commitments (letters of guarantee and letters of credit), amounting to a maximum of USD 3 million, maturing on November 1, 2023. The maximum cumulative exposure reserved for the two facilities will not exceed at any time the amount of the loan, respect USD 3 million. The loan is secured by movable and immovable mortgages on the Company's movable and immovable property, with collateral on stocks, receivables and current accounts.

Report of the directors
and
their discharge from liabilities

- 2020 -

This is a free translation from the official Romanian version

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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:

- 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.

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:
- Acquisition and installation a disc filter for coarse seed;
- Filtering process control efficiency enhancing by acquiring and installing vertical filters;
- Increasing the storage capacity of the red mud pond by elevating the height of the perimetral dykes;
- Packaging, storage and distribution of new Alum products.

2. Projects to ensure operating conditions and safe continuity of the production process (maintenance capex):
- Investments for maintenance and improvement of equipment parameters;
- Replacing the obsolete equipment, Endowments 2020;
- Maintenance Capex (Consolidation foundations Precipitation tanks and White Filtration building).

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, in 2020 it was obtained the environmental agreement for the new project for the increasing height of the dams from the red mud storage area (project made by UTCB Bucharest, Iprolam Bucharest) and the elevation works of the left bank of the dam downstream of the sludge thickener continued until the area where the guard height between the level of the sludge and the crown of the dam is 1,5 m.

1.3 Corporate social responsibility

The concept of corporate social responsibility (CSR) refers to the involvement of the companies in solving some of the problems of the communities where it operates.

The advantages of implementing the social responsibility management system are:

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

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

- The Company developed procedures for media relations as well as for the development of the grievance mechanism (petitions settlement procedure) and the organization of audiences. In this way the Company expresses its openness to listening and solving the community problems (employees, citizens, local authorities, companies collaborating, etc) and involvement in education and other activities of social utility.

- Were developed and distributed questionnaires about how the Company is perceived in various community organizations with which it comes into contact (public administration, financial and banking institutions, cultural organizations and sports, religious, educational, environment protection, etc). In the feed-back received from collaborating organizations showed that Alum is actively involved in the local community life, with a positive and important influence.

- Questionnaires were developed and distributed to all the employees of the company (named "Employee Consultation Questionnaire on Quality, Environment, Occupational Health and Safety Issues") as part of ALUM's management strategy on the implementation of the integrated quality-environment-health and safety system occupational and energy. The purpose of these questionnaires is to achieve 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 meet the requirements of the system.

- Maintaining a continuous dialogue with the local community, ALUM representatives being actively involved as members of various organizations (The Red Cross in Romania, the County Commission for Equal Opportunities for Women and Men, the Local Development Committee of the Tulcea Social Partnership, the Tripartite Consultative Council set up at Tulcea County Labour Inspectorate etc.)

Beginning by 16th of March, 2020, considering the current exceptional situation caused globally by the COVID-19 virus, the establishment of the state of emergency in Romania and, subsequently, the state of alert, the preventive measures taken by the Romanian authorities, such as limitation of assemblies of persons and restrictions of movement, ALUM took as measure the usage of electronic/remote interaction means, to access the documents in electronic form and avoiding, as much as possible, to have them transmitted in hard copy, by regular mail, courier services or to personally pick them up from the Company's headquarters.

Also, the Company also applied the restrictions imposed by the legislation in force regarding the limitation of the number of participants in events held indoors (ordinary GSM meeting, working meetings etc.), only according to the express decisions taken by the authorities.
During same period, ALUM demonstrated its Innovative Capability in COVID-19 effect prevention measures. Thus, a liquid hand disinfectant was developed in ALUM's Research and Development Laboratory based on the local production guide of the World Health Organization. After passing the tests of bactericidal and fungicidal activity of the National Institute for Medical-Military Research-Development "Cantacuzino", the new product obtained the approval of this institute on 01.07.2020 (approval no A-5695/01.07.2020).

In order to protect the employees, ALUM provided medical and protective equipment, constantly disinfected and sanitized all the common areas, implemented alternative/ rotational shifts to minimize the interaction and working from home programs for the employees that can perform their activity remotely. Moreover, the Company has been among the first in Romania to install disinfectant curtains in the entryway and temperature scanners in the access points.

Other measures and actions taken by ALUM with respect to pandemic:

- To ensure its operations run safely and in normal parameters, ALUM activated a Business Continuity Plan, while performing numerous simulations in which one or more employees would be infected with COVID-19. Also, were provided necessary tools for testing employees (rapid tests, nasopharyngeal tests and PCR testing services in specialized clinics);
- As involvement in local community towards those who were affected by pandemic, ALUM did a donation of RON 100,000 to Tulcea County Hospital for protective and medical equipment, antiviral medication, mechanical ventilation devices and monitoring of vital functions, supporting thus the efforts of the authorities to combat the spreading of the COVID-19 virus. ALUM also supported the hospital for the purchase of two Non-invasive High Flow ventilators needed to treat hospitalized patients with severe COVID-19 forms by making a donation in the amount of 73,500 RON;

ALUM has been involved in the relationship with the community by providing material support to disadvantaged groups. Thus, he supported the community of the blind and the elderly in Tulcea, as well as organizations that support programs for the recovery of children with autism and ASD (autism spectrum disorder).
Through the profile associations. ALUM intervened and support public authorities in order to improve the social protection of institutionalized children with special skills, providing them with material support to achieve the proposed objectives.

Another important project in which ALUM was involved is the one related to the energy efficiency program of the Secondary School “Traian Coșovei” from Somova locality, for the improvement of the conditions for the development of the school education programs. ALUM provided the necessary materials for the replacement of lighting throughout the school and the replacement of the old wooden carpentry with modern carpentry.

At the initiative of ALUM’s employees, during the winter holidays, voluntary actions were taken to collect material goods (clothes, sweets, books, toys etc.) for children from disadvantaged families, as well as food for few needy families.
Also during the holidays, ALUM offered food and gifts to institutionalized children and elderly people.

In this respect, in 2020 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 16.04% in the present;
- 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).

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.

.1.4 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.

1.5 Financial risk management policies

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial performance. The Company does not use derivatives to cover the above mentioned risks.

Commodity price risk

Commodity price risk is the risk that the Company's future earnings will be adversely impacted by changes in the market price. The Company's internal policy is to manage the identified commodity price risk by natural hedge when possible.

In 2020, the coronavirus pandemic spread around the world, and the number of disease cases began to grow significantly. This has forced state governments to take unprecedented measures such as shutting down economic activities and restricting the movement of people. The Company has efficiently managed the coronavirus pandemic by implementing complex protocols and procedures in its work locations, which were put in place since the beginning of the pandemic, and the Comapny has thus ensured the continuity of the course of activity under safe conditions, so that, there were no significant changes in the business or economic circumstances that affect the fair value of the Company's financial assets and financial liabilities, except for the normal volatility of prices on international markets, and of foreign exchange rates. However, the Company is affected by the Government's schemes to support green energy, leading to higher electricity costs. Although the Company's main activity is to sell its products at prevailing market prices, the Company is closely monitoring the market in order to take advantage of any opportunities that may arise to protect their results against the high volatility of commodity prices.

Currency risk

The Company operate internationally and undertake certain transactions denominated in foreign currencies. Hence, the Company is exposed to foreign exchange risk arising from various currency fluctuations against the reporting currency, primarily with respect to the EUR and USD.

The Company is exposed to foreign exchange risk because the predominant part of its sales of alumina is denominated in or linked to the USD while the significant part 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 or EUR while the liabilities are denominated in RON and USD. 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.

Interest rate risk on cash flow and fair value

The Entity's interest rate risk arises from loans and borrowings. Loans issued and borrowings taken at floating rates expose the entity to cash flow interest rate risk. The interest rate on its existing credit facilities are based on the London Interbank Offered Rate (LIBOR) for US Dollars borrowings and on ROBOR for RON denominated borrowings.

The sensitivity analyses below have been determined based on the exposure to interest rates on US Dollars denominated borrowings at the balance sheet date and the stipulated change taking place at the beginning of the financial year and held constant throughout the next reporting period in the case of borrowings linked to floating rates.

The interest rate on its existing credit facilities are based on the London Interbank Offered Rate (LIBOR) for US Dollars borrowings and on ROBOR for RON denominated borrowings.

If interest rates would be higher/lower by 1% and all other variables would be constant, the Entity's profit would increase/decrease by RON 701 thousand (2019: RON 1,051 thousand).

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 2020 the amounts have been withdrawn in full and the first two installments were reimbursed. The company's bank loans are due until 2023. In 2020, interest rates ranged from 3.41% to 5.40% (2019: 5.05% to 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 2020, the Company was compliant with all the financial loan covenants.

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. The surplus between the future repurchase price and the price received at transaction date being accrued as interest expense under Interest expense: RON 272 thousand for 2020 (90 thousand for 2019). In December 2020, the Company repurchased the emission certificates at the fixed price, established in advance, respectively in 2019, as a result of the evolution of the market price of the emission certificates and in accordance with the clauses stipulated in the contract.

Credit risk

Credit risk refers to the risk that a counter party will default on its contractual obligations resulting in financial loss to the Company. The Company has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults.

Trade receivables consist of number of customers, spread across diverse industries and geographical areas. In order for the Company to minimize the credit risk, a part of the receivables are immediately sold to banks by factoring transactions on a non-recourse basis. For other receivables, which is not covered by factoring contracts, the financial quality of the debtors is permanently monitored, and the Company exposure from the concluded transactions is spread amongst approved counterparties. The Company has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. Credit exposure is controlled by counterparty limits that are reviewed and approved by the Management. Ongoing credit evaluation is performed on the financial condition of accounts receivable and credit history of debtors and, where appropriate, credit risk insurance is required.

Credit risk from transactions with banks and financial institutions is managed by the Treasury department. Investment of surplus funds is done only with approved counterparties and within credit limits assigned to each counterparty. The limits are set to minimise the concentration of risks and therefore mitigate the potential for financial loss through counterparty failure. No material exposure is considered to exist by virtue of the possible non performance by the counterparties in respect of financial instruments.

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding and the ability to close out market positions. Management monitors rolling forecasts of the company's liquidity reserve and cash and cash equivalents on a regular basis.

1.6 Market

In 2020 Alum had a turnover in amount of 672,651 th RON structured as follows:

✓ Sales of alumina	592,191	th RON
✓ Sales of hydrate	77,442	th RON
✓ Revenues from sales of scrap iron and wastes	1,463	th RON
✓ Revenues from sales of utilities	715	th RON
✓ Other revenues	840	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	484,853	0.5907
Other shareholders – legal persons	5,490	0.0067
TOTAL	**82,086,203**	**100**

On 31.12.2020, 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 2019	Budget 2020	Actual 2020	Difference as compared to Budget	%	Difference as compared to 2019	%
	RON	RON	RON	RON		RON	
TURNOVER	**784,359,001**	**699,620,280**	**672,651,026**	**(26,969,254)**	**96**	**(111,707,975)**	**86**
TOTAL OPERATING REVENUES	**871,199,338**	**700,426,118**	**744,591,940**	**44,165,822**	**106**	**(126,607,397)**	**85**
TOTAL OPERATING EXPENSES	**781,804,719**	**691,682,050**	**671,779,491**	**(19,902,559)**	**97**	**(110,025,228)**	**86**
of which:- raw material and material expenses	461,317,506	395,400,252	395,660,286	260,035	100	(65,657,220)	86
- other expenses (inventory objects)	1,727,757	261,022	1,875,652	1,614,630	719	147,895	109
- energy, gas and water expenses	194,511,468	177,493,832	148,138,127	(29,355,706)	83	(46,373,341)	76
- staff expenses	62,128,058	62,070,712	63,450,284	1,379,572	102	1,322,226	102
- depreciation expenses	21,724,341	24,097,006	24,719,493	622,486	103	2,995,152	114
- third parties services	28,407,168	32,359,225	28,718,243	(3,640,983)	89	311,075	101
- merchandise expenses	120,045	-	285,773	285,773		165,727	238
- other expenses (penalties, disposal of fixed assets)	5,465,500	-	2,354,821	2,354,821		(3,110,679)	43
- value adjustments	6,402,877		6,576,813	6,576,813		173,936	103
Operating result	**89,394,618**	**8,744,068**	**72,812,449**	**64,068,381**	**833**	(16,582,169)	**81**
FINANCIAL REVENUES	47,258,040	-	47,243,640	47,243,640	-	(14,399)	100
FINANCIAL EXPENSES	44,781,894	6,010,900	50,262,690	44,251,790	836	5,480,795	112
Financial result	**2,476,145**	**(6,010,900)**	**(3,019,050)**	**2,991,850**	**50**	**(5,495,195)**	**(122)**
TOTAL REVENUES	918,457,377	700,426,118	791,835,580	91,409,462	113	(126,621,797)	86
TOTAL EXPENSES	826,586,614	697,692,950	722,042,181	24,349,231	103	(104,544,433)	87
GROSS PROFIT	**91,870,763**	**2,733,168**	**69,793,399**	**67,060,231**	**2,554**	**(22,077,364)**	**76**
PROFIT TAX	15,512,687	437,308	12,208,676	11,771,368	**2,792**	(3,304,011)	
SPECIFIC TAX	42,875	42,875	32,303	(10,572)	**75**	(10,572)	
NET PROFIT	**76,315,201**	**2,252,985**	**57,552,420**	**55,299,435**	**2,554**	**(18,762,781)**	**75**

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

		Value:	
- turnover	-	26,969	th RON
The difference from forecasts was mainly determined by:			
- alumina sales	-	18,820	th RON
- hydrate sales	-	11,445	th RON
- revenues from scrap sales	+	1,463	th RON
- revenues from utilities sales	+	715	th RON
- other revenues	+	840	th RON
- other operating revenues			
- revenues from CO2 certificates sales	+	61,145	th RON
- revenues from fixed assets	+	559	th RON
- revenues from stored production	-	1,592	th RON
- other operating revenues	+	5,424	th RON

On 31 December 2020, following the approval by the European Commission and in accordance with EU state aid legislation, of the Romania's plans to partially compensate large energy-consuming enterprises for higher electricity prices resulting from their indirect emission costs, in accordance with the EU Emissions Trading Scheme (ETS), the Alum recorded the amount of RON 15,371 th in the category Income from subsidies for operating expenses (2019: 0). The amounts represent the compensations for indirect emission costs included in the energy expenses incurred by the Company in the years 2019 and 2020. The Company received in September 2020 the amount of RON 5,936 th representing government subsidies for indirect emissions for 2019. The government subsidy for indirect emissions for the year 2020 estimated to be collected in 2021 is in the amount of RON 9,435 thousand

Additionally, in 2020 the category Government grants includes an amount of RON 379 thousand (in 2019: RON 347 thousand) representing government grants from EU funds received by the Company for purchasing of equipments for research and development activities. The grants are recognized as income linearly during the useful life of the equipments for which they were received.

In 2020, the Company sold CO2 emission certificates of RON 61,145 thousand (in 2019: RON 74,793 thousand) and included them under Income from sale of emission certificates, benefiting from the increase in the price of CO2 emission certificates. The Company was in the position to have a surplus of emission certificates as it made numerous efforts to invest in energy efficiency in the latest years.

Operational expenses have been lower than the budget by RON 19,903 thousand, the main variations being as follows:

		Value:	
- raw materials and materials expenses	-	260	th RON
- raw materials expenses	-	2,999	th RON
- other material expenses (fuel, spare parts, auxiliary materials)	+	2,738	th RON
- energy and water expenses	-	975	th RON
- natural gas expenses	-	30,331	th RON
- goods expenses	+	286	th RON
- staff expenses	+	1,380	th RON
- value adjustments (provisions)	-	6,577	th RON
- depreciation expenses	-	622	th RON
- other operating expenses (sponsorships,,taxes, social aids, work protection)	-	5	th RON
- other expenses (penalties, ceased assets, other operating expenses)	+	2,355	th RON
- third parties services (commissions, insurrances, transport, processing, advertising, import – export services, etc,)	-	3,646	th RON

According to the impairment test performed by CMF Consulting, an independent valuation company, as of December 31, 2020 there is a potential loss from receivables from SMHL in amount of RON 44,881 thousand (USD 11,317 thousand) lower than the provision recorded by the Company as of December 31, 2019 in amount of RON 48,838 thousand (USD 11,462 thousand).

According to the impairment test performed by CMF Consulting, an independent valuation company, as of December 31, 2020 there is also a potential loss from advances for bauxite paid to SMHL in amount of RON 21,282 thousand (USD 5,366 thousand) (31 December 2019: 22,570 thousand (USD 5,297 thousand)).

According to the Government's set of measures implemented in 2020 to support businesses during the Covid-19 pandemic, companies in Romania are allowed to postpone the payment of taxes, under certain conditions, and benefit from payment instalments, for a maximum period of 12 months. The Company adopted strategies to benefit its overall cashflow and, took the opportunity to defer the payment of the following principal tax liabilities, payable by monthly instalments until December 2021: wages and social security taxes in total amount of RON 11,402 thousand, tax on salaries in total amount of RON 2,088 thousand, income tax in total amount of RON 5,946 thousand and VAT payable in total amount of RON 25,880 thousand.

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- As for the financial revenues, they were excedeed by 47,244 th RON, being due to:

		Value:
✓	revenues from exchange rate differences	+ 45,355 th RON
✓	revenues from interests	+ 1,889 th RON

- Financial expenses were exceded by 44,252 th RON and factorially, they were due to:

		Value:
✓	expenses with exchange rate differences	+ 43,071 th RON
✓	expenses with interests	+ 1,422 th RON

The company went through a a revaluation process of the buildings on December 31, 2020. The revaluation was performed by an authorized evaluation company, member of ANEVAR, SC CMF Consulting SA.
The revaluation resulted in a net decrease of the market value of RON 12,950,938. In detail, the results of the revaluation are as follows:
- increase in value of buildings, recorded as an addition in account 105 Revaluation reserves - RON 4,063,804
- loss of value of the buildings, registered as minus of value in counterpart with the surpluses passed in account 105 Revaluation reserves - RON 10,605,978
- loss of value of the buildings, registered in the profit and loss account - RON 6,408,764

Concluding, at the end of 2020 ALUM registered a profit of 57,552 th RON compared to the budgeted profit of 2,253 th ron.

❖ Fiscally non-deductible expenses

The fiscally non-deductible expenses amount to 15.73 million RON of which the most important are the following:

- expenses with fiscally non-deductible value adjustments in the amount of 5.56 million RON out of which:

  - 3.74 million RON value adjustment for potential loss in remunerating the employees in accordance with the provisions of the Collective Labour Contract;
  - 1.70 million RON value adjustment for pensions and similar obligations;
- depreciation expenses for fixed assets revalued in 2009 in amount of 0.42 million RON;
- depreciation expenses for fixed assets revalued in 2012 in amount of 0.34 million RON;
- revaluation expenses of 6.41 mil RON;
- depreciation for the value adjustment for the estimated expenses to close the red mud lake 1.51 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 1.24 million RON.

❖ Investments

ALUM had forecasted and approved for 2020 an investment program in amount of 5,081 th USD and approved CAANs worth 291 th. USD.

The status of 2020 investments achievements is as follows:

No.	Investment project	Budget (th. USD)	Actual (th. USD)	Difference (th. USD)
1	Acquisition and installation a disc filter for coarse seed	283	254	(29)
2	Filtering process control efficiency enhancing by acquiring and installing vertical filters	1,366	1,219	(147)
3	Increasing the storage capacity of the red mud pond by elevating the height of the perimetral dykes	991	833	(158)
4	Packaging, storage and distribution of new Alum products	120	72	(48)
5	Investments for maintenance and improvement of equipment parameters	886	427	(459)
6	Replacing the obsolete equipment, endowments	855	502	(353)
7	Maintenance Capex (Consolidation foundations Precipitation tanks and White Filtration building)	871	785	(86)
TOTAL		**5,372**	**4,092**	**(1,280)**

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. 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 status**

On 31.12.2020 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. By Decision no. 1252 / 21.12.2020, the court admitted the request made by Alum in contradiction with the defendant Ministry of European Funds - DGPEC and ordered the annulment of Decisions no. 64411/21.08.2019, no.86584/04.12.2019, no.18573 /04.03.2020 issued by the defendant Ministry of European Funds DGPEC and Notes on finding irregularities and establishing financial corrections for operational programs within the convergence objective no. . 92680/25.112019, no.92834/25.11.2019, no.92838/25.11.2019 issued by the same defendant. The Ministry of European Funds - DGPEC has the right to appeal within 15 days from the communication.

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, 2020 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	2019	2020
Liquidity ratios		
Current liquidity ratio (current capital ratio)	3.51	3.78
Quick liquidity ratio (acid test)	0.22	1.12
Risk ratios		
Gearing	19.84	9.78
Interest cover ratio	12.82	13.85

Activity ratios (management ratios)		
Turnover of inventories	1.95	1.72
Days in store	187.28	212.13
Turnover of trade receivables – days	7.93	39.59
Turnover of trade payables – days	19.84	16.83
Turnover of fixed assets	4.19	4.04
Turnover of total assets	1.28	1.05
Profitability ratios		
Profitability of capital employed	0.22	0.16
Gross margin from sales – %	11.40	10.82
Result per share RON	0.93	0.70

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 more than the decrease of stocks.
- as regards the receivables recovery period, respectively the period for reimbursing the debts, ALUM collects its receivables at 40 days and pays its commercial debts at 17 days.
- regarding the fixed assets turnover, it decreased due to the decrease of turnover more than the decrease 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 2020

For the period 01.01.2020 – 31.12.2020 based on 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 2020.

CHAIRMAN OF THE BOARD OF DIRECTORS
PhD Eng Gheorghe Dobra