Ernst & Young Assurance Services SRL
Bucharest Tower Center Building, 21st Floor
15-17 Ion Mihalache Blvd., District 1
011171 Bucharest, Romania

Tel: +40 21 402 4000
Fax: +40 21 310 7193
office@ro.ey.com
ey.com

Building a better working world

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 ale societatii ALUM SA („Societatea") cu sediul social in Tulcea, strada Isaccei nr. 82, identificata prin codul unic de inregistrare fiscala 2360405, care cuprind situatia pozitiei financiare la data de 31 decembrie 2020, situatia rezultatului global, situatia modificarilor in capitalurile proprii si situatia 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 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 statement of financial position as at December 31, 2020 and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory 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 Standardele Internationale de Raportare Financiara adoptate de catre Uniunea Europeana.
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 International Financial Reporting Standards as adopted by the European Union.

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.
English translation only for information purposes. The translation of the report should be read with the financial statements, as a whole. In all matters of interpretations of information, views or opinions, the original Romanian language version of our report takes precedence over this translation.

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.

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

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 3, 10, 11 si 28, respectiv, Nota 6.	
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

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

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 from Sierra Mineral Holdings Ltd. ("SMHL") *Alum's disclosures of trade receivables from Sierra Mineral Holding Ltd. and the investment in subsidiaries, including the related impairment, are presented in Notes 3, 10, 11 and 28 and Note 6, 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 (net carrying value is nil) and advances granted to SMHL have a gross carrying amount of*	*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 Standards, discount rates used for discounting future cash flows*

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

RON 207.2 million for (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.

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.*

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

Aspect cheie de audit	*Modul in care auditul nostru a abordat aspectul-cheie de audit*
Testarea pentru depreciere a imobilizarilor corporale Informatiile prezentate de Alum cu privire la imobilizarile corporale, inclusiv cu privire la deprecierea aferenta, sunt incluse in notele 3 si 4	
Imobilizarile corporale ale Alum au o importanta semnificativa pentru auditul nostru, avand in vedere marimea pozitiei bilantiere la 31 decembrie 2020 (173 milioane RON in situatia pozitiei financiare). Conform Standardelor Internationale de Raportare Financiara, 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. 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. 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.	Procedurile noastre de audit au inclus, printre altele: a. 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 Internationale de Raportare Financiara, ratele de actualizare folosite pentru actualizarea fluxurilor de numerar viitoare pentru societate, ipoteze macroeconomice). - 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; 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

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

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.	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.

Key audit matter	*How our audit addressed the key audit matter*
Impairment testing of property, plant and equipment Alum's disclosure about property, plant and equipment, including the related impairment, are included in Notes 3 and 4	
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 173 million in the statement of financial position). Under the International Financial Reporting Standards, an entity is required to assess, at least at each reporting date, 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. An impairment test of the property, plant and equipment of Alum cash-generating unit has	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: - 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 International Financial Reporting Standards, discount rates used for discounting future cash flows for the company, macroeconomic assumptions). - evaluation of the competence, capabilities and objectivity of external valuator; c. we compared the assumptions used within the future cash flow models to

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

been performed which resulted in recoverable values of the property, plant and equipment from the cash-generating unit higher than their carrying values, therefore no impairment adjustments were required. 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 the Company's property plant and equipment as at 31 December 2020, this audit area is considered a key audit matter.	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 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 two entities. 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 property, plant and equipment.

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

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

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 Standardele Internationale de Raportare Financiara adoptate de catre Uniunea Europeana, si pentru acel control intern pe care conducerea il considera necesar pentru a permite intocmirea de situatii financiare care sunt lipsite de denaturari semnificative, cauzate fie de frauda, fie de eroare.
Management is responsible for the preparation and fair presentation of the financial statements in accordance with the International Financial Reporting Standards as adopted by the European Union, 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

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

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

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

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

- 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.

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

- *Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.*

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

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

Comunicam persoanelor responsabile cu guvernanta, printre alte aspecte, obiectivele planificate si programarea in timp a auditului, precum si constatarile semnificative ale auditului, inclusiv orice deficiente semnificative ale controlului intern, pe care le identificam pe parcursul auditului nostru.
We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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.

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

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.

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

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

ALUM S.A.
SEPARATE FINANCIAL STATEMENTS

FOR THE YEAR ENDED
DECEMBER 31, 2020

PREPARED IN ACCORDANCE WITH
INTERNATIONAL FINANCIAL
REPORTING STANDARDS AS ADOPTED BY
THE EUROPEAN UNION
(Together with the Independent Auditor's Report)

CONTENTS **PAGE**

INDEPENDENT AUDITOR'S REPORT	
SEPARATE STATEMENT OF FINANCIAL POSITION	1-2
SEPARATE STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	3
SEPARATE STATEMENT OF CHANGES IN EQUITY	4
SEPARATE STATEMENT OF CASH FLOWS	5-6
NOTES TO THE SEPARATE FINANCIAL STATEMENTS	7-58

ALUM S.A.
SEPARATE STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2020
All amounts are in RON thousand, unless otherwise stated

	Note	December 31, 2020	December 31, 2019
ASSETS			
Non-current assets			
Property, plant and equipment	**4**	173,058	180,317
Intangible assets	**5**	44	44
Investments in subsidiaries	**6**	242	-
Deferred tax asset	**7**	11,560	12,017
Right-of-use assets	**8**	1,873	2,660
Total non-current assets		**186,777**	**195,037**
Current assets			
Inventories	**9**	148,350	205,188
Trade receivables, net	**10**	122,972	22,855
Other current assets	**11**	197,518	191,474
Restricted cash	**12**	55	924
Cash and cash equivalents	**12**	5,283	588
Total current assets		**474,178**	**421,029**
Total assets		**660,955**	**616,066**
SHAREHOLDER'S EQUITY AND LIABILITIES			
Shareholder's equity			
Issued capital	**14**	488,413	488,413
Reserves	**13**	47,035	47,545
Accumulated deficit		(81,547)	(151,601)
Total equity		**453,901**	**384,357**
Non-current liabilities			
Bank and other loans, non-current	**15**	42,041	75,089
Lease liabilities	**15**	1,123	1,787
Retirement benefit obligation	**16**	5,487	4,843
Provisions, non-current	**17**	23,153	22,112
Government grants, non-current portion	**18**	4,577	4,956
Other non-current liabilities		724	517
Total non-current liabilities		**77,105**	**109,304**

	Note	December 31, 2020	December 31, 2019
Current liabilities			
Trade and other payables	**19**	33,486	25,851
Bank and other loans, current	**15**	28,246	62,940
Financial lease liabilities	**15**	670	736
Provisions	**17**	3,745	-
Government grants, current portion	**18**	379	379
Current income tax liability		12,034	2,389
Other current liabilities	**20**	51,389	30,109
Total current liabilities		**129,949**	**122,404**
Total liabilities		**207,054**	**231,708**
Total shareholder's equity and liabilities		**660,955**	**616,065**

These separate financial statements were authorized for issue by the management on March 24, 2021.

Gheorghe Dobra
General Director

Mihaela Duralia
Financial Director

ALUM S.A.
SEPARATE STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2020
All amounts are in RON thousand, unless otherwise stated

	Note	Year ended December 31, 2020	Year ended December 31, 2019
Revenue from contracts with customer	**21**	671,849	783,644
Cost of goods sold	**22**	(632,790)	(714,002)
Gross profit		**39,059**	**69,642**
Administrative expenses	**24**	(32,772)	(40,730)
Impairment of investments	**6**	242	-
Other operating income	**23**	79,942	79,992
Other operating expenses	**25**	(2,914)	(5,919)
Other operational gains and losses	**26**	-	(15)
Operating result		**83,556**	**102,970**
Financial income		69	221
Financial expenses		(6,703)	(8,703)
Net foreign exchange gains / (losses)		6,222	(3.292)
Finance costs, net	**27**	(412)	(11.774)
Result before income taxes		**83,144**	**91,196**
Income tax expense	**7**	(12,842)	(13,885)
Result for the period		**70,302**	**77,311**
Weighted average number of ordinary shares for the purpose of basics earnings per share (thousand)		82,086	82,086
Basic and diluted earnings/(losses) per share		**0.86**	**0.94**
Other comprehensive income/(expense) for the period, net of tax			
Remeasurements of post-employment benefit obligations*		(902)	(507)
Income tax on items that will not be reclassified		144	81
Other comprehensive income/(expense) for the period, net of tax		(758)	(426)
Total comprehensive income/(expense) for the period		**69,544**	**76,885**

***)** items that will not be reclassified into Statement of Comprehensive Income in the future

These separate financial statements were authorized for issue by the management on March 24, 2021.

Gheorghe Dobra
General Director

Mihaela Duralia
Financial Director

Attached notes are part of the separate financial statements.
This is a free translation from the official Romanian version

ALUM S.A.
SEPARATE STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2020
All amounts are in RON thousand, unless otherwise stated

	Share Capital	Reserves	Retained Earnings	Result for the period	Total
Balance at January 1, 2019	**488,413**	**46,959**	**(280,225)**	**52,326**	**307,473**
Profit for the year	-	-	-	77,311	77,311
Remeasurement of post-employment benefits, net of tax	-	-	(426)	-	(426)
Total Comprehensive income	**-**	**-**	**(426)**	**77,311**	**76,885**
Transfer to legal reserve	-	4,591	(4,591)	-	-
Transfer of realized revaluation reserve	-	(4,005)	4,005	-	-
Appropriation of prior year result	-	-	52,326	(52,326)	-
Balance at December 31, 2019	**488,413**	**47,545**	**(228,912)**	**77,311**	**384,357**
Balance at January 1, 2020	**488,413**	**47,545**	**(228,912)**	**77,311**	**384,357**
Profit for the period	-	-	-	70,302	70,302
Remeasurement of post-employment benefits, net of tax	-	-	(758)	-	(758)
Total Comprehensive income	**-**	**-**	**(758)**	**70,302**	**69,544**
Transfer to legal reserve	-	3,490	(3,490)	-	-
Transfer of realized revaluation reserve	-	(4,000)	4,000	-	-
Appropriation of prior year result	-	-	77,311	(77,311)	-
Balance at December 31, 2020	**488,413**	**47,035**	**(151,848)**	**70,302**	**452,901**

These separate financial statements were authorized for issue by the management on March 24, 2021.

Gheorghe Dobra
General Director

Mihaela Duralia
Financial Director

Attached notes are part of the separate financial statements.
This is a free translation from the official Romanian version

	Note	Year ended December 31, 2020	Year ended December 31, 2019
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(Loss) before tax		**83,144**	**91,196**
Adjustments for:			
Foreign exchange (gain)/loss		(2,365)	2,324
Amortization and depreciation expense	**3,4,8**	25,769	22,635
Net loss on sale of property, plant and equipment	**26**	-	15
Allowance for impairment of receivables	**24**	(5,711)	7,870
Allowance for other doubtful debts		105	-
Impairment allowance for property, plant and equipment	**4**	4	(36)
Impairment of investment	**6**	(242)	-
Movement in provision for employee compensation	**17**	3,745	(3,009)
Allowance for slow moving and obsolete inventory	**9**	(32)	(15)
Movement in retirement benefit obligation	**16**	(475)	104
Interest income	**27**	(69)	(221)
Interest expense	**27**	6,411	8,405
Interest expense, factoring	**27**	184	-
Operating profit before working capital changes		**110,470**	**129,269**
Movements in working capital:			
(Increase) in receivables		(103,950)	(21,172)
(Increase)/Decrease in inventories		56,871	(52,014)
Increase/(Decrease) in payables		29,021	(75,357)
Cash generated from/(used in) operations		**92,412**	**(19,274)**
Income tax paid		(2,596)	(17,893)
Interest paid		(5,215)	(6,542)
Interest received		69	220
Net cash generated by/(used in) operating activities		**84,670**	**(43,489)**
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for acquisition of property, plant and equipment and intangible assets		(17,811)	(33,512)
Government grants received	**18**	-	839
Dividends received		-	-
Collection of outstanding loans		-	888
Restricted cash	**12**	869	2,322
Net cash from/(used in) investing activities		**(16,942)**	**(29,464)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings	**15**	-	73,466
Repayment of borrowings	**15**	(62,289)	-
Payments for leasing		(744)	(769)
Net cash (used in)/generated by financing activities		**(63,033)**	**72,697**

Attached notes are part of the separate financial statements.

	Note	Year ended December 31, 2020	Year ended December 31, 2019
(Decrease)/increase in cash and cash equivalents		**4,695**	**(256)**
Cash and cash equivalents beginning of period	**12**	**588**	**844**
Cash and cash equivalents end of period	**12**	**5,283**	**588**

These separate financial statements were authorized for issue by the management on March 24, 2021.

Gheorghe Dobra
General Director

Mihaela Duralia
Financial Director

1. GENERAL INFORMATION

ALUM S.A. (the "Company", the "Entity") is a joint-stock company set up under the Romanian law. The Company was initially established in March 1972, ALUM S.A. Tulcea being the largest producer of calcined alumina in Romania.

The major shareholder of Alum S.A. is Alro S.A. owned by Vimetco N.V. Netherlands. The Company's ultimate controlling entity is Maxon Limited (Bermuda).

The main activity is hydro metallurgical processing of bauxite to obtain aluminium oxide, the main raw material for obtaining aluminium. Company's production processes and products have been certified in accordance with international standards for quality assurance.

The address of the Company's registered office is 82 Isaccei Street, Tulcea, Tulcea County, Romania.

Alum is listed on Bucharest Stock Exchange, AeRO segment. Its price per share could be analysed as follows:

	2020	2019
- minimum price (RON)	1.84	1.02
- maximum price (RON)	3.34	4.86
- average price (RON)	2.59	2.94

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

	2020	2019
Average number of employees, of which:	786	791
Production staff	650	656
General and administration staff	136	135

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

These financial statements provide comparative information in respect of the previous period.

Following below are the new standards, amendments and interpretations to existing standards adopted starting 1 January 2020 and their effect in the preparation of the Company financial statements for the year ended 31 December 2020.

Standards and interpretations effective in 2020 that the Company has applied to these financial statements:

The Company has adopted the following new standards and amendments to standards, including any consequential amendments to other standards, with a date of initial application of 1 January 2020:

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

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

Standards and interpretations effective in 2020 that the Company has applied to these financial statements (continued)

- *Amendment to IFRS 3 Business Combinations.* The IASB issued amendments in Definition of a Business (Amendments to IFRS 3) aimed at resolving the difficulties that arise when an entity determines whether it has acquired a business or a group of assets. The Amendments are effective for business combinations for which the acquisition date is in the first annual reporting period beginning on or after 1 January 2020 and to asset acquisitions that occur on or after the beginning of that period, with earlier application permitted. The amendments did not have an impact on the Company's financial statements.

- *Amendments to IAS 1 and IAS 8*: Definition of Material, issued on 31 October 2018. The Amendments are effective for annual periods beginning on or after 1 January 2020 with earlier application permitted. The Amendments clarify the definition of material and how it should be applied. The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity'. In addition, the explanations accompanying the definition have been improved. The Amendments also ensure that the definition of material is consistent across all IFRS Standards. The amendments did not have an impact on the Company's financial statements.

- *Amendments to IFRS 9, IAS 39 and IFRS 17*: Interest Rate Benchmark Reform, issued on 26 September 2019. In September 2019, the IASB issued amendments to IFRS 9, IAS 39 and IFRS 7, which concludes phase one of its work to respond to the effects of Interbank Offered Rates (IBOR) reform on financial reporting. The amendments published, deal with issues affecting financial reporting in the period before the replacement of an existing interest rate benchmark with an alternative interest rate and address the implications for specific hedge accounting requirements in IFRS 9 Financial Instruments and IAS 39 Financial Instruments: Recognition and Measurement, which require forward-looking analysis. The amendments provide temporary reliefs, applicable to all hedging relationships that are directly affected by the interest rate benchmark reform, which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark with an alternative nearly risk-free interest rate. There are also amendments to IFRS 7 Financial Instruments: Disclosures regarding additional disclosures around uncertainty arising from the interest rate benchmark reform. The amendments are effective for annual periods beginning on or after 1 January 2020 and must be applied retrospectively. Phase two (ED) focuses on issues that could affect financial reporting when an existing interest rate benchmark is replaced with a risk-free interest rate (an RFR). The amendments did not have an impact on the Company's financial statements.

- *Amendment to IFRS 16 Leases Covid 19-Related Rent Concessions* (issued on 28 May 2020). The amendment exempts lessees from having to consider individual lease contracts to determine whether rent concessions occurring as a direct consequence of the Covid-19 pandemic are lease modifications and allows lessees to account for such rent concessions as if they were not lease modifications. It applies to Covid-19-related rent concessions that reduce lease payments due on or before 30 June 2021. The amendment is effective starting 1 June 2020. The Company has not lease modifications as a direct consequence of Covid-19 pandemic.

Standards issued but not yet effective and not early adopted

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

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

Standards issued but not yet effective and not early adopted (continued)

- *IFRS 17: Insurance Contracts (Amendments), IFRS 4: Insurance Contracts (Amendments)*. The amendments to IFRS 17 are effective, retrospectively, for annual periods beginning on or after January 1, 2023, with earlier application permitted. The amendments aim at helping companies implement the Standard. In particular, the amendments are designed to reduce costs by simplifying some requirements in the Standard, make financial performance easier to explain and ease transition by deferring the effective date of the Standard to 2023 and by providing additional relief to reduce the effort required when applying IFRS 17 for the first time. The amendments to IFRS 4 change the fixed expiry date for the temporary exemption in IFRS 4 Insurance Contracts from applying IFRS 9 Financial Instruments, so that entities would be required to apply IFRS 9 for annual periods beginning on or after January 1, 2023. This standard is not applicable to the Company.

- *Amendment in IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures*: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
The amendments address an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28, in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. In December 2015 the IASB postponed the effective date of this amendment indefinitely pending the outcome of its research project on the equity method of accounting. The directors do not anticipate that the application of the standard in the future will have an impact on the Company's financial statements.

- *Amendment to IAS 1 Presentation of Financial Statements*: Classification of Liabilities as Current or Non-current (issued on 23 January 2020). The amendments are effective for annual reporting periods beginning on or after 1 January 2023, with earlier application permitted. The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current or non-current. The amendments affect the presentation of liabilities in the statement of financial position and do not change existing requirements around measurement or timing of recognition of any asset, liability, income or expenses, nor the information that entities disclose about those items. Also, the amendments clarify the classification requirements for debt which may be settled by the company issuing own equity instruments. These Amendments have not yet been endorsed by the EU. The directors do not anticipate that the application of the standard in the future will have an impact on the Company's financial statements.

- *Amendments to IFRS 3 Business Combinations* (issued on 14 May 2020). The amendments update a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations. Amendment also add a requirement that, for transactions and other events within the scope of IAS 37 or IFRIC 21, an acquirer applies IAS 37 or IFRIC 21 (instead of the Conceptual Framework) to identify the liabilities it has assumed in a business combination; and add to IFRS 3 an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.The amendments are effective for annual periods beginning on or after 1 January 2022 and have not yet been endorsed by the EU. The directors do not anticipate any impact on the Company's financial statements.

- *Amendments to IAS 16 Property, Plant and Equipment* (issued on 14 May 2020). The amendments prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss. The amendments are effective for annual periods beginning on or after 1 January 2022 and have not yet been endorsed by the EU. The directors do not anticipate any impact on the Company's financial statements.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

Standards issued but not yet effective and not early adopted (continued)

- *Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets* (issued on 14 May 2020). Amendments specify which costs a company includes when assessing whether a contract will be loss-making. The amendments are effective for annual periods beginning on or after 1 January 2022 and have not yet been endorsed by the EU. The directors do not anticipate any impact on the Company's financial statements.

- *Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform – Phase 2* (issued on 27 August 2020), not yet adopted by the EU. The amendments complement those issued in 2019 and focus on the effects on financial statements when a company replaces the old interest rate benchmark with an alternative benchmark rate as a result of the reform.The Phase 2 amendments provide additional temporary reliefs from applying specific IAS 39 and IFRS 9 hedge accounting requirements to hedging relationships directly affected by IBOR reform.

- *Annual Improvements to IFRS Standards 2018 – 2020 Cycle* (effective for annual periods beginning on or after 1 January 2022), issued on 14 May 2020. The improvements are not expected to have a material impact on the Group's or Company's financial statements.These annual improvements are a collection of amendments to IFRSs:

- *IFRS 1 First-time Adoption of International Financial Reporting Standards*. The amendment permits a subsidiary that applies paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported by its parent, based on the parent's date of transition to IFRSs.

- *IFRS 9 Financial Instruments*. The amendment clarifies which fees an entity includes when it applies the '10 per cent' test in assessing whether to derecognise a financial liability. An entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf.

- *IFRS 16 Leases*. The proposed amendment to Illustrative Example 13 accompanying IFRS 16 would remove from the example the illustration of the reimbursement of leasehold improvements by the lessor. The proposed amendment would resolve any potential confusion regarding the treatment of lease incentives that might arise because of how lease incentives are illustrated in that example.

- *IAS 41 Agriculture*. The amendment aligns the fair value measurement requirements in IAS 41 with those in other IFRS Standards.

3. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

The separate financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union.

Basis of preparation

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

At the first application of IFRS, the Company has chosen to apply the deemed cost exemption for land and buildings as well as for equipment. The fair value was considered by the Company as deemed cost on transition to IFRS on January 1, 2005 considering the revaluation as 31 December 2004 as a good measure of the fair value.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Going concern

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

The principal accounting policies are set out below.

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.

In terms of liquidity, in 2020 the Company repaid its liabilities and loans in accordance with the schedules (refer to note 31 Risk management). It also renegotiated financial liabilities that were due, and put in place new facilities to manage liquidity risk.
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.

The Company obtained a profit of RON 70,302 thousand in 2020, compared to a profit of RON 77,311 thousand in 2019. It has assessed its assets for impairment at 31 December 2020, and the effects of the impairment tests are presented in these financial statements.

The Company has concluded that there are no material uncertainties that may cast significant doubt on their ability to continue as a going concern.

Group accounting

The Company has participating interests in other companies, in which it has control over the financial and operational policies. These investments are recorded at cost less impairment allowance, in the separate financial statements. In accordance with International Accounting Standard 27 „Consolidated and separate financial statements", the Entity has to prepare consolidated financial statements. The Entity issues also consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union. A list of investments in subsidiaries is presented in Note 6.

Foreign currencies

The functional currency of the Company is the Romanian Leu (RON).

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies (continued)

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

Closing exchange rates for EUR and USD were 4.8694 RON and 3.9660 RON as at December 31, 2020 (December 31, 2019: 4.7793 RON and 4.2608 RON respectively).

Property, plant and equipment

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

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

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

Freehold land is not depreciated.

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

Buildings and other constructions	2 – 52 years
Plant and machinery	1 – 25 years
Equipment and vehicles	1 – 25 years

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

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. All other borrowings costs are recognized in profit or loss in the period in which they are incurred.

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment (continued)

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

Emission rights

The Company recognizes emission CO2 rights in its separate financial statements based on the net liability method. Under this method only those liabilities that are expected to result from exceeding the emission credit quotas, granted to the Company under Government decision no. 204/2013 by the Romanian National Environmental Authority, are recognized.

The Company estimates its annual emission volumes at each balance sheet date and recognizes the total estimated additional liability for the expected excess of emission volumes at the fair value of additional units to be purchased or penalties to be incurred under the national legislation. The additional net liability is recognized in profit or loss based on unit of production method.

In case the Company estimates utilization of less than the allocated emission certificates any potential income from the sale of unused emission certificates is recognized in profit or loss only on actual sale of those certificates.

Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized on a straight-line basis over their estimated useful lives.

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

Internally-generated intangible assets - research and development expenditure

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

An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognized if, and only if, all of the following have been demonstrated:
- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible assets (continued)

Internally-generated intangible assets - research and development expenditure (continued)

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

De-recognition of intangible assets

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

Intangible assets are amortized over a period of 3 years (for software).

Impairment of tangible and intangible assets

At the balance sheet date, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.
Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest of cash-generating units for which a reasonable and consistent allocation basis can be identified.

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

Recoverable amount of an asset or cash-generating unit is the higher of fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

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

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

Financial instruments

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

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

Financial assets

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

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

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

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

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

Investments in subsidiaries

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

Effective interest method

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

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

Cash and cash equivalents

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets (continued)

Impairment of financial assets

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

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

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

Derecognition of financial assets

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

Financial liabilities and equity instruments

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

Classification as debt or equity

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

Equity instruments

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities

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

Financial liabilities at FVTPL

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

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

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

Other financial liabilities

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

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. All other borrowings costs are recognized in profit or loss in the period in which they are incurred.

Financial guarantee contracts

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

Financial guarantee contracts issued by the Company are initially measured at their fair values and, if not designated as at FVTPL, are subsequently measured at the higher of:
- the amount of the obligation under the contract, as determined in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets; and
- the amount of the obligation under the contract, as determined in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets; and

Derecognition of financial liabilities

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Presentation at net value of financial instruments

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

Inventories

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

Costs incurred in bringing each product to its present location and conditions are accounted for as follows:
- Raw materials: purchase cost on a first in, first out basis;
- Finished goods and work in progress: cost of direct materials and labour and a proportion of manufacturing overheads based on the normal operating capacity, but excluding borrowing cost, determined on weighted average basis.

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

Share capital

i) Ordinary shares are classified as equity.
ii) External costs directly attributable to the issue of new shares, other than on a business combination, are shown as a deduction, net of tax, in equity from the proceeds;
iii) Dividends on ordinary shares are recognized in equity in the period in which they are declared.

Legal reserve

Legal reserves are computed based on the legislation in force and are deducted from the profit of the current financial year by allocating minimum 5% from the profit, until it reaches at least the 20% of the share capital.

Related parties

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

Government grants

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

Employee benefits

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

All employees of the Company are members of the Romanian State pension plan.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Employee benefits (continued)

The Company awards its employees with several retirement benefits according to the Collective Labour Agreement. For this defined benefit retirement plan, the cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at each balance sheet date.

Defined benefit costs are categorized as follows:
- Service costs (comprising current service cost, past service cost, as well as gain and losses on curtailments and settlements), included in profit or loss line item "Cost of sales" or "Administrative expenses" within personnel costs.
- Net interest expense, included in profit or loss line item "Finance costs, net" within interest expenses
- Remeasurement.

Remeasurement, comprising actuarial gains and losses, is reflected immediately in the statement of financial position with a charge or credit recognized in other comprehensive income in the period in which they occur. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.
Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability.

Termination benefits

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

Leases

The Company as lessee

The Company assesses whether a contract is or contains a lease, at inception of the contract. The Company recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (such as licenses, small items of office equipments, etc.). For these leases, the Company recognise the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Company use their incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:
- Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- The amount expected to be payable by the lessee under residual value guarantees;
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

The Company remeasure the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:
- The lease term has changed or there is a significant event or change in circumstances resulting in a change in The assessment of exercise of a purchase option, in which case The lease liability is remeasured by discounting The revised lease payments using a revised discount rate.
-The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
-A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the Company incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Company expect to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The depreciation periods considered for each category of right-of-use assets are as follows:

	2020
Buildings and special constructions	5 years
Equipment and vehicles	between 3 and 5 years

The Company applies IAS 36 Impaiment of assets to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'Property, Plant and Equipment' policy.

Provisions

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

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Decommissioning and rehabilitation liability

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

Revenue from contracts with customers

Sales of goods

Under IFRS 15, revenue is recognized when a customer obtains control of the goods. The Company deliver goods (mainly calcined alumina and aluminium hydroxide) under contractual terms based on internationally accepted delivery conditions (INCOTERMS). The Company recognize revenue at the point in time when control of the asset is transferred to the customer, generally on delivery of the goods.

Variable consideration

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

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

Principal versus agent considerations

Under IFRS 15, the assessment is based on whether the Company control the specific goods before transferring them to the end customer, rather than whether they have exposure to significant risks and rewards associated with the sale of goods.
The Company have concluded that they are the principal in all of their revenue arrangements since they are the primary obligor in all the revenue arrangements, have pricing latitude and are also exposed to inventory.

Recognition of revenue from distinct performance obligations

The Company have analysed its contracts with customers to determine all its performance obligations and it has not identified any new performance obligation that should be accounted for separately in accordance with IFRS 15.

Rendering of services

The Company perform sundry services occasionally and as a non core business. Revenue is measured at the expected value of the consideration received or receivable. Under IFRS 15, the total consideration in the service contracts is allocated to all services based on their stand-alone selling prices. The stand-alone selling prices are determined based on the list prices at which the Company sell the services in separate transactions. Based on the Company's assessment, the allocated value based on the stand-alone selling prices of the services, and the stand-alone prices of the services are broadly similar.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue from contracts with customers (continued)

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

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

Dividend and interest income

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

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

Taxation

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

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the separate financial statements and the corresponding tax basis used in the computation of taxable profit and is accounted for using the balance sheet liability method.

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

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation (continued)

Statutory income tax rate for the year ended December 31, 2020 was 16% (December 31, 2019: 16%).

Currently the fiscal losses can be carried forward in Romania for 7 years.

Earnings per share

The Company presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period.

Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise items such as convertible notes and share options granted to employees.

Current versus non-current classification

The Company presents assets and liabilities in statement of financial position based on current/non-current classification. An asset as current when it is:
- Expected to be realised or intended to sold or consumed in normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realised within twelve months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

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

The Company classifies all other liabilities as non-current.
Deferred tax assets and liabilities are classified as non-current assets and liabilities.

Fair value measurement

The Company measures financial instruments, such as, derivatives, and non-financial assets such as investment properties, at fair value at each balance sheet date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:
- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.
The principal or the most advantageous market must be accessible to by the Company.

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurement (continued)

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

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

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

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

Value added tax (VAT)

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

The net amount of tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

Onerous contracts

Present obligations arising under onerous contracts are recognized and measured as provisions. An onerous contract is considered to exist where the Entity has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract.

Critical accounting judgements and key sources of estimation uncertainty

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

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

The following are the critical judgements and estimations that the directors have made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognised in the separate financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

i) Impairment of tangible and intangible assets

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a DCF model. The cash flows are derived from budget prepared by the Company 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.

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 (Note 4).
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.

ii) 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. The key assumptions used to determine the recoverable amount for the investments are disclosed and further explained in Note 6.

iii) Retirement benefit obligations

The cost of the defined benefit pension plan and the present value of the pension obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases and longevity. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date. Additional information is disclosed in Note 16.

iv) Tax uncertainties and Deferred taxes

Uncertainties exist with respect to the interpretation of complex tax regulations, changes in tax laws, and the amount and timing of future taxable income. Differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. The Company establishes provisions, when necessary, based on reasonable estimates, for possible consequences of audits by the tax authorities. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the Company and the responsible tax authority. Such differences in interpretation may arise for a wide variety of issues depending on the conditions prevailing in that context.

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

Detailed information is disclosed in Note 7.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Critical accounting judgements and key sources of estimation uncertainty (continued)

v) Provision for decommissioning.

Decommissioning costs include the dismantling and demolition of infrastructure and the removal of residual materials and remediation of disturbed areas. In order to determine the value of the provisions, estimates were made and hypotheses were considered regarding the discount rate, the inflation rate, the costs with the rehabilitation and when they will have to be borne.

Detailed information is disclosed in Note 17.

4. PROPERTY, PLANT AND EQUIPMENT

Cost	Land	Buildings and special constructions	Plant and machinery	Equipment and vehicles	Capital assets in progress	Advances for fixed assets	Total
	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON
At January 1, 2019	**20,057**	**187,202**	**373,050**	**28,756**	**55,656**	**3,053**	**667,774**
Additions	-	1,809	-	-	32,102	(3,053)	30,859
Transfer between categories	-	10,194	45,622	381	(56,198)	-	-
Transfer to other categories*	-	-	-	(578)	-	-	(578)
Disposals	-	(60)	(430)	(80)	-	-	(570)
Closing balance at December 31, 2019	**20,057**	**199,145**	**418,243**	**28,479**	**31,561**	**-**	**697,484**
Additions	-	373	18	-	17,253	30	17,674
Transfer between categories	-	8,304	28,116	786	(37,205)	-	-
Transfer to other categories*	-	-	-	-	-	-	-
Disposals	-	(1)	(2,947)	(697)	-	-	(3,645)
Closing balance at December 31, 2020	**20,057**	**207,821**	**443,429**	**28,568**	**11,609**	**30**	**711,513**

4. PROPERTY, PLANT AND EQUIPMENT (continued)

Accumulated depreciation	Land	Buildings and special constructions	Plant and machinery	Equipment and vehicles	Capital assets in progress	Advances for fixed assets	Total
	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON
At January 1, 2019	**-**	**139,644**	**338,091**	**15,381**	**-**	**-**	**493,116**
Charge for the year	-	7,460	13,297	1,096	-	-	21,853
Transfer between categories	-	-	-	-	-	-	-
Transfer to other categories*	-	-	-	(164)	-	-	(164)
Accumulated depreciation of disposals	-	(60)	(415)	(80)	-	-	(556)
Closing balance at December 31, 2019	**-**	**147,044**	**350,973**	**16,233**	**-**	**-**	**514,250**
Charge for the year	-	8,457	15,225	1,247	-	-	24,929
Transfer between categories	-	-	-	-	-	-	-
Transfer to other categories*	-	-	-	-	-	-	-
Accumulated depreciation of disposal	-	(1)	(2,947)	(697)	-	-	(3,645)
Closing balance at December 31, 2020	**-**	**155,499**	**363,250**	**16,783**	**-**	**-**	**535,533**

4. PROPERTY, PLANT AND EQUIPMENT (continued)

Allowances for impairment	Land	Buildings and special constructions	Plant and machinery	Equipment and vehicles	Capital Assets in progress	Advances for fixed assets	Total
	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON
At January 1, 2019	**-**	**140**	**94**	**926**	**1,792**	**-**	**2,952**
Impairment charge for the period	-	-	-	-	-	-	-
Reversal of impairment	-	(21)	(15)	-	-	-	(36)
At December 31, 2019	**-**	**119**	**79**	**926**	**1,792**	**-**	**2,917**
Impairment charge for the period	-	4	-	-	-	-	4
Reversal of impairment	-	-	-	-	-	-	-
At December 31, 2020	**-**	**123**	**79**	**926**	**1,792**	**-**	**2,921**
Net book value							
At December 31, 2019	**20,057**	**51,982**	**67,190**	**11,320**	**29,769**	**-**	**180,317**
At December 31, 2020	**20,057**	**52,198**	**80,100**	**10,859**	**9,817**	**30**	**173,058**

The Company recorded full provision for the future cost of rehabilitating the red mud lake waste dump on a discounted basis. The change in the year increased the value of the fixed asset as of December 31, 2020 by RON 373 thousand (2019: + RON 1,809 thousand) (see Note 17). The rehabilitation provision represents the present value of rehabilitation costs relating to the site, which are expected to be incurred up to 2023, which is when the storage on the site should be either closed or extended.

4. PROPERTY, PLANT AND EQUIPMENT (continued)

The gross book value of the Property, plant and equipment of the Company includes the amount of RON 902 thousand representing borrowing costs capitalized in 2018 in accordance with IAS 23 Borrowing costs as revised. The borrowing costs consist of interest and transaction costs that the Company incur in relation to the contracted loans. In 2018 at the Company level there were interest expenses capitalized of RON 799 thousand at an average interest rate of 5.87% p.a. .
No borrowing costs were capitalized in 2019 and 2020.

*As a result of adopting IFRS 16, at 1 January 2019 the Company reclassified Property, plant and equipment with a net book value of RON 414 thousand to Other non-current assets. The transfer is related to machines under financial lease previously recognized in the Property, plant and equipment as per requirements of IAS 17. See also Note 8.

The gross book value of the fully amortized fixed assets in use as of December 31, 2020 is in amount of RON 153,346 thousand (2019: RON 160,876 thousand).

As of December 31, 2020 property, plant and equipment of Alum S.A. have been pledged to secure the borrowing contracted by the company with a carrying amount of RON 149,276 thousand (December 31, 2019: RON 147,761 thousand) (Note 15).

In 2019, equipment purchased under the investment project intended for researching technologies for obtaining dry and wet aluminum hydroxide was put into operation.

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.

The recovery value of the cash generating unit (CGU) Alum was determined based on the value in use calculations by using future cashflows extracted from the business plan for the next 5 years estimated by the management. The terminal value was computed by using a growth rate of 2% per annum.

4. PROPERTY, PLANT AND EQUIPMENT (continued)

Impairment tests for property, plant and equipment (continued)

The key assumptions for the cash-generating unit Alum are:

	2020
Discount rate	9.50%
Growth rate, average of next five years	5.40%
EBITDA margin, average of next five years	5.64%

The estimated recoverable amount of the CGU Alum exceeded its carrying amount by approximately RON 27,800 thousand. The following table shows the amount up to which the key assumptions used would need to change individually for the estimated recoverable amount to be equal to the carrying amount:

	2020
Discount rate	10.35%
Growth rate, average of next five years	2.93%
EBITDA margin, average of next five years	4.52%
EBITDA margin, terminal value	5.62%

5. INTANGIBLE ASSETS

Cost	Development expenses	Other intangibles	Advances for intangibles	Total intangibles
	'000 RON	'000 RON	'000 RON	'000 RON
At January 1, 2019	**4,367**	**358**	**-**	**4,725**
Additions	-	48	-	48
Transfer to fixed assets.	-	-	-	-
Disposals	-	-	-	-
As at December 31, 2019	**4,367**	**407**	**-**	**4,774**
Additions	-	52	-	52
Transfer to tangible assets	-	-	-	-
Disposals	-	-	-	-
As at December 31, 2020	**4,367**	**459**	**-**	**4,827**

Accumulated depreciation	Development expenses	Other intangibles	Advances for intangibles	Total intangibles
	'000 RON	'000 RON	'000 RON	'000 RON
At January 1, 2019	**4,367**	**335**	**-**	**4,702**
Charge for the year	-	29	-	29
Disposals	-	-	-	-
As at December 31, 2019	**4,367**	**364**	**-**	**4,730**
Charge for the year	-	52	-	52
Disposals	-	-	-	-
As at December 31, 2020	**4,367**	**416**	**-**	**4,783**
Net book value at December 31, 2019	**-**	**44**	**-**	**44**
Net book value at December 31, 2020	**-**	**44**	**-**	**44**

Development expenses include projects and studies related to the silicon removal processes and technological plant sizing, increase of the vertical kiln capacity, technical and technological rehabilitation. The capitalized expenses for the development activities are amortized over a period of 5 years.

6. INVESTMENT IN SUBSIDIARIES

	Year ended December 31, 2020	Year ended December 31, 2019
At January 1	82,581	82,581
Reversal of impairment of financial assets	242	-
Impairment of investment	(82,581)	(82,581)
At December 31	**242**	**-**

On May 1, 2011 Alum acquired from Vimetco N.V., related party, 100% of investment company Global Aluminium Ltd. whose assets included 100% shareholding in a bauxite mine in Sierra Leone, Sierra Minerals Holding 1 Ltd. and 100% shareholding in Bauxite Marketing Ltd.

Bought by Vimetco N.V. in 2008, the bauxite mine in Sierra Leone, with a resource base of approximately 31 million tons of bauxite, produced 1,342,139 tons in 2020 (2019: 1,883,863 tons). The bauxite mine produces raw material for Alum S.A..

Global Aluminium Ltd. has accumulated a deficit of USD (13,845) thousand as of December 31, 2020 (2019: USD (15,435) thousand).

As of December 31, 2020 CMF Consulting, an independent valuator, performed an impairment test for Alum's investment in Global Aluminium Ltd. The recoverable amount of cash-generating units operating in Sierra Leone (Global Aluminium Ltd.) was determined based on fair value less costs of disposal, estimated using discounted cash-flow techniques and applying a market-based measurement. Financial forecasts estimated by the directors at 31 December 2020 and 2019 cover a five-year period. The after-tax discount rate is of 19.9% per annum (in 2019: 20.2%). The cash flows beyond the five-year period have been extrapolated until the year 2036, when the estimated reserves (measured and indicated) will be depleted at a 2.0% growth rate in line with the forecast inflation (in 2019: 2.2%), except for the terminal year when a reduced production is foreseen at the level of the remaining reserves.

The fair value measurement was categorized as a Level 3 fair value based on the inputs in the valuation technique used (see Note 31).

The key assumptions for the cash-generating unit Global Aluminium Ltd. are:

	2020	2019
Discount rate	19.9%	20.2%
Growth rate (average of next five years)	8.7%	5.1%
EBITDA margin	19.0%	17.0%

The discount rate is the CGU weighted-average cost of equity of 21.8% (in 2019: 22.2%), calculated based on the average unlevered betas of comparable companies within the industry and of a cost of debt after tax of 4.0% (in 2019: 4.8%), using the CGU's debt leverage of 10.0% (in 2019: 11.4%).

Growth rates during the next five years are based on current contract with Alum reflecting the price in the market for long term contracts and on company's intention to develop sales to third party clients.

The most sensitive key assumption used in impairment test of CGU Global Aluminium Ltd. in 2020 are the discount rate, average growth rate for the next five years and EBITDA margin (2019: the discount rate and EBITDA margin). An increase of the discount rate to 24.5%, a decrease of the next five years growth rate to 6.5% and a decrease of EBITDA margin to 14.4% applied separately, would cause the estimated recoverable amount to be equal to the carrying amount (2019: an increase of the discount rate to 25.5% and a decrease of EBITDA margin to 12.4%). For the other assumptions management considered that there are no reasonably possible modifications that would lead to an impairment of the goodwill allocated to CGU Global Aluminium Ltd.

6. INVESTMENT IN SUBSIDIARIES (continued)

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.

According to the impairment test the equity value (market value) of SMHL is negative. The result has been compared with Alum's exposure (trade receivables and advances for bauxite) and the difference has been recorded as depreciation in the following order: trade receivables and other receivables (i.e. advances for bauxite).

7. INCOME TAXES

Income tax recognized in the profit or loss

	Year ended December 31, 2020	Year ended December 31, 2019
Current income tax	12,241	15,556
Deferred income tax (credit)/expense	601	(1,671)
Total income tax expense recognized in the current year	**12,842**	**13,885**

The income tax expense for the year can be reconciled to the accounting profit as follows:

	Year ended December 31, 2020	Year ended December 31, 2019
(Loss)/profit before tax	83,144	91,196
Income tax credit/(expense) calculated at 16%	(13,303)	(14,591)
Tax effect of permanent differences	461	706
Recognition of previously unrecognized temporary deductible differences	-	-
Income tax (expense)/revenue reported in profit and loss	**(12,842)**	**(13,885)**

The tax rate used for the 2020 and 2019 reconciliations above is the corporate tax rate of 16% payable by corporate entities in Romania on taxable profits under tax law in that jurisdiction.

The Company's current income taxes payable are the following:

	December 31, 2020	December 31, 2019
Current income taxes payable	12,034	2,390

Current income taxes payable as at 31 December 2020 include RON 5,946 thousand payable by the Company, which benefited from the tax incentives granted by Romanian Government to support businesses during the Covid-19 pandemic, allowing companies to postpone the payment of taxes, under certain conditions, for a maximum period of 12 months.

7. INCOME TAXES (continued)

The following is the analysis of deferred tax assets / (liabilities) presented in the statement of financial position:

	Opening balance	Recognised in profit or loss	Recognised in other comprehensive income	Recycled to profit or loss	Closing balance
Property, plant and equipment	(4,507)	429	-	-	(4,078)
Inventories	677	(840)	-	-	(163)
Trade receivables and other current assets	11,534	(914)	-	-	10,620
Long-term provisions	3, 538	166			3,704
Short term provisions	-	599			599
Retirement benefits obligation	775	(41)	144	-	878
Deferred tax asset / (liability)	**12,017**	**(601)**	**144**	**-**	**11,560**

8. RIGHT-OF-USE ASSETS

The Company has applied IFRS 16 Leases starting 1 January 2019 and recognized initially as non-current assets under Rights-of-use assets, the right to use the underlying asset during the lease term amounting to RON 3,159 thousand. The Company has leasing contracts mainly for equipments and vehicles with terms of up to 5 years. There are several lease contracts that include extension and termination options for which management exercises significant judgement in determining whether these extension and termination options are reasonably certain to be exercised. Company is restricted from assigning and subleasing the leased assets. The carrying value of the right of use assets at 31 December 2020 was RON 1,873 thousand (31 December 2019: RON 2,660 thousand).

Set out below are the carrying amounts of right-of-use assets recognised and the movements during the period:

Categories of right-of-use assets	***Equipment***	***Vehicles***	***Other***	***Total right-of-use assets***
Cost				
Balance at 1 January 2019	**414**	**561**	**2,184**	**3,159**
Additions		254		**254**
Balance at 31 December 2019	**414**	**815**	**2,184**	**3,413**
Additions	-	-	-	**-**
Balance at 31 December 2020	**414**	**815**	**2,184**	**3,413**
Accumulated amortisation				
Balance at 1 January 2019	**-**	**-**	**-**	**-**
Amortisation expense	(116)	(201)	(437)	**(754)**
Balance at 31 December 2019	**(116)**	**(201)**	**(437)**	**(754)**
Amortisation expense	(116)	(234)	(437)	**(787)**
Balance at 31 December 2020	**(232)**	**(435)**	**(874)**	**(1,541)**
Net book value				
Balance at 31 December 2019	**299**	**614**	**1,747**	**2,660**
Balance at 31 December 2020	**183**	**380**	**1,310**	**1,873**

8. RIGHT-OF-USE ASSETS (continued)

The following amounts were recognised in profit or loss, following the application of IFRS 16:

	December 31, 2020	December 31, 2019
Depreciation expense of right-of-use assets	787	753
Interest on lease liabilities	121	152
Expenses related to short-term leases	165	385
Expenses related to leases of low-value assets	-	30
Total amounts recognised in profit or loss	**1,073**	**1,321**

9. INVENTORIES

	December 31, 2020	December 31, 2019
Raw materials	68,048	117,517
Consumables	9,883	10,373
Finished goods	5,348	12,612
Work in progress	58,890	55,833
Semi-finished goods	5,848	8,606
Other	365	311
Allowance for slow moving and obsolete inventories	(31)	(63)
Total	**148,350**	**205,188**

Movement in the provision for inventory is as follows:

	2020	2019
Balance at beginning of the year	63	78
Charge during the year	-	-
Release during the year	(32)	(15)
Balance at end of the year	**31**	**63**

The value of the expensed inventories in 2020 is of RON 398,965 thousand (2019: RON 444,395 thousand).
The value of inventories pledged for securing the Company's borrowings amounts RON 148,381 thousand (31 December 2019: RON 205,251 thousand).

10. TRADE RECEIVABLES

	December 31, 2020	December 31, 2019
Foreign trade receivables	45,055	67,117
Domestic trade receivables	123,024	5,268
Allowance for doubtful receivables	(45,107)	(49,530)
Total	**122,972**	**22,855**

There are 2 customers representing individually more than 10% of the total balance of trade receivables as at December 31, 2020 (2019: 2 customers).

10. TRADE RECEIVABLES (continued)

Movement in allowance for doubtful receivables is as follows:

	2020	2019
Balance at beginning of the year	49,530	47,290
Charge during the year	-	2,241
Release during the year	(4.423)	-
Balance at end of the year	**45,107**	**49,530**

The Company has established a provision matrix that is based on the Company's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. In determining the recoverability of a trade receivable, the Company consider any change in the credit quality of the customer from the date the credit was initially granted up to the reporting date and adjusted for forward-looking factors specific to the debtors and the economic environment. Accordingly, the Company's management believes that there is no further credit provision required in excess of the allowance for doubtful receivables already provided for.

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 for which the Company recorded a provision in amount of USD 11,317 thousand (RON 44,881 thousand) (2019: USD 11,462 thousand (RON 48,838 thousand)). More details are presented in Note 6.

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.

The table below is an analysis of trade receivables as at December 31, 2020 and December 31, 2019:

	December 31, 2020	December 31, 2019
Neither past due nor impaired	429	17,891
Past due but not impaired	122,542	4,966
Past due more than 1 month*	33	83
Past due more than 3 months*	9	234
Past due more than 9 months*	45,066	49,211
Allowance for doubtful receivables	(45,107)	(49,530)
Total	**122,972**	**22,855**

*) trade receivables impaired

Ageing of receivables that are past due but not impaired:

	December 31, 2020	December 31, 2019
Less than 3 months	119,251	1,663
3 months to 6 months	17	91
6 months to 9 months	1	22
More than 9 months	3,273	3,190
Total	**122,542**	**4,966**

Details regarding the Company transactions with the related parties are presented in Note 28.

10. TRADE RECEIVABLES (continued)

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:

	December 31, 2020	December 31, 2019
Factoring ceiling amounts, of which:	14,608	14,338
Factoring amounts utilized	5,284	0

11. OTHER CURRENT ASSETS

	December 31, 2020	December 31, 2019
Short term loan receivables (Note 28)	-	-
Government grants receivable	9,435	-
Advances to suppliers (Note 28)	208,155	213,184
VAT recoverable	65	100
Other debtors	1,039	562
Prepayments	227	214
Allowance for doubtful debtors	(21,403)	(22,586)
Total	**197,518**	**191,474**

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. For further details please see also Note 23 Other operating income.

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 to SMHL for which the Company recorded a provision in amount of USD 5,366 thousand (RON 21,282 thousand) (2019: USD 5,297 thousand (RON 22,570 thousand)). More details are presented in Note 6. The advances to SMHL are in amount of RON 207,180 thousand (2019: RON 212,370 thousand).

The movement in allowance for doubtful debtors is as follows:

	December 31, 2020	December 31, 2019
Balance at beginning of the year	22,586	16,956
Charge for the year	105	5,630
Release for the year	(1,288)	-
Balance at end of the year	**21,403**	**22,586**

12. CASH AND CASH EQUIVALENTS

	December 31, 2020	December 31, 2019
Cash at banks in RON	923	395
Cash at banks in foreign currency	4,351	186
Restricted cash	55	924
Cash in hand in RON	9	7
Total	**5,338**	**1,512**

Restricted cash represents cash collateral deposited at banks with the purpose of issuing letters of credit for acquiring raw materials and equipments and with the purpose of maintaining a required level of liquidity in respect of interest payable on its borrowings.

On 31 December 2019 the Company has letters of credit with cash collateral transfers opened at Raiffeisen Bank in amount of EUR 184 thousand (RON 878 thousand) (2020: nil).
Cash at banks earns interest at floating rates based on daily banks deposit rates. Short-term deposits are made for varying periods between one day and one month, depending on the immediate cash requirements of the Company.

Also, as of December 31, 2020 all current bank accounts opened by the Company are pledged to secure the borrowings contracted by the Entity.

13. RESERVES

	December 31, 2020	December 31, 2019
Legal reserve	20,390	16,900
Other reserves	26,645	30,645
Total reserve	**47,035**	**47,545**

The legal reserve is made up at 20% of the issued and paid shared capital of the Company, according to the regulations in force, it is not distributable and its utilization is strictly regulated by the laws.
Other reserves include mainly amounts that were generated by statutory revaluation of fixed assets.

14. ISSUED CAPITAL

The statutory share capital as of December 31, 2020 and 2019 is in amount of RON 488,412,908 representing 82,086,203 shares having a par value of RON 5.95 per share.

	Statutory figures					
	December 31, 2020			December 31, 2019		
SHAREHOLDERS	Number of shares	Nominal Value RON (thousand)	%	Number of shares	Nominal Value RON (thousand)	%
ALRO SA	81,595,860	485,495	99.4026	81,595,860	485,495	99.4026
Individuals	484,853	2,885	0.5907	487,778	2,902	0.5942
Other companies	5,490	33	0.0067	2,565	15	0.0031
Total	**82,086,203**	**488,413**	**100%**	**82,086,203**	**488,413**	**100%**

The major shareholder of Alum S.A. is Alro S.A. owned by Vimetco N.V.

15. BORROWINGS AND LEASES

	December 31, 2020	December 31, 2019
Long-term borrowings		
Long-term bank loans	42,041	75,089
Bank loans, non-current	**42,041**	**75,089**
Long-term lease	1, 123	1,787
Total long-term borrowings and lease	**43,164**	**76,876**
Short-term borrowings		
Short-term portion of long-term bank loans	28,246	62,940
Short-term bank loans, total	**28,246**	**62,940**
Short-term lease	670	736
Total short-term borrowings and lease	**28,916**	**21,114**
Total borrowings and lease	**72,080**	**140,552**

On 17 May 2020, 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 loans were granted for the purpose of financing the CAPEX program of the company. As of 31 December 2020, the Company has disbursed the total value of USD 25,000 thousand.

The loans are repayable in 7 semi annual instalments, with two year grace periods – starting from the first disbursement date. The interest rate considers LIBOR 6M + variable margin.
The bank borrowings of the Company will mature in 2023. In 2020, the interest rates ranged between 3.41% and 5.40% (2019: between 5.05% and 6.39%).

For the exposure of the Company's borrowings to interest rate changes, please refer to Note 31.

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 (see Note 12) (2019: RON 581 thousand), with property, plant and equipment (land, buildings, equipment) with a net book value of RON 149,276 thousand (2019: RON 147,761 thousand) and with inventories of RON 148,381 thousand (2019: RON 205,251 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.

15. BORROWINGS AND LEASES (continued)

Therefore, the amount of RON 32,446 thousand was recognized as Other loans under Short term borrowings and lease at 31 December 2019, with the surplus between the future repurchase price and the price received at transaction date being accrued as interest expense under Interest expense (see Note 27): RON 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.

The Company have estimated that the fair value of the borrowings and the leases equals their carrying amount, mainly due to the fact that the long term loans have variable interest and the bank margins are similar with those for the recently contracted bank loans. Their fair value belongs to the level 3 of the fair value measurement hierarchy.

Changes in liabilities arising from financing activities Alum:

	Bank and other loans	Leases
Balance at 1 January 2020	**138,029**	**2,523**
New contracts	-	-
Cash outflows	(62,289)	(744)
Interest expense	5,406	121
Interest paid	(5,094)	(121)
Interest capitalised	-	-
Translation differences	(5,765)	14
Balance at 31 December 2020	**70,287**	**1,793**

	Bank and other loans	Leases
Balance at 1 January 2019	**60,253**	**292**
New contracts	73,466	2,999
Cash outflows	-	(769)
Interest expense	7,220	152
Interest paid	(6,390)	(152)
Interest capitalised	-	0
Translation differences	3,480	1
Balance at 31 December 2019	**138,029**	**2,523**

16. RETIREMENT BENEFIT OBLIGATION

Defined contribution plans

The employees of the Company are members of the state-managed retirement benefit plan and starting with January 1, 2008 can/must (for employees above/under the age of 35) subscribe to private pension funds. The Company contributes a specified percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Company with respect to the retirement benefit plan is to make the specified contributions during the period of employment of the respective employees.

The Company has an arrangement in place to make payments to an optional defined contribution plan for the post-employment benefit of its employees that have rendered service to the Company during the period. The defined contribution plan is managed by a separate entity and the contribution made by the Company was in the form of fixed amounts per employee, paid monthly. The Company recognized the liability undiscounted (accrued expense) at the reporting date after deducting any contribution already paid, and the expense incurred during the year, the Company's legal and constructive obligation being limited to the amounts that it contributes to the fund.

16. RETIREMENT BENEFIT OBLIGATION (continued)

Contributions to defined contribution plans

	December 31, 2020	December 31, 2019
Other defined contribution pension plans	1,138	1,054

Defined benefit plans

According to the Collective Labour Agreement, when retiring due to age or disease, the employees benefit from a retirement bonus which is computed based on the number of years of work and varies between 1 and 6 salaries.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at December 31, 2020 by an independent actuary. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

The principal assumptions used for the purposes of the actuarial valuations were as follows:

	December 31, 2020	December 31, 2019
Expected rate of salary increase (%)	3.81	3.68
Discount rate (%)	3.17	4.57
Expected inflation rate (%)	2.42	2.58

Amounts recognised in profit or loss in respect of these defined benefit plans are as follows:

	2020	2019
Current service cost	588	489
Interest on obligation	216	199
Total	**805**	**688**

The expense on current service cost for the year is included in the statement of profit or loss and other comprehensive income as Cost of goods sold (2020: RON 486 thousand, 2019: RON 406 thousand) and Administrative expenses (2020: RON 102 thousand, 2019: RON 83 thousand), and interest cost on obligation as Interest expense.

The movement of the present value of the obligation regarding the determined benefits was the following:

	2020	2019
Balance at 1 January	**4,843**	**4,033**
Included in profit or loss:		
Current service cost	588	489
Interest on obligation	216	199
Included in other comprehensive income:		
Actuarial (gain)/loss from demographic assumptions	(36)	-
Actuarial (gain)/loss from financial assumptions	683	77
Actuarial (gain)/loss from experience adjustments	256	430
Benefits paid	(1,063)	(385)
Balance at 31 December	**5,487**	**4,843**

16. RETIREMENT BENEFIT OBLIGATION (continued)

Significant actuarial assumptions for the determination of defined benefit obligation are: discount rate, estimated salary increase rate and estimated inflation rate. The sensitivity analysis below has been determined based on reasonably possible changes of the respective assumptions occuring at the end of the reporting period, while holding all other assumptions constant:

	2020	2019
Discount rate +1%	4,915	4,387
Discount rate -1%	6,155	5,372
Estimated salary increase rate +1%	6,144	5,367
Estimated salary increase rate -1%	4,913	4,382
Longevity +1 year	5,438	4,794
Longevity -1 year	5,544	4,900
Employee turnover rate +0.5%	5,410	4,787
Employee turnover rate -0.5%	5,568	4,902

The sensitivity analyses above has been determined based on a method that extrapolates the impact on net defined benefit obligation as a result of reasonable changes in key assumptions occurring at the end of the reporting period.

The Company expects to make a payment of RON 243 thousand from the defined benefit obligation in the next financial year (at 31 December 2019 the estimations were of RON 219 thousand).
The weighted average duration of defined benefit obligation is 15.6 years.

The following information relates to the maturity profile of the defined benefit obligation at 31 December 2020:

Maturity analysis of defined benefit payments	Retirement benefits	Death-in-service benefits	Total
Within 1 year	88	155	**243**
1 - 2 years	121	170	**291**
2 - 5 years	452	584	**1,036**
5 - 10 years	2,745	1,098	**3,843**
Over 10 years	13,467	2,085	**15,552**

17. PROVISIONS

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 Agreement. The exact amount and timing of the remuneration will be established after the approval of the financial statements for the year 2020.

17. PROVISIONS (continued)

	Rehabilitation	Employees remuneration
At 1 January 2019	**19,468**	**3,009**
Additional provisions recognised	1,809	-
Reversals	-	(1,155)
Unwinding of discount	835	-
Utilisation	-	(1,854)
At 31 December 2019	**22,112**	**-**
At 1 January 2020	**22,112**	**3,745**
Additional provisions recognised	373	-
Reversals	-	-
Unwinding of discount	668	-
Utilisation	-	-
At 31 December 2020	**23,153**	**3,745**
Comprising:		
Current 2020	-	3,745
Non-current 2020	23,153	-
Current 2019	-	-
Non-current 2019	22,112	-

18. GOVERNMENT GRANTS

	2020	2019
Balance as of 1 January 2020	**5,335**	**4,843**
Increases during the year	-	839
Revenues recorded during the year in the statement of profit or loss	(379)	(347)
Balance as of 31 December 2020	**4,956**	**5,335**
Out of which:		
Current	379	379
Non-current	4,577	4,956

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

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.

Income released to the Statement of profit or loss of RON 379 thousand (2019: RON 347 thousand) represent the portion recognized as income during the year from the above mentioned subsidies, as well as from subsidies received in previous years for equipments. The income recognized during the year in the Statement of profit or loss and other comprehensive income of the Company is included in the category Other operating income (refer to Note 23).

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.

At the end of the project must be achieved also the result indicators, i.e. turnover (RON 605.225 thousand) and market share (1,26%). These indicators are reported annually, 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.

19. TRADE AND OTHER PAYABLES

	December 31, 2020	December 31, 2019
Foreign trade payables	8,547	1,865
Domestic trade payables	23,855	22,749
Accrued trade payables	1,085	1,238
Total	**33,486**	**25,851**

Details regarding the Company transactions with the related parties are presented in Note 28.

20. OTHER CURRENT LIABILITIES

	December 31, 2020	December 31, 2019
Suppliers of fixed assets	1,068	1,526
Advances from customers	363	19,326
Wages and social security	15,900	4,757
Tax on salaries	2,532	406
Other taxes	430	50
VAT payable	29,483	2,292
Other current liabilities	1,613	1,752
Total	**51,389**	**30,109**

Details regarding the Company advances from customers - related parties are presented in Note 28.

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 and VAT payable in total amount of RON 25,880 thousand.

21. REVENUE FROM CONTRACTS WITH CUSTOMERS

99% of the company’s revenues consist of sales of alumina and hydrate, most of them to one customer (see Note 28).

	Year ended December 31, 2020	Year ended December 31, 2019
Revenues from sale of alumina and hydrate	669,633	782,433
Other revenues and services performed	2,216	1,211
Total	**671,849**	**783,644**

22. COST OF SALES

	Year ended December 31, 2020	Year ended December 31, 2019
Energy, water and gas	148,966	191,735
Raw materials	386,188	429,985
Staff costs	45,807	42,822
Other staff costs	5,143	4,245
Consumables expenses	10,957	12,860
Amortization and depreciation	23,197	20,077
Third party services	5,866	5,669
Repairs	4,658	3,942
Transportation costs	1,227	1,351
Others	814	1,331
Allowance for slow moving and obsolete Inventories	(32)	(15)
Total	**632,790**	**714,002**

In 2020, the company recognized total employment benefits expenses representing salaries and other staff costs of RON 69,854 thousand (in 2019: RON 61,652 thousand) in profit and loss. In 2020, Staff costs category increased as a result of an increase in the salary fund due to the negotiations of the Collective Labour Contract.

The provisions for employees compensation are recognized by the Company basically in accordance with the Collective Labour Agreements. In 2020, the Company recorded a provision in amount of RON 3,745 thousand (in 2019: nill). The exact amount and timing of the remuneration will be established after the approval of the financial statements for the year 2020.

23. OTHER OPERATING INCOME

	Year ended December 31, 2020	Year ended December 31, 2019
Government grants (Notes 11, 18)	15,764	347
Income from sale of unused CO2 emission rights	61,145	74,793
Income from unused provision reversals (Note 17)	-	1,155
Income from claims and penalties	9	249
Other revenues	3,024	3,448
Total	**79,942**	**79,992**

In 2020, the Company recognized an amount of RON 15,371 thousand as Government grants representing compensations to which it is entitled for its high electricity costs (nil in 2019). The compensation scheme is a part of Romania's plans to partly 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 amounts represent the compensations for indirect emission costs included in the energy expenses incurred by the Company in the years 2019 and 2020. The compensations for the year 2019, namely RON 5,936 thousand was already received in September 2020. See also Note 11 Other current assets.

23. OTHER OPERATING INCOME (continued)

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. For further details, see also Note 18 Government grants.

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.

In other revenues are included, mainly, revenues from sale of electricity for the City Hall equipment that assures the town heating, demurrage for bauxite loading/unloading, rent and incomes related to sick leaves.

24. ADMINISTRATIVE EXPENSES

	Year ended December 31, 2020	Year ended December 31, 2019
Energy, water and gas	165	57
Consumables expenses	888	828
Staff costs	16,438	12,002
Third party services	10,616	10,527
Insurance	1,000	1,266
Taxes other than income	1,512	1,493
Amortization and depreciation	1,204	1,029
Research and development costs	2,575	2,142
Other administrative expenses	4,085	3,516
(Decrease)/increase in allowance for doubtful receivables	(5,711)	7,870
Total	**32,772**	**40,730**

For more details regarding the movement in allowance, see Note 10.

In 2020 the Company recognized research and development costs of RON 2,575 thousand (in 2019: RON 2,142 thousand) after the placing into operation in the beginning of 2019 of the equipments under the EU funded project for the project for the research of aluminum hydroxide technology (dry and wet). The target of these projects is to increase the level of innovation and market competitiveness of the Company, while expanding the products portfolio to include new products.

The breakdown of research and development costs by nature of expenditure is as follows:

	Year ended December 31, 2020	Year ended December 31, 2019
Consumables expenses	115	22
Staff costs	622	558
Third party services	109	196
Amortization and depreciation	1,653	1,306
Other administrative expenses	75	60
Total	**2,575**	**2,142**

25. OTHER OPERATING EXPENSES

Under other operating expenses, are recorded mainly expenses related to penalties for noncompliance with the estimated consumption for electricity and gas and penalties charged by shipping companies for excess/shortage in idle time spent at bauxite loading/unloading, expenses related to sick leaves (2020: RON 2,914 thousand; 2019: RON 5,919 thousand).

26. OTHER OPERATIONAL GAINS AND LOSSES

	Year ended December 31, 2020	Year ended December 31, 2019
Loss on disposal of fixed assets	-	15
Total	**-**	**15**

27. FINANCIAL RESULT, NET

	Year ended December 31, 2020	Year ended December 31, 2019
Interest income	69	221
Other financial income	4	9
Interest expense	(5,527)	(7,372)
Interest from discounting provisions	(668)	(835)
Interest on post-employment benefits	(216)	(199)
Bank commissions	(112)	(307)
Commissions paid in relation with factoring agreements	(184)	-
Net exchange rate differences	6,222	(3,292)
Total	**(412)**	**(11,775)**

Interest expense decreased during 2020 compared to the year 2019 mainly due to lower LIBOR benchmark interest rates.

Interest expense in amount of RON 5,527 thousand (in 2019: RON 7,372 thousand) represented transaction costs on loans, which are recognized during the period as interest expense based on the effective interest rate method. The cash effectively paid as transaction costs in 2020 for loans was of RON 5,215 thousand and it is included in the Statement of cash flow under Interest paid (in 2019: RON 6,542 thousand).

28. RELATED PARTY TRANSACTIONS

The major shareholder of Alum S.A. is Alro S.A. owned by Vimetco N.V. (the Netherlands). The Company's ultimate controlling entity is Maxon Limited (Bermuda).

Related parties are entities with common direct or indirect shareholders, directors or management. A significant proportion of Company’s business is conducted through transactions with related parties and the effect of these on the basis determined between the related parties is reflected below. The transactions between the related parties are based on mutual agreements and may not always be at arm’s length.

The main related parties the Entity has recorded transactions with in 2020 and 2019 are: Alro S.A., Vimetco Extrusion S.R.L., Conef Gaz S.R.L., Vimetco Management S.R.L. Romania, Centrul Rivergate S.R.L., Rivergate Fire S.R.L, Sierra Minerals Holding Ltd. Details of transactions between the Entity and its related parties are disclosed below.

28. RELATED PARTY TRANSACTIONS (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

	December 31, 2020	December 31, 2019
Sales of goods and occasionally services		
Alro S.A. (finished goods, services)	574,512	642,464
Centrul Rivergate	38	37
Sierra Minerals Holding Ltd.	(32)	695
Vimetco Extrusion	3	3
Total	**574,521**	**643,199**

Purchases of goods and services	December 31, 2020	December 31, 2019
Alro S.A.	35,003	27,205
Centrul Rivergate	3,334	3,347
Rivergate Fire	3,206	3,095
Conef Gaz S.R.L. (natural gas)	112,877	169,933
Vimetco Management Romania S.R.L.	890	780
Sierra Minerals Holding Ltd. (bauxite)	149,020	215,817
Total	**304,330**	**420,177**

	December 31, 2020	December 31, 2019
Trade and other receivables, gross		
Sierra Minerals Holding Ltd. - receivables	44,886	49,487
Sierra Minerals Holding Ltd. - advances	207,180	212,370
Centrul Rivergate	4	4
Vimetco Power	3,153	3,153
Alro S.A.	119,610	406
Total	**374,834**	**265,420**

The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received.

28. RELATED PARTY TRANSACTIONS (continued)

	December 31, 2020	December 31, 2019
Trade and other payables		
Alro S.A. - advances	-	19,301
Alro S.A. – trade payables	4,035	3,168
Conef Gaz S.R.L.	816	733
Centrul Rivergate	328	328
Rivergate Fire	307	307
Vimetco Management Romania S.R.L.	138	-
Total	**5,624**	**23,838**

The remuneration of directors and other members of key management personnel during the year was in amount of RON 2,722 thousand (2019: RON 2,356 thousand).

29. EARNINGS PER SHARE

	Year ended December 31, 2020	Year ended December 31, 2019
Net profit/(loss) attributable to shareholders	70,302	77,311
Weighted average number of ordinary shares (‘000)	82,086	82,086
Basic and diluted (losses)/earnings per share (RON/share)	0.86	0.94
Dividends per share in current year (RON/share)	-	-

30. SEGMENT INFORMATION

The Company only has one operating segment, the production and sale of alumina. All its operating assets are located in Romania.

The following table shows the distribution of the Company's sales by geographical market.

	Year ended December 31, 2020	Year ended December 31, 2019
Romania	586,375	651,532
European Union	42,438	73,165
Non-EU European Countries	29,103	40,010
Other countries	13,933	18,937
Total	**671,849**	**783,644**

31. FINANCIAL RISKS MANAGEMENT

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.

31. FINANCIAL RISKS MANAGEMENT (continued)

Capital risk management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The capital structure of the Company consists of debt, which includes the borrowings disclosed in Note 15, net of Cash and cash equivalents as disclosed in Note 12 (i.e. excluding Restricted cash) and shareholders' equity.

The Company's management reviews the capital structure on a regular basis. As a part of this review, management considers the cost of capital and the risks associated with each class of capital. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends to be paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with other companies in the industry, the Company monitor capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including "current and non-current borrowings" as shown in the consolidated and separate statement of financial position) less "cash and cash equivalents". Total capital is calculated as "total equity" as shown in the separate statement of financial position sheet plus net debt.

	2020	2019
Total borrowings (Note 15)	72,080	140,552
Less: cash and cash equivalents (Note 12)	5,283	588
Net debt	**66,797**	**141.140**
Total shareholders' equity	**453,901**	**384,357**
Total capital	**520,698**	**525.497**
Gearing ratio	13%	27%

As it appears from the table above, the gearing ratio has decreased from 27% to 13% at Company level due to the reduction of the loans simultaneously with the slightly improvement of the cash and cash equivalents.

The Company's activities expose it primarily to the financial risks of changes in commodity prices, foreign currency exchange rates and interest rates.

Foreign currency risk management

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.

The Company's foreign currency exposure results from:

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

31. FINANCIAL RISKS MANAGEMENT (continued)

Foreign currency risk management (continued)

The carrying amounts of the Company's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	December 31, 2020		December 31, 2019	
	Euro denominated	US Dollars denominated	Euro denominated	US Dollars denominated
	' 000 RON	'000 RON	' 000 RON	'000 RON
Total current assets	3,600	45,795	17,763	50,403
Total non-current assets	-	-	-	-
Total assets	**3,600**	**45,795**	**17,763**	**50,403**
Total short-term liabilities	7,758	30,917	36,717	30,517
Total long-term liabilities	167	42,041	395	75,089
Total liabilities	**7,925**	**72,958**	**37,113**	**105,606**

Foreign currency sensitivity

The Company is mainly exposed to the Euros and the US Dollars. The following table details the Company's sensitivity to a 10% increase and decrease in the Romanian Lei against the relevant foreign currencies. 10% is the sensitivity rates used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the possible change in foreign exchange rates.

The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates. A positive number indicates an increase in profit or loss and other equity where the functional currency strengthens against the relevant foreign currency.

	December 31, 2020		December 31, 2019	
	Euro	US Dollars	Euro	US Dollars
	'000 RON	'000 RON	'000 RON	'000 RON
Profit or loss	432	2,716	1,935	5,520
Equity	363	2,282	1,625	4,637

Interest rate risk management

The Entity's interest rate risk arises from loans and borrowings. The loans are issued and the borrowings are taken at floating rates and 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.

Interest rate sensitivity

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.

31. FINANCIAL RISKS MANAGEMENT (continued)

Interest rate sensitivity (continued)

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). This is mainly attributable to the Entity's exposure to interest rates on its variable interest rate USD and RON denominated borrowings, excluding the impact on income tax.

The exposure of the company to the variation of interest rates for the financial assets and liabilities is detailed under the section "Management of the liquidity risk".

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.

Credit risk management

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.

31. FINANCIAL RISK MANAGEMENT (continued)

Credit risk management (continued)

The receivables are mainly related to Alro SA (over 90 %). The company is dependent operationally and financially on Alro SA, which is also the parent company.

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.

Set out below is the information about the credit risk exposure on the Company's trade receivables using a provision matrix:

Trade receivables			**31 December 2020**
Terms	**Balances**	**Adjustment**	**Expected loss rate (%)**
Current (not past due)	414	(2)	0.52%
1-30 days past due	144	(6)	4.34%
31-60 days past due	7	(1)	9.85%
61-90 days past due	56	(24)	42.12%
91-180 days past due	23	(6)	25.72%
More than 180 days past due	305	(188)	61.53%
Individually assessed receivables	167,130	(44,881)	-
Total	**168,079**	**(45,107)**	

Trade receivables			**31 December 2019**
Terms	**Balances**	**Adjustment**	**Expected loss rate (%)**
Current (not past due)	17,880	(72)	0.40%
1-30 days past due	1,180	(10)	0.88%
31-60 days past due	5	(1)	11.41%
61-90 days past due	2	(1)	32.85%
91-180 days past due	1	-	-
More than 180 days past due	665	(609)	91.57%
Individually assessed receivables	52,652	(48,838)	-
Total	**72,385**	**(49,530)**	

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.

The following tables detail the Company's remaining contractual maturity for financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Company can be required to pay.

31. FINANCIAL RISK MANAGEMENT (continued)

Liquidity risk (continued)

Year ended 31 December 2020

	On demand	< 1 year	1-2 years	2-5 years	> 5 years	Total
Interest-bearing loans and borrowings	-	30,747	43,491	-	-	74,238
Leasing liabilities	-	755	1,191	-	-	1,946
Accounts payable and accrued liabilities	442	34,112	-	-	-	34,554
Total	**442**	**65,614**	**44,682**	**-**	**-**	**110,738**

Year ended 31 December 2019

	On demand	< 1 year	1-2 years	2-5 years	> 5 years	Total
Interest-bearing loans and borrowings	-	68,910	80,896	-	-	149,806
Leasing liabilities	-	857	1,939	-	-	2,796
Accounts payable and accrued liabilities	1,519	25,858	-	-	-	27,377
Total	**1,519**	**95,625**	**82,835**	**-**	**-**	**179,979**

Fair value of financial assets and liabilities

The management considers that the accounting values of assets and liabilities recognized at amortized cost in the financial statements approximates the fair values.

The fair value of the assets and liabilities is determined as follows:

- the fair value of the assets and liabilities with standard terms and conditions for trading on the active and liquid markets is determined by reference to the quoting prices on the market
- the fair value of other financial assets and liabilities is determined based on models generally accepted based on the future cash flows models using prices of an observable transaction.
- the fair value of the derivatives is calculated based on quotations on the market.

Fair value hierarchy

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities
Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are based on observable market data, either directly or indirectly
Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

The Entity has estimated that the fair value of the borrowings equals their carrying amount, due to the short nature of the borrowing for the short-term borrowings and for the long-term borrowings based on the fact that the borrowings were recently contracted.

31. FINANCIAL RISK MANAGEMENT (continued)

Financial assets and liabilities

	December 31, 2020	Level 1	Level 2	Level 3
Financial assets				
Trade receivables	122,972	-	-	122,972
Cash and cash equivalents	5,283	5,283	-	-
TOTAL FINANCIAL ASSETS	**128,255**	**5,283**	**-**	**122,972**
Financial liabilities				
Borrowings, long term and leasing liabilities	43,164	-	-	43,164
Trade and other payables	34,554	-	-	34,554
Borrowings, short term and leasing liabilities	28,916	-	-	28,916
TOTAL FINANCIAL LIABILITIES	**106,634**	**-**	**-**	**106,634**

	December 31, 2019	Level 1	Level 2	Level 3
Financial assets				
Trade receivables	22,855	-	-	22,855
Cash and cash equivalents	588	588	-	-
TOTAL FINANCIAL ASSETS	**23,443**	**588**	**-**	**22,855**
Financial liabilities				
Borrowings, long term and leasing liabilities	76,876	-	-	76,876
Trade and other payables	27,377	-	-	27,377
Borrowings, short term and leasing liabilities	63,676	-	-	63,676
TOTAL FINANCIAL LIABILITIES	**167,929**	**-**	**-**	**167,929**

32. COMMITMENTS AND CONTINGENCIES

Commitments

ALUM S.A. has investment commitments for the year 2021 in amount of USD 5,608 thousand (2020: USD 3,545 thousand).

The Company has various contracts concluded as of December 31, 2020 for the acquisition in 2021 of raw materials, electricity and other materials and consumables in the amount of EUR 12,720 thousand, USD 62,798 thousand and RON 137,565 thousand, respectively (December 31, 2019: EUR 10,123 thousand, USD 72,285 thousand and RON 166,236 thousand, respectively).

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.

32. COMMITMENTS AND CONTINGENCIES (continued)

Commitments (continued)

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.
More details are presented in Note 18.

On 20.09.2019 Alum 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 Alum's request and ordered the annulment of Decisions and the Notes on irregularities and establishing financial corrections issued by the same defendant. The Ministry of European Funds – DGPEC has the right to appeal within 15 days from the communication.

Contingencies

Legal cases

As at December 31, 2020, the Entity is subject to a number of lawsuits resulted from the normal course of business. Management believes that these actions will not have a negative impact on the financial performance and financial position of the Company.

Taxation

The taxation systems in Romania is undergoing continuous developments. Thus, it is subject to various interpretations and constant changes which may sometimes be retroactive. In some circumstances, the fiscal authorities may treat some aspects in a different way by calculating additional taxes, interest and penalties, which can be significant.
In Romania, 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. The management considers that the tax liabilities included in these financial statements are adequate.

At 31 December 2020, the Company was subject to fiscal audit from the National Agency for Fiscal Administration regarding the period 2014 - 2018. At the date when these financial statements were approved, the fiscal inspection was not finalized. The Company's management does not expect any significant financial impact from this fiscal audit.

In accordance with the requirements issued by the Ministry of Public Finance in Romania, which relate to the fiscal treatment of the items of equity that have not been subject to the calculation of the income tax as at the date of their recording in the accounts due to their nature, should the Company change the destination of the statutory reserves in the future (to cover losses or to make distributions to the shareholders), this will lead to additional income tax liabilities.

33. AUDITOR'S FEE

In 2020 and 2019, the Company incurred the following expenses for statutory audit and for services of assurance, fiscal consultancy and other non-audit services:

	December 31, 2020	December 31, 2019
Statutory audit annual	189	203
Non-audit services	17	17
Total	**206**	**219**

34. 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, respectively 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.

Ernst & Young Assurance Services SRL
Bucharest Tower Center Building, 21st Floor
15-17 Ion Mihalache Blvd., District 1
011171 Bucharest, Romania

Tel: +40 21 402 4000
Fax: +40 21 310 7193
office@ro.ey.com
ey.com

Building a better working world

RAPORTUL AUDITORULUI INDEPENDENT
INDEPENDENT AUDITOR'S REPORT

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

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

Opinia
Opinion

Am auditat situatiile financiare consolidate ale societatii ALUM SA si ale filialelor sale ("Grupul") cu sediul social al societatii mama in Tulcea, strada Isaccei nr. 82, identificata prin codul unic de inregistrare fiscala 2360405, care cuprind situatia consolidata a pozitiei financiare la data de 31 decembrie 2020, situatia consolidata a rezultatului global, situatia consolidata a modificarilor in capitalurile proprii si situatia consolidata 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 consolidated financial statements of ALUM SA and its subsidiaries ("the Group") with official head office of the parent company in Tulcea, Isaccei Str. nr. 82, identified by sole fiscal registration number 2360405, which comprise the consolidated statement of financial position as at December 31, 2020, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In opinia noastra, situatiile financiare consolidate anexate ofera o imagine fidela si justa a pozitiei financiare a Grupului 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 Standardele Internationale de Raportare Financiara adoptate de catre Uniunea Europeana.
In our opinion, the accompanying consolidated financial statements give a true and fair view of the financial position of the Group as at December 31, 2020, and of its financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standards as adopted by the European Union.

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 consolidate" din raportul nostru. Suntem independenti fata de Grup 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 consolidate 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 consolidate, luate in ansamblu. In situatiile in care informatiile, punctele de vedere si opiniile sunt susceptibile de interpretare, versiunea originala in limba romana a raportului nostru prevaleaza acestei traduceri.
English translation only for information purposes. The translation of the report should be read with the consolidated financial statements, as a whole. In all matters of interpretations of information, views or opinions, the original Romanian language version of our report takes precedence over this translation.

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 Consolidated Financial Statements" section of our report. We are independent of the Group 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 consolidated 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 consolidate din perioada curenta. Aceste aspecte au fost abordate in contextul auditului desfasurat asupra situatiilor financiare consolidate 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 consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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 consolidate" 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 consolidate anexate.
We have fulfilled the responsibilities described in the "Auditor's responsibilities for the audit of the consolidated financial statements" section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

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

Aspect cheie de audit	*Modul in care auditul nostru a abordat aspectul-cheie de audit*
Testarea pentru depreciere a fondului comercial in situatiile financiare consolidate Informatiile prezentate de grupul Alum cu privire la fondul comercial, inclusiv cu privire la deprecierea aferenta, sunt incluse in notele 3 si 6.	
Grupul Alum trebuie sa testeze pentru depreciere cel putin anual, si de cate ori exista indicatori de depreciere, fondul comercial (cu o valoare contabila de 73 milioane RON la 31 decembrie 2020, neta de deprecierea in valoare de 26,8 milioane RON) generat la achizitia Global Aluminium Ltd. Testarea pentru depreciere a fondului comercial se realizeaza la nivelul a doua unitati generatoare de numerar (UGN-uri), una in Sierra Leone si una in Romania. Aceasta testare anuala pentru depreciere este semnificativa pentru auditul nostru deoarece procesul de evaluare este complex, implica rationamente semnificative ale conducerii si se bazeaza pe ipoteze care sunt afectate de conditiile de piata viitoare preconizate din Romania si Sierra Leone, avand in vedere si situatia economica generata de pandemia COVID-19. In lumina rationamentelor si estimarilor realizate de conducere pentru determinarea proiectiilor privind fluxurile de numerar viitoare si a incertitudinilor cu privire la mediul economic actual si viitor, acesta este considerat un aspect-cheie de audit.	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 grup pentru testarea de depreciere a fondului comercial (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 valorilor recuperabile ale UGN-urilor 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 grupului. c) am evaluat analiza impactului pandemiei de COVID-19 in cadrul modelelor de fluxuri de numerar. d) am evaluat acuratetea istorica a bugetelor si prognozelor conducerii prin compararea acestora cu performanta efectiva. e) de asemenea, am evaluat caracterul adecvat al informatiilor prezentate de grupul Alum cu privire la testarea pentru depreciere a fondului comercial.

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

Key audit matter	*How our audit addressed the key audit matter*
Impairment testing of goodwill in the consolidated financial statements Alum Group's disclosures regarding goodwill, including the related impairment, are included in Notes 3 and 6.	
Alum Group is required to test for impairment at least annually and also when impairment indicators exist, the goodwill (with a carrying value of RON 73 million as at 31 December 2020, net of impairment of RON 26.8 million) resulted from the acquisition of Global Aluminium Ltd. The goodwill impairment testing is performed at the level of two cash-generating units (CGU), one in Sierra Leone and one in Romania. This annual impairment test is significant to our audit because the assessment process is complex, requires significant management judgment and is based on assumptions that are affected by expected future market conditions in Sierra Leone and in Romania, given also the economic situation generated by the Covid-19 pandemic. 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.	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 Group for the impairment testing of goodwill (e.g. checked the mathematical accuracy of the model and its conformity with the requirements of the International Financial Reporting Standards, discount rates used for discounting future cash flows for each CGU, macroeconomic assumptions); - evaluating the competence, capabilities and objectivity of the external valuator; b) we evaluated the sensitivity analysis of the CGU 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 model. d) we assessed the historical accuracy of management's budgets and forecasts by comparing them to actual performance. e) we further assessed the adequacy of Alum Group's disclosures about impairment testing of goodwill.

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

Aspect cheie de audit	*Modul in care auditul nostru a abordat aspectul-cheie de audit*
Testarea pentru depreciere a imobilizarilor corporale in situatiile financiare consolidate Informatiile prezentate de grupul Alum cu privire la imobilizarile corporale, inclusiv cu privire la deprecierea aferenta, sunt incluse in notele 3 si 4	
Imobilizarile corporale ale grupului Alum au o importanta semnificativa pentru auditul nostru, avand in vedere marimea pozitiei bilantiere la 31 decembrie 2020 (255,3 milioane RON in situatia consolidata a pozitiei financiare). Conform Standardelor Internationale de Raportare Financiara, 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. 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. 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	Procedurile noastre de audit au inclus, printre altele: a. 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 grupul Alum pentru testarea de depreciere a imobilizarilor corporale (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 societate, ipoteze macroeconomice). - 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; 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

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

implicate si importanta imobilizarilor corporale ale Grupului la 31 decembrie 2020, aceasta arie a auditului reprezinta un aspect-cheie de audit.	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 Grup cu privire la testarea pentru depreciere a imobilizarilor corporale.

Key audit matter	*How our audit addressed the key audit matter*
Impairment testing of property, plant and equipment in the consolidated financial statements Alum Group's disclosures about property, plant and equipment, including the related impairment, are included in Notes 3 and 4	
The property, plant and equipment of Alum Group are significant to our audit because of the magnitude of the balance sheet position as at 31 December 2020 (of RON 255.3 million in the consolidated statement of financial position). Under the International Financial Reporting Standards, an entity is required to assess, at least at each reporting date, 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. 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 unit higher than their carrying values, therefore no impairment adjustments were required.	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: - evaluating the key assumptions and methodologies used by Alum Group 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 International Financial Reporting Standards, discount rates used for discounting future cash flows for the company, macroeconomic assumptions). - 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 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

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

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 the Company's property plant and equipment as at 31 December 2020, this audit area is considered a key audit matter.	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 by comparing them to actual performance. f. we further assessed the adequacy of Alum Group's disclosures about Impairment testing of property, plant and equipment.

Alte informatii
Other information

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

Opinia noastra de audit asupra situatiilor financiare consolidate nu acopera alte informatii si nu exprimam nicio forma de concluzie de asigurare asupra acestora.
Our audit opinion on the consolidated 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 consolidate, 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 consolidate 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 consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated 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.

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

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

Conducerea Grupului are responsabilitatea intocmirii si prezentarii fidele a situatiilor financiare consolidate in conformitate cu Standardele Internationale de Raportare Financiara adoptate de catre Uniunea Europeana, si pentru acel control intern pe care conducerea il considera necesar pentru a permite intocmirea de situatii financiare consolidate care sunt lipsite de denaturari semnificative, cauzate fie de frauda, fie de eroare.
Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the International Financial Reporting Standards as adopted by the European Union, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

La intocmirea situatiilor financiare consolidate, conducerea este responsabila sa evalueze abilitatea Grupului 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 Grupul sau sa ii inceteze activitatea sau nu are nicio alternativa reala decat sa procedeze astfel.
In preparing the consolidated financial statements, management is responsible for assessing the Group'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 Group 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 Grupului.
Those charged with governance are responsible for overseeing the Group's financial reporting process.

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

Obiectivele noastre constau in obtinerea unei asigurari rezonabile privind masura in care situatiile financiare consolidate, 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 consolidate.
Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

- Identificam si evaluam riscurile de denaturare semnificativa a situatiilor financiare consolidate, 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 consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, 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 Grupului.
- *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 Group'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 Grupului 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 consolidate 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 Grupul 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 Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated 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 Group to cease to continue as a going concern.*

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

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

- Obtinem suficiente probe de audit adecvate cu privire la informatiile financiare ale entitatilor sau activitatilor din cadrul Grupului pentru a exprima o opinie asupra situatiilor financiare consolidate. Suntem responsabili pentru indrumarea, supravegherea si efectuarea auditului la nivelul grupului. Suntem singurii responsabili pentru opinia noastra de audit.
- *Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.*

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 consolidate 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 consolidated 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.

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

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

Raportare asupra unor informatii, altele decat situatiile financiare consolidate si raportul nostru de audit asupra acestora
Reporting on Information Other than the Consolidated 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 consolidat al administratorilor, noi am citit Raportul consolidat al administratorilor si raportam urmatoarele:

a) in Raportul consolidat al administratorilor nu am identificat informatii care sa nu fie consecvente, sub toate aspectele semnificative, cu informatiile prezentate in situatiile financiare consolidate la data de 31 decembrie 2020, atasate;
b) Raportul consolidat al 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 si 554-556;
c) pe baza cunostintelor noastre si a intelegerii dobandite in cursul auditului situatiilor financiare consolidate intocmite la data de 31 decembrie 2020 cu privire la Grup si la mediul acestuia, nu am identificat informatii eronate semnificative prezentate in Raportul consolidat al administratorilor.

In addition to our reporting responsibilities according to ISAs described in section "Other information", with respect to the Directors' Consolidated 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 consolidated 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 and 554-556;
c) based on our knowledge and understanding concerning the Group and its environment gained during our audit of the consolidated 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

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

ALUM S.A. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020 PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS AS ADOPTED BY THE EUROPEAN UNION (Together with Independent Auditor's Report)

This is a free translation from the official Romanian version

CONTENTS **PAGE**

INDEPENDENT AUDITOR'S REPORT	
CONSOLIDATED STATEMENT OF FINANCIAL POSITION	1 - 2
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	3
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	4
CONSOLIDATED STATEMENT OF CASH FLOWS	5 - 6
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS	7 - 69

ALUM S.A. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2020
All amounts are in RON thousand, unless otherwise stated

	Note	December 31, 2020	December 31, 2019
ASSETS			
Non-current assets			
Property, plant and equipment	**4**	255,261	282,695
Intangible assets	**5**	155	249
Goodwill	**6**	73,022	78,450
Deferred tax	**7**	29,363	25,873
Right-of use assets	**8**	1,873	2,660
Total non-current assets		**359,674**	**389,927**
Current assets			
Inventories	**9**	177,186	226,492
Trade receivable, net	**10**	123,006	30,980
Other current assets	**11**	16,411	9,111
Income tax receivable	**7**	595	-
Restricted cash	**12**	55	924
Cash and cash equivalents	**12**	6,278	967
Total current assets		**323,531**	**268,474**
Total assets		**683,205**	**658,401**
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity			
Share capital	**13**	488,413	488,413
Reserves	**14**	47,035	47,545
Accumulated deficit		(91,774)	(160,796)
Total shareholders' equity		**443,674**	**375,162**
Total equity		**443,674**	**375,162**
Non-current liabilities			
Bank and other loans, non-current	**15**	42,041	75,089
Lease liabilities, non-current	**15**	1,123	1,787
Retirement benefit liabilities	**16**	8,041	7,059
Provisions, non-current	**17**	36,074	35,367
Government grants, non-current portion	**18**	4,577	4,956
Other non-current liabilities		724	517
Total non-current liabilities		**92,581**	**124,775**

	Note	December 31, 2020	December 31, 2019
Current liabilities			
Trade and other payables	**19**	43,775	55,152
Bank and other loans, current	**15**	29,804	64,688
Lease liabilities, current	**15**	670	736
Current income tax liability		13,601	2,552
Provisions, short term	**17**	3,745	-
Government grants, current portion	**18**	379	379
Other current liabilities	**20**	54,976	34,957
Total current liabilities		**146,950**	**158,464**
Total liabilities		**239,531**	**283,239**
Total shareholders' equity and liabilities		**683,205**	**658,401**

These consolidated financial statements were authorized for issue by management on March 24, 2021.

Gheorghe Dobra
General Director

Mihaela Duralia
Chief Financial Officer

ALUM S.A. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2020
All amounts are in RON thousand, unless otherwise stated

	Note	Year ended December 31, 2020	Year ended December 31, 2019
Revenues from contracts with customers	**21**	722,369	860,969
Cost of goods sold	**22**	(631,211)	(721,789)
Gross profit		**91,158**	**139,180**
Other operating income	**23**	80,314	81,199
General and administrative expenses	**24**	(75,729)	(77,305)
Other operating expenses	**25**	(3,165)	(7,435)
Other operational gains and losses		(310)	(11)
Operating result		**92,268**	**135,650**
Financial income	**26**	6	10
Financial expenses	**26**	(8,480)	(10,239)
Net foreign exchange gains/(losses)	**26**	6,474	(2,677)
Finance cost, net	**26**	(2,000)	(12,906)
Result before income taxes		**90,268**	**122,722**
Income tax expense	**7**	(9,492)	(39,278)
Result for the period		**80,776**	**83,444**
Profit/(loss) attributable to:			
Shareholders of the Company		80,776	83,444
Non-controlling interest		-	-
Weighted average number of ordinary shares for the purpose of basics earnings per share (thousand)		82,086	82,086
Basic and diluted earnings/(losses) per share	**27**	**0.98**	**1.02**
Other comprehensive (loss)/income, net of tax			
Exchange differences on translating foreign operations		(11,064)	(6,286)
Remeasurement gains/(losses) on defined benefit plans*		(1,343)	(223)
Income tax effect**		144	81
Other comprehensive income net of tax		**(12,263)**	**(6,428)**
Total comprehensive income/(loss) for the year		**68,513**	**77,016**

***)** items that will not be reclassified into Statement of Comprehensive Income in the future
****)** items that will be reclassified into Statement of Comprehensive Income in the future

These consolidated financial statements were authorized for issue by management on March 24, 2021.

Gheorghe Dobra
General Director

Mihaela Duralia
Chief Financial Officer

ALUM S.A. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2020
All amounts are in RON thousand, unless otherwise stated

	Attributable to equity holders of the entity						
	Share capital	Reserves	Foreign currency translation reserve	Result for the period	Retained earnings	Attributable to the owners of the entity	Total Equity
Balance at January 1, 2019	**488,413**	**46,959**	**(22,723)**	**55,371**	**(269,875)**	**298,146**	**298,146**
Loss for the year	-	-	-	83,444	-	83,444	83,444
Remeasurement of post-employment benefits	-	-	-	-	(223)	(223)	(223)
Deffered tax on benefits	-	-	-	-	81	81	81
Other comprehensive income	-	-	(6,275)	-	(11)	(6,286)	(6,286)
Total Comprehensive income	**-**	**-**	**(6,275)**	**83,444**	**(153)**	**77,016**	**77,016**
Transfer to legal reserve	-	4,591	-	-	(4,591)	-	-
Transfer of realized revaluation reserve	-	(4,005)	-	-	4,005	-	-
Appropriation of prior year result	-	-	-	(55,371)	55,371	-	-
Balance at December 31, 2019	**488,413**	**47,545**	**(28,998)**	**83,444**	**(215,242)**	**375,162**	**375,162**
Balance at January 1, 2020	**488,413**	**47,545**	**(28,998)**	**83,444**	**(215,242)**	**375,162**	**375,162**
Profit for the year	-	-	-	80,776	-	80,776	80,776
Remeasurement of post-employment benefits	-	-	-	-	(1,343)	(1,343)	(1,343)
Deffered tax on benefits remeasurement	-	-	-	-	144	144	144
Other comprehensive income	-	-	(11,087)	-	23	(11,064)	(11,064)
Total Comprehensive loss	**-**	**-**	**(11,087)**	**80,776**	**(1,176)**	**68,513**	**68,513**
Transfer to legal reserve	-	3,490	-	-	(3,490)	-	-
Transfer to realized revaluation reserve	-	(4,000)	-	-	4,000	-	-
Appropriation of prior year result	-	-	-	(83,444)	83,444	-	-
Balance at December 31, 2020	**488,413**	**47,035**	**(40,085)**	**80,776**	**(132,465)**	**443,674**	**443,674**

These consolidated financial statements were authorized for issue by management on March 24, 2021.

Gheorghe Dobra
General Director

Mihaela Duralia
Chief Financial Officer

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

	Note	Year ended December 31, 2020	Year ended December 31, 2019
Cash flows from operating activities			
Profit before tax		**90,268**	**122,722**
Adjustments for:			
Depreciation and amortization of non-current assets		50,762	44,425
Impairment of property, plant and equipment	**4**	4	(36)
Net gain on sale of property, plant and equipment	**25**	310	11
Allowances for doubtful debts	**10**	(470)	(333)
Allowances for slow moving and obsolete inventory	**9**	117	337
Change in retirement benefit obligation	**16**	614	494
Movement in provision for employee compensation	**17**	3,745	(3,009)
Foreign exchange differences		(5,234)	(10,641)
Interest income	**26**	(2)	(1)
Interest expense	**26**	7,712	9,339
Interest and commissions in relation with factoring agreements	**26**	184	-
		148,011	**163,308**
Movements in working capital:			
(Increase) in trade receivables and other assets		(99,452)	(22,630)
(Increase) in inventories		48,402	(53,989)
(Decrease) in trade payables and other liabilities		7,078	(71,082)
Cash generated from operations		**104,038**	**15,607**
Income tax paid		(3,614)	(21,611)
Interest paid		(5,669)	(6,618)
Net cash generated by operating activities		**94,755**	**(12,622)**
Cash flows from investing activities			
Purchase of property, plant and equipment and intangibles assets		(27,248)	(66,085)
Government grants received	**18**	-	839
Collection of outstanding loans	**28**	-	-
Restricted cash	**12**	869	2,322
Interest received		2	1
Net cash from/(used) in investing activities		**(26,377)**	**(62,924)**
Cash flow from financing activities			
Proceeds from borrowing		2,630	75,204
Repayment of borrowings		(64,953)	-
Leasing payments	**15**	(744)	(769)
Net cash used in financing activities		**(63,067)**	**74,435**

Net (decrease)/increase in cash and cash equivalents		**5,311**	**(1,111)**
Cash and cash equivalents at beginning of the year	**12**	**967**	**2,078**
Cash and cash equivalents at end of the year	**12**	**6,278**	**967**

These consolidated financial statements were authorized for issue by management on March 24, 2021.

Gheorghe Dobra
General Director

Mihaela Duralia
Chief Financial Officer

1 GENERAL INFORMATION

a) Parent Company

ALUM S.A. (the "Company") is a joint-stock company set up under the Romanian law. The Company was initially established in March 1972, ALUM S.A. Tulcea being the largest producer of calcined alumina in Romania.

The major shareholder of Alum S.A. is Alro S.A. owned by Vimetco N.V. Netherlands which in its turn is owned by ViHolding N.V. (Netherland Antilles) a company controlled by MAXON LIMITED.

The main activity is hydro metallurgical processing of bauxite to obtain aluminium oxide the main raw material for obtaining aluminum.

Company's production processes and products have been certified in accordance with international standards for quality assurance.

The address of the Company's registered office is 82 Isaccei Street, Tulcea, Tulcea County, Romania.

Alum is listed on Bucharest Stock Exchange, AeRO segment. Its price per share could be analysed as follows:

	2020	2019
- minimum price	1.84	1.02
- maximum price	3.34	4.86
- average price	2.59	2.94

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

	2020	2019
Average number of employees, of which:	786	791
Production staff	650	656
General and administration staff	136	135

b) Subsidiaries

On May 1, 2011 Alum acquired from Vimetco N.V., related party, 100% of an investment company Global Aluminum Ltd. whose assets included 100% shareholding in a bauxite mine in Sierra Leone, Sierra Minerals Holding I Ltd., and 100% shareholding in Bauxite Marketing Ltd.

Bought by Vimetco N.V. in 2008, the bauxite mine in Sierra Leone, with a resource base of approximately 31 million tons of bauxite, produced 1,342,139 tons in 2019 (2019: 1,883,863 tons). The bauxite mine ensures the necessary raw materials for the alumina refinery (Alum S.A.) in Romania.

The evolution of average number of the Subsidiary's employees was as follows:

	2020	2019
Average number of employees, of which:	490	732
Production staff	380	641
General and administration staff	110	91

Alum S.A. and its subsidiaries will be hereinafter called as the "Group".

1 GENERAL INFORMATION (continued)

c) Basis of preparation

Statement of compliance

These consolidated financial statements of Alum and its subsidiaries (further named "Financial statements") have been prepared in accordance with the International Financial Reporting Standards (IFRS) adopted by the European Union (EU).

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

Going concern

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

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 Group has slipped through this difficult period, keeping all its production units fully operational and without locking down its activity. It produced bauxite and calcined alumina without interruption at its production units. 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.

In terms of liquidity, in 2020 the Group repaid its liabilities and loans in accordance with the schedules (refer to note 31 Risk management). It also renegotiated financial liabilities that were due, and put in place new facilities to manage liquidity risk.

Other actions put in place to manage the liquidity of the Group 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.

The Group obtained a profit of RON 80,776 thousand in 2020, compared to a profit of RON 83,444 thousand in 2019. It has assessed its assets for impairment at 31 December 2020, and the effects of the impairment tests are presented in these financial statements.

The Group has concluded that there are no material uncertainties that may cast significant doubt on their ability to continue as a going concern.

Basis of preparation

The financial statements have been prepared on the historical cost basis as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

Functional and presentation currency

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

2 APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

Functional and presentation currency (continued)

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

	2020	2019
USD exchange rate at the end of the period*	3.9660 USD/RON	4.2608 USD/RON
USD average exchange rate**	4.2413 USD/RON	4.2392 USD/RON

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

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

Following below are the new standards, amendments and interpretations to existing standards adopted starting 1 January 2020 and their effect in the preparation of the Group financial statements for the year ended 31 December 2020.

Standards and interpretations effective in 2020 that the Group has applied to these financial statements:

The Group has adopted the following new standards and amendments to standards, including any consequential amendments to other standards, with a date of initial application of 1 January 2020:

Conceptual Framework in IFRS standards. The IASB issued the revised Conceptual Framework for Financial Reporting on 29 March 2018. The Conceptual Framework sets out a comprehensive set of concepts for financial reporting, standard setting, guidance for preparers in developing consistent accounting policies and assistance to others in their efforts to understand and interpret the standards. IASB also issued a separate accompanying document, Amendments to References to the Conceptual Framework in IFRS Standards, which sets out the amendments to affected standards in order to update references to the revised Conceptual Framework. Its objective is to support transition to the revised Conceptual Framework for companies that develop accounting policies using the Conceptual Framework when no IFRS Standard applies to a particular transaction.

For preparers who develop accounting policies based on the Conceptual Framework, it is effective for annual periods beginning on or after 1 January 2020.

- *Amendment to IFRS 3 Business Combinations.* The IASB issued amendments in Definition of a Business (Amendments to IFRS 3) aimed at resolving the difficulties that arise when an entity determines whether it has acquired a business or a group of assets. The Amendments are effective for business combinations for which the acquisition date is in the first annual reporting period beginning on or after 1 January 2020 and to asset acquisitions that occur on or after the beginning of that period, with earlier application permitted. The amendments did not have an impact on the Group's financial statements.

- *Amendments to IAS 1 and IAS 8*: Definition of Material, issued on 31 October 2018. The Amendments are effective for annual periods beginning on or after 1 January 2020 with earlier application permitted. The Amendments clarify the definition of material and how it should be applied. The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity'. In addition, the explanations accompanying the definition have been improved. The Amendments also ensure that the definition of material is consistent across all IFRS Standards. The amendments did not have an impact on the Group's financial statements.

- *Amendments to IFRS 9, IAS 39 and IFRS 17*: Interest Rate Benchmark Reform, issued on 26 September 2019. In September 2019, the IASB issued amendments to IFRS 9, IAS 39 and IFRS 7, which concludes phase one of its work to respond to the effects of Interbank Offered Rates (IBOR) reform on financial reporting.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

Standards and interpretations effective in 2020 that the Group has applied to these financial statements (continued)

The amendments published, deal with issues affecting financial reporting in the period before the replacement of an existing interest rate benchmark with an alternative interest rate and address the implications for specific hedge accounting requirements in IFRS 9 Financial Instruments and IAS 39 Financial Instruments: Recognition and Measurement, which require forward-looking analysis. The amendments provide temporary reliefs, applicable to all hedging relationships that are directly affected by the interest rate benchmark reform, which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark with an alternative nearly risk-free interest rate. There are also amendments to IFRS 7 Financial Instruments: Disclosures regarding additional disclosures around uncertainty arising from the interest rate benchmark reform. The amendments are effective for annual periods beginning on or after 1 January 2020 and must be applied retrospectively. Phase two (ED) focuses on issues that could affect financial reporting when an existing interest rate benchmark is replaced with a risk-free interest rate (an RFR). The amendments did not have an impact on the Group's financial statements.

- *Amendment to IFRS 16 Leases Covid 19-Related Rent Concessions* (issued on 28 May 2020). The amendment exempts lessees from having to consider individual lease contracts to determine whether rent concessions occurring as a direct consequence of the Covid-19 pandemic are lease modifications and allows lessees to account for such rent concessions as if they were not lease modifications. It applies to Covid-19-related rent concessions that reduce lease payments due on or before 30 June 2021. The amendment is effective starting 1 June 2020. The Group has not lease modifications as a direct consequence of Covid-19 pandemic.

Standards issued but not yet effective and not early adopted

- *IFRS 17 Insurance Contracts*. The standard, issued on 18 May 2018, is effective for annual periods beginning on or after 1 January 2021 with earlier application permitted if both IFRS 15 Revenue from Contracts with Customers and IFRS 9 Financial Instruments have also been applied. The standard has not been yet endorsed by the EU. IFRS 17 Insurance Contracts establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts issued. It also requires similar principles to be applied to reinsurance contracts held and investment contracts with discretionary participation features issued.

The objective is to ensure that entities provide relevant information in a way that faithfully represents those contracts. This information gives a basis for users of financial statements to assess the effect that contracts within the scope of IFRS 17 have on the financial position, financial performance and cash flows of an entity. This standard is not applicable to the Group.

- *IFRS 17: Insurance Contracts (Amendments), IFRS 4: Insurance Contracts (Amendments)*. The amendments to IFRS 17 are effective, retrospectively, for annual periods beginning on or after January 1, 2023, with earlier application permitted. The amendments aim at helping companies implement the Standard. In particular, the amendments are designed to reduce costs by simplifying some requirements in the Standard, make financial performance easier to explain and ease transition by deferring the effective date of the Standard to 2023 and by providing additional relief to reduce the effort required when applying IFRS 17 for the first time. The amendments to IFRS 4 change the fixed expiry date for the temporary exemption in IFRS 4 Insurance Contracts from applying IFRS 9 Financial Instruments, so that entities would be required to apply IFRS 9 for annual periods beginning on or after January 1, 2023. This standard is not applicable to the Group.

- *Amendment in IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures*: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
The amendments address an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28, in dealing with the sale or contribution of assets between an investor and its associate or joint venture.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

Standards issued but not yet effective and not early adopted (continued)

The main consequence of the amendments is that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. In December 2015 the IASB postponed the effective date of this amendment indefinitely pending the outcome of its research project on the equity method of accounting. The directors do not anticipate that the application of the standard in the future will have an impact on the Group's financial statements.

- *Amendment to IAS 1 Presentation of Financial Statements*: Classification of Liabilities as Current or Non-current (issued on 23 January 2020). The amendments are effective for annual reporting periods beginning on or after 1 January 2023, with earlier application permitted. The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current or non-current. The amendments affect the presentation of liabilities in the statement of financial position and do not change existing requirements around measurement or timing of recognition of any asset, liability, income or expenses, nor the information that entities disclose about those items. Also, the amendments clarify the classification requirements for debt which may be settled by the company issuing own equity instruments. These Amendments have not yet been endorsed by the EU. The directors do not anticipate that the application of the standard in the future will have an impact on the Group's financial statements.

- *Amendments to IFRS 3 Business Combinations* (issued on 14 May 2020). The amendments update a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations. Amendment also add a requirement that, for transactions and other events within the scope of IAS 37 or IFRIC 21, an acquirer applies IAS 37 or IFRIC 21 (instead of the Conceptual Framework) to identify the liabilities it has assumed in a business combination; and add to IFRS 3 an explicit statement that an acquirer does not recognize contingent assets acquired in a business combination. The amendments are effective for annual periods beginning on or after 1 January 2022 and have not yet been endorsed by the EU. The directors do not anticipate any impact on the Group's financial statements.

- *Amendments to IAS 16 Property, Plant and Equipment* (issued on 14 May 2020). The amendments prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognize such sales proceeds and related cost in profit or loss. The amendments are effective for annual periods beginning on or after 1 January 2022 and have not yet been endorsed by the EU. The directors do not anticipate any impact on the Group's financial statements.

- *Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets* (issued on 14 May 2020). Amendments specify which costs a company includes when assessing whether a contract will be loss-making. The amendments are effective for annual periods beginning on or after 1 January 2022 and have not yet been endorsed by the EU. The directors do not anticipate any impact on the Group's financial statements.

- *Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform – Phase 2* (issued on 27 August 2020), not yet adopted by the EU. The amendments complement those issued in 2019 and focus on the effects on financial statements when a company replaces the old interest rate benchmark with an alternative benchmark rate as a result of the reform.The Phase 2 amendments provide additional temporary reliefs from applying specific IAS 39 and IFRS 9 hedge accounting requirements to hedging relationships directly affected by IBOR reform.

- *Annual Improvements to IFRS Standards 2018 – 2020 Cycle* (effective for annual periods beginning on or after 1 January 2022), issued on 14 May 2020. The improvements are not expected to have a material impact on the Group's or Company's financial statements.These annual improvements are a collection of amendments to IFRSs:

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

Standards issued but not yet effective and not early adopted (continued)

- *IFRS 1 First-time Adoption of International Financial Reporting Standards*. The amendment permits a subsidiary that applies paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported by its parent, based on the parent's date of transition to IFRSs.

- *IFRS 9 Financial Instruments*. The amendment clarifies which fees an entity includes when it applies the '10 per cent' test in assessing whether to derecognise a financial liability. An entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf.

- *IFRS 16 Leases*. The proposed amendment to Illustrative Example 13 accompanying IFRS 16 would remove from the example the illustration of the reimbursement of leasehold improvements by the lessor. The proposed amendment would resolve any potential confusion regarding the treatment of lease incentives that might arise because of how lease incentives are illustrated in that example.

- *IAS 41 Agriculture*. The amendment aligns the fair value measurement requirements in IAS 41 with those in other IFRS Standards.

3 SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("EU").

The main accounting policies are set out below.

Basis of consolidation

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

Generally, there is a presumption that a majority of voting rights result in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:
- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

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

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

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation (continued)

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

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

Changes in the Group's ownership interests in existing subsidiaries

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

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. When assets of the subsidiary are carried at revalued amounts or fair values and the related cumulative gain or loss has been recognized in other comprehensive income and accumulated in equity, the amounts previously recognized in other comprehensive income and accumulated in equity are accounted for as if the Company had directly disposed of the relevant assets (i.e. reclassified to profit or loss or transferred directly to retained earnings as specified by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9 or, when applicable, the cost on initial recognition of an investment in an associate or a jointly controlled entity.

Business combinations

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

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

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

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

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognized amounts of the acquiree's identifiable net assets.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations (continued)

The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another IFRS.

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

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with IFRS 9 or IAS 37 Provisions, Contingent Liabilities and Contingent Assets, as appropriate, with the corresponding gain or loss being recognized in profit or loss.

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

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

Goodwill

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

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

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

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

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Current versus non-current classification

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

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

All other assets are classified as non-current.

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

The Group classifies all other liabilities as non-current.

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

Fair value measurement

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

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

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

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

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

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:
- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable;
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurement (continued)

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

Revenue from contracts with customers

Sales of goods

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

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

Principal versus agent considerations

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

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

Recognition of revenue from distinct performance obligations

The Group has analysed its contracts with customers to determine all its performance obligations and it has not identified any new performance obligation that should be accounted for separately in accordance with IFRS 15.

Rendering of services

The Group performs sundry services occasionally and as a non core business. Revenue is measured at the expected value of the consideration received or receivable. Under IFRS 15, the total consideration in the service contracts is allocated to all services based on their stand-alone selling prices. The stand-alone selling prices are determined based on the list prices at which the Group sells the services in separate transactions. Based on the Group's assessment, the allocated value based on the stand-alone selling prices of the services, and the stand-alone prices of the services are broadly similar.

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

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

Dividend and interest income

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

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Dividend and interest income (continued)

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Leasing

The Group as lessee

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (such as licenses, small items of office equipments, etc.). For these leases, the Group recognise the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group use their incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:
- Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- The amount expected to be payable by the lessee under residual value guarantees;
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:
- The lease term has changed or there is a significant event or change in circumstances resulting in a change in The assessment of exercise of a purchase option, in which case The lease liability is remeasured by discounting The revised lease payments using a revised discount rate.
-The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
-A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Leasing (continued)

To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expect to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The depreciation periods considered for each category of right-of-use assets are as follows:

	2020
Buildings and special constructions	5 years
Equipment and vehicles	between 3 and 5 years

The right-of-use assets are presented as Other non-current assets in the statement of financial position.

The Group applies IAS 36 Impairment of assets to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'Property, Plant and Equipment' policy.

The Group as lessor

The Group enters into lease agreements as a lessor with respect to some of their investment properties.

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

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

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

Foreign currencies

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

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

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

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies (continued)

For the purpose of presenting the financial statements in RON, the monetary assets and liabilities of the Group's foreign operations are translated at the exchange rates prevailing at the end of the reporting period. Income and expense items are translated at the average exchange rate for the periods presented.

In order to present the financial statements in RON, for the entities whose functional currency is different from RON, assets and liabilities are translated at exchange rates in effect at the end of the reporting period. Income and expense items are translated at average exchange rates for the presented periods. Equity items are translated at historical exchange rates.

Exchange differences arising on the translation are recognized in other comprehensive income and accumulated in equity (attributed to non-controlling interests as appropriate).

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

Borrowing costs

Borrowing costs consist of interest and other costs that the Company incurs in connection with the borrowing of funds. Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.
Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

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

Employee benefits

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

The Group awards its employees with some retirement benefits according to the Collective Labour Agreement. For this defined benefit retirement plan, the cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at each reporting period. Remeasurement, comprising actuarial gains and losses, is reflected immediately in the statement of financial position with a charge or credit recognized in other comprehensive income in the period in which they occur.
Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability. Defined benefit costs are categorized as follows:
- Service costs (comprising current service cost, past service cost, as well as gain and losses on curtailments and settlements), included in profit or loss line item "Cost of sales" or "Administrative expenses" within personnel costs.
- Net interest expense, included in profit or loss line item "Finance costs, net" within interest expense.
- Remeasurement.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Employee benefits (continued)

Termination benefits

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

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates (for Romanian Group companies 16%, for Sierra Leone 30%) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax

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

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

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

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

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

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

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

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation (continued)

Current and deferred tax for the year

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

Value added tax (VAT)

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

The net amount of tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

Property, plant and equipment

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

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

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

Freehold land is not depreciated.

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

Buildings and special constructions	2 - 52 years
Plant and machinery	1 - 25 years
Equipment and vehicles	1 - 25 years

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

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

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible assets

Intangible assets acquired separately

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

Intangible assets acquired in a business combination

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

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

De-recognition of intangible assets

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

Intangible assets are amortized over a period of 3 years (for software).

Impairment of tangible and intangible assets other than goodwill

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

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

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

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

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss.

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

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Inventories

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

Costs incurred in bringing each product to its present location and condition is accounted for as follows:
- Raw materials: purchase cost on a first in, first out basis;
- Finished goods and work in progress: cost of direct materials and labor and a proportion of manufacturing overheads based on the normal operating capacity, but excluding borrowing cost, determined on weighted average basis.

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

Provisions

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

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the specific risks and uncertainties surrounding the obligation.

When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material). When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Decommissioning and rehabilitation liability

Decommissioning costs include the dismantling and demolition of infrastructure and the removal of residual materials and remediation of disturbed areas. Decommissioning costs are provided at the present value of expected costs to settle the obligation using estimated cash flows and are recognized 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 recognized 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 are added to or deducted from the cost of the asset.

Financial instruments

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

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

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

Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in consolidated profit or loss.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Effective interest method

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

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

Financial assets

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

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

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

- *Financial assets at FVPL* include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments.

Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

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

Investments in subsidiaries

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

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

Cash and cash equivalents

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

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets

The Group recognizes an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

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

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

Derecognition of financial assets

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

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

Financial liabilities and equity instruments

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

Classification as debt or equity

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

Equity instruments

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

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

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

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities at FVTPL

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

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

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:
- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
-it forms part of a contract containing one or more embedded derivatives, and IFRS 9 Financial Instruments: Recognition and Measurement permits the entire combined contract (asset or liability) to be designated as at FVTPL.

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

Other financial liabilities

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

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

Financial guarantee contracts

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

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

Derecognition of financial liabilities

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

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Presentation of financial instruments on a net basis

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

Related parties

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

Government grants

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

Emission rights

The Group recognizes the emission credits in the consolidated financial statements based on the net liability method. Under this method only those liabilities that are expected to result from exceeding the emission credit quotas granted are recognized.

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

In case the Group estimates utilization of less than the allocated emission credits any potential income from the sale of unused emission credits is recognized only on actual sale of those credits.
As the actual emissions volumes at the Group level did not exceed the emission rights granted, no provision was recognized in 2020.

Operating segments

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

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly investments (other than investment property) and related revenue, loans and borrowings and related expenses, corporate assets (primarily the Group's headquarters) and head office expenses, and income tax assets and liabilities.
Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment, and intangible assets other than goodwill.

Dividends

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

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Significant accounting judgments, estimates and assumptions

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

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

The following are the critical judgements and estimations that the directors have made in the process of applying the Company’s accounting policies and that have the most significant effect on the amounts recognised in the separate financial statements.

Impairment of tangible and intangible assets

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a DCF model. The cash flows are derived from budgets prepared by the Group and do not include restructuring activities that the Group 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. The key assumptions used to determine the recoverable amount for the non-financial assets are disclosed and further explained in Note 4 and in Note 6.

Taxes and deferred tax

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

Deferred tax assets are recognized for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable profits together with future tax planning strategies. Detailed information is disclosed in Note 7.

Defined benefit plans

The cost of the defined benefit pension plan and the present value of the pension obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases and longevity. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date. Detailed information is disclosed in Note 16.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Significant accounting judgments, estimates and assumptions (continued)

Provision for decommissioning

The Company has recognized a provision for the rehabilitation of the premises where it deposits scrap from production. In determining the fair value of the provision, assumptions and estimates are made in relation to discount rates, inflation rates, effective costs of works to be performed and the expected timing of these costs.

Detailed information is disclosed in Note 17.

4 PROPERTY, PLANT AND EQUIPMENT

Cost	Land	Buildings and special constructions	Plant and machinery	Equipment and vehicles	Capital assets in progress	Advances for fixed assets	Total
At January 1, 2019	**20,057**	**228,903**	**414,275**	**120,689**	**69,885**	**10,414**	**864,223**
Additions	-	1,809	-	-	65,588	(3,053)	64,344
Transfers	-	20,283	60,409	16,456	(91,167)	(5,982)	-
Disposals and write off	-	(60)	(1,261)	(470)	-	-	(1,791)
Transfer to other category*	-	-	-	(578)	-	-	(578)
Translation adjustment	-	1,962	1,957	4,298	646	308	9,171
At December 31, 2019	**20,057**	**252,897**	**475,379**	**140,395**	**44,952**	**1,688**	**935,368**
Additions	-	373	18	-	28,357	30	28,778
Transfers	-	11,010	29,473	4,790	(44,343)	(929)	-
Disposals and write off	-	(230)	(4,466)	(8,675)	-	-	(13,371)
Transfer to other category*	-	-	-	-	-	-	-
Translation adjustment	-	(3,871)	(3,931)	(7,474)	(1,184)	(56)	(16,516)
At December 31, 2020	**20,057**	**260,179**	**496,474**	**129,036**	**27,781**	**733**	**934,260**

4 PROPERTY, PLANT AND EQUIPMENT (continued)

Accumulated depreciation and impairment

Accumulated depreciation	Land	Buildings and special constructions	Plant and machinery	Equipment and vehicles	Capital assets in progress	Advances for fixed assets	Total
At January 1, 2019	**-**	**165,657**	**376,991**	**60,064**	**-**	**-**	**602,714**
Depreciation expenses	-	12,361	18,575	12,927	-	-	43,863
Eliminated on disposals and write off of assets	-	(60)	(1,246)	(470)	-	-	(1,777)
Transfer between categories	-	-	-	-	-	-	-
Transfer to other category*		-	-	(164)	-	-	(164)
Translation adjustment	-	1,214	1,801	2,104	-	-	5,120
At December 31, 2019	**-**	**179,172**	**396,121**	**74,462**	**-**	**-**	**649,756**
Depreciation expenses	-	14,950	21,014	13,759	-	-	49,723
Eliminated on disposals and write off of assets	-	(230)	(4,466)	(8,365)	-	-	(13,061)
Transfer between categories	-	-	-	-	-	-	-
Transfer to other category*		-	-	-	-	-	-
Translation adjustment	-	(2,620)	(3,389)	(4,332)	-	-	(10,341)
At December 31, 2020	**-**	**191,272**	**409,280**	**75,524**	**-**	**-**	**676,077**

4 PROPERTY, PLANT AND EQUIPMENT (continued)

Accumulated depreciation and impairment (continued)

Allowance for impairment	Land	Buildings and special constructions	Plant and machinery	Equipment and vehicles	Capital assets in progress	Advances for fixed assets	Total
At January 1, 2019	**-**	**137**	**97**	**926**	**1,792**	**-**	**2,953**
Impairment losses recognized in profit or loss	-	-	-	-	-	-	-
Reversals of impairment losses recognized in profit or loss	-	(21)	(15)	-	-	-	(36)
Disposals	-	-	-	-	-	-	-
At December 31, 2019	**-**	**116**	**83**	**926**	**1,792**	**-**	**2,917**
Impairment losses recognized in profit or loss	-	4	-	-	-		4
Reversals of impairment losses recognized in profit or loss	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-
At December 31, 2020	**-**	**120**	**83**	**926**	**1,792**	**-**	**2,921**
Net book value							
At December 31, 2019	**20,057**	**73,609**	**79,176**	**65,007**	**43,160**	**1,688**	**282,695**
At December 31, 2020	**20,057**	**68,786**	**87,110**	**52,586**	**25,989**	**733**	**255,261**

4 PROPERTY, PLANT AND EQUIPMENT (continued)

The Company recorded full provision for the future cost of rehabilitating the red mud lake waste dump on a discounted basis. The change in the year increased the value of the fixed asset as of December 31, 2020 by RON 373 thousand (2019: + RON 1,809 thousand) (see Note 17). The rehabilitation provision represents the present value of rehabilitation costs relating to the site, which are expected to be incurred up to 2023, which is when the storage on the site should be either closed or extended.

SMHL recorded a provision based on technical assessment to restore and rehabilitate the affected mining areas for the related costs required to be incurred. The technical assessment was performed by an external valuation expert, provision started in 2014 and unwinding of the discount of RON 623 thousand is recognized in the current year (2019: RON 598 thousand) (Note 17).

The gross book value of the Property, plant and equipment of Alum includes the amount of RON 902 thousand representing borrowing costs capitalized in 2018 in accordance with IAS 23 Borrowing costs as revised. The borrowing costs consist of interest and transaction costs that the Group incurs in relation to the contracted loans. In 2018 at the Group level there were interest expenses capitalized of RON 799 thousand at an average interest rate of 5.87% p.a.
No borrowing costs were capitalized in 2019 and 2020.

*As a result of adopting IFRS 16, at 1 January 2019 the Group reclassified Property, plant and equipment with a net book value of RON 414 thousand to Right-of use assets. The transfer is related to machines under financial lease previously recognized in the Property, plant and equipment as per requirements of IAS 17. See also Note 2 and Note 8.

As of December 31, 2020 property, plant and equipment of the Group have been pledged to secure the contracted borrowings with a carrying amount of RON 152,806 thousand (December 31, 2019: RON 153,666 thousand) (Note 15).

The gross book value of the fully amortized fixed assets as of December 31, 2019 is in amount of RON 224,040 thousand (2019: RON 211,551 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's Company 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's Company, therefore no impairment tests of the property, plant and equipment were performed at 31 December 2019.

4 PROPERTY, PLANT AND EQUIPMENT (continued)

Impairment tests for property, plant and equipment (continued)

The recovery value of the cash generating unit (CGU) Alum's Company was determined based on the value in use calculations by using future cashflows extracted from the business plan for the next 5 years estimated by the management. The terminal value was computed by using a growth rate of 2% per annum.

The key assumptions for the cash-generating unit Alum are:

	2020
Discount rate	9.50%
Growth rate, average of next five years	5.40%
EBITDA margin, average of next five years	5.64%

The estimated recoverable amount of the CGU Alum exceeded its carrying amount by approximately RON 27,800 thousand. The following table shows the amount up to which the key assumptions used would need to change individually for the estimated recoverable amount to be equal to the carrying amount:

	2020
Discount rate	10.35%
Growth rate, average of next five years	2.93%
EBITDA margin, average of next five years	4.52%
EBITDA margin, terminal value	5.62%

5 INTANGIBLE ASSETS

Cost	Development expenses	Other intangibles	Advances for intangibles	Total
At January 1, 2019	**4,367**	**16,496**	**-**	**20,863**
Acquisition of subsidiary	-	-	-	-
Additions	-	48	-	48
Transfers	-	-	-	-
Disposals	-	-	-	-
Translation adjustment	-	743	-	743
At December 31, 2019	**4,367**	**17,288**	**-**	**21,655**
Additions	-	53	-	53
Transfers to fixed assets	-	-	-	-
Disposals	-	-	-	-
Translation adjustment	-	(1,169)	-	(1,169)
At December 31, 2020	**4,367**	**16,172**	**-**	**20,539**

Accumulated Amortization	Development expenses	Other intangibles	Advances for intangibles	Total
At January 1, 2019	**4,367**	**16,025**	**-**	**20,863**
Amortization expense	-	291	-	291
Eliminated on disposals of assets	-	-	-	-
Translation adjustment	-	722	-	722
At December 31, 2019	**4,367**	**17,039**	**-**	**21,406**
		17,039	**-**	**21,406**
Amortization expense	-	137	-	137
Eliminated on disposals of assets	-	-	-	-
Translation adjustment	-	(1,159)	-	(1,159)
At December 31, 2020	**4,367**	**16,016**	**-**	**20,384**
Net book value				
At December 31, 2019	**-**	**249**	**-**	**249**
Net book value				
At December 31, 2020	**-**	**155**	**-**	**155**

Other intangible assets refer to software programs, licenses and exploration assets.

6 GOODWILL

COST

	2020	2019
Balance at beginning of year		
Goodwill at acquisition of Global Aluminium Ltd. by Vimetco N.V. (former parent)	107,197	102,487
Additions	-	-
Translation adjustment	(7,417)	4,710
Balance at end of year	**99,780**	**107,197**

ACCUMULATED IMPAIRMENT LOSSES

	December 31, 2020	December 31, 2019
Balance at beginning of year:		
Impairment on goodwill at acquisition of Global Aluminium Ltd. by Vimetco N.V. (former parent)	(28,748)	(27,485)
Additions	-	-
Translation adjustment	1,989	(1,263)
Balance at end of year	**(26,759)**	**(28,748)**
CARRYING AMOUNT		
Balance at end of year	**73,022**	**78,450**

The goodwill at acquisition of Global Aluminium Ltd. is allocated to the cash-generating units (CGU) at 31 December 2020 and 2019 as follows (after translation adjustments and impairment):

	December 31, 2020	December 31, 2019
CGU Romania	54,782	58,855
CGU Sierra Leone	18,240	19,595
Total	**73,022**	**78,450**

The goodwill allocated to the cash-generating unit operating in Romania results from the acquisitions and transactions under common control and at 31 December 2020 and includes an amount of RON 54,782 thousand (2019: RON 58,855 thousand) representing the goodwill at initial acquisition of Global Aluminium Ltd. by Vimetco N.V. allocated for impairment test purposes to the group of cash generating units operating in Romania.

Impairment of goodwill

The accumulated impairment loss as at 31 December 2020 was recognised partially for the goodwill allocated to Sierra Leone CGU on acquisition of Global Aluminium Ltd. in amount of RON 26,759 thousand (2019: RON 28,748 thousand).

In 2020, the recoverable amount of cash-generating unit operating in Romania was determined based on fair value less costs of disposal, estimated using discounted cash-flow techniques and applying a market-based measurement. This method requires eliminating all owner specific synergies from the cash-flow projections other than those synergies that any market participant would be able to realize. The fair value measurement was categorized as a Level 3 fair value measurement based on the inputs in the valuation technique used.

The recoverable amount of cash-generating units operating in Sierra Leone (Global Aluminium Ltd.) was determined based on fair value less costs of disposal, estimated using discounted cash-flow techniques and applying a market-based measurement.

6 GOODWILL (continued)

Financial forecasts estimated by the directors at 31 December 2020 and 2019 cover a five-year period. The after-tax discount rate is of 19.9% per annum (in 2019: 20.2% per annum). The cash flows beyond the five-year period have been extrapolated until the year 2036, when the estimated reserves (measured and indicated) will be depleted at a 2.0% growth rate in line with the forecast inflation (in 2019: 2.2%), except for the terminal year when a reduced production is foreseen at the level of the remaining reserves. The fair value measurement was categorized as a Level 3 fair value based on the inputs in the valuation technique used (see Note 31).

The key assumptions for the cash-generating unit Global Aluminium Ltd. are:

	2020	2019
Discount rate	19.9%	20.2%
Growth rate (average of next five years)	8.7%	5.1%
EBITDA margin	19.0%	17.0%

The discount rate is the CGU weighted-average cost of equity of 21.8% (in 2019: 22.2%), calculated based on the average unlevered betas of comparable companies within the industry and of a cost of debt after tax of 4.0% (in 2019: 4.8%), using the CGU's debt leverage of 10.0% (in 2019: 11.4%).

Growth rates during the next five years are based on the current contract with Alum reflecting the price in the market for long term contracts and on the company's intention to develop sales to third party clients.

EBITDA margin is the average margin as a percentage of revenue over the five-year forecast period. It is based on the external analysis and the expected future sales volumes and prices, coupled with CGU's cost cutting efforts.

The most sensitive key assumption used in impairment test of CGU Global Aluminium Ltd. in 2020 are the discount rate, average growth rate for the next five years and EBITDA margin (2019: the discount rate and EBITDA margin). An increase of the discount rate to 24.5%, a decrease of the next five years growth rate to 6.5% and a decrease of EBITDA margin to 14.4% applied separately, would cause the estimated recoverable amount to be equal to the carrying amount (2019: an increase of the discount rate to 25.5% and a decrease of EBITDA margin to 12.4%). For the other assumptions management considered that there are no reasonably possible modifications that would lead to an impairment of the goodwill allocated to CGU Global Aluminium Ltd.

The cash flow projections were based on the business plan estimated by the directors covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated growth rates stated below.

The key assumptions used in the estimation of the recoverable amount are set out in the following table. The values assigned to key assumptions and estimates used to measure the recoverable amount of the CGU operating in Romania reflect past experience, are consistent with external sources of information and are based on management’s expectations of market development. The production quantities were estimated based on past experience, represent management’s best estimate of future production and reflect company's investment plans. Sales prices were based on the long-term aluminium prices derived from available industry and market sources. Operating costs were projected based on the historical performance and adjusted for the current market conditions and inflation.

Key assumptions	2020	2019
Discount rate, after-tax	9.5%	9.3%
Growth rate (average of next five years)	7.6%	6.9%
EBITDA margin (average of next five years)	18.0%	12.3%

The discount rate is the CGU weighted-average of the cost of equity of the CGU, i.e. 10.9% (in 2019: 10.2%), calculated based on the average unlevered betas of comparable companies within the industry and of a cost of debt after tax of 4.1% (in 2019: 4.0%), using the CGU's debt leverage of 18.8% (in 2019: 14.5%).

6 GOODWILL (continued)

Growth rates during the next five years are based on published industry research, directors' future expectations of economic and market conditions, the result of capital investments and anticipated efficiency improvements. The growth rate beyond the five-year period was assumed in line with the forecasted inflation, namely 2.0% (at 31 December 2019: 2.2%).

EBITDA margin is the average margin as a percentage of revenue over the five-year forecast period. It is based on the average levels experienced over the past years, with adjustments made to reflect the expected future sales volumes and price fluctuations.

The most sensitive key assumptions used in impairment test of CGU operating in Romania are the discount rate and EBITDA margin. An increase of the discount rate to 17.3% and a decrease of EBITDA margin to 13.0% applicated separately, would cause the estimated recoverable amount to be equal to the carrying amount (31 December 2019: increase to 14.2% and decrease to 10.6% respectively).

The estimated recoverable amount of the CGU operating in Romania exceeded its carrying amount by approximately RON 2,360,000 thousand (31 December 2019: RON 1,380,000 thousand) and for CGU Global Aluminium Ltd. By approximately RON 24,700 thousand (31 December 2019: RON 39,000 thousand).

7 INCOME TAXES

Income tax recognized in consolidated income statement:

	Year ended December 31, 2020	Year ended December 31, 2019
Current tax		
Current tax for the year	14,137	19,231
	14,137	**19,231**
Deferred tax		
Origination and reversal of temporary differences	(624)	126
Capitalisation of previously unrecognised tax losses	(4.021)	19.921
	(4,645)	**20,047**
Total income tax expense/(credit) recognized in the period	**9,492**	**39,278**

The income tax expense for the year can be reconciled to the accounting profit as follows:

	Opening balance	Recognized in profit or loss	Recognized in other comprehensive income	Translation adjustment	Closing balance
Property, plant and equipment	(12,224)	2,760	-	-	(9,464)
Inventories	3,285	(2,245)	-	-	1,041
Trade receivables and other current assets	122	(80)			42
Provisions	7,513	665	-	-	8,178
Retirement benefits obligation	1,567	(497)	144	-	1,214
Tax losses capitalized	25,609	4,042	-	(1,300)	28,351
Deferred tax asset	**25,873**	**4,645**	**144**	**(1,300)**	**29,363**

7 INCOME TAXES (continued)

	Year ended December 31, 2020	Year ended December 31, 2019
Result before tax	**90,268**	**122,722**
Weighted average tax rate applicable to the Group	16.62%	19.36%
Income tax calculated with the weighted average tax rate	15,006	23,764
Effect of income that is exempt from taxation	(639)	(752)
Effect of expenses that are not deductible in determining taxable profit	694	407
Effect of utilization of previously unrecognized tax losses	(1,935)	(4,061)
Efect of capitalisation of previously unrecog. tax loss	-	-
Effect of current year tax losses for which no deferred tax asset was recognized	(4,021)	19,921
Adjustments recognised in relation to the current tax of prior years	386	-
Income tax (credit)/expense reported in the statement of profit or loss	**9,492**	**39,278**

The tax rate used for reconciliations above is the corporate tax rate payable by each company of the Group on taxable profits under the tax law applicable in the jurisdictions where they operate (i.e., Romania: 16%, Sierra Leone: 30%)

The following is the analysis of deferred tax assets/(liabilities) presented in the consolidated statement of financial position:

Tax loss expiring	Gross amount	Tax effect
Within 1 year	16,998	75
1 - 2 years	95,323	4,594
2 - 5 years	102,458	23,682
More than 5 years	-	-
Total	**214,779**	**28,351**

At Sierra Mineral Holdings I, Ltd., the future taxable profits were based on financial forecasts estimated by the directors at 31 December 2020 and cover a five-year period.The main assumptions used in the forecast are the average sales growth of 6.97% per annum for the next 5 years (31 December 2019: 1.05%), average EBITDA margin of 18.34% (31 December 2019: 17.01%) and a profit before tax margin of 11.81% (31 December 2019: 10.28%) per annum. As a result of the forecast, the management expects to use an amount of RON 59,343 thousand from total RON 214,779 thousand (31 December 2019: RON 46,188 thousand from total RON 253,202 thousand) of prior years' accumulated tax losses to offset its future taxable profits by the end of the respective carry forward period. The forecasts are most sensitive to the growth and EBITDA margin (2019: to the EBITDA margin and profit before tax margin). A decrease in the forecasted average sales growth by 1.0% would reduce the deferred tax assets by RON 1,200 thousand and a decrease of the forecasted EBITDA margin by 1.0% would reduce the deferred tax assets by RON 700 (31 December 2019: a decrease in the forecasted EBITDA margin by 1.0% would have reduce the deferred tax assets by RON 1,900 thousand and a decrease in the forecasted profit before tax margin by 1.0% would have reduced the deferred tax assets by RON 2,400).

The Group's current income taxes receivable and payable are the following:

	December 31, 2020	December 31, 2019
Current income tax receivable	595	-
Current income taxes payable	13,601	2,552

7 INCOME TAXES (continued)

Current income taxes payable as at 31 December 2020 include RON 5,946 thousand payable by the Alum Company, which benefited from the tax incentives granted by Romanian Government to support businesses during the Covid-19 pandemic, allowing companies to postpone the payment of taxes, under certain conditions, for a maximum period of 12 months.

8 RIGHT-OF-USE ASSETS

The Group has applied IFRS 16 Leases starting 1 January 2019 and recognized initially as non-current assets under Rights-of-use assets, the right to use the underlying asset during the lease term amounting to RON 3,159 thousand. The Group has leasing contracts mainly for equipments and vehicles with terms of up to 5 years. There are several lease contracts that include extension and termination options for which management exercises significant judgement in determining whether these extension and termination options are reasonably certain to be exercised. The Group is restricted from assigning and subleasing the leased assets. The carrying value of the right of use assets at 31 December 2020 was RON 1,873 thousand (31 December 2019: RON 2,660 thousand). More details in Note 15.

Set out below are the carrying amounts of right-of-use assets recognised and the movements during the period:

Categories of right-of-use assets	***Equipment***	***Vehicles***	***Other***	***Total right-of-use assets***
Cost				
Balance at 1 January 2019	**414**	**561**	**2,184**	**3,159**
Additions		254		**254**
Balance at 31 December 2019	**414**	**815**	**2,184**	**3,413**
Additions	-	-	-	**-**
Balance at 31 December 2020	**414**	**815**	**2,184**	**3,413**
Accumulated amortisation				
Balance at 1 January 2019	**-**	**-**	**-**	**-**
Amortisation expense	(116)	(201)	(437)	**(753)**
Balance at 31 December 2019	**(116)**	**(201)**	**(437)**	**(753)**
Amortisation expense	(116)	(234)	(437)	**(787)**
Balance at 31 December 2020	**(232**	**(435**	**(874)**	**(1,541)**
Net book value				
Balance at 31 December 2019	**299**	**614**	**1,747**	**2,660**
Balance at 31 December 2020	**183**	**380**	**1,310**	**1,873**

The following amounts were recognised in profit or loss, following the application of IFRS 16:

	December 31, 2020	**December 31, 2019**
Depreciation expense of right-of-use assets	787	753
Interest on lease liabilities	121	152
Expenses related to short-term leases	262	385
Expenses related to leases of low-value assets	-	30
Total amounts recognised in profit or loss	**1,170**	**1,321**

9 INVENTORIES

	December 31, 2020	December 31, 2019
Raw materials	60,523	101,213
Consumables	38,758	40,987
Finished goods	17,671	25,833
Work in progress	58,890	55,833
Semi-finished goods	11,619	13,634
Other	373	312
Allowance for consumables	(10,648)	(11,320)
Total	**177,186**	**226,492**

The movement in the allowance for inventories is presented below:

	2020	2019
Balance at beginning of the year	11,320	10,503
Change during the current year	148	352
Release during the current year	(32)	(15)
Translation adjustment	(789)	481
Balance at end of the year	**10,648**	**11,320**

The value of the expensed inventories in 2020 is of RON 279,220 thousand (2019: RON 286,159 thousand).
The value of inventories pledged for securing the Group's borrowings amounts RON 148,381 thousand (31 December 2019: RON 205,251 thousand).

10 TRADE RECEIVABLES

	December 31, 2020	December 31, 2019
Foreign trade receivables	169	26,447
Domestic trade receivables	123,094	5,262
Allowance for doubtful receivables	(257)	(729)
Total trade receivables	**123,006**	**30,980**

There is one customer representing individually more than 10% of the total balance of trade receivables as at December 31, 2020 (December 31, 2019: 1 customer).

Movement in the allowance for doubtful trade receivables is as follows:

	December 31, 2020	December 31, 2019
Balance at beginning of the year	729	1,027
Charge in the current year	-	536
Release in the current year	(470)	(869)
Translation adjustment	(2)	36
Balance at end of the year	**257**	**729**

The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the customer from the date the credit was initially granted up to the reporting date and adjusted for forward-looking factors specific to the debtors and the economic environment.

10 TRADE RECEIVABLES (continued)

Accordingly, the Group's management believes that there is no further credit provision required in excess of the allowance for doubtful receivables already provided for.

In the table below is an analysis of the trade receivables as at December 31, 2020 and December 31, 2019:

Trade receivables

	December 31, 2020	December 31, 2019
Not past due and not impaired	424	17,891
Past due but not impaired	122,581	13,089
Impaired receivables assessed on an individually basis	33	122
Past due more than 3 months and impaired	9	234
Past due more than 9 months and impaired	216	375
Less: Allowance for doubtful receivables	(257)	(729)
Total	**123,006**	**30,980**

Aging of receivables that are past due but not impaired:

	December 31, 2020	December 31, 2019
Less than 3 months	119,251	9,847
3 months to 6 months	17	1
6 months to 9 months	1	34
More than 9 months	3,313	3,207
Total trade receivables past due but not impaired	**122,581**	**13,089**

These relate to a number of independent customers or related party entities, for which there is no recent history of default. Refer also to Note 31 Risk management for further details.

A part of the Group'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.

The Group 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:

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

11 OTHER CURRENT ASSETS

	December 31, 2020	December 31, 2019
Government grants receivable	9,435	-
Advances to suppliers	1,495	3,601
VAT recoverable	65	100
Other debtors	4,148	4,573
Prepayments	1,389	955
Allowance for other doubtful debtors	(121)	(118)
Total other current assets	**16,411**	**9,111**

The movement in the allowance for other current assets is as follows:

	December 31, 2020	December 31, 2019
Balance at beginning of the year	118	16
Charge in the current year	105	101
Released in the current year	(104)	-
Translation adjustment	2	1
Balance at end of the year	**121**	**118**

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 Group is entitled to receive the aforesaid compensations for the electricity costs incurred in 2019 and in 2020. In September 2020, the Group 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. For further details please see also Note 23 Other operating income.

12 CASH AND CASH EQUIVALENTS

Cash and cash equivalents can be analyzed as follows:

	December 31, 2020	December 31, 2019
Cash at banks in RON	923	395
Cash at banks in foreign currency	5,316	546
Cash in hand in RON	39	26
Cash equivalents	-	-
Restricted cash	55	924
Total cash and cash equivalents	**6,333**	**1,891**

Restricted cash represents cash collateral deposited at banks with the purpose of issuing letters of credit for acquiring raw materials and equipments and with the purpose of maintaining a required level of liquidity in respect of interest payable on its borrowings.

On 31 December 2019 theGroup has letters of credit with cash collateral transfers opened at Raiffeisen Bank in amount of EUR 184 thousand (RON 878 thousand) (2020: nill).

12 CASH AND CASH EQUIVALENTS (continued)

Cash at banks earns interest at floating rates based on daily banks deposit rates. Short-term deposits are made for varying periods between one day and one month, depending on the immediate cash requirements of the Group.

Also, as of December 31, 2020 all current bank accounts opened by the Company, as well as all the amounts of money in their credit or by which such bank accounts are credited at a certain moment (subject to certain exceptions) are pledged to secure the borrowings contracted by the Entity in May 2018 (2020: RON 5,274 thousand; 2019: RON 581 thousand).

13 ISSUED CAPITAL

The statutory share capital as of December 31, 2020 and December 31, 2019 is in amount of RON 488,412,908 representing 82,086,203 shares having a par value of RON 5.95 per share.

	Statutory figures					
	December 31, 2020			December 31, 2019		
SHAREHOLDERS	Number of shares	Nominal Value RON (thousand)	%	Number of shares	Nominal Value RON (thousand)	%
ALRO SA	81,595,860	485,495	99.4026	81,595,860	485,495	99.4026
Individuals	484,853	2,885	0.5907	487,778	2,902	0.5942
Companies	5,490	33	0.0067	2,565	15	0.0031
Total	**82,086,203**	**488,413**	**100%**	**82,086,203**	**488,413**	**100%**

The major shareholder of Alum S.A. is Alro S.A. owned by Vimetco N.V. (the Netherlands). The Company's ultimate controlling entity is Maxon Limited (Bermuda).

14 RESERVES

	December 31, 2020	December 31, 2019
Legal reserve	20,390	16,900
Other reserves	26,645	30,645
Total reserve	**47,035**	**47,545**

The legal reserve is made up at 20% of the issued and paid shared capital of the Company, according to the regulations in force, it is not distributable and its utilization is strictly regulated by the laws.

Other reserves include mainly amounts that were generated by statutory revaluation of fixed assets.

15 BORROWINGS AND LEASES

	December 31, 2020	December 31, 2019
Long-term borrowings		
Long-term loans (see also Note 28)	42,041	75,089
Bank loans, non-current	**42,041**	**75,089**
Long-term lease	1,123	1,787
Total long-term borrowings and lease	**43,164**	**76,876**
Short-term borrowings		
Short-term portion of long-term bank loans	29,804	32,222
Other short-term borrowings	-	32,466
Short-term bank loans, total	**29,804**	**64,688**
Short-term lease	670	736
Total short-term borrowings and lease	**30,474**	**65,423**
Total borrowings and lease	**73,638**	**142,299**

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. As of 31 December 2020, the Company has disbursed the total value of USD 25,000 thousand.

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% - 6.39%).

For the exposure of the Group's borrowings to interest rate changes, please refer to Note 31.

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

In August 2019, the Company Alum 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, theCompany 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 Group 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 Group 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 subsidiary 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, with the surplus between the future repurchase price and the price received at transaction date being accrued as interest expense under Interest expense (see Note 26): RON 272 thousand for 2020 (2019: RON 90 thousand).
In December 2020, the Company Alum 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.

15 BORROWINGS AND LEASES (continued)

The Group subsidiary Sierra Leone has a line of credit from Sierra Leone Commercial Bank, in SLL, equivalent to 257,000 USD, duration will be one year starting from May 2018 at an interest rate of 19% per year and processing fees - 1% flat, paid. In May 2019 SMHL renewed for 1 year the overdraft limit for the amount of USD 230 th for working capital. In November 2019 SMHL received a supplimental overdraft facility validity until January 2020. In January 2020 SMHL renewed for 1 year the overdraft limit for the amount of USD 400 thousand (SLL 4,000,000 thousand) at same interest rate of 19% and validity until February 2021. As at December 31, 2020 the amount used from both overdraft lines was USD 105 thousand (SLL 1,050,000 thousand) (2019: USD 410 thousand (SLL 3,955,516 thousand)).

In March 2020, a subsidiary of the Group in Sierra Leone obtained finance from a local commercial bank amounting to SLL 6,000,000 thousand (the equivalent of RON 2,632 thousand) for working capital. The loan is repayable in equal instalments until August 2021. As of December 31, 2020, the loan balance was in amount of SLL 2,880,000 thousand (the equivalent of RON 1,142 thousand).

The Group 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 (see Note 12) (2019: RON 581 thousand), with property, plant and equipment (land, buildings, equipment) with a net book value of RON 152,806 thousand (2019: RON 153,666 thousand) and with inventories of RON 148,381 thousand (2019: RON 205,2351thousand).

The Group have estimated that the fair value of the borrowings and the leases equals their carrying amount, mainly due to the fact that the long term loans have variable interest and the bank margins are similar with those for the recently contracted bank loans. Their fair value belongs to the level 3 of the fair value measurement hierarchy.

The carrying amounts of the Group's borrowings are denominated in the following currencies:

	December 31, 2020	December 31, 2019
RON	-	-
USD	70,287	105,584
EURO	-	32,446
SLL	1,558	1,747
Total	**71,845**	**139,777**

Changes in liabilities arising from financing activities of the Group:

	Bank and other loans	Finance leases
Balance at 1 January 2020	**139,776**	**2,523**
New contracts	2,630	-
Cash outflows	(64,953)	(744)
Interest expense	5,860	121
Interest paid	(5,548)	(121)
Interest capitalised	-	-
Translation differences	(5,920)	14
Balance at 31 December 2020	**71,845**	**1,793**

15 BORROWINGS AND LEASES (continued)

	Bank and other loans	Finance leases
Balance at 1 January 2019	**60,253**	**292**
New contracts	75,204	2,999
Cash outflows	-	(769)
Interest expense	7,296	152
Interest paid	(6,466)	(152)
Interest capitalised	-	-
Translation differences	3,489	1
Balance at 31 December 2019	**139,776**	**2,523**

16 RETIREMENT BENEFIT OBLIGATION

The Group recognized employment benefits expenses representing salaries and other staff costs as follows:

	2020	2019
Salaries and other staff costs	105,277	101,289

Defined contribution plans

The employees of the Group are members of the state-managed retirement benefit plan and starting with January 1, 2008 can/must (for employees above/under the age of 35) subscribe to private pension funds. The Group contributes a specified percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit plan is to make the specified contributions during the period of employment of the respective employees.

The Group has an arrangement in place to make payments to an optional defined contribution plan for the post-employment benefit of its employees that have rendered service to the Group during the period. The defined contribution plan is managed by a separate entity and the contribution made by the Group was in the form of fixed amounts per employee, paid monthly. The Group recognized the liability undiscounted (accrued expense) at the reporting date after deducting any contribution already paid, and the expense incurred during the year, the Group's legal and constructive obligation being limited to the amounts that it contributes to the fund.

Contributions to defined contribution plans

	December 31, 2020	December 31, 2019
Social insurance costs	479	437
Other defined contribution pension plans	1,138	1,054

Defined benefit plans

According to the Collective Labor Agreement of the Company, when retiring due to age or disease, the employees benefit from a retirement bonus which is computed based on the number of years of work and varies between 1 and 6 salaries.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at December 31, 2020 by an independent actuarial specialist. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

16 RETIREMENT BENEFIT OBLIGATION (continued)

The principal assumptions used for the purposes of the actuarial valuations were as follows:

	December 31, 2020	December 31, 2019
Expected rate of salary increase (%)	3.81	3.68
Discount rate (%)	3.17	4.57
Expected inflation rate (%)	2.42	2.58

Amounts recognized in profit or loss in respect of these defined benefit plans are as follows:

	2020	2019
Current service cost	1,008	1,002
Interest on obligation	441	458
Total	**1,449**	**1,460**

The expense on current service cost for the year is included in the statement of profit or loss and other comprehensive income as Cost of goods sold (2020: RON 812 thousand, 2019: RON 855 thousand) and Administrative expenses (2020: RON 196 thousand, 2019: RON 147 thousand), and interest cost on obligation as Interest expense.

The movement of the present value of the obligation regarding the determined benefits was the following:

	2020	2019
Balance at 1 January	**7,059**	**6,746**
Included in profit or loss:		
Current service cost	1,008	1,002
Interest on obligation	441	458
Included in other comprehensive income:		
Actuarial (gain)/loss from demographic assumptions	(11)	(21)
Actuarial (gain)/loss from financial assumptions	450	73
Actuarial (gain)/loss from experience adjustments	905	171
Benefits paid	(1,602)	(1,207)
Translation adjustment	(209)	(163)
Balance at 31 December	**8,041**	**7,059**

Significant actuarial assumptions for the determination of defined benefit obligation are: discount rate, estimated salary increase rate and estimated inflation rate. The sensitivity analysis below has been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant:

Defined benefit obligation change

	2020	2019
Discount rate +1%	7,409	6,418
Discount rate -1%	9,158	7,793
Estimated salary increase rate +1%	9,151	7,796
Estimated salary increase rate -1%	7,403	6,391
Longevity +1 year	8,169	7,003
Longevity -1 year	8,271	7,104
Employee turnover rate +0.5%	8,129	6,983
Employee turnover rate -0.5%	8,308	7,119

16 RETIREMENT BENEFIT OBLIGATION (continued)

The sensitivity analyses above has been determined based on a method that extrapolates the impact on net defined benefit obligation as a result of reasonable changes in key assumptions occurring at the end of the reporting period.

The Group expects to make a payment of RON 527 thousand from the defined benefit obligation in the next financial year (at 31 December 2019 the estimations were of RON 456 thousand).
The weighted average duration of defined benefit obligation is 15.6 years.

The following information relates to the maturity profile of the defined benefit obligation at 31 December 2020:

Maturity analysis of defined benefit payments	Retirement benefits	Death-in-service benefits	Total
Within 1 year	323	186	**509**
1 - 2 years	313	210	**523**
2 - 5 years	1,313	800	**2,113**
5 - 10 years	5,128	1,941	**7,069**
Over 10 years	43,379	9,026	**52,405**

17 DECOMISSIONING PROVISIONS

The provision recorded as of December 31, 2020 relates to the expected site restoration expenses in respect of the bauxite mine operated by Sierra Mineral Holdings I Ltd and Alum's waste dump (red mud lake) closing expenses.

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

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 71 per square meter and discount rates of 1.69% (2019: 3.02%).

These estimates are reviewed regularly to take into account any material changes to the assumptions. However, actual rehabilitation costs will ultimately depend upon future market prices for the necessary rehabilitation works required that will reflect market conditions at the relevant time.

SMHL recognizes in full the provision for the future costs of rehabilitating the environment disturbed as a result of the mining activities.
SMHL recorded the provision based on technical assessment to restore and rehabilitate the affected mining areas for the related costs required to be incurred. The technical assessment was performed by an external valuation expert, provision started in 2014 and unwinding of the discount of RON 623 thousand is recognised in the current year (2019: RON 528 thousand).

17 DECOMISSIONING PROVISIONS (continued)

The provisions for employees compensation are recognized by the Group 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.

	January 1, 2019	Additional provisions recognised	Utilisation of provisions	Reversal of provisions	Recognition of discount unwinding	December 31, 2019
Provision for land restoration	10,233	-	-	-	598	10,830
Translation adjustment	1,867	-	-	-	558	2,425
Provision for Alum waste dump	19,468	1,809	-	-	835	22,112
Provision for employees remuneration	3,009	-	(1,854)	(1,155)	-	-
Total provisions	**34,576**	**1,809**	**(1,854)**	**(1,155)**	**1,990**	**35,367**
Total long-term provision	31,567	1,809	-	-	1,990	35,367
Total short-term provision	3,009	-	(1,854)	(1,155)	-	-

	January 1, 2020	Additional provisions recognised	Utilisation of provisions	Reversal of provisions	Recognition of discount unwinding	December 31, 2020
Provision for land restoration	10,830	-	-	-	623	11,454
Translation adjustment	2,425	-	-	-	(957)	1,468
Provision for Alum waste dump	22,112	373	-	-	668	23,153
Provision for employees remuneration	-	3,745	-	-	-	3,745
Total provisions	**35,367**	**4,118**	**-**	**-**	**334**	**39,819**
Total long-term provision	35,367	373			334	36,074
Total short-term provision	-	3,745	-	-	-	3,745

18 GOVERNMENT GRANTS

	2020	2019
Balance as of 1 January	**5,335**	**4,843**
Increases during the year	-	839
Revenues recorded during the year in the statement of profit or loss	(379)	(347)
Balance as of 31 December	**4,956**	**5,335**
Out of which:		
Current	379	379
Non-current	4,577	4,956

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

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.

The equipments purchased 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.

Income released to the Statement of profit or loss of RON 379 thousand (2019: RON 347 thousand) represent the portion recognized as income during the year from the above mentioned subsidies, as well as from subsidies received in previous years for equipments.

The income recognized during the year in the Statement of profit or loss and other comprehensive income of the Group is included in the category Other operating income (refer to Note 23).

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.

At the end of the project must be achieved also the result indicators, i.e. turnover (RON 605.225 thousand) and market share (1,26%). These indicators are reported annually, 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.

As at 31 December 2020 there are no contingent liabilities attached to these grants.

19 TRADE AND OTHER PAYABLES

	December 31, 2020	December 31, 2019
Foreign trade payables	9,351	4,817
Domestic trade payables	32,768	47,022
Accrued trade payables	1,656	3,313
Total	**43,775**	**55,152**

Details regarding the Group transactions with the related parties are presented in Note 28.

20 OTHER CURRENT LIABILITIES

	December 31, 2020	December 31, 2019
Suppliers of fixed assets	1,288	1,951
Advances from customers (Note 27)	363	19,326
Wages and social security taxes	17,835	6,770
Tax on salaries	2,532	406
Other taxes	1,858	2,320
Dividends payable	5	5
VAT Payable	29,483	2,292
Other	1,612	1,887
Total	**54,976**	**34,957**

The balance of advances from Alro as of December 31, 2020 was 0 (nil) (31 December 2019: RON 19,301 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 Group 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 and VAT payable in total amount of RON 25,880 thousand.

21 REVENUES FROM CONTRACTS WITH CUSTOMERS

	Year ended December 31, 2020	Year ended December 31, 2019
Revenues from sales of alumina	669,633	782,434
Revenues from sales of bauxite	36,556	53,859
Revenues from sales of fuel (SMHL)	13,966	23,468
Other revenues	2,214	1,208
Total	**722,369**	**860,969**

22 COST OF GOODS SOLD

In 2019, the Group recognized employment benefits expenses representing salaries and other staff costs of RON 101,289 thousand (in 2018: RON 97,362 thousand) in the Statement of profit or loss.

In 2020, Staff costs category increased as a result of an increase in the salary fund due to the negotiations of the Collective Labor Contract and certain bonuses for good performance granted to the Company's personnel.

The provisions for employees compensation are recognized by the Company Alum basically in accordance with the Collective Labor Agreements. In 2020, the Company Alum recorded a provision in amount of RON 3,745 thousand (in 2019: nil). The exact amount and timing of the remuneration will be established after the approval of the financial statements for the year 2020.

22 COST OF GOODS SOLD (continued)

	Year ended December 31, 2020	Year ended December 31, 2019
Energy, water and gas	149,125	191,764
Raw materials	227,752	218,548
Staff costs	60,906	59,933
Other staff costs	6,434	5,486
Consumables expenses	45,661	61,707
Amortization and depreciation	46,173	40,404
Third party services	16,463	33,021
Repairs	4,748	4,002
Transportation costs	46,348	62,687
Packing	1,075	1,066
Fuel (SMHL)	12,461	21,382
Taxes (SMHL)	10,809	20,962
Other	3,139	490
(Decrease)/increase in allowances for slow moving and obsolete inventories	117	337
Total	**631,211**	**721,789**

23 OTHER OPERATING INCOME

	Year ended December 31, 2020	Year ended December 31, 2019
Government grants (Note 18)	15,764	347
Income from sale of emission rights	61,145	74,793
Income from unused provision reversals (Note 17)	-	1,155
Income from claims and penalties	140	347
Other income	3,265	4,557
Total	**80,314**	**81,199**

In 2020, the Group recognized an amount of RON 15,371 thousand as Government grants representing compensations to which it is entitled for its high electricity costs (nil in 2019). The compensation scheme is a part of Romania's plans to partly 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 amounts represent the compensations for indirect emission costs included in the energy expenses incurred by the Company Alum in the years 2019 and 2020. The compensations for the year 2019, namely RON 5,936 thousand was already received in September 2020. See also Note 11 Other current assets.

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 Alum 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. For further details, see also Note 18 Government grants.

23 OTHER OPERATING INCOME (continued)

In 2020, the Group 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 Group 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.

In other revenues are included, mainly, revenues from sale of electricity for the City Hall equipment that assures the town heating, demurrage for bauxite loading/unloading, rent and incomes related to sick leaves.

24 GENERAL AND ADMINISTRATIVE EXPENSES

	Year ended December 31, 2020	Year ended December 31, 2019
Energy, water and gas	165	57
Consumables expenses	4,645	4,838
Staff costs	32,508	30,892
Staff restructuring expenses	539	822
Consulting	2,895	2,899
Third party services	14,025	14,728
Amortization and depreciation	2,936	2,716
Research and development costs	2,575	2,142
Taxes	1,984	2,300
Other staff costs	6,043	5,209
Insurance premiums	2,342	3,194
Commissions and fees	575	509
Other	4,964	6,464
Change in allowance for doubtful debts	(466)	535
Total	**75,729**	**77,305**

In 2020 the Company Alum recognized research and development costs of RON 2,575 thousand (in 2019: RON 2,142 thousand) after the placing into operation in the beginning of 2019 of the equipments under the EU funded project for the project for the research of aluminum hydroxide technology (dry and wet). The target of these projects is to increase the level of innovation and market competitiveness of the Company, while expanding the products portfolio to include new products.

The breakdown of the research and development costs by nature of expenditure is as follows:

	Year ended December 31, 2020	Year ended December 31, 2019
Consumables expenses	115	22
Staff costs	622	558
Third party services	109	196
Amortization and depreciation	1,653	22
Other administrative expenses	75	196
Total	**2,575**	**2,142**

25 OTHER OPERATING EXPENSES

	Year ended December 31, 2020	Year ended December 31, 2019
Other operating expenses	3,165	7,435
Total	**3,165**	**7,435**

Under other operating expenses, are recorded mainly expenses related to penalties for noncompliance with the estimated consumption for electricity and gas and penalties charged by shipping companies for excess/shortage in idle time spent at bauxite loading/unloading, expenses related to sick leaves

26 FINANCIAL RESULTS, NET

	Year ended December 31, 2020	Year ended December 31, 2019
Interest income	2	1
Other financial income	4	9
Interest expense	(5,981)	(7,448)
Interest from discounting provisions	(1,291)	(1,433)
Interest on post-employment benefits	(441)	(458)
Bank commissions	(583)	(900)
Commissions in relation with factoring agreements	(184)	-
Exchange rate differences, net	6,474	(2,677)
Total	**(2,000)**	**(12,906)**

Interest expense in amount of RON 5,981 thousand (in 2020: RON 7,448 thousand) represented transaction costs on loans, which are recognized during the period as interest expense based on the effective interest rate method. The cash effectively paid as transaction costs in 2020 for loans was of RON 5,669 thousand and it is included in the Statement of cash flow under Interest paid (in 2019: RON 6,618 thousand).

Interest expense decreased during 2020 compared to the year 2019 mainly due to lower LIBOR benchmark interest rates.

27 EARNINGS PER SHARE

Basic earnings per share are calculated by dividing the profit attributable to the owners of the Company by the weighted average number of outstanding ordinary shares during the year.

	Year ended December 31, 2020	Year ended December 31, 2019
Profit/(loss) attributable to the owners of the Company	80,776	83,444
Weighted average number of ordinary shares	82,086	82,086
Basic (losses)/earnings per share (RON/share)	0.98	1.02
Dividends paid per share (RON/share)	-	-

There are no equity instruments or share options in place as at December 31, 2020 and as at December 31, 2019 that could potentially dilute the basic earnings per share.

28 RELATED PARTY TRANSACTIONS

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed below.

The main related parties the Group has recorded transactions with in 2020 and 2019 are: Alro S.A., Conef Gaz S.R.L., Vimetco Management Romania S.R.L, Centrul Rivergate S.R.L., Rivergate Fire S.R.L, Vimetco Extrusion. These related party entities have the same ultimate shareholder as the companies of the Group.

Related party	Related party type	Transaction type
Alro S.A.	Shareholder	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

Purchases of goods and services	Year ended December 31, 2020	Year ended December 31, 2019
Vimetco Management Romania SRL	975	780
Alro SA	35,047	27,246
Conef Gaz SRL (natural gas)	112,877	169,933
Centru Rivergate SRL	3,334	3,347
Rivergate Fire SRL	3,206	3,095
Total	**155,438**	**204,401**

Sales of goods and services	Year ended December 31, 2020	Year ended December 31, 2019
Vimetco Extrusion	3	3
Alro SA (finished goods, services)	574,512	642,464
Centru Rivergate SRL	38	37
Total	**574,553**	**642,504**

Trade and other receivables	December 31, 2020	December 31, 2019
Vimetco Power Romania SRL	3,153	3,153
Alro SA	119,610	406
Centru Rivergate SRL	4	4
Total	**122,767**	**3,563**

28 RELATED PARTY TRANSACTIONS (continued)

Trade and other payables	December 31, 2020	December 31, 2019
Alro S.A. - advances	-	19,301
Alro S.A. – trade payables	6,758	7,058
Vimetco Management Romania SRL	176	-
Centru Rivergate SRL	328	328
Rivergate Fire SRL	307	307
Conef Gaz SRL	816	733
Total	**8,385**	**27,727**

Remuneration of directors

The remuneration (including social security taxes) of directors and other members of key management personnel during the year was in amount of RON 14,261 thousand (2019: RON 19,535 thousand).

29 SEGMENT INFORMATION

Business and geographical segments

For management reporting purposes, the Group is organized on a vertically integrated basis into two major operating divisions – bauxite and alumina. The divisions are the basis on which the Group reports its primary segment information. The bauxite segment produces bauxite – principal raw material for producing alumina. The alumina segment produces alumina - principal raw material for aluminium smelting. The bauxite mine is located in Sierra Leone and the alumina plant in Tulcea, Romania. Other operations include services providing to parent, subsidiaries and external customers.

Segment revenues and results for the year ended December 31, 2020 were as follows:

	Bauxite	Alumina	Elimination of inter-segment Transactions and others	Consolidated
External sales	50,523	671,846	-	722,369
Inter-segment sales	149,658	-	(149,658)	-
Total segment revenues (external sales +intersegment sales)	200,181	671,846	(149,658)	722,369
Total segment cost of revenues	(156,857)	(632,789)	158,436	(631,211)
Segment result (gross profit)	**43,324**	**39,057**	**8,778**	**91,158**
Administrative expenses				(75,729)
Other operating revenues, net				76,839
Financial expenses				(8,480)
Financial revenues				6
Net foreign exchange gains / (losses)				6,474
Income tax				(9,492)
Profit for the year				**80,776**

The amount of RON 8,778 thousand, representing inter-segment transactions, is now included in the category "Inter-segment transactions and others ", and eliminated in the category "Cost of revenues".

28 SEGMENT INFORMATION (CONTINUED)

Segment revenues and results for the year ended December 31, 2019 were as follows:

	Bauxite	Alumina	Elimination of inter-segment Transactions and others	Consolidated
External sales	77,328	783,641	-	860,969
Inter-segment sales	216,363	-	(216,363)	-
Total segment revenues (external sales +intersegment sales)	293,691	783,641	(216,363)	860,969
Total segment cost of revenues	(219,222)	(714,004)	211,437	(721,789)
Segment result (gross profit)	**74,469**	**69,637**	**(4,926)**	**139,180**
Administrative expenses				(77,305)
Other operating revenues, net				73,764
Financial expenses				(10,239)
Financial revenues				10
Net foreign exchange gains / (losses)				(2,688)
Income tax				(39,278)
Profit for the year				**83,444**

The amount of RON 4,926 thousand, representing inter-segment transactions, is now included in the category "Inter-segment transactions and others ", and eliminated in the category "Cost of revenues".

29 SEGMENT INFORMATION (continued)

Segment revenue and expense

All segment revenues and expenses are directly attributable to the segments. Joint expenses are allocated to the business segments on the reasonable basis.

Inter-segment transfers

Segment revenue, segment expenses and segment result include transfers between business segments. Such transfers are accounted for at are reflected at their complete cost. Those transfers are eliminated in consolidation.

Segment assets and liabilities

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

Segment assets and liabilities as at December 31, 2020 were as follows:

	December 31, 2020	December 31, 2019
Segment assets		
Bauxite	191,626	239,992
Alumina	627,909	581,507
Unallocated assets, out of which:	57,097	43,653
Property, plant and equipment	4,180	6,470
Inventories	60	59
Tax assets	29,363	25,873
Other short term assets	23,339	11,002
Other long term assets	155	249
Elimination of inter-segment balances	(193,427)	(206,751)
Total consolidated assets	**683,205**	**658,401**
Segment liabilities		
Bauxite	269,260	314,688
Alumina	189,719	223,848
Unallocated liabilities, out of which:	18,902	8,025
Other financial liabilities	5,301	5,473
Tax liabilities	13,601	2,552
Provisions	-	-
Elimination of inter-segment balances	(238,350)	(263,322)
Total consolidated liabilities	**239,531**	**283,239**

29 SEGMENT INFORMATION (continued)

Geographical segments - **Sales by market**

The following table shows the distribution of the Group's consolidated sales by geographical market, regardless of where the goods were produced:

	Year ended December 31, 2020	Year ended December 31, 2019
Romania	586,372	651,532
European Union	42,438	73,165
Non-EU European Countries	29,103	40,010
United States	36,556	-
Other countries	27,901	96,262
Total	**722,369**	**860,969**

30 SUBSIDIARIES

Subsidiary name	Principal activity	No. of shares	Cost of acquisition (RON/share)	Voting rights (%)	Value (RON thousand)
Global Aluminium Ltd.	-bauxite production	3,400,000	24.29	100%	82,581
Total					**82,581**

On May 1, 2011 Alum acquired from Vimetco N.V. 100% of an investment company Global Aluminum Ltd. Global Aluminum Ltd. assets included 100% shareholding in a bauxite mine in Sierra Leone, Sierra Minerals Holding I Ltd. and 100% shareholding in Bauxite Marketing Ltd.

The companies in Alum Group at December 31, 2020 and December 31, 2019 are as follows:

	December 31, 2020		December 31, 2019	
Subsidiary	**Shareholding**	**Votes**	**Shareholding**	**Votes**
Global Aluminum Ltd.	100.00%	100.00%	100.00%	100.00%
Bauxite Marketing Ltd.	100.00%	100.00%	100.00%	100.00%
Sierra Mineral Holdings I, Ltd.	100.00%	100.00%	100.00%	100.00%

31 FINANCIAL RISKS MANAGEMENT

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

Risk management is carried out by the Group Treasury under policies approved by the Board of Directors. The Treasury identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

31 FINANCIAL RISKS MANAGEMENT (continued)

Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The capital structure of the Group consists of debt, which includes the borrowings disclosed in Note 15, net of Cash and cash equivalents as disclosed in Note 12 (i.e. excluding Restricted cash) and shareholders' equity.

The Group's management reviews the capital structure on a regular basis. As a part of this review, management considers the cost of capital and the risks associated with each class of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends to be paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including current and non-current borrowings as shown in the balance sheet) less cash and cash equivalents. Total capital is calculated as 'equity' as per the balance sheet plus net debt.

The gearing ratio as at December 31, 2020 and December 31, 2019 was as follows:

	December 31, 2019	December 31, 2015
Total borrowings (Note 14)	73,638	142,299
Less: cash and cash equivalents (Note 11)	(6,278)	(967)
Net debt	**67,360**	**141,332**
Total equity	443,674	375,162
Total capital	**511,034**	**516,494**
Gearing ratio	**13.18%**	**27.36%**

As it appears from the table above, the gearing ratio has decreased from 27% to 13% at Group level due to the reduction of the loans simultaneously with the improvement of the cash and cash equivalents.

Foreign currency risk management

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

The Group's foreign currency exposure results from:

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

31 FINANCIAL RISKS MANAGEMENT

Foreign currency risk management

The carrying amount of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date is as follows:

	December 31, 2020		December 31, 2019	
	Euro denominated	US Dollars denominated	Euro denominated	US Dollars denominated
	RON thousand	RON thousand	RON thousand	RON thousand
Total current assets	6,587	3,528	20,875	14,081
Total non-current assets	-	-	-	-
Total assets	**6,587**	**3,528**	**20,875**	**14,081**
Total short-term liabilities	8,075	45,893	38,162	15,384
Total long-term liabilities	167	42,041	395	75,089
Total liabilities	**8,242**	**87,934**	**38,557**	**90,473**

Foreign currency sensitivity

The Group is mainly exposed to the European Currency and the US Dollars. The following table details the Group's sensitivity to a 10% increase or decrease of the Romanian Lei against the relevant foreign currencies. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the possible yearly change in foreign exchange rates.

The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their conversion at the year end for a 10% change in foreign currency rates. The sensitivity analysis includes external loans where the denomination of the loan is in a currency other than the functional currency. A positive number indicates a positive gain in profit or loss and equity where the functional currency strengthens against the relevant foreign currency.

	December 31, 2020		December 31, 2019	
	Euro	US Dollars	Euro	US Dollars
	RON thousand	RON thousand	RON thousand	RON thousand
Profit or loss	166	8,441	1,768	7,639
Equity (net of income tax)	139	7,090	1,485	6,417

Interest rate risk management

As the Group has no significant interest-bearing assets, the Group's income and operating cash flows are substantially independent of changes in market interest rates.

The Group's interest rate risk arises mainly from loans taken. Borrowings are received at floating rates and expose the Group to cash flow interest rate risk. Borrowings received at fixed rates expose the Group to fair value interest rate risk. The interest rates on the Group's existing credit facilities are based on the London Interbank Offered Rate ("LIBOR") for USD borrowings, on EURIBOR for borrowings in EUR and on ROBOR (Romanian Interbank Offered Rate) for RON borrowings. The Group borrowings are contracted at floating interest rates.

31 FINANCIAL RISKS MANAGEMENT (continued)

Interest rate sensitivity

The sensitivity analyses below have been determined based on the exposure to interest rates on RON, EUR and 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.

If interest rates would be higher/lower by 1% and all other variables would be constant, the Group's result would increase/decrease by RON 716 thousand (2019: RON 1,051 thousand) and the Group's equity would increase/decrease by RON 602 thousand (2019: RON 504 thousand). This is mainly attributable to the Group's exposure to interest rates on its variable interest rate for USD.

Commodity price risk

Commodity price risk is the risk that the Group's future earnings will be adversely impacted by changes in the market price. The Group'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 Group 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 Group 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 Group's financial assets and financial liabilities, except for the normal volatility of prices on international markets, and of foreign exchange rates. However, the Company Alum is affected by the Government's schemes to support green energy, leading to higher electricity costs. Although the Group's main activity is to sell its products at prevailing market prices, the Group 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.

Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group is exposed to credit risk from its operating activities (primarily trade receivables (see also Notes 10 and 28) and from its financing activities.

Trade receivables consist of number of customers, spread across diverse industries and geographical areas. In order for the Group 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 Group exposure from the concluded transactions is spread amongst approved counterparties. The Group 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 minimize 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 nonperformance by the counterparties in respect of financial instruments.

31 FINANCIAL RISKS MANAGEMENT (continued)

Credit risk management (continued)

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

Trade receivables			**31 December 2020**
Terms	**Balances**	**Adjustment**	**Expected loss rate (%)**
Current (not past due)	414	(2)	0.52%
1-30 days past due	144	(6)	4.34%
31-60 days past due	7	(1)	9.85%
61-90 days past due	56	(24)	42.12%
91-180 days past due	23	(6)	25.72%
More than 180 days past due	377	(218)	61.53%
Individually assessed receivables	122,243	-	-
Total	**123,263**	**(257)**	

Trade receivables			**31 December 2019**
Terms	**Balances**	**Adjustment**	**Expected loss rate (%)**
Current (not past due)	17,880	(72)	0.40%
1-30 days past due	1,180	(10)	0.88%
31-60 days past due	8,787	(1)	11.41%
61-90 days past due	2	(39)	32.85%
91-180 days past due	1	-	-
More than 180 days past due	695	(609)	91.57%
Individually assessed receivables	3,165	-	-
Total	**31,709**	**(729)**	

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying business, Group's treasury function maintains flexibility in funding by maintaining availability under committed credit lines. Management monitors rolling forecasts of the Group's liquidity reserve (i.e., undrawn borrowing facilities and cash and cash equivalents) on the regular basis.

The following tables detail the Group's remaining contractual maturity for financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay.

Year ended 31 December 2020	**On demand**	**< 1 year**	**1-2 years**	**2-5 years**	**> 5 years**	**Total**
Interest-bearing loans and borrowings	-	32,599	43,491	-	-	76,090
Leasing liabilities	-	755	1,191	-	-	1,946
Accounts payable and accrued liabilities	9,389	35,675	-	-	-	45,063
Total	**9,389**	**69,029**	**-**	**44,682**	**-**	**123,099**

31 FINANCIAL RISKS MANAGEMENT (continued)

Liquidity risk (continued)

Year ended 31 December 2019

	On demand	< 1 year	1-2 years	2-5 years	> 5 years	Total
Interest-bearing loans and borrowings	-	70,682	-	80,896	-	151,578
Leasing liabilities	-	857	-	1,939	-	2,796
Accounts payable and accrued liabilities	27,901	29,202	-	-	-	57,103
Total	**27,901**	**100,741**	**-**	**82,835**	**-**	**211,477**

Fair value of financial assets and liabilities

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

• The fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets is determined with reference to quoted market prices (includes listed redeemable notes, bills of exchange, debentures and perpetual notes).
• The fair value of other financial assets and financial liabilities (excluding derivative instruments) is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.
• The fair value of derivative instruments is calculated using quoted prices.

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

• Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
• Level 2 fair value measurements are those derived from valuation techniques containing inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
• Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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

The fair value of the following financial assets and liabilities approximate their carrying amount:

- Trade and other receivables;
- Other current financial assets;
- Cash and cash equivalents;
- Trade and other payables;
- Borrowings.

31 FINANCIAL RISKS MANAGEMENT (continued)

Financial assets and liabilities

	December 31, 2020	Level 1	Level 2	Level 3
Financial assets				
Trade receivables	123,006	-	-	123,006
Cash and cash equivalents	6,278	6,278	-	-
TOTAL FINANCIAL ASSETS	**129,284**	**6,278**	**-**	**123,006**
Financial liabilities				
Borrowings, long term and lease liabilities	43,164	-	-	43,164
Trade and other payables	45,064	-	-	45,064
Borrowings, short term and lease liabilities	30,474	-	-	30,474
TOTAL FINANCIAL LIABILITIES	**118,702**	**-**	**-**	**118,702**

	December 31, 2019	Level 1	Level 2	Level 3
Financial assets				
Trade receivables	30,980	-	-	30,980
Cash and cash equivalents	967	967	-	-
TOTAL FINANCIAL ASSETS	**31,947**	**967**	**-**	**30,980**
Financial liabilities				
Borrowings, long term and lease liabilities	76,876	-	-	76,876
Trade and other payables	57,103	-	-	57,103
Borrowings, short term and lease liabilities	65,423	-	-	65,423
TOTAL FINANCIAL LIABILITIES	**199,402**	**-**	**-**	**199,402**

32 CONTINGENCIES AND COMMITMENTS

Legal cases

As at December 31, 2020 and December 31, 2019, the Group was subject to a number of lawsuits resulted from the normal course of business. Management believes that these actions, except for those already provisioned as of those dates (Note 10), will not have a negative impact on the consolidated financial performance and consolidated financial position of the Group.

Taxation

The taxation system in Romania is undergoing a continuous development phase and is subject to various interpretations and constant changes which may sometimes be retroactive.
In some circumstances, the fiscal authorities may treat some aspects in a different way by calculating additional taxes, interest and penalties, which can be significant.

In Romania, 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. In Sierra Leone the term is of 7 years. The group management considers that the tax liabilities included in these financial statements are appropriate.

32 CONTINGENCIES AND COMMITMENTS (continued)

Taxation (continued)

Starting November 2019, the Company 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 when these consolidated financial statements were approved, the fiscal inspection was not finalized. The Group's management does not expect a significant financial impact from this fiscal audit.

Starting November 2019, the Group subsidiary Sierra Mineral Holdings 1, Limited has been subject to a fiscal audit by the National Revenues Authority (NRA) related to income tax, corporate tax and other taxes of transaction including benefits in kinds as well as tax liability lodgement to NRA, for the period 2017 - 2018. Following this fiscal audit, which was completed in March 2021, the Group subsidiary Sierra Mineral Holdings 1, Limited recognized additional income tax liabilities of RON 384 thousand (USD 91 thousand).

In accordance with the requirements issued by the Romanian Ministry of Public Finance, which relates to the fiscal treatment of the elements of equity that have not been subject to the calculation of the income tax as at the date of their recording in the accounts, due to their nature, should the Romanian entities members of the Group change in the future the destination of the statutory revaluation reserves (to cover losses or to distribute to the shareholders), this will lead to additional income tax liabilities.

Environment

For a description of the environmental obligation see Note 17.

Commitments

As of December 31, 2020 the Group has investment commitments for the year 2021 in amount of USD 7,167 thousand (December 31, 2019: USD 4,445 thousand).

The Group has various contracts concluded as of December 31, 2020 for the acquisition in 2021 of raw materials, electricity, gas and other materials and consumables in the amount of EUR 12,720 thousand, USD 62,798 thousand and RON 137,565 thousand, respectively (December 31, 2019: EUR 10,123 thousand, USD 72,285 thousand and RON 166,236 thousand).

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. More details are presented in Note 18.

On 20.09.2020 Alum filed appeal at Tulcea Court against the Decision no. 64411/21.08.2020 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 Alum’s request and ordered the annulment of Decisions and the Notes on irregularities and establishing financial corrections issued by the same defendant. The Ministry of European Funds – DGPEC has the right to appeal within 15 days from the communication.

33 AUDITOR'S FEE

This note shows the total remuneration payable by the Group and the Company, excluding VAT, to our principal auditors, Ernst & Young Assurance Services SRL for the financial years mentioned below.

	December 31, 2020	December 31, 2019
Statutory audit annual	189	203
Non-audit services	17	17
Total	**206**	**203**

34 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 commitments bank (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.

ALUM GROUP

Directors' Consolidated Report

- 2020 -

This is a free translation from the official Romanian version

SUMMARY

1.1. ALUM GROUP strategy
1.2. Management and organizational culture
1.3. Corporate social responsibility
1.4. Risk management
1.5. Market
1.6. Competition
1.7. The Shareholding and Registered share capital structure
1.8. Contingencies and Commitments

2.1. Consolidated Balance Sheet for year ending 2020
2.2. Consolidated Profit and Loss Account for 2020

Management Consolidated Report for 2020

Introduction

The ALUM GROUP component entities and the respective shareholding as at 31.12.2019 are presented in the table below:

No.	Company	Parent company	Shareholding
1.	Alro SA Slatina	-	-
2.	Alum SA Tulcea	ALRO SA Slatina	99.40 %
3.	Global Aluminium Ltd.	ALUM SA Tulcea	100 %
4.	Bauxite Marketing Ltd.	Global Aluminium Ltd.	100 %
5.	Sierra Mineral Holdings 1, Ltd.	Global Aluminium Ltd.	100 %

1.1. ALUM GROUP orientation

The main goal of ALUM GROUP 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.

For this purpose ALUM GROUP 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.

Financial Highlights

Consolidated Financial Statements		**2020**	**2019**
Sales	RON million	722	861
EBITDA[1]	RON million	143	180
EBITDA margin	RON million	19.8%	20.9%
Total assets	RON million	683	658
Shareholder's equity	RON million	444	375
Net debt[2]	RON million	67	141
Earning per share	RON	0.98	1.02
Equity per share	RON	5.40	4.57
Production			
Alumina production	metric tonnes	426,393	460,911
Bauxite production	metric tonnes	1,342,139	1,883,863
Average number of employees		1,276	1,523

[1]EBITDA: profit before tax, net finance items, other gains and losses, depreciation, amortization and impairement

[2]Net debt: total of short and long-term loans, loans from related parties and lease obligations less cash and cash equivalents

Main development directions of ALUM GROUP

ALUM

The future development projects which ALUM intends to implement these are the continuation of projects of previous years, in particular energy efficiency projects and environment projects presented briefly below:
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).

On 3 May 2011 Alum acquired from Vimetco N,V, 100% of an investment company Global Aluminium Ltd (GAL), Global Aluminium assets included 100% shareholding in a bauxite mine in Sierra Leone, Sierra Mineral Holdings 1, Ltd., and 100% shareholding in Bauxite Marketing Ltd.

GAL

GAL's main subsidiary Sierra Mineral Holdings 1, Ltd. (SMHL), is responsible for the Group's mining operations and operates bauxite mines located in the Bo, Bonthe and Moyamba districts in the Southern province of the Republic of Sierra Leone on the basis of the Bauxite Mineral Prospecting and Mining Lease Agreement dated 16 July 2012 entered into with the Government of the Republic of Sierra Leone and valid from 1st of January 2012 until 31st of December 2031. SMHL has no ownership right with respect to the plots of land where the bauxite mines or the other facilities are located but owns some production and accommodation facilities in the mining area and in the Nitti port. SMHL operates under a mining lease with a concession area of approximately 321.73 square kilometres.

As a vertically integrated producer, the Group sources and uses all of its bauxite from the mines operated in Sierra Leone. SMHL represents one component of the Group's technological flow, being at the base of this integrated production chain: exploration and mining of bauxite.

The bauxite produced by SMHL is sold to Alum for production of alumina, the main raw material used for aluminium production in its refinery located in Tulcea, Romania, which further serves in the aluminium production at ALRO. SMHL also sells excess spare capacity bauxite production to third parties in the external market depending on market demand.

On 1st of May 2011, Alum completed the acquisition of SMHL, Bauxite Marketing Ltd. and their holding company, Global Aluminium Ltd. SMHL has been the Group's major supplier of bauxite since 2009 and is currently its sole supplier of bauxite. Recently, all the Group's alumina and bauxite requirements were fully covered by Alum and SMHL, respectively, while the production surplus was sold to third parties.

The Executive Management of SMHL consist of Aleksandr Ivanov (Country Manager), Basudeb Datta (General Manager) and Abdul Bangura (CFO). The Board of Directors comprises three members, as follows: Pavel Machitski (Member), Steluta-Mariana Niculae-Despa (Member) and Roman Bulat (Member).

In 2020, SMHL registered a production of 1,342,139 tonnes of bauxite compared to 1,883,863 tonnes in 2019. In terms of sales, in 2020, SMHL achieved sales which amounted to 1,321,685 tonnes compared to 1,815,277 tonnes in 2019. SMHL took advantage of the market opportunities by selling the surplus of its bauxite to third parties.

1.1. ALUM GROUP orientation (continued)

Main development directions of ALUM GROUP (continued)

GAL (continued)

Some of the main factors that contributed to the good performance of the company in 2020 include:

- a better organisation of the production activity by outsourcing miningand transportation activities;
- Prices for haulage and equipment rental were renegotiated downwards;
- increasing the operating efficiency through the implementation of a controlled and timely programme of repairs and maintenance for the plants, fleets and equipment used, which directly resulted in a reduction of production losses and increase efficiency;
- making appropriate investments for upgrading the operating equipment, mining, river fleet and in processing and optimisation operations;
- improving the bauxite quality by performing an optimal blend of mined and processed ores; the company engaged on a continuous improvement process of its personnel force by employing better-qualified staff and dropping those that were less efficient or surplus to requirement all geared towards achieving the company's quantitative and qualitative production parameters.
- Company started focusing on training and development of its staff towards sustainable development and growth.

The positive results achieved in 2020 proved once again SMHL to be a profitable company for the past 6 years and the management is determined, foccused despite the challenging period in 2020 to do all it can to consolidate and to maintain a profitable business in the foreseeable future.

The Group's subsidiary, SMHL made significant progress in the completion of a bankable feasibility study ("BFS") for the construction of an alumina trihydrate plant ("ATH plant") in Sierra Leone with a startup capacity of 200,000 tonnes per annum within its mining lease – ML/2005 in Sierra Leone. The completion time of BFS was delayed due to pandemic situation, however, the BFS is expected to be completed by end of first quarter of 2021.

To assess residual potential of bauxite resources and reserves int the concession, SMHL has carred out a detailed extensive exploration program (phase 1) in the northern part of SMHL concession to establish bauxite Mineral Resources and Ore Reserves Statement in line with JORC 2012 reporting standard. SMHL team also completed other associated supplementary studies including preliminary hydrogeological, geotechnical, infrastructure, market and Rapid Environmental Social Impact Assessment (ESIA) to support the overall BFS for the ATH Project development

SMHL is expected to carry out second phase infill exploration drilling in the prspective blocks identified based on phase 1 work to improve resource and reserve base with higher level of confidence (indicated resurces and probable reseves).

SMHL will prioritise costs reduction measures in all its operational areas – mining and transportation and sea transhipment operations.
Moreover, the Group's management is closely monitoring the activity in Sierra Leone also, to take necessary measures to improve performance in real-time.

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 ad 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 requierements 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 exercices 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 the relations with the media and organized an audience program; 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.

1.3 Corporate social responsibility (continued)

- 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.

1.3 Corporate social responsibility (continued)

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).

- Financial support for the non-profit organization "Casiana" for supporting children suffering from incurable diseases;
- Financial support for the non-profit organization "The Danube Delta psychology center" in the benefit of children with autism and other people in distress;
- Financial support for the non-profit organization "The Association of the blind" in Romania for helping people with visual disabilities.
- Continuing a partnership with a local instructor to offer free swimming lessons for Alum's employees children and supporting their participation in sports competitions (swimming, triathlon, etc).

Locally, SMHL is an active member within the communities in Sierra Leone, special attention being paid to the environmental protection, considering the environmental footprint of the mining activity. Through the Community Development Agreement, SMHL supports several investments and social projects for local community development within the mining sector and over the past 3 years has given out substantial scholarships to hundreds of local students with the mining communities..

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. Risk management

Taxation

Income tax expense represents the sum of current and deferred income tax.

The tax rate used is the corporate tax rate payable by each company of the Group on taxable profits under the tax law applicable in the jurisdictions where they operate (i.e., Romania: 16%, Sierra Leone: 30%)

Deferred tax from fiscal loss relates to the Parent Company and Sierra Mineral Holdings I, Ltd. and the management believes there will be sufficient taxable profits in the future against which these fiscal losses could be used. The losses can be carried forward and used against future taxable profits for a period of maximum 7 years in Romania and 10 years in Sierra Leone (losses used cannot exceed 50% of the taxable profits for the year in Sierra Leone).

At Sierra Mineral Holdings I, Ltd., the future taxable profits were based on financial forecasts estimated by the directors at 31 December 2020 and cover a five-year period.The main assumptions used in the forecast are the average sales growth of 6.97% per annum for the next 5 years (31 December 2019: 1.05%), average EBITDA margin of 18.34% (31 December 2019: 17.01%) and a profit before tax margin of 11.81% (31 December 2019: 10.28%) per annum. As a result of the forecast, the management expects to use an amount of RON 59,343 thousand from total RON 214,779 thousand (31 December 2019: RON 46,188 thousand from total RON 253,202 thousand) of prior years' accumulated tax losses to offset its future taxable profits by the end of the respective carry forward period.
The forecasts are most sensitive to the growth and EBITDA margin (2019: to the EBITDA margin and profit before tax margin).

A decrease in the forecasted average sales growth by 1.0% would reduce the deferred tax assets by RON 1,200 thousand and a decrease of the forecasted EBITDA margin by 1.0% would reduce the deferred tax assets by RON 700 (31 December 2019: a decrease in the forecasted EBITDA margin by 1.0% would have reduce the deferred tax assets by RON 1,900 thousand and a decrease in the forecasted profit before tax margin by 1.0% would have reduced the deferred tax assets by RON 2,400).

Current income taxes payable as at 31 December 2020 include RON 5,946 thousand payable by the Alum Company, which benefited from the tax incentives granted by Romanian Government to support businesses during the Covid-19 pandemic, allowing companies to postpone the payment of taxes, under certain conditions, for a maximum period of 12 months.

Financial risk management

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

Risk management is carried out by the Group Treasury under policies approved by the Board of Directors. The Treasury identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The capital structure of the Group consists of debt, which includes the borrowings, net of Cash and cash equivalents and shareholders' equity.

The Group's management reviews the capital structure on a regular basis. As a part of this review, management considers the cost of capital and the risks associated with each class of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends to be paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including current and non-current borrowings as shown in the balance sheet) less cash and cash equivalents. Total capital is calculated as 'equity' as per the balance sheet plus net debt.

1.4. Risk management (continued)

The gearing ratio at December 31, 2020 and December 31, 2019 was as follows:

	Year ended December 31, 2020	Year ended December 31, 2019
Total borrowings	73,638	142,299
Less: cash and cash equivalents	(6,278)	(967)
Net debt	**67,360**	**141,332**
Total equity	443,674	375,162
Total capital	**511,034**	**516,494**
Gearing ratio	**13.18%**	**27.36%**

Foreign currency risk management

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

The Group's foreign currency exposure results from:

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

The carrying amount of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date is as follows:

	December 31, 2020		December 31, 2019	
	Euro denominated	US Dollars denominated	Euro denominated	US Dollars denominated
	' 000 RON	'000 RON	' 000 RON	'000 RON
Total current assets	6,587	3,528	20,875	14,081
Total non-current assets	-	-	-	-
Total assets	**6,587**	**3,528**	**20,875**	**14,081**
Total short-term liabilities	8,075	45,893	38,162	15,384
Total long-term liabilities	167	42,041	395	75,089
Total liabilities	**8,242**	**87,934**	**38,557**	**90,473**

Foreign currency sensitivity

The Group is mainly exposed to the European Currency and the US Dollars. The following table details the Group's sensitivity to a 10% increase or decrease in the Romanian Lei against the relevant foreign currencies. Ten per cent is the sensitivity rates used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the possible yearly change in foreign exchange rates.

	December 31, 2020		December 31, 2019	
	Euro	US Dollars	Euro	US Dollars
	'000 RON	'000 RON	'000 RON	'000 RON
Profit or loss	166	8,441	1,768	7,639
Equity	139	7,090	1,485	6,417

1.4. Risk management (continued)

The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their conversion at the year end for a 10% change in foreign currency rates. The sensitivity analysis includes external loans where the denomination of the loan is in a currency other than the functional currency. A positive number indicates a positive gain in profit or loss and equity where the functional currency strengthens against the relevant foreign currency.

Interest rate risk management

As the Group has no significant interest-bearing assets, the Group's income and operating cash flows are substantially independent of changes in market interest rates.

The Group's interest rate risk arises mainly from loans taken. Borrowings are received at floating rates and expose the Group to cash flow interest rate risk. Borrowings received at fixed rates expose the Group to fair value interest rate risk. The interest rates on the Group's existing credit facilities are based on the London Interbank Offered Rate ("LIBOR") for USD borrowings, on EURIBOR for borrowings in EUR and on ROBOR (Romanian Interbank Offered Rate) for RON borrowings. The Group borrowings are contracted at floating interest rates.

Interest rate sensitivity

The sensitivity analyses below have been determined based on the exposure to interest rates on RON, EUR and 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.

If interest rates would be higher/lower by 1% and all other variables would be constant, the Group's result would increase/decrease by RON 716 thousand (2019: RON 1,051 thousand) and the Group's equity would increase/decrease by RON 602 thousand (2019: RON 504 thousand). This is mainly attributable to the Group's exposure to interest rates on its variable interest rate for USD.

Commodity price risk

Commodity price risk is the risk that the Group's future earnings will be adversely impacted by changes in the market price. The Group'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 Group 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 Group 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 Group's financial assets and financial liabilities, except for the normal volatility of prices on international markets, and of foreign exchange rates. However, the Company Alum is affected by the Government's schemes to support green energy, leading to higher electricity costs. Although the Group's main activity is to sell its products at prevailing market prices, the Group 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.

Credit risk management

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group 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. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

The Group carries out a very prudential policy for the commercial credit risk and covers credit risk by selling against letters of credit, bank guarantees or by non-recourse factoring. The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

1.4. Risk management (continued)

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying business, Group's treasury function maintains flexibility in funding by maintaining availability under committed credit lines. Management monitors rolling forecasts of the Group's liquidity reserve (i.e., undrawn borrowing facilities and cash and cash equivalents) on the regular basis.

The following tables detail the Group's remaining contractual maturity for financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay.

Year ended 31 December 2020

	On demand	< 1 year	1-2 years	2-5 years	> 5 years	Total
Interest-bearing loans and borrowings	-	32,599	43,491	-	-	76,090
Leasing liabilities	-	755	1,191	-	-	1,946
Accounts payable and accrued liabilities	9,389	35,675	-	-	-	45,063
Total	**9,389**	**69,029**	**-**	**44,682**	**-**	**123,099**

Year ended 31 December 2019

	On demand	< 1 year	1-2 years	2-5 years	> 5 years	Total
Interest-bearing loans and borrowings	-	71,539	-	82,835	-	154,374
Leasing liabilities						
Accounts payable and accrued liabilities	27,901	29,202	-	-	-	57,103
Total	**27,901**	**100,741**	**-**	**82,835**	**-**	**211,477**

Fair value of financial assets and liabilities

The fair values of financial assets and financial liabilities are determined as follows:
• The fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets is determined with reference to quoted market prices (includes listed redeemable notes, bills of exchange, debentures and perpetual notes).
• The fair value of other financial assets and financial liabilities (excluding derivative instruments) is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.
• The fair value of derivative instruments is calculated using quoted prices.

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.
• Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
• Level 2 fair value measurements are those derived from valuation techniques containing inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
• Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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

1.4. Risk management (continued)

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

Financial assets and liabilities

	December 31, 2020	Level 1	Level 2	Level 3
Financial assets				
Trade receivables	123,006	-	-	123,006
Cash and cash equivalents	6,278	6,278	-	-
TOTAL FINANCIAL ASSETS	**129,284**	**6,278**	**-**	**123,006**
Financial liabilities				
Borrowings, long term	43,164	-	-	43,164
Trade and other payables	45,064	-	-	45,064
Borrowings, short term	30,474	-	-	30,474
TOTAL FINANCIAL LIABILITIES	**118,702**	**-**	**-**	**118,702**

	December 31, 2019	Level 1	Level 2	Level 3
Financial assets				
Trade receivables	30,980	-	-	30,980
Cash and cash equivalents	967	967	-	-
TOTAL FINANCIAL ASSETS	**31,947**	**967**	**-**	**30,980**
Financial liabilities				
Borrowings, long term	76,876	-	-	76,876
Trade and other payables	57,103	-	-	57,103
Borrowings, short term	65,423	-	-	65,423
TOTAL FINANCIAL LIABILITIES	**199,402**	**-**	**-**	**199,402**

Internal control system

The Group's internal control system aims to ensure conformity with the laws in force, a good operation of the Group's internal activity in accordance with the decisions made by the management and also contributes to the effectiveness of the Group's operations, the efficient use of the resources, prevention and control of the risk of failing to reach the objectives set.

Internal control is applicable throughout the operations conducted by the Group prior to and during the performance of the operations and after their completion.

Internal control is performed by accounting and financial internal control, according to the accounting policies manual, the procedures regarding the application of the manual, monitoring through the periodical control program the compliance with these accounting procedures and policies, the conformity with the accounting rules, the knowing and observance of the financial-accounting laws, ensuring the fairness and completeness of the accounting records, monitoring the obtaining and presenting in the annual financial statements of quality information to the satisfaction of the users' needs.

1.5. Market

In 2020 Alum and subsidiaries recorded in the Financial Statements a turnover in amount of RON 722,369 th, structured as follows:

✓ Sales of alumina	592,191	th RON
✓ Sales of hydrate	77,163	th RON
✓ Revenues from sales of scrap iron and wastes	1,463	th RON
✓ Revenues from sales of bauxite	36,556	th RON
✓ Other revenues	14,996	th RON

The following table shows the distribution of the Group's consolidated sales of alumina, hydrate and bauxite by geographical market, regardless of where the goods were produced:

	Year ended December 31, 2020	Year ended December 31, 2019
Romania	586,372	651,532
European Union	42,438	73,165
Non-European Countries	29,103	40,010
United States	36,556	-
Other	27,901	96,262
Total	**722,369**	**860,969**

1.6. 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.

The Group will continue to give a special attention to monitoring the activity and evolution of bauxite, alumina and aluminum prices on the international markets, so that the management could receive timely and relevant information in order to make the most beneficial decisions.

1.7. The shareholding structure and the Registered share capital

At December 31, 2020 the shareholding structure of ALUM is as follows:

	Statutory figures					
	December 31, 2020			December 31, 2019		
	Number of shares	Nominal Value RON (thousand)	%	Number of shares	Nominal Value RON (thousand)	%
ALRO SA	81,595,860	485,495	99.4026	81,595,860	485,495	99.4026
Individuals	484,853	2,885	0.5907	487,778	2,902	0.5942
Companies	5,490	33	0.0067	2,565	15	0.0031
Total	**82,086,203**	**488,413**	**100%**	**82,086,203**	**488,413**	**100%**

On May 1, 2011 Alum acquired from Vimetco N.V, 100% of an investment company Global Aluminum Ltd. Global Aluminum Ltd, assets included 100% shareholding in a bauxite mine in Sierra Leone, Sierra Mineral Holdings 1, Ltd., and 100% shareholding in Bauxite Marketing Ltd.

The main companies in Alum Group at December 31, 2020 and December 31, 2019 are as follows:

	December 31, 2020		December 31, 2019	
Subsidiary	**Shareholding**	**Votes**	**Shareholding**	**Votes**
Global Aluminum Ltd.	100.00%	100.00%	100.00%	100.00%
Bauxite Marketing Ltd.	100.00%	100.00%	100.00%	100.00%
Sierra Mineral Holdings 1, Ltd.	100.00%	100.00%	100.00%	100.00%

1.8. Contingencies and Commitments

Contingencies

Legal cases

As at December 31, 2020 and December 31, 2019, the Group was subject to a number of lawsuits resulted from the normal course of business. Management believes that these actions, except for those already provided as of those dates, will not have a negative impact on the consolidated financial performance and consolidated financial position of the Group.
The company SMHL is involved in litigation arising from its former employees' claims and Leonean Sand Pumping Station Limited. In the event that judgement is given against Sierra Mineral Holdings 1 Limited, the company would be liable to pay an amount not less than USD 16,062 (2019: Nil) in addition to legal charges.

Taxation

The taxation system in Romania is undergoing a continuous development phase and is subject to various interpretations and constant changes which may sometimes be retroactive.
In some circumstances, the fiscal authorities may treat some aspects in a different way by calculating additional taxes, interest and penalties, which can be significant.

In Romania, 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. In Sierra Leone the term is of 7 years.

Starting November 2019, the Group subsidiary Sierra Mineral Holdings 1, Limited has been subject to a fiscal audit by the National Revenues Authority (NRA) related to income tax, corporate tax and other taxes of transaction including benefits in kinds as well as tax liability lodgement to NRA, for the period 2017 - 2018. Following this fiscal audit, which was completed in March 2021, the Group subsidiary Sierra Mineral Holdings 1, Limited recognized additional income tax liabilities of RON 384 thousand (USD 91 thousand).

Starting November 2019, the Company 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 when these consolidated financial statements were approved, the fiscal inspection was not finalized. The Group's management does not expect a significant financial impact from this fiscal audit.

In accordance with the requirements issued by the Romanian Ministry of Public Finance, which relates to the fiscal treatment of the elements of equity that have not been subject to the calculation of the income tax as at the date of their recording in the accounts, due to their nature, should the Romanian entities members of the Group change in the future the destination of the statutory revaluation reserves (to cover losses or to distribute to the shareholders), this will lead to additional income tax liabilities.

1.8. Contingencies and Commitments (continued)

Commitments

As of December 31, 2020 the Group has investment commitments for the year 2021 in amount of USD 7,167 thousand (December 31, 2019: USD 4,445 thousand).

The Group has various contracts concluded as of December 31, 2020 for the acquisition in 2021 of raw materials, electricity, gas and other materials and consumables in the amount of EUR 12,720 thousand, USD 62,798 thousand and RON 137,565 thousand, respectively (December 31, 2019: EUR 10,123 thousand, USD 72,285 thousand and RON 166,236 thousand).

2.1. Consolidated Balance Sheet for year ending 2020

	December 31, 2020	December 31, 2019	Variance 2020/2019
ASSETS			
Non-current assets			
Property, plant and equipment	255,261	282,695	(27,434)
Intangible assets	155	249	(94)
Goodwill	73,022	78,450	(5,428)
Deferred tax	29,363	25,873	3,490
Other non-current assets	1,873	2,660	(787)
Total non-current assets	**359,674**	**389,927**	**(30,253)**
Current assets			
Inventories	177,186	226,492	(49,306)
Trade receivables	123,006	30,980	92,026
Other current assets	16,411	9,111	7,300
Income tax receivable	595	-	595
Restricted cash	55	924	(869)
Cash and cash equivalents	6,278	967	5,311
Total current assets	**323,531**	**268,474**	**55,057**
Total assets	**683,205**	**658,401**	**24,804**
EQUITY AND LIABILITIES			
Capital and reserves			
Issued capital	488,413	488,413	-
Reserves	47,035	47,545	(510)
Accumulated deficit	(91,774)	(160,796)	69,022
Equity attributable to owners of the Entity	**443,674**	**375,162**	**68,512**
Total equity	**443,674**	**375,162**	**68,512**
Non-current liabilities			
Borrowings	42,041	75,089	(33,048)
Finance lease liabilities, non-current	1,123	1,787	(664)
Retirement benefit obligation	8,041	7,059	982
Provisions, long term	36,074	35,367	708
Government grants, non-current portion	4,577	4,956	(379)
Other non-current liabilities	724	517	207
Total non-current liabilities	**92,581**	**124,775**	**(32,194)**

	December 31, 2020	December 31, 2019	Variance 2020/2019
Current liabilities			
Trade and other payables	43,775	55,152	(11,377)
Borrowings	29,804	64,688	(34,883)
Finance lease liabilities, current	670	736	(66)
Current income tax	13,601	2,552	11,049
Provisions	3,745	-	3,745
Government grants, current portion	379	379	-
Other current liabilities	54,976	34,957	20,019
Total current liabilities	**146,950**	**158,464**	**(11,514)**
Total liabilities	**239,531**	**283,239**	**(43,708)**
Total equity and liabilities	**683,205**	**658,401**	**24,804**

2.2. Consolidated Statement of Comprehensive Income for year ending 2020

At the end of 2020, Alum Group recorded a profit in amount of 80,776 KRON.

	2020	2019	Variance 2020/2019
Revenues from contracts with customers	722,369	860,969	(138,600)
Cost of sales	(631,211)	(721,789)	90,578
Gross profit	91,158	139,180	(48,022)
Other operating income	80,314	81,199	(885)
Impairment of property plant and equipment	-	-	-
Administrative expenses	(75,729)	(77,305)	1,576
Other operating expenses	(3,165)	(7,435)	4,270
Other gains/(losses)	(310)	(11)	(299)
Finance revenue	6	10	(4)
Finance cost	(8,480)	(10,239)	1,759
Finance result, net	(2,000)	(12,906)	10,906
Profit before income taxes	**90,268**	**122,722**	**(32,454)**
Income tax expense	(9,492)	(39,278)	29,786
(Loss)/profit for the period	**80,776**	**83,444**	**(2,668)**
(Loss)/profit per share	**0.98**	**1.02**	

President of the Board of Directors
D. Sc eng. Dobra Gheorghe

General Director
D. Sc eng. Dobra Gheorghe

Finance Director
Ec. Duralia Mihaela