2020 Annual Report

vimetco
alro

Contents

Financial and operational highlights for the year 2020

ALRO Group

Indicator	2020	2019
Primary aluminium production (tonnes)	271,307	280,326
Processed aluminium production (tonnes)	98,020	104,614
Alumina production (tonnes)	426,393	460,911
Bauxite production (tonnes)	1,342,139	1,883,863
Sales (thousand RON)	2,514,716	2,777,801
EBITDA[1] (thousand RON)	566,502	247,206
EBITDA margin (%)	23%	9%
Net result (thousand RON)	334,773	(67,237)
Adjusted net result[2] (thousand RON)	323,801	(53,336)

ALRO S.A.

Indicator	2020	2019
Primary aluminium production (tonnes)	271,307	280,326
Processed aluminium production (tonnes)	72,387	83,144
Primary aluminium sales (tonnes)	159,478	152,464
Processed aluminium sales (tonnes)	75,225	80,683
Sales (thousand RON)	2,307,360	2,492,611
EBITDA[1] (thousand RON)	402,220	57,433
EBITDA margin (%)	17%	2%
Net result (thousand RON)	295,206	(152,901)
Adjusted net result[2] (thousand RON)	237,044	(110,822)
Net earnings per share (RON)	*0.414*	*(0.214)*
Adjusted net earnings[2] per share (RON)	*0.332*	*(0.155)*

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

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

CAUTIONARY STATEMENT

This Report is supplied to you solely for your information and may not be reproduced in any form, redistributed or passed on, directly or indirectly, to any other person or published, in whole or in part, by any medium or for any purpose. Failure to comply with this restriction may constitute a violation of applicable securities laws.

Certain statements included within this Report may contain (and oral communications made by us or on our behalf may contain) forward-looking information, including, without limitation, those relating to (a) forecasts, projections and estimates, (b) statements of management's plans, objectives and strategies for ALRO/ ALRO Group, such as planned expansions, investments or other projects, (c) targeted production volumes and costs, capacities or rates, start-up costs, cost reductions and profit objectives, (d) various expectations about future developments in ALRO/ ALRO Group's markets, particularly prices, supply and demand and competition, (e) results of operations, (f) margins, (g) growth rates, (h) risk management, as well as (i) statements preceded by "expected", "scheduled", "targeted", "planned", "proposed", "intended" or similar statements.

Although we believe that the expectations reflected in such forward-looking statements are reasonable, these forward- looking statements are based on a number of assumptions and forecasts that, by their nature, involve risk and uncertainty. Various factors could cause our actual results to differ materially from those projected in a forward-looking statement or affect the extent to which a particular projection is realized.

Factors that could cause these differences include, but are not limited to: our continued ability to reposition and restructure our upstream and downstream aluminium business; changes in availability and cost of energy and raw materials; global supply and demand for aluminium and aluminium products; world economic growth, including rates of inflation and industrial production; changes in the relative value of currencies and the value of commodity contracts; trends in ALRO/ ALRO Group's key markets and competition; and legislative, regulatory and political factors. No assurance can be given that such expectations will prove to have been correct.

ALRO/ ALRO Group disclaims any obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

Note 1: In this report, the terms "ALRO Group" and "the Group" are sometimes used for convenience where references are made to ALRO S.A. and its subsidiaries, in general, and the terms "Company" and "Parent-company" are sometimes used for convenience where references are made to ALRO S.A.

The financial statements included in this report are audited and present the individual and consolidated financial results of ALRO and ALRO Group that have been prepared in accordance with the Ministry of Public Finance Order no. 2844/2016, with subsequent amendments, which is in accordance with the International Financial Reporting Standards (IFRS) adopted by the European Union (EU), except for IAS 21 The Effects of Changes in Foreign Exchange Rates regarding the functional currency, except for the provisions of IAS 20 Accounting for Government Grants regarding the recognition of revenues from green certificates, except for the provisions of IFRS 15 Revenue from Contracts with Customers regarding the revenue from taxes of connection to the distribution grid.

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

Note 2: A list of all abbreviations and definitions used in this report can be found on page 76.

Letter to shareholders

Marian NĂSTASE,
Chairman

Gheorghe DOBRA,
Chief Executive Officer

Dear readers and shareholders,

First of all, we are happy to be virtually in front of you healthy, active and fully operational. What happened to the world in 2020 left profound signs in our behaviour and state of mind. Nevertheless, 2020 gave us several lessons and we demonstrated that, at ALRO, we can be flexible, work-from-home (where possible) while keeping the efficiency and productivity requirements and ensure the continuity of operations in these new, unpredictable and very challenging circumstances.

Looking back to what happened in 2020, we could say that it was the year when ALRO proved once more that it is a robust company and even though “history and tradition” are its middle names, the Company adapted to the new situation and game rules very quickly and effectively. We are proud to say that ALRO was one of the first companies reacting to the COVID-19 effects. We managed to promptly implement effective and comprehensive measures that ensured the continuity of the Group's operations while protecting the health of our employees and their families. We kept our strategy of developing the high and very high value-added products and continued the vital investments, even though the pressure was even higher in terms of cash-flows, falling demand and LME prices (in the first half of 2020), transportation restrictions imposed by the Governments in March-May 2020 and poor aero and automotive markets due to the pandemic restrictions, while on the other hand we still faced high electricity prices.

2020 was not only challenging but a decisive year from many points of views not only for us but for all companies. In our Group, on top of everything, 2020 was a “refresh” year that brought a lot of changes and further on, achievements. Thus, the operational management of the Group composition related to the Acquisition and Logistics (ALRO and ALUM), Sales and Technical, Quality &Investment functions was modified. The new persons nominated for these key-positions are experts in their areas of activity and have a long track within our organization proving during the past years that they have the necessary skills and experience to take over these roles.

Moreover, in 2020 we made big steps forward in communicating our sustainability progress and we managed to publish one of the best sustainability reports in the market as appreciated by an independent jury during the second ARIR Gala held in October 2020. We are aware of the new requirements and extensive developments in this area and we have already started several internal projects to improve our performance to respond to them promptly while better communicate all these efforts to our stakeholders. Besides this, in 2020, both ALRO and Vimetco Extrusion adhered to ASI (Aluminium Stewardship Initiative), the only multi-stakeholder platform that establishes clear sustainability criteria for the aluminium industry.

In terms of results, despite the unfavourable context, we reported a good overall performance. The aero and automotive markets were deeply affected by the pandemic crisis but we managed to achieve good levels of sales for wire rod and extruded products. ALRO is the biggest producer of aluminium wire rod in Europe, being one of the main suppliers in the cable market, which is related to public utilities and thus an essential component for economies. On the other hand, Vimetco Extrusion, ALRO's downstream subsidiary has done important steps and penetrated the most sophisticated industries in 2020, providing high and very high value-added products for heliports constructions. Moreover, both ALRO and Vimetco Extrusion took advantage in 2020 of the anti-dumping process initiated by Europe to China and in this way we managed to partially offset the negative effects of COVID-19 over demand levels. Besides this, based on the developments done by the authorities in 2020 in respect of the EU-ETS compensation, the adverse energy prices incurred by the Group were partially off-set through the compensation received in September 2020. This compensation covers in a proportion of 75% the impact of CO_2 certificates on the energy price. Thus, the Group's EBIT for 2020 was RON 399.5 million (2019: RON 99 million).

In terms of cash, in 2020 we managed to generate positive net cash flows by our operating activities of RON 323 million, three times higher than the one reported in the similar period of 2019 mainly due to ETS compensation received in September 2020 and sales of emission rights on one side, and the other side to the positive effects of the anti-crisis and inventories levels optimization measures implemented throughout 2020. Moreover, a key objective in 2020 was to preserve the cash position considering the COVID-19 pandemic potential negative effects. Thus, we identified and took advantage of the market opportunities for some of our products while new stock control procedures were implemented. All these measures proved that ALRO's business model brings good results despite the challenging international market conditions and manages to preserve the existing conditions in a combination of cost and time best fitted for the company profile. Furthermore, a successful refinancing of the Company's working capital facilities was finalized in November 2020 and this new engagement of the banks for another three years shows recognition of a sound business and gives stability and financial cost predictability for the coming period. Moreover, in this way, the Company plans to implement state-of-the-art technologies to achieve climate neutrality targets.

Furthermore, we are actively involved in several projects related to the circular economy through which ALRO upstream's subsidiary, ALUM is exploring options for finding a further use to the bauxite residue. Thus, ALUM's involvement in RemovAl, REEScue and ReActiv projects shows the company's commitment towards sustainability and innovation. Moreover, ReActiv project, the industrial residue activation for sustainable cement production which aims to create a novel sustainable value chain linking bauxite residue, the by-product of the alumina production, with the cement industry received in 2020 a grant of approximately EUR 8.8 million.

Also, considering that the electricity cost represents 40% of our total operational costs, the aluminium industry is greatly exposed to fluctuations in electricity prices. Therefore, to access affordable and clean energy and also to support the transition to a sustainable and carbon-neutral energy sector, ALRO is actively exploring to develop its generation sources on-site by a mix of a gas-fuelled power plant and photovoltaic panels, at ALRO's facilities in Slatina and ALUM's facilities in Tulcea and a highly efficient CCPP ("Combined cycle power plant") designed and constructed to the best available technology. It is estimated that this project will be implemented as a turnkey project with future ability to migrate to the use of sustainable low carbon green gases such as green hydrogen when commercially available. Furthermore, the project will increase the efficiency of the national grid by decreasing losses in the network because of its direct connection to the consumer utilities. It will also provide flexibility for the grid as a part of the energy will assure a continuous reserve to help the balance when integrating more RES ("Renewable Energy Sources") into the national system.

We are looking to the future with precaution but also with optimism. The vaccine's availability has made visible some recovery signs within the economy and even though 2020 was a tough year, we are prepared to face another period marked by challenges. We proved in the past that we can take advantage of all market opportunities and transform our weaknesses into strengths and we are prepared more than ever to act likewise in the future, as well.

Marian NASTASE,
Chairman of the Board of Directors

Gheorghe DOBRA,
CEO and Member of the
Board of Directors

This is a free translation from the official Romanian version

Significant events in the financial year 2020

January - December 2020

Market overview

LME evolution

- 2020 was hit by the COVID-19 pandemic outbreak and the LME average price for 2020 was of 1,704 USD/tonne, a lower level compared to the LME average price recorded for 2019 of 1,791 USD/tonne; however, during 2020 a high volatility on the LME price was present on the market. Thus, the minimum LME level in 2020 was of 1,422 USD/tonne, the minimum of the last five years (recorded during the lockdown period, i.e. on 8 April 2020). Starting with June the aluminium price slightly increased until the level of 1,750-1,800 USD/tonne on the Chinese demand optimism followed by a jump to the level of 1,980 USD/tonne on the optimism over COVID-19 vaccine availability. Moreover, levels of over 2,000 USD/tonne were recorded in December 2020, showing a positive trend while signs of shrinking for the LME inventories were also visible by the end of 2020.

Market evolution

- In 2020, the COVID-19 epidemiologic crisis came in addition to a difficult background marked by a continuous global slowdown in manufacturing industries, existing trade tensions and Brexit negotiations. Moreover, after the tough and unexpected hit of the COVID-19 outbreak starting with February 2020 that led to an unprecedented lockdown until April, in 2Q 2020, most European countries applied gradual easing of the restrictions on movement and business activities. However, in 3Q the second wave of COVID-19 started to hit even harder and thus, most European countries applied restrictions and even partial lockdowns. In respect of the aluminium market, a drop of shipments for flat-rolled products ("FRP") was noticed correlated with the decline of all transport industries. The automotive industry started to show signs of recovery by the end of the year. However, fleet replacements were delayed in 2020 in industries such as aerospace, trailers, marine and trucks, while packaging represented one of the resilient markets during this new reality. Moreover, good signs were also visible for the building & construction industry, as constructors restarted the projects already approved before the pandemic outbreak in Europe. The anti-dumping measures imposed on several types of aluminium products from China, first for the extruded products and subsequently for the coils and sheets, have grown European sales.

Moreover, in 1H 2020, the global primary aluminium market was also affected by a surplus of capacity and overloaded inventories. Thus the primary aluminium consumers such as rolling mills and extrusion plants have faced the falling demand for their products, reduced or partial suspension of operations. If the downstream and end-use aluminium sectors could close some of their production units, the aluminium smelters have generally continued to operate as the aluminium smelters cannot simply be turned on and off as there are is a cost and time penalty to closing production. Thus, the worldwide supply of primary aluminium continued to grow in the first six months of 2020. These discrepancies between the supply and demand for aluminium products have resulted in sizable accumulated inventories and little buying interest in 1H 2020. However, once the business environment started to recover in 2H 2020, a descending trend was visible for the accumulated aluminium inventories, while demand levels started to rise especially in China.

Even though ALRO Group had to face an unpredictable environment with low alumina and aluminium prices, it managed to overcome all these challenges by taking quick a comprehensive measure for costs cutting, improvement of acquisition and sales strategies, a slowdown of investments for cash-flow optimization etc.

The aluminium manufacturing facilities, alumina refinery and bauxite mine were fully operational in 2020 amid COVID-19 pandemic

Significant events in the financial year 2020 (continued)

February 2020

Outbreak of COVID-19 pandemic

- At the end of 2019, China announced that it faces a new type of virus, initially called SARS-CoV-2 and later officially named “COVID-19”. It originally appeared in the city of Wuhan, China, and affects the respiratory systems when infected. Being extremely easily transmitted, it quickly led to a pandemic, which determined governments to take extraordinary measures. This worldwide unprecedented situation has led to dysfunctionalities in many countries and has completely changed the world.

  In Romania, the Government enforced the state of emergency on 16 March 2020. ALRO had a quick reaction to the new situation and proved to be a flexible Company even though unprecedent events hit the Company with the same force. The new protocols and procedures implemented in the plants were in line with the national rules and the World Health Organization’s recommendations for industrial sites. Moreover, the Company undertook all the needed steps to mitigate the COVID-19 pandemic effects and to protect the health of its employees while securing its business continuity.

  Some of the operational and administrative measures taken by the Group are detailed below:

  - strict measures of cleaning, sanitization and disinfection of the locker rooms, common areas, cafeteria, offices were implemented and all areas inside and outside production facilities;
  - hygienically and sanitary materials, including protective equipment (i.e. face masks, gloves, overalls) were distributed to all employees;
  - all employees were instructed how to act to prevent their infection with COVID-19 and report daily their health status;
  - implementation of rotational shifts and changes in the working hours were implemented to minimize interaction;
  - a contingency plan was simulated for the case when one or more the employees would be infected with COVID-19 and thus the operations are not disrupted;
  - business trips have been reduced to an absolute minimum and participation in events of all kinds has been suspended;
  - EU’s recommendations for drivers and relevant transport-related undertakings involved in freight transport following the COVID-19 outbreak were implemented within the organization;
  - work-from-home was encouraged and supported by the Company when and if possible;
  - regularly testing for COVID-19 of the most exposed employees.

However, the scope of the measures implemented had concerned not only ALRO’s employees and clients, but the entire community. Therefore, various donations were done to help the medical personnel in the fight against the pandemic by procuring the needed medical supply. Thus, ALRO donated RON 400,000 to Slatina Emergency Hospital. Later on, in April ALRO continued to support the local community by further donating RON 25,000 to Romanian Red Cross, Olt and almost RON 18,000 to the International Romanian Association of Police, Olt. Subsequently, ALRO donated seven integrated oxygen flow and aerosol treatment devices: five to the Slatina County Emergency Hospital worth RON 122,500 and two to the Municipal Hospital Caracal worth RON 49,000.

The same efforts were done at ALRO’s subsidiaries level, too. Thus, ALUM besides the extensive and comprehensive safety measures implemented started to develop within its Research and Development Laboratory hand liquid disinfectant. This product's formula is based on the local production guide of the World Health Organization and passed the bactericidal and fungicidal activity tests of the National Institute for Medical-Military Development Research "Cantacuzino". Subsequently, the product received approval to be produced and used in Romania. Currently, this hand disinfectant is used internally and, upon request, it is provided to local institutions such as the Children’s Palace and the Economic College to prevent COVID-19 spreading. Following its Parent-Company example, ALUM offered support to the medical system fight against coronavirus and donated RON 100,000 to Tulcea County Hospital. Moreover, in December 2020, ALUM also supported the hospital for the purchase of three non-invasive high-flow ventilators needed to treat hospitalized patients with severe COVID-19 forms by donating 73,500 RON.

Vimetco Extrusion, the other Romanian subsidiary also took the necessary measures to prevent and mitigate COVID-19 effects in its production facility, ensuring at the same time the deliveries continuity towards its business partners. Besides this, Vimetco Extrusion donated RON 70,000 to Slatina Emergency County Hospital for purchasing of medical supplies.

Through all these donations and actions, the Group’s management has reaffirmed its commitment and involvement into communities where the Group’s companies operate.

Significant events in the financial year 2020 (continued)

SMHL investment project updates

- The Group's subsidiary, SMHL continued in 2020 the bankable feasibility study ("BFS") for the construction of an alumina tri-hydrate plant ("ATH plant") with a start-up capacity of 200,000 tonnes per annum within its mining lease – ML/2005 in Sierra Leone.

  As a part of this bankable feasibility study, SMHL completed an extensive exploration program in the northern part of SMHL concession to establish bauxite Mineral Resources and Ore Reserves Statement in line with JORC 2012 reporting standard. JORC report was issued. 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 development of the ATH Project.

  During 2020, SMHL made significant progress towards completion of this project development and based on the revised timelines, the BFS is expected to be completed (including the financial appraisal of the ATH project), by the end of 1Q 2021.

March 2020

US anti-dumping tariffs investigation

- On 17 March 2020, the Company announced that it received from the United States International Trade Commission a notification about a petition filed to the US Department of Commerce. This petition concerns to establish the anti-dumping tariffs for certain aluminium products originated from 18 countries, including Romania, imported in the United States between 2017 and 2019.

  The petition filed by the US Aluminium Association treated the aluminium sheets with a thickness between 0.2 mm and 6.3 mm, made from common alloys (1xxx, 3xxx and 5xxx series). Regarding the sheets of Romanian origin produced by ALRO, the initial requested anti-dumping tariff proposed to be charged being of 56.22%. Subsequently, on 30 March 2020, the Company announced that it was informed through an external legal consultant that the petition was modified by the authors of the claim, and in case of the products of Romanian origin, subject of the antidumping investigation, the requested anti-dumping tariff, alleged by the petitioners was reduced from 56.22% to 12.51%.

  In October 2020, the Company was informed that in respect of the sheets of Romanian origin, produced by ALRO, the preliminary anti-dumping tariff, determined by the US Department of Commerce and applicable immediately is of 83.94%. In March 2021, as a result of the firm position taken and additional arguments presented by the Company, the US Department of Commerce announced their position on the final calculation of the anti-dumping tariff by revising their initial position and reducing this tariff from 83.94% to 37.26%.

  The Company considers this petition as being an unfounded one. Moreover, the calculations behind it are erroneous and thus, the Company intends to vigorously defend its position in front of the American authorities involved in this process. However, these tariffs do not have a retroactive impact. Also, the Company has taken all the measures to mitigate any adverse impact that it might face in case the petition is adversely determined.

The Risk and Sustainability Committee

- During the past years, ALRO focused its efforts to ensure better management of the business potential risks. Moreover, the Company aims to apply the best practices when it comes to corporate governance. As a direct consequence, the Board of Directors has decided to set-up the Risk and Sustainability Committee. Thus, currently, ALRO has three committees, i.e. the Audit Committee, the Remuneration and Nomination Committee and the newest one, which was set-up in 1H 2020, i.e. the Risk and Sustainability Committee (five members). This committee is elected by the Board of Directors of ALRO and has powers delegated to it under the Articles of Incorporation and the Board decisions. This committee's members are elected by the Board of Directors through a voting process with a simple majority, for a four-year mandate.

April 2020

Annual General Meeting of Shareholders

- **ALRO:** In compliance with the ASF Regulation no. 5/2020, ALRO Ordinary General Meeting of Shareholders took place on 28 April 2020. However, considering the exceptional situation caused by COVID-19 pandemic, the enforcement of the state of emergency in Romania, which banned assemblies of persons and movement restrictions, the Company expressly recommended its shareholders to use electronic/ remote interaction tools regarding the General Shareholders Meetings.

  Some of the business and administrative items included in the meeting's agenda and subsequently voted were the approval of the Directors' Report for the financial year 2019, Income and Expenses Budget, Investment Plan and Activity Program for 2020 and the appointment of Ernst & Young Assurance Services as a financial auditor for the financial year 2020.

- **ALUM:** Following the legislation's requirements, ALUM held remotely (in compliance with the national regulations enforced during the state of emergency on the Romanian territory) its Ordinary General Meeting of Shareholders on 29 April 2020. Within the items included in the meeting's agenda and

Significant events in the financial year 2020 (continued)

approved during the AGM are the Directors' Report, Individual and Consolidated Financial Statements for the financial year 2019, Income and Expenses Budget, Investments Plan and the Activity Program for the year 2020, appointment of Ernst & Young Assurance Services as the company's auditor for the financial year 2020 etc.

May 2020

Operational Management changes

- In 2020, several changes occurred within the Operational Management of the Group. Thus, the Acquisition and Logistics of both ALRO and ALUM were taken over by Mr. Aurel Bărbulescu (replacing Mr. Serghei Gheorghe who resigned in November 2019), the Sales function was attributed to Mr. Florin Verboncu since September 2020 (replacing Mr. William Berger who resigned), while the new Technical, Quality and Investment Director of ALRO is Mr. Cristian Stănescu (replacing Mr. Ioan Sava, who retired). The newly appointed directors have more than 20 years of experience or joined the organization more than 10 years ago. All of them are experts in their areas of activity and during their professional careers proved to have the necessary skills and experience to take over these key positions within the organization.

ALRO is a company with tradition and well-known for its employees' loyalty and as such it encourages promotions of the employees working inside the organization.

June 2020

ALRO celebrated its 55th anniversary

- Founded in 1961 and starting production in 1965, ALRO celebrated on 30 June its 55th anniversary. During the past five decades, ALRO showed its commitment to its employees, partners and clients and managed to become one of the main pillars of the Romanian economy. At the time of its establishment, the Company had an electrolytic aluminium production of over 8,000 tonnes per annum and produced only aluminium ingots. Currently, the Company has a diversified products portfolio, and almost 50% of its sales are high and very-high value-added products for sophisticated industries, such as automotive and aerospace.

ALRO implements energy efficiency programs and applies circular economy principles in its business. Following this direction of increasing efficiency and reducing its carbon footprint while capitalizing on new opportunities, ALRO continued to increase the volume of recycled and re-melted aluminium scrap. Thus, the Company reached 400,000 tonnes of scrap processed since 2013 and 10 million tonnes of electrolytic aluminium produced since 1965. One of the Company's main goals is to increase the total processing capacity of its Eco-Recycling Facility to 100,000 tonnes per year. By processing the aluminium scrap and increasing the recycling rate, ALRO reduces its dependence on the supplied electricity. Also, the energy consumption decreases by 95% for the recycled metal compared with the electrolytic aluminium production. In this way, ALRO is increasing its competitiveness by using the best available technologies, in line with the EU requirements.

ALRO, the largest electricity consumer in Romania has also achieved 99% energy efficiency for the electrolysis technology thanks to the massive investments done during the past years. Thus, more than USD 700 million was invested in state-of-the-art equipment and technologies. Moreover, ALRO holds more than seven patents, underlining its commitment to innovation and high-value-added products.

Besides this, the Company aims to increase its employees' professional skills and competencies through professional and other specialized training programs. ALRO is an active member of the local community and offers support to the entities, institutions and associations managing education, health or religious domains in Slatina and Olt County through specific sponsorships or actions. The Company has also continued its long-term partnerships with academic institutions in the country for internships, dual system educational systems or early career development.

With a tradition of more than 55 years, ALRO proves nowadays that is a pioneer in its field. The Company adheres to the best practices and guidelines as detailed in the aluminium roadmap to achieve climate neutrality targets

Significant events in the financial year 2020 (continued)

2019 Consolidated Sustainable Value Report

- On 30 June 2020, ALRO Group published for the third consecutive year its Sustainability Report, which includes the most important initiatives for sustainable value creation following a structure based on the GRI (Global Reporting Initiatives) Standards, Core option. The Report provides a transparent and detailed overview of the Group's efforts around the key environmental, social and governance areas that are important to its investors, employees, customers and other stakeholders.

  In the light of the latest legislative changes at European level, the Group is committed to comply and to adapt its development strategies and programs to the new 'green deal' map. Thus, through this Sustainable Value Report the Group presents its investments plans, main goals and objectives to make its operations as environmentally friendly as possible and how these are achieved, from a sustainable point of view. Thus, ALRO, with the help of the overall investments made during the past years, managed to position itself in top four companies among its peers, having a 99% energy efficiency for electrolysis technology and emissions' values below the European average.

  Moreover, considering the changes occurring at European level (such as the taxonomy for Sustainable Finance Regulation and the Amendments to the Non-Financial Reporting Directive), the Group is focused to accordingly comply and adapt to its development strategies and programs. Additional information can be found in ALRO's 2019 Consolidated Sustainable Value Report, which is available on the Company's website, Sustainability Section, Sustainability Reports Subsection.

RTA investment project updates

- In H1 2020, 17 additional pots were relined with the AP12LE technology as part of the contract signed with Rio Tinto Aluminium Pechiney back in 2018. By the end of the year, 53 pots were relined according to this innovative technology and the results reported as of now are in line with the initial estimations. AP12LE (Aluminium Pechiney Low Energy) represents a state of the art technology, the latest innovative measures that could be implemented in respect of energy efficiency and environmental protection within the electrolysis sector. Another benefit resulting from this technology for the manufacturing of less energy-intensive assets made of electrolytic aluminium is that more operating cycles are available for the AP12LE pots. After this project is finalized (the estimated duration is around 8-9 years to replace all pots), ALRO will be in top 10 worldwide aluminium smelters (excluding China) from an energy efficiency perspective for the electrolysis area.

July 2020

ReActiv project receives EUR 8.8 million grant

- The Industrial Residue activation for sustainable cement production, project ("ReActiv") will create a novel sustainable value chain, linking bauxite residue, the by-product of the alumina production with the cement industry. Moreover, the ReActiv project represents an initiative aiming to reduce waste and CO_2 emissions by transforming bauxite residue, the main by-product of the alumina sector, into an active material suitable for developing new cement products, with low CO_2 footprint. Coordinated by LafargeHolcim through its Research and Development Center („Lafarge Centre de Recherche SAS"), the project is part of the Horizon 2020 program for creating low carbon circular industries and received EUR 8.8 million grant from the European Commission.

  The ReActiv project will deploy new technologies that will transform the bauxite residue in a re-active material for low CO_2 cement production, to substitute 30% to 50% of clinker, the main component of cement. The process will provide much lower costs and will produce novel cement products with equal or better performances while reducing emissions related to production by at least 30%. Also, other ReActiv project's objectives are to cut-off waste generation by at least 25%, provide significant energy savings and reductions in CO_2 emissions, establish the secure and sustainable provision of secondary resources at a total cost lower than existing solutions and to provide a sustainable method that can be replicated across industries.

  ReActiv focuses on transforming a currently unexploited industrial residue from the alumina sector Bauxite Residue, into active material for new sustainable cement products. In ReActiv project, ALUM participates as a stakeholder, providing appropriate samples of bauxite residue to be processed in the project, contributes to the feasibility studies and business plan development, especially in regards to potential technology deployment at cement plants. The project will be implemented starting 2021 and will be finalized in four years.

August 2020

Vimetco Extrusion changes its Board composition

- Following Mr. Razvan Pop resignation from the Board of Directors, in August 2020, a new member was elected and following corporate governance best practices and trends, a woman was appointed, namely Mrs. Stefania Yaksan, the current CFO of the Company, with an extensive experience of more than 15 years inside the organization.

Significant events in the financial year 2020 (continued)

September 2020

ETS State Aid Guidelines moving forward

- In September, ALRO received the compensation payment for the indirect emissions costs incurred in 2019. The compensation payment was made in full compliance with the provisions of Emergency Ordinance 81/2019 amending and completing G.E.O. 115/2011 for the establishment of a state aid scheme supporting sectors exposed to carbon leakage as a result of indirect emissions costs passed on in the electricity price. The state aid scheme was prepared following the provisions of the Guidelines on certain State aid measures in the context of the greenhouse gas emission allowance trading scheme post-2021 and it was approved by the European Commission on 8 May 2020. The implementation of this scheme in Romania was a much-needed step towards for ensuring the competitiveness of national companies on both the global and EU internal market.

The financing source for the compensation comes from the revenues obtained by Romania from auctioning the greenhouse gas emission certificates attributed by the EU legislation to our country. Therefore, the implementation of the compensation scheme for Romanian energy-intensive companies does not have any impact on the electricity costs incurred by other Romanian consumers.

The EC adopted in September the new ETS State Aid Guidelines post-2021 “Guidelines on certain State aid measures in the context of the system for greenhouse gas emission allowance trading post-2021” which enter into force on 1 January 2021, will apply until 2030 and will replace the current Guidelines. For the Romanian support scheme to apply from 2021 onwards, the local authorities will have to modify the national support scheme (GEO 81/2019 with the subsequent modifications and completions) according to the new Guideline and notify it to the EC for approval. After it is approved by the Commission, the national authorities will start the implementation of the state aid scheme.

EC adopted in September *“Guidelines on certain State aid measures in the context of the system for greenhouse gas emission allowance trading post 2021”* which enter into force on 1 January 2021 and will apply until 2030

Vimetco Extrusion applies for European grants

- In September 2020, Vimetco Extrusion filed a grant application for the acquisition of an automatic assembly line during the second call for proposal for Romania - SMEs Growth Programme. The project, called Extruded Aluminium profiles automatic packing line, has a cost of over EUR 4 million and it is estimated that almost EUR 2 million will be granted by SMEs Growth Romania Programme, the commissioning date being at the end of 2021. Vimetco Extrusion is expecting that its application will be evaluated in the first quarter of 2021 and that an answer will be received at the beginning of the second quarter of 2021.

October 2020

Awards received and market's recognition

- During the second edition of the ARIR Gala held in October 2020, ALRO received two awards: the Group's Sustainability Report for 2019 was appreciated by an independent jury as being one of the best in the Romanian market and received the 2[nd] place in this category and the first place amid Retail investors' preferences obtaining the highest number of votes.

November 2020

Successful refinancing of working capital facilities

- ALRO extended three credit facilities as follows: one revolving facility for working capital of USD 120 million was prolonged until November 2023, one revolving non-cash facility for issuing Letters of Credit and Guarantee Letters of USD 30 million was prolonged until February 2024 – both facilities were signed under the same syndicate of banks. Another bilateral revolving facility for working capital of RON 180 million was signed with EximBank and prolonged until November 2023. This new engagement of the banks for another three years shows recognition of a sound business and gives stability and financial cost predictability for the coming period. Moreover, in this way, the Company plans to implement state-of-the-art technologies to achieve the climate neutrality targets, in line with the latest developments in the sustainability area.

This successful refinancing proves that ALRO’s business model brings good results despite the challenging international market conditions and manages to preserve the existing conditions in a combination of cost and time best fitted for the company profile.

The new engagement of the banks for another three years shows RECOGNITION of a sound business and gives STABILITY and financial cost PREDICTIBILITY for the coming period

Significant events in the financial year 2020 (continued)

ALRO adheres to ASI (Aluminium Stewardship Initiative)

- ALRO became a member of Aluminium Stewardship Initiative (ASI), a global non-profit standards-setting and certification organization on 16 November 2020. ASI is the only multi-stakeholder platform that establishes clear sustainability criteria for the aluminium industry. The organization's vision is to maximize the contribution of aluminium to a sustainable society.

  ASI was built on the foundation of work being carried out on aluminium sustainability and material stewardship by organisations, such as the International Aluminium Institute (IAI), European Aluminium Association (EAA) and the Aluminium Association (AA) for over 20 years. ASI members are grouped into six membership classes and **ALRO is part of the Production and Transformation class, together with other big international companies.**

Vimetco Extrusion became a supplier for the most sophisticated industries

- Vimetco Extrusion, ALRO's downstream subsidiary in charge with the extrusion business line, became a supplier for the most sophisticated industries by providing high and very high value-added products for heliports constructions.

  Vimetco Extrusion entered a partnership with ABC Development Aviation, a company certified by AACR (The Romanian Civil Aeronautical Authority) as developer and installer of aerodrome elements and infrastructure for developing helideck platforms made in Romania. The first beneficiary of the aluminium profiles platforms produced in Slatina is the heliport of the County Emergency Hospital in Bistrița, which now has the necessary landing decks for helicopters transporting emergency cases, thus avoiding the heavy road transportation, save precious time and increasing the chances to save more lives. Moreover, after this successful project's implementation at Bistrița, the second heliport is being built at the Bacau Emergency County Hospital. Following the completion of the first heliports, other two similar projects are currently in discussions for the Emergency Clinical Hospital for Children "Marie S. Curie" in Bucharest and the Suceava County Emergency Hospital.

  Vimetco Extrusion supplies aluminium profiles and high value-added products, such as connectors for helideck assemblies, developing, altogether with ABC Development Aviation, helidecks made in Romania, with locally produced materials. In its turn, ABC Development Aviation certifies the final products and caters to its proper usage.

Vimetco Extrusion achieves a premiere for Romania - it became a supplier for heliports constructions

December 2020

Vimetco Extrusion approves a new investment

- At the end of 2020, Vimetco Extrusion approved the acquisition of a new extrusion line. The value of the entire project is around EUR 10 million and the contract was signed in January 2021. The new extrusion line is expected to be commissioned in September 2022.

General information

ALRO S.A.

Company	ALRO S.A.
Company's address	116 Pitesti Street, Slatina, Olt County
Telephone number	+40 249 431 901
Fax number	+40 249 437 500
Registration number in the Trade Register	J28/8/1991 of 31.01.1991
Fiscal code	RO1515374
Class, type, number and main features of the financial instruments issued by the company	Registered dematerialised and ordinary shares
Subscribed share capital, fully paid up	RON 356,889,567.5
The European Unique Identifier (EUID)	ROONRCJ28/8/1991
Legal Entity Identifier (LEI) Code	5493008G6W6SORM2JG98
Organised market on which shares and stocks are traded	Bucharest Stock Exchange - Regulated Market(market symbol: ALR)
Total market value for each class of shares	Premium Tier Category - 1,598,865,262[1] RON

ALRO Group – entities

Company	Parent	Shareholding (%)
ALRO S.A.	Vimetco NV	54.19
Alum S.A.	ALRO S.A.	99.40
Conef S.A.	ALRO S.A.	99.97
Vimetco Extrusion SRL	ALRO S.A.	100.00
Global Aluminium Ltd.	Alum S.A.	100.00
Bauxite Marketing Ltd.	Global Aluminium Ltd.	100.00
Sierra Mineral Holdings I Ltd.	Global Aluminium Ltd.	100.00

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

*[1]Calculated based on the BSE quotation available on 30 December 2020 - the last day of 2020 when ALRO's shares were traded (713,779,135 shares * 2.24 RON/ share)*

Overview

Information about the Group

ALRO S.A. together with its subsidiaries ("ALRO Group" or "the Group") is one of the largest vertically integrated aluminium producers in Europe, measured by production capacity. With operations throughout all major stages of aluminium production, the Group consists of upstream and downstream divisions, from the mining and refining of raw materials to the production and sale of primary and processed aluminium products.

ALRO ("the Company" or "the Parent-company") was established in 1961 and founded for an unlimited period of time under the form of a joint-stock commercial company following the Romanian Government Decision no. 30 of 14 January 1991 on the establishment of commercial companies in the non-ferrous metallurgy sector. The Company's administrative and managerial offices are located in Romania.

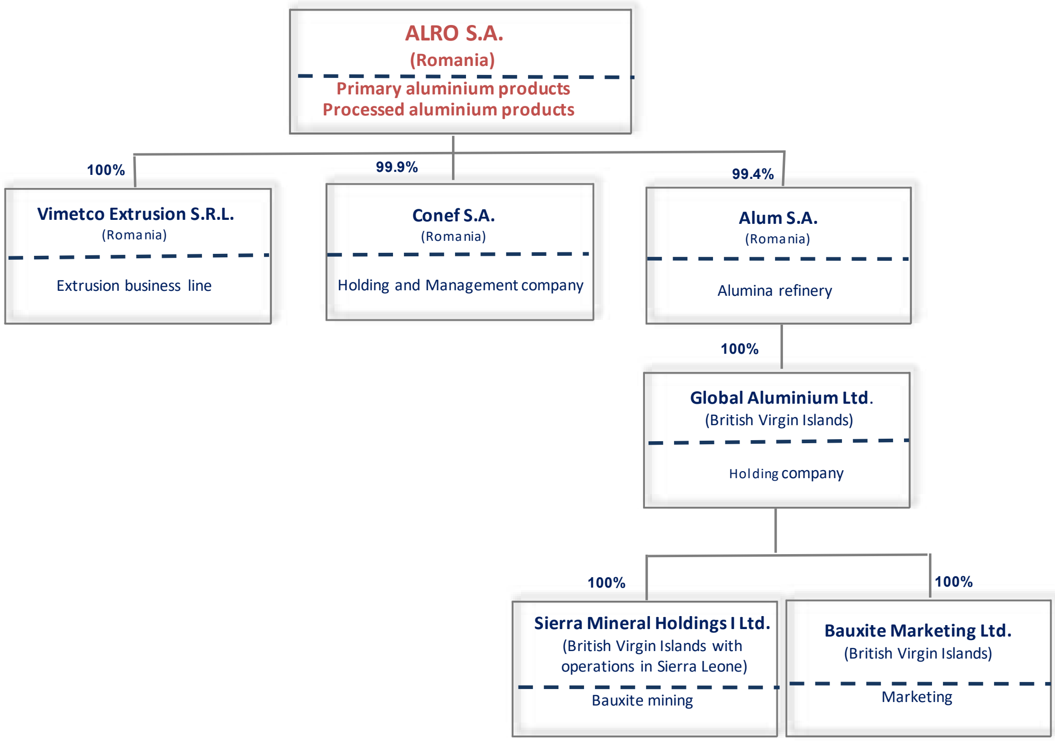
ALRO is part of an integrated Group that produces aluminium, which covers the entire technological process, from bauxite mining to obtaining processed products. The Company was registered under the trade name "ALRO S.A." and has been listed on the Bucharest Stock Exchange since 16 October 1997.

The Company's shares are traded on the Bucharest Stock Exchange under the symbol "ALR". Starting from 18 March 2019, the Index Committee of the Bucharest Stock Exchange approved the inclusion of ALRO in BET, the main index of the market and in BET-TR, the total return version of BET.

The major shareholder of ALRO S.A. is Vimetco N.V. (the Netherlands), which holds 54.19% of the Company's share capital (as of 31 December 2019). Vimetco N.V is a privately held company and its registered office is at Strawinskylaan 403, World Trade Center, A Tower, 4th floor, 1077 XX Amsterdam, The Netherlands. The Company's ultimate controlling entity is Maxon Limited (Bermuda).

ALRO Group includes the following companies:

- ***ALRO*** – manufacturer of aluminium – primary & processed ("FRPs") products (a company listed on the Bucharest Stock Exchange, Premium Tier Category);
- ***Alum*** – producer of alumina (a company listed on BSE, ATS market, AeRo Category);
- ***Sierra Mineral Holdings (SMHL)*** – bauxite mining;
- ***Vimetco Extrusion*** – extrusion business line;
- ***Conef*** – holding and management company;
- ***Global Aluminium*** – holding company, and
- ***Bauxite Marketing*** - marketing.



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

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

- **Bauxite segment** consisting of the bauxite mine operated by the Group in Sierra Leone (Africa) and which includes **SMHL, Global Aluminium and Bauxite Marketing;**

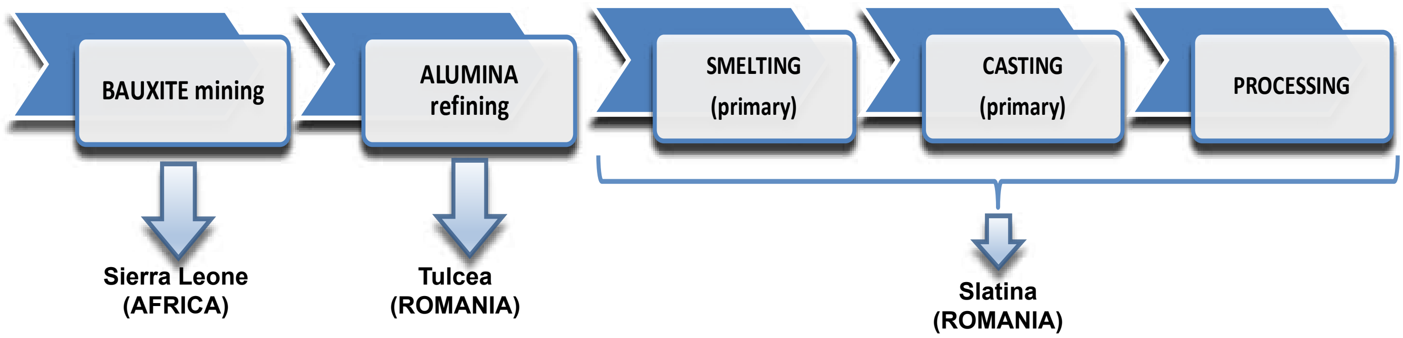
- **Alumina segment**, consisting of the Group's alumina production operations, which is the principal raw material for aluminium smelting and which includes **Alum**;

- **Primary Aluminium segment,** manufactures primary aluminium products such as wire rod, slabs, billets and ingots (occasionally) and which mainly includes the **Anodes section, Electrolysis section, the Casting House** and **Eco-Recycling Facility;**

- **Processed Aluminium segment** which develops and sells flat rolled products ("FRPs") such as plates, sheets, coils and strips, and extruded products.

Both smelting and processing mills are located in Slatina, while the alumina refinery is located in Tulcea, Romania (Europe).

The following chart shows the vertical flow of the Group's upstream and downstream divisions:



Location	Function	Capacities @ 31 December 2020
Sierra Leone	Bauxite washing and drying	1,500,000 tonnes per annum for the washing facility of the main Wash Plant Wash Plant 1 (extension of main wash plant): 420,000 tonnes per annum Wash Plant 2 (extension of main wash plant): 204,000 tonnes per annum 720,000 tonnes per annum for the drying facility 480,000 tonnes per annum for the dry crushing facilities* **no planned dry crushing operations for 2021*
Tulcea	Alumina refinery	600,000 tonnes of alumina per annum
Slatina	Smelting and Casting[1]	265,000 tonnes of electrolytic aluminium per annum 35,000 tonnes of recycled aluminium, and 335,000 tonnes primary cast aluminium per annum
Slatina	Processing[2]	100,000 tonnes of FRPs[3] per annum and 25,000 tonnes of extruded profiles per annum

Notes

(1) Smelter, anode plant and cast aluminium facility
(2) Hot and cold rolling facilities and extrusion shop
(3) Estimation based on a reference mix of production, subject to production mix changes

ALRO is structured in **two divisions**:

- **Primary Aluminium Division** includes the Company's primary aluminium internal division, and comprises the anodes and electrolysis sections, the cast house, an Eco-recycling facility, repairs and spare parts production units, road and rail transportation and other ancillary sections. After investing in modernizing its equipment and in new technology, ALRO reached a production capacity of 265,000 tonnes of electrolytic aluminium per annum having the possibility to produce in six pot room the same quantities produced 20 years ago in ten pot rooms. The Eco-recycling facility has a capacity of 35,000 tonnes of recycled solid aluminium and the Cast-House has a capacity of 335,000 tonnes per annum. At the same time all necessary anodes for the electrolysis of alumina are internally produced;

- **Processed Aluminium Division (FRP)** depends on the specific product range produced at any one time, the Group's facilities generally have a capacity of 100,000 tonnes per annum of FRPs and 25,000 tonnes per annum of extruded profiles. The Group intends to increase its FRP production capacity to 120,000 tonnes per year.

The Group's subsidiaries hold several certifications. For example, ALRO is ISO 9001, ISO 14001, ISO 45001, ISO 50001 certified for quality management and has NADCAP, as well as EN 9100 certifications for aerospace production, and also the ISO TS/IATF 16949 certification for automotive industry, its products being certified by the international standards for quality assurance for primary aluminium as set by the London Stock Exchange and those for flat rolled products, too. For more information in this respect, please see the websites of ALRO and of each of the Group's subsidiaries.

ALRO produces a diversified range of products, as detailed below:

- aluminium and aluminium alloyed wire rod;
- homogenized AlMgSi billets and aluminium billets;
- aluminium and aluminium alloyed slabs;
- aluminium and aluminium alloyed plates (heat treated and not heat treated);
- aluminium and aluminium alloyed sheets, coils and strips;
- aluminium alloyed cladded sheets, coils and strips.

The Company receives alumina from ALUM, its own alumina refinery with an installed capacity of 600,000 tonnes per year which is obtained by using the bauxite mined in Sierra Leone. ALRO produces value added primary aluminium products for its customers and the primary aluminium is also used as raw material by the processed aluminium production facilities. Moreover, the Company sells aluminium alloys billets to its subsidiary, Vimetco Extrusion, that further produces extruded products.

Sales

During the past years, the global aluminium market was marked by a significant consolidation of its players while competition is mainly driven by two main vectors: sale price and product quality. The Group's main competitors on the international aluminium market for its primary aluminium product like aluminium wire rod and billets are companies based in Europe, Rusia, Middle East, Africa, USA and China .

The main market for the aluminium produced by the Group is represented by the European Union (including Romania); however, the Group also sells its flat-rolled products ("FRP") in Turkey, North and South America and Asia. The Group has an increasingly diverse customer base and it aims to sell the majority of its primary products to end-users, and the majority of its processed aluminium products to customers active in high value added markets.

In 2020, the Company continued its strategy of increasing its high value-added products ("HVAPs") and very high value-added products ("VHVAPs") sales in terms of volume, especially FRPs. The Group considers a part of its FRPs to be HVAPs and refers to products such as cladded sheets and coils, and aero heat-treated plates as VHVAPs. Within extruded products, the Group considers its special products to be HVAPs and the machined, painted and anodized or powder coated products to be VHVAPs.

ALRO Group has a strong presence in many industry sectors of the international markets and its expertise and increased focus on flat-rolled and extruded HVAPs enables it to meet specialized technical and production standards demanded by certain customers. During the past years, the focus was to penetrate or to increase share market in the most sophisticated industries such as aerospace, automotive, marine and construction industries with VHVAPs which embed higher premiums.

ALRO is the biggest producer of aluminium wire rod in Europe, being one of the principal suppliers in the cable market

ALRO serves key-players in the supply chain of infrastructure projects

The COVID-19 pandemic had affected all industries worldwide – however, considering the unique properties of aluminium in terms of lightness and recyclability, the aluminium market proved rather resilient amid the situation generated by the pandemic. COVID-19 did not have a major impact on the cable sector since the cable producers are considered essential in the supply chain having in their portfolios public utility consumers. Moreover, some customers have reported lack of staff because of isolation or reduced work to four days a week and thus, their demand level was aligned to the expected lower production level; however, the estimations are that the demand would go back to a normal level starting 2Q 2021. In respect of processed aluminium products, the pandemic hit really hard the aerospace and automotive sectors especially during the lockdown periods; however, the customers acting in the building & construction and automotive sectors have enjoyed a good activity starting with 3Q 2020; these positive effects were also sustained by the EU anti-dumping investigation against Chinese imports of aluminium flat-rolled products.

The overall 2020 sales were lower than 2019 levels mainly due to a lower level of orders caused by:

- The COVID-19 pandemic, which has dramatically affected the entire worldwide industry starting with 2Q 2020: plants and warehouses closures for customers located in Italy, Spain, UK, France, Germany, Poland starting with the end of 1Q 2020;
- Logistics disruptions, as a side effect of the COVID-19 temporary movement restrictions;
- Low activity of customers after a restart of their activities;
- US anti-dumping investigation against imports from Romania, which had affected the US customers' sales.

Main highlights for 2020 for primary and processed aluminium segments split by-products are detailed below:

PRIMARY ALUMINIUM MARKET
Wire Rod & Billets

WIRE ROD – good levels of demand from the cable customers, as this sector is related to public utilities an essential component for economies and ALRO remains the biggest European supplier in this area.

BILLETS – recovery signs started to be visible in 3Q 2020 after a depressing start. This positive development was determined by the good performance of construction and automotive sectors and, on the other side by the EU anti-dumping taxes on Chinese extrusions introduced at the end of 2020.

FLAT-ROLLED PRODUCTS MARKET
Cold & Hot-Rolled products

SHEETS, COILS and **CLAD PRODUCTS** - the overall market situation has continued to improve starting with November 2020, mainly due to the EU anti-dumping investigation against Chinese imports of FRP. Currently, most market players (i.e. building & construction, automotive, transportation, consumer products, electrical and electronics sectors) are predominantly contracting from the European mills instead of Chinese ones. Also, the automotive sector shows good sign, thanks to local support programme initiated by various European governments - thus, the demand level has lately improved and the positive effects are already visible; moreover, the same trend is expected to continue in 2021, too.

PLATES - the positive effects of the EU anti-dumping investigation against Chinese imports are also visible for the hot rolled products in terms of demand which shows good levels. Due to the negative current situation in the aerospace sector – weak demand and uncertain outlook on the short-term - most of the traditional suppliers for this industry (i.e. tier-1 aluminium producers) are currently trying to capture market share in the commercial business, thus putting additional pressure on this segment. However, a gradual improvement in the aerospace sector is expected in 2021 with positive effects in the general engineering sector, too.

Production

2020 was a challenging year for worldwide market operators due to the economic and financial depression caused by COVID-19 pandemic. The main achievement of the Company in 2020 in respect of the production processes was that ALRO kept running all its production facilities amid times when other competitors partially shut down their operations or even closed their businesses. However, the Company acted cautiously, optimising its production process according to the new market conditions to mitigate the effects and secure production operations continuity. Thus, ALRO maintained its strategy to improve the mix of products sold, expanding the high value-added products.

On the other side, considering the new unpredictable circumstances, ALRO put in place a series of actions as part of the crisis response program. Thus, CAPEX allocations were limited to the projects necessary to continue the energy efficiency programs (such as AP12LE pot relining technology) or securing the business activity progress. The Company kept its focus on maintenance CAPEX projects, too as these are essential to ensure the safety and reliability of the production equipment.

Some of the most important measures and actions taken by ALRO are detailed below:

- *Effective measures in response to COVID-19 pandemic*. A very demanding period conditioned by the distrusting behaviour of the workers. The mitigation measures applied include:
    - Strict and precautionary measures e.g. rapid testing of all potential contacts, limitation of the movement inside the sections, special places for recovery after working with a mask;
    - Maintain steady operations in all areas where a COVID-19 related situation appear;
    - Develop, “how we work” scenarios, for each sector where the infection could disrupt the plant operation.
- *Operational measures to adjust the capacity to the lower demand and alignment of the related costs:*
    - Broad measures for cash preservation (lower amperage for reduced energy demand, slow-down the pot repairing, scrap acquisition optimization etc.);
    - The recycling of aluminium scrap was most affected due to lower demand for slabs;
    - Decrease the required quantities of Cu, Zn, Si, Mg, master alloys and their optimization through scrap usage.
- *In 2020, ALRO adjusted the anodes manufacturing process to comply with the new environmental protection guidelines and Best Available Techniques (BAT) rules.* Thus, the Company purchased coke (CPC) with a low S content (<1.5%), which is more expensive than coke used in previous years and thus it led to higher overall costs;
- *The annual number of "frozen" pots continued its downward trend*, reaching in 2020 only 68 compared to 75 pots in 2019 and 90 pots suspended in 2018.
- *In 2020, another 53 AP12 Low Energy pots were put into operation,* reaching a total number of 78 pots in this new program to reduce specific electricity consumption.

Main investments made during 2020

ALRO’s 2020 Investment Plan approved at the beginning of the year that amounted to USD 24 million is focused on three main objectives:

- provide the equipment and achieve the maintenance works to ensure the operating conditions and safe continuity of the production process (maintenance CAPEX),
- maintain the committed energy efficiency programmes by implementing AP12LE state of the art technology on the smelter pot relining to reduce the energy consumption, and
- expand ALRO’s recycling capacity to increase independence from the energy supply and LME price. Ensure an optimal operating of the Hot Rolling Mill and in compliance with the environmental requests as set by the new European regulations.

Investments were slowed-down in 2020, due to COVID-19 effects, but kept running

Digitalization &Technology - key priorities -

As part of the maintenance investments implemented in 2020, ALRO completed the overhaul/ modernization of one slab homogenizing furnace. This equipment ensures that the homogenizing process is reliable and in line with the parameters required to achieve the planned slab production necessary for the FRP division. Besides this, the 60 tonnes melting furnace G15 serving the casting machine Wagstaff 3 was overhauled. Moreover, this furnace was upgraded in the past and equipped with an electromagnetic stirrer embedded with the latest technology. In addition, the Eco-Recycling Facility holding furnace was also repaired to fit the operations and ensure smooth technological flow. All these measures secured the scheduled FRP production in 2020.

The achieved CAPEX spending in 2020 amounted to almost USD 12 million mainly due to effects of COVID-19 pandemic that required the implementation of an anti-crisis program for cash-flow optimization that slowed down the investments programmes as initially planned.
Within the Anode Plant upstream flow, ALRO continued the repair programs dedicated to its anode baking furnaces. This maintenance program is implemented in annual stages and aims to refurbish the furnaces flue walls so that they have a proper functional performance and thus enabling the Anode Plant to deliver the required anode blocks to the Smelter Division.

In 2020, ALRO was also focussed to better monitor and control its emissions activity. Therefore, the Anode Plant was one of the facilities targeted for improving the working conditions while reducing the carbon footprint.

Moreover, one of the main objectives on medium and long-term is represented by the optimization of the energy and utility consumption rates and ALRO continues to invest in this direction. Thus, the energy consumption rates are constantly monitored to optimize the production processes and to increase the energy efficiency.

Taking into account the fact that starting 2021 the settlement on the Electricity Balancing Market will be made at 15 minutes, software changes have been done in the monitoring system and new systems for data storage have been purchased.

In 2020, several projects were started or continued for the efficiency of energy consumption:

- Replacement of the natural gas metering systems at Anode section baking furnaces 1,2,4, and Anode rodding workshop. The gas meter was installed at the Anode rodding workshop following to be purchased and installed also for the baking furnaces in 2021;
- Replacement of the compressor station 4 SCK, 13 bar compressed air preparation with a helical compressor station R110I-14-VFD premium efficiency 95.8%;
- 53 pots AP12LE technology have been upgraded and the program is ongoing.

Total specific energy consumption at both Primary and Processed Aluminium divisions has been reduced annually, in 2020 is 12% lower than in 2012, better than the 10% target set by the Energy Efficiency Law concerning the electricity efficiency.

In 2020, within the Processed Aluminium Division, the revamping project that involved the cold rolling mill no. 2 was finalized. This mill represents major equipment for the Processed Aluminium Division and has been subject to an intensive upgrading process. As a result, ALRO can cover the technical and quality requirements and an extensive range of cold-rolled products, which will allow the Company to consolidate its position on the dedicated market.

The same targets were planned for the hot rolling area where, in 2020, the retrofitting of the emulsion spray bar system on the Hot Rolling Mill was started and is expected to progress smoothly in 2021 in order to provide, among other benefits, separate nozzle control which will significantly improve the work rolls cooling and will increase the cladded plates productivity and the quality of the plates, in general.

Furthermore, in the Processing Division, ALRO commissioned semi-automatic equipment for plates non-destructive testing using penetrating liquids, specifically targeting the testing of 7xxx and 6xxx series plates for the aerospace industry, as per NADCAP requirements for NDT-PT testing, which boosts the quality inspection capacity as it increases the inspected plates quantity by 50%, compared to the number of plates tested by the operators before the installation of the equipment

RTA project (AP12LE – advanced low energy technology for electrolysis)

As part of its strategy for improving energy efficiency while providing the smooth and safe running of the production process, ALRO concluded a contract with Rio Tinto Aluminium Pechiney for improving the smelter pot relining design.

AP12LE (Aluminium Pechiney Low Energy) represents a state of the art technology, developed by Rio Tinto Aluminium Pechiney and implemented in ALRO. This project aims to reduce the specific energy consumption by approximately 300 kWh/t of aluminium while maintaining the same production. The AP12LE technology targets an energy consumption below 13 MWh/tonne from an average of 13.28 MWh/tonne from the AP9 pots type currently in use at ALRO, while maintaining the current efficiency (i.e. more than 95.5%). The AP12LE pots design bases on the “Brick Technology" approach developed by RTA and uses new relining materials, new cathodes, busbar assemblies and slotted anodes. Modernization of the plant is planned in stages, hand in hand with the pot repair schedule and with no impact on the aluminium production.

Based on the contract signed in 2018, ALRO committed itself to apply this relining technology on all the pots until 2026. After this project is finalized ALRO will be in the top 10 worldwide aluminium smelters (excluding China) from an energy efficiency perspective for the electrolysis area.

ALRO relined in 2020, 53 pots using AP12LE technology

ALRO reported in 2020 a total production of 271,307 tonnes of cast aluminium, a lower level than the production level reported in the previous year (2019: 280,326 tonnes), respectively a decrease of 3.22% due to the decreased orders for flat-rolled products, translated in slabs in Primary Division.

To reduce the impact of the decrease of slabs production (-12.8%) , the production of wire rod and bars increased by +3.8% respectively +8.5% compared to the previous year.

Another objective achieved in 2020 was the decrease of the metal inventories (i.e. WIP, finished products and aluminium waste); the measures applied targeted for 2020 an inventories reduction by 25% compared to the similar period of the previous year.

The decrease of electrolytic aluminium production by 3.8% was due to high electricity prices and lower LME quotations in 2020 compared to 2019, which forced ALRO to reduce the number of pots in operation, amperage and thus, the overall production. Additionally, in 2020, the Eco-Recycling Facility production decreased by 8.8% compared to 2019.

In August 2020, ALRO achieved a production of 11 million tonnes of cast aluminium since the commissioning of the first casting line in 1965

ALRO achieved in 2020 a record level for the wire rod production ever produced in one year (almost 93,800 tonnes)

The production for FRP in 2020 had a lower level of 13% than the level of production reported in 2019. The decrease was mainly due to the cold rolling area, where the production was lower with 30% in 2020 than in 2019. The main decreases were registered at the level of the automotive industry (the production of cladded products was 10.5% lower than in 2019) and the aerospace market (production in 2020 was lower with 46.2% than in 2019). Considering the worldwide challenges, the strategy applied by the FRP Division was to keep costs as low as possible. Thus, to counteract the economic effects of the COVID-19 pandemic the measures taken included:

- Reducing the level of unfinished production;
- Reduction of the scrap rate;
- Utilisation of a dynamic workforce allocation program;
- Lowering the cost of maintenance activities.

Moreover, considering the excess capacity faced in 2020, special attention was paid to develop new products by applying for specific research programs.

These above-mentioned measures altogether with these new projects started have the objective to recover the production levels delay caused by the pandemic.

In 2020, the digitalization process initiated within the entire factory as part of ALRO's plan to become a next-generation factory was continued. Thus, the factory benefits from the advanced production planning system developed with Quintiq. Currently, this new digital application is running in the FRP area and Cast House. The main objectives of this project aim to increase delivery performance and improve the customers' experience. The new planning system will decrease and optimize inventory levels, boost production and improve waiting time sequences, with the final objective to increase the overall business profitability.

Energy efficiency

One of the Company's main medium and long-term goals is represented by the optimization of the energy and utility consumption rates; consequently, ALRO has made continuous investments in this direction.

Energy consumption has been permanently monitored to optimize production processes and increase energy efficiency. Taking into account that starting 2021 the settlement on the Electricity Balancing Market will be made at 15 minutes, software changes have been made in the monitoring system and new systems for data storage have been purchased.

ALRO plans to access EU funds from those areas that big industrial plants have access to for energy generation, process and technology modernizations, new product development and energy efficiency, as soon as this axis will be open in Romania. Currently, our focus is on ensuring the necessary power for running the plant's activity without any disruptions.

The European Union Emissions Trading System -the legislative steps achieved in 2019 and 2020 -

DATE	*Description*
20 December 2019	**Approval of the The Emergency ordinance no. 81/2019* amends and completes the Government Emergency Ordinance no. 115/2011 for the establishment of the institutional framework and for authorizing the Government, through the Ministry of Public Finance**
30 December 2019	**Publication of the GEO no. 81/2019 in the Official Gazette of Romania Part I, No. 1049/30.12.2019**
9 January 2020	**Approval of the Order that establishes the Department of European Affairs and international relations of the Minister of Economy, Energy and the Business Environment as the responsible directorate as unit for the implementation of the State aid scheme during its validity period**
17 January 2020	**Publication in the Official Gazette of Romania Part I no. 32/17.01.2020 (Order of the Minister of Economy, Energy and the Business Environment no. 46).**
End of January 2020	**The Minister of Economy, Energy and the Business Environment had notified the scheme to the European Commission**
8 May 2020	**The European Commission approved the scheme**
21 May 2020	**Following the EC's approval, the GEO 81/2019 had to be amended to include the modifications as approved by EC. These amendments were made by GEO 85/2020 and approved on 21 May 2020**
22 May 2020	**The debate for the Applicant's Guide was published and opened to public**
29 May 2020	**Publication of GEO 85/2020 in the Official Gazette**
4 June 2020	**The Applicant's Guide was published in the Official Gazette**
15 December 2020	**The Law 292/2020 for the approval of GEO 85/2020 was adopted**
28 December 2020	**The GEO 212/2020 that transfers the responsibility and the management of both state aid schemes was adopeted. It includes the scheme for compensation of indirect emissions costs introduced by GEO 81/2019 with its completions and amendments and the scheme for the exemption for a part of green certificates cost introduced by GD 495/2014 with its completions and amendments to the newly formed Ministry of Energy**

****Note:** Through GEO no. 81/2019 for the amendment and completion of the Government Emergency Ordinance no. 115/2011 for the establishment of the institutional framework and for authorizing the Government, through the Ministry of Public Finance, to put out to tender the greenhouse gas emission allowances granted to Romania at the level of the European Union established the State aid scheme for the support of companies in the sectors and subsectors considered to be exposed to a significant risk of carbon leakage due to the transfer of the greenhouse gas emissions costs into the electricity price.*

1. Investments & new projects planned for increasing energy efficiency

During 2020, several projects have been started for improving the efficiency of energy consumption:

- Replacement of the natural gas metering systems at Anode section baking furnaces 1,2,4, and Anode rodding workshop. The gas meter was installed at the Anode rodding workshop following to be purchased and installed also for the baking furnaces in 2021;
- Replacement of the compressor station 4 SCK, 13 bar compressed air preparation with a helical compressor station R110l-14-VFD premium efficiency 95.8%;
- 53 pots AP12LE technology have been upgraded and the program is ongoing.

Total specific energy consumption at both Primary and Processed Aluminium Divisions has been annually reduced, in 2020 being 12% lower than in 2012, exceeding the 10% target set by the Energy Efficiency Law concerning the electricity efficiency.

2. Cogeneration tax volatility

Towards the value of 0.01609 lei/kWh established by ANRE Order no. 131/2020, starting with 1st of July 2020, the cogeneration tax was increased by 40.65%, respectively by 0.02263 lei/kWh, starting with 1st of November 2020, according to the ANRE Order no. 189/2020.

Afterwards, on 17 December 2020, ANRE announced via a communication on its website that it approved on 16 December 2020 the order no 239/2020 which lowers the contribution for cogeneration starting 1st of January 2021 which reflects, once again the lack of predictability and legislative stability as shown by the Romanian authorities which is essential for industrial activity, business and investments plans.

3. The transition to a decarbonised energy system

There is a high level of concern that the policies for decarbonisation will add more taxes to the energy price (e.g. the contracts for difference announced, new schemes for supporting RES ("Renewable energy sources"), the proposed law to support for offshore wind, energy storage, new infrastructure, smart grids, hydrogen production) which will result in the impossibility to keep the energy prices affordable for intensive energy industries.

ALRO supports EU's international climate objectives under the Paris Agreement and it considers that climate transition can bring opportunities for the European energy-intensive industry, provided that the right framework conditions are put in place. The carbon footprint of primary aluminium production in Europe – 6.75 tonne of CO_2 per tonne of aluminium - is on average, three times lower than the carbon footprint of the same metal produced in China, i.e. 20 tonne CO_2 per tonne of aluminium. Furthermore, carbon emissions from European aluminium industry have decreased by 55% since 1990, however these improvements are being undermined by massive carbon leakage, which leads to a net increase in global emissions as the raw materials needed in Europe are produced elsewhere.

4. ETS State Aid Scheme Guidelines

The State aid scheme to compensate for the indirect CO_2 emissions paid by the Company through the price of energy introduced by the Emergency Ordinance no. 81/2019 completed and amended covers the years 2019 and 2020 and follows the Communication from the Commission 2012/C158/04 "Guidelines on certain State aid measures in the context of the greenhouse gas emission allowance trading scheme post-2012" which was applicable until 31 December 2020.

In September 2020, EC adopted the new ETS State Aid Guidelines post 2021 "Guidelines on certain State aid measures in the context of the system for greenhouse gas emission allowance trading post-2021" which enter into force on 1 January 2021, will apply until 2030 and will replace the current Guidelines. The compensation rate is 0.75 for the entire period 2021 - 2030 and all the aluminium industry value chain qualifies for the compensation.

This scheme is expected to apply in Romania from 2021 to 2030 after the local authorities will modify the national support scheme (GEO 81/2019 with the subsequent amendments and completions) according to the new Guideline and notify it to the EC for approval. After receiving this approval, the national authorities may start to implement the state aid scheme.

The carbon footprint of primary aluminium production in Europe of 6.75 tonne of CO_2 per tonne of aluminium - is on average,
3 times lower
than the carbon footprint of the same metal produced in China, i.e. 20 tonne CO_2 per tonne of aluminium

Carbon leakage in the aluminium sector is already happening. European aluminium producers are increasingly struggling to compete against competitors from other regions of the world, who do not face the same climate-related costs. As a result, Europe has lost 36% of its primary aluminium smelting capacity since 2008, due to plant closures and curtailments. Furthermore, Romanian intensive industries do not benefit from all the reduction in energy taxes that European ones' benefits like exemptions or reductions in funding support for high-efficiency cogeneration, network taxes etc.

Research and Development (R&D)

During the past years, Research and Development represented one of the main activities for the growth and improvement of ALRO's performance and products. This activity is organized as detailed below and over 60 persons are directly involved in the research and development activity:

- in a *Projects Management administration*, comprising a large number of professionals;
- a special department called the *Research & Development Department,* for the applied research.

The strategy of the applied research aims to support technically and scientifically the industrial sectors of ALRO to improve the technological flows to strengthen the following aspects:

- decrease of the specific consumption, especially energy consumption rates;
- improvement of the quality of the products;
- increasing product competitiveness;
- development of the new products;
- enhance environmental conditions.

The Research & Development Department develops activities in the following domains:

- monitoring the flows & technologies to determine the influences of the process parameters and finding optimization solutions;
- developing mathematical models to create products based on the process parameters and the desired final quality;
- industrial research topics rising from the needs of the production processes;
- support and help for implementation of the measures established after the technical consultancy missions;
- call analysis within the EU Research and Innovation Horizon 2020 programme, to identify suitable projects for ALRO;
- the development within its thermal treatment section, equipment acquired through the European financing project, the technologies for the production of thin heat-treated sheets;
- developing within its metallographic analysis laboratory, new analyses following the quality requirement of customers from aerospace and automotive industries.

Among the programs that were successfully performed in 2020 there could be mentioned:

- New aluminium alloy development, slab from 7xxx series

  Target: increase production with a value-added product, especially for the aerospace industry

- New aluminium alloy development, 2xxx series, from slab to the thin heat-treat sheets

  Target: increase production with a value-added product, especially for the aerospace industry

- Development new alloy for clad sheets and coils with high corrosion resistance

  Target: increase production with the value-added product, especially for the automotive industry

- Experiments regarding the optimization of the gas suction process under the hood of the pots, by improving the pot plunger area

  Targets: decreasing the aspirated gases flow and improving the microclimate in the pot rooms and decreasing the energy consumption at GTC by about 5%

- The influences of the coating oil layer of the on the oxidation layer and the wrapping behaviour of cast aluminium wire

  Target: Improving the behaviour in the drawing process of ALRO aluminium wire rod

- The influence of the homogenization HT on the internal quality of the 6063 alloy slabs, with impact on the physical and mechanical characteristics of the rolled sheets and strips

  Target: Increasing physical and mechanical characteristics.

Another important part of the R&D activity is a collaboration with national and international universities in running various projects, such as:

- University of Applied Sciences Upper Austria and Research Center for Non-Destructive Testing GmbH (RECENDT) (2 projects)
- Polytechnic University of Bucharest (2 projects)
- University of Craiova (2 scientific papers published in the French journal ITM WEB of Conferences)
- Transilvania University of Brasov (2 scientific papers published in the Romanian journal recently):

  1. Prediction of the Distortions for a 6061 Aluminium Alloy Plate during Quenching Process by Using Mathematical Modelling

  2. Influence of the Polymer Addition in Quenching Water on the Mechanical Properties of Aluminium Alloy Sheets.

Research and Development represents a key-area for the Group activities ALRO and its subsidiaries act as pioneers in their domains

Moreover, the R&D department has submitted three project proposals within European Union Research and Innovation Horizon 2020 program, which are:

- Quality control in smart manufacturing – coordinator Profactor Austria
- Industrial AI-knowledge for Process Industries – coordinator Librimind (Israel)
- Efficient recovery of industrial waste heat with an improved Organic Rankine Cycle (oRc) system – coordinator Ferrara University (Italy).

- *Technology and Innovation projects*

In 2020, the project Automated determination of the dimensions of the slab in the rolling advanced by the concept set-up and approval. The project is planned to start at the beginning of 2021 and will be carried out altogether with companies from Romania and Germany. The project is estimated to induce several benefits within the production process such as:

- reduce the waste in the production process
- enhance the production plan achievements indicators
- improve the accuracy of the unfinished production
- increasing productivity

As part of its strategy to digitalize the Company's industrial processes (and subsequently those of the entire Group), several projects were started within the Industrial Automation Department, such as the "ALRO on Mobile" Project which allows access to information about the production, energy consumption, equipment condition, environmental conditions from mobile devices based on the Android operating system. The application uses the latest technologies like cloud computing and WebApi services.

Digitalization in the foreground: "ALRO on Mobile" - a key project -

Procurement and Logistics ("PLD")

Procurement and Logistics Department ("PLD") follows the Group strategy in continuously improving activities and competitiveness in an unpredictable macroeconomic environment with ongoing trade wars and global economic growth at a slower pace.

Given the unfavourable macroeconomic circumstances: COVID-19 pandemic outbreak disrupting both the EU and world economy and business environment, economic slowdown, fears of a recession, drastic decrease of the aluminium prices (LME) during 1st half 2020, reaching an average of 5% drop from 2019 to 2020, Procurement and Logistics Department (PLD) main objective in 2020 was: the efficient sourcing of the main raw materials: timely and with the lowest costs in terms of prices, logistics and payment terms. Each raw material was strictly monitored to diminish potential supply disruption due to COVID-19 situation.

For obtaining the targeted results, key performance indicators (KPI) were used to measure the current performance versus previous years, market and budget, optimize activities and finally to evaluate the results. These objectives were achieved by implementing rigorous measures, applying short and medium-term strategies, specifically tuned for particularities of each major item monitored by PLD to fight with new economics challenges.

In 2020, the main objectives were to reduce the metal inventories (WIP, finished products and scrap) and acquisition prices

Main achievements in 2020:

1. *Overall costs optimization*
   - Implementation of measures to reduce the raw materials acquisition prices – as a direct result, the expenditures with main raw materials in 2020 decreased by 7% compared to 2019, in value terms.
   - In 2020, the aluminium Scrap average acquisition price was 9% lower compared with 2019.
2. *Improved inventory management* and implementation of monitoring indicators for evaluation. Better planning and scheduling measures have been applied throughout the year to avoid stock-outs or overstock and where possible dual and/ or multiple sourcing to improve supply assurance
3. *Raw materials stocks reduction to* benefit from available working capital
4. *Identification of new suppliers and diversification of supply sources* to avoid possible disruptions in the supply of raw materials due to COVID-19 pandemic (plant closures & production curtailments, market shortage, increased supply transit time, sanitary measures to be applied during loading, transport and discharge)

5. *Ensure the quality of goods and services by monitoring suppliers performance (KPI)* especially for the raw materials in the aero and auto products; the main metrics for suppliers KPI are: quality, on-time delivery, price and payment terms

6. *Support the Group' strategy in social responsibility,* environmental protection and continuous development through contracting of related investment projects

7. *Alignment to one of the Group's objectives - the digital transformation:*

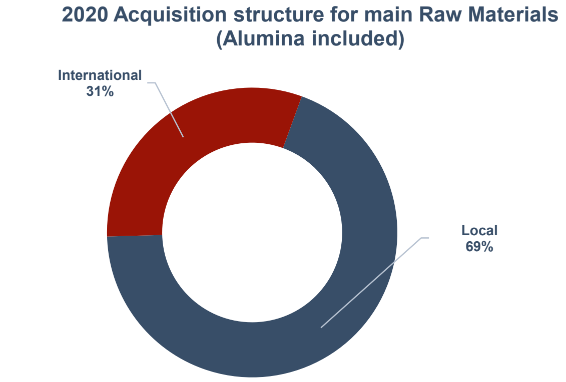
    - moving from paperwork to electronic documents/ approvals of the transactions, including internal documents and signing of procurement contracts in electronic format, meaning all documents are signed in electronic format;

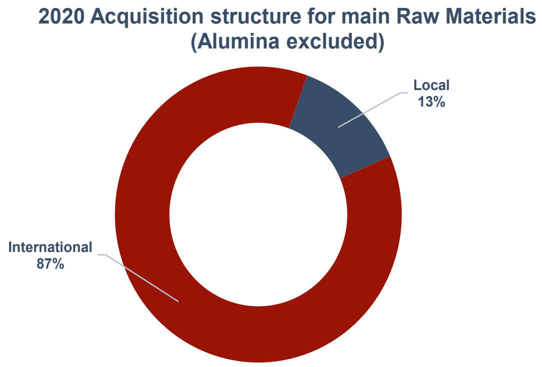
    - e-tenders for the acquisition of goods and services wherever possible;

    - GPS monitoring and control of the fleet & warehousing and cost reduction.

During 2020, all raw materials ALRO purchases from domestic and/ or foreign suppliers are in strict compliance with European Union (EU) safety and environmental protection legislation including, but not limited to, European Commission (EC) legislation No.1907/2006 (REACH) and EC legislation no. 1272/2008 (CLP).

For details over the acquisition structure of PLD in 2020, please see the graphs below:





PLD also manages Alum's calcined alumina and aluminium hydroxide sales. Therefore, one of its main objectives is to increase the Group profitability and cash-flow by reducing raw materials acquisition prices and logistics costs and increase sales to third parties' customers.

Alumina prices in 2020, according to benchmark indexes, decreased by around 19% compared to 2019, being influenced by the global impact on demand levels of COVID-19.

Since alumina price around the world is mainly linked to Platts, CRU & Metal Bulletin indexes and Alum third party sales are oriented to a foreign market in a proportion of around 90% and thus, keeping the sales volumes in line with those budgeted was a challenging task in 2020.

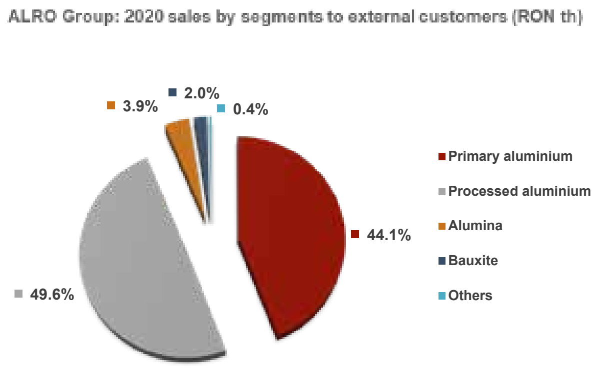
However, PLD managed in 2020 to sign sale contracts counting 10,881 mt calcined alumina and 96,533 mt aluminium hydroxide (meaning a total of 71,046 mt in equivalent alumina), for both metallurgical and non-metallurgical applications.

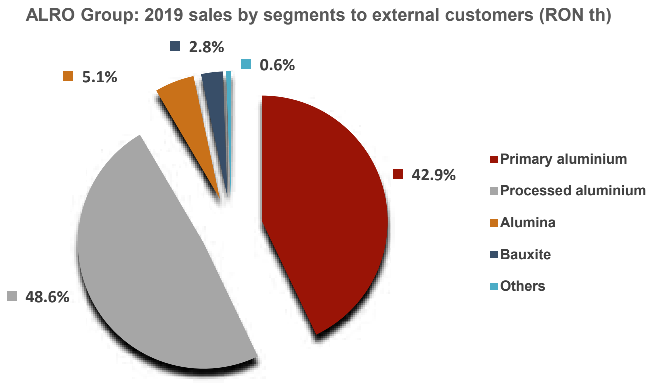
ALRO Group - figures

Financial and economic review

The Group's consolidated sales in 2020 were of RON 2,514,716 thousand, a lower value compared to the one reported in the similar period of 2019 (respectively RON 2,777,801 thousand), mainly due to the unfavourable international and national market conditions caused mainly by the COVID-19 pandemic) that affected all players in the aluminium industry throughout 2020. ALRO's sales were of RON 2,307,360 thousand in 2020 (2019: RON 2,492,611 thousand).

The contribution of the sales of the **Primary Aluminium segment** to third parties was RON 1,109,896 thousand in 2020 and represented 44% of the Group's total revenues (2019: RON 1,191,673; 43%). Third-party sales of **Processed Aluminium segment** represented 50% of the Group's total revenues in 2020, being of RON 1,247,158 thousand (2019: RON 1,351,013 thousand; 49%), in line with the Group's strategy of increasing the percentage of the HVAPs and VHAPs sales.





Group net result for 2020 was a **net profit** of RON 334,773 thousand compared to a net loss of RON 67,237 thousand in 2019 - due to a positive contribution from a stronger USD that partially offset the negative contribution of lower revenues as a consequence of lower LME prices and demand levels (mainly due to COVID-19 effects). Moreover, in 2020 the Group benefited of the subsidies of RON 647,243 thousand as compensation for high energy costs (out of which RON 630,338 thousand at ALRO's level), which were recognized in 2020 for both years 2019 and 2020. Based on the same underlying circumstances, **ALRO reported a net profit** of RON 295,206 thousand opposed to a net loss of RON 152,901 thousand in the same period of last year.

This is a free translation from the official Romanian version

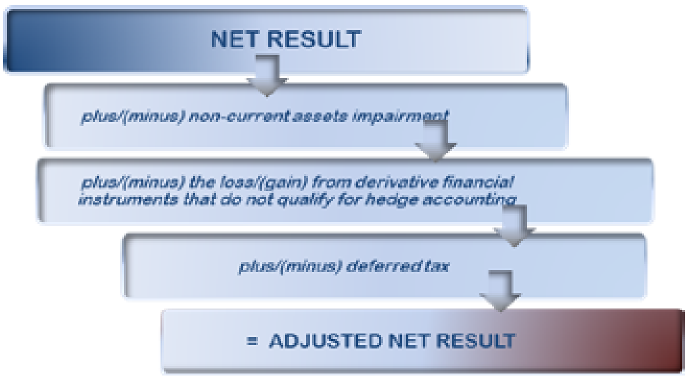
The reconciliations of the **Adjusted Net Result** at ALRO Group level, and for ALRO, respectively, for 2020 and 2019 are detailed below:

ALRO Group

	2020	2019
NET RESULT	**334,773**	**(67,237)**
Plus/(minus) charge/(reversal) of non-current assets impairment expense/(income)	4	(4,790)
Plus/(minus) the loss/(gain) from derivative financial instruments that do not qualify for hedge accounting	-	3,598
Plus/(minus) deferred tax expense/(income)	(10,976)	15,093
ADJUSTED NET RESULT	**323,801**	**(53,336)**

ALRO

	2020	2019
NET RESULT	**295,206**	**(152,901)**
Plus/(minus) charge/(reversal) of investments impairment expense/(income)	(51,683)	48,873
Plus/(minus) charge/(reversal) of non-current impairment expense/(income)	-	(4,754)
Plus/(minus) the loss/(gain) from derivative financial instruments that do not qualify for hedge accounting	-	3,598
Plus/(minus) deferred tax expense/(income)	(6,479)	(5,638)
ADJUSTED NET RESULT	**237,044**	**(110,822)**



Regarding the **cost of goods sold,** the Group reported a slightly lower level by 1% in 2020 (2020: RON 2,521,548 thousand versus 2019: RON 2,550,785 thousand), as a result of the anti-crisis program effects, but partially off-set by the more high-priced utility costs (i.e. energy, gas etc.), which were in line with the prices from OPCOM's platforms. At **ALRO', the cost of goods sold** was at almost the same level in 2020 compared to the similar period of last year (2020: RON 2,445,143 thousand versus 2019: RON 2,434,648 thousand).

The Group registered a negative **gross result** in 2020 of RON 6,832 thousand (2019: a positive gross result of RON 227,016 thousand), mainly due to the market adverse influence marked by depressed LME levels in 1H 2020 and higher input costs as mentioned above. In line with the Group's evolution, **ALRO's gross result** in 2020 was a negative one of RON 137,783 thousand (2019: a positive gross result of RON 57,963 thousand). However, based on the developments done by the authorities in 2020 in respect of the ETS compensation, the adverse energy prices incurred by the Group were partially mitigated through the compensation received in September 2020. This compensation covers in proportion of 75% the impact of CO_2 certificates in the energy price. Thus, the Group's EBIT for 2020 was of RON 399,512 thousand (2019: RON 99,241 thousand).

On the other side, the **Group's general, administrative and selling expenses** increased by 15% in 2020 (from RON 280,238 thousand in 2019 to RON 323,305 thousand in 2020); a similar trend was reported by ALRO, i.e. a 22% increase. The G&A expenses increase is a result of two factors: a provision booked as per the Collective Labour Contracts and for the Management Remuneration for good financial results in 2020 as per the GSM decision on one hand and to research and development costs related to the EU funded project for the research infrastructure for the aluminium alloy heat treated plates with high-qualification industrial applications at ALRO and for the research of aluminium hydroxide technology (dry and wet) at ALUM, on the other hand. The investments made in these projects are capitalized in specific equipment that started to be depreciated after their installation in 1H 2019.

In 2020, **other operating income** amounted to RON 735,791 thousand (compared to RON 167,755 thousand in 2019) and reflects the compensation 2019 and 2020. Thus, the Group and the Company recognized an amount of RON 647,243 thousand at the Group level and RON 630,338 thousand at the Company level as *Government grants* representing the ETS compensation to which it is entitled for its high electricity costs (nil in 2019), as the applicable legislation was in force in Romania only starting May 2020 and that is why the compensation for 2019 was registered also in 2020 together with the one for 2020. The compensation for the year 2019, namely RON 249,946 thousand at the Group level and RON 243,418 thousand at the Company level, was already received in September 2020.

In 2020, the Group and the Company sold CO_2 emission certificates of RON 73,668 thousand at the Group level and RON 12,523 thousand at the Company level (in 2019: RON 120,197 thousand at the Group level and RON 45,404 thousand at the Company level) and included them under *Income from the sale of emission certificates,* benefiting from the increase in the price of CO_2 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 2020 compared to 2019, the Group and ALRO reported lower **interest expenses** mainly due to lower LIBOR and ROBOR benchmark interest rates.

In 2020 the Group managed to generate **positive net cash flows by its operating activities** of RON 323,321 thousand. This level was significantly higher than the one reported for the similar period of 2019: RON 97,541 thousand mainly due to additional income came from the ETS compensation and sales of emission certficates on one side, and on the other side to the positive effects of the anti-crisis program and inventories levels optimization measures implemented throughout 2020. At **ALRO's level, the net cash flows generated by the operating activities** was RON 190,137 thousand in 2020 (2019: RON 153,168 thousand). Moreover, a key objective in 2020 at the Group's level was to preserve the cash position considering the COVID-19 pandemic potential negative effects. Thus, the Group identified and took advantage of the market opportunities for some of its products (such as wire rod, billets and extruded products), while new stock control procedures were implemented.

The net cash used in investing was at Group's level of RON 76,701 thousand in 2020 versus 2019: RON 141,369 thousand and at **ALRO's** level RON 45,057 thousand in 2020 versus RON 23,144 thousand in 2019. The net cash-outflows related to the investment activity in 2020 include acquisitions for investments aimed to improve the energy efficiency of the electrolysis technology, payments for relining the electrolysis pots and furnaces reconditioning in ALRO, as well as investments for maintenance and improving equipment parameters at ALUM and SMHL. Considering the new reality the business had to face in 2020, the investments were slowed down to ensure the activity continuity.

The net cash flows used in financing activities in 2020 show mainly the repayment of the instalments of the bank loans according to their initial contractual schedules agreed with the financing banks and the leasing debts for the reporting period. **The net cash used in financing activities** was at Group's level of RON 224,229 thousand in 2020 versus 2019: RON 76,652 thousand and at **ALRO's** level RON 128,876 thousand in 2020 versus RON 193,923 thousand in 2019.

As at 31 December 2020, the Group reported **cash and cash equivalents** of RON 105,500 thousand (31 December 2019: RON 83,182 thousand). At ALRO's level, the **cash and cash equivalents** was of RON 88,750 thousand (31 December 2019: RON 72,546 thousand). As at 31 December 2019 the restricted cash of the Company and Group amounting to RON 45,200 thousand consisted of collateral deposits for a revolving facility and a non-cash facility for letters of credit and letters of guarantee. The facilities were renewed in November 2020 and their maturities are in November 2023 and February 2024, respectively, and consequently the related collateral deposits were classified as long-term at 31 December 2020 under the category *Other non-current assets*.

The Group's **total assets** were RON 2,629,419 thousand in 2020 6.8% higher than the level registered in the similar period of 2019 of RON 2,462,026 thousand mainly due to the government grants receivable representing compensation for the high electricity prices resulting from the indirect emission costs under the EU Emission Trading Scheme for 2020 (ETS). As per European and Romanian regulations, the Group is entitled to receive the aforesaid compensations for the electricity costs incurred in 2019 and 2020. At 31 December 2020 the balance of government grants of RON 397,297 thousand represents the compensation receivable for the year 2020. The **non-current assets** were RON 1,288,781 thousand as of 31 December 2020 versus 31 December 2019: RON 1,328,018 thousand, while the **current assets** were of RON 1,340,638 thousand in 2020 (2019: RON 1,134,008 thousand).

The equivalent trend was registered by ALRO, which reported **total assets** of RON 2,437,163 thousand as of 31 December 2020 (31 December 2019: RON 2,122,568 thousand), out of which **non-current assets** of RON 1,325,029 thousand at 31 December 2020 (31 December 2019: RON 1,279,436 thousand) and **current assets** of RON 1,112,134 thousand as at 31 December 2020 versus RON 843,132 thousand as at 31 December 2019.

The level of **inventories** decreased by 18% at both the Group's level and at ALRO's level as a direct consequence of the anti-crisis program that also focused on the inventories optimization. The positive effects of the anti-crisis measures implemented throughout 2020 were also visible at the **cash and cash equivalents** reported both by the Group and ALRO as of 31 December 2020, as previously described.

Group's **total liabilities** decreased by 9% and reached a level of RON 1,541,754 thousand on 31 December 2020 (31 December 2019: RON 1,692,074 thousand), principally due to the loan repayments by the Parent-Company and by the Group's subsidiaries in 2020. The level of the Group's **non-current liabilities** as of 31 December 2020 was RON 983,741 thousand (31 December 2019: RON 512,633 thousand), while the Group's **current liabilities** were RON 558,013 thousand of 31 December 2020 as opposed to RON 1,179,441 thousand at 31 December 2019. ALRO reported **total liabilities** of RON 1,405,201 thousand as of 31 December 2020 (31 December 2019: RON 1,381,022 thousand), out of which **non-current liabilities** of RON 887,804 thousand as at 31 December 2020 (31 December 2019: RON 341,907 thousand) and **current liabilities** of RON 517,397 thousand as at 31 December 2020 versus RON 1,039,115 thousand as at 31 December 2019. The movements between the non-current and current liabilities in 2020 versus 2019 are because, in November 2020, ALRO negotiated with a syndicate of banks and signed the extension of a revolving loan agreement of USD 120,000 thousand until November 2023 and of the non-cash facility amounting to USD 30,000 thousand until February 2024. Also, ALRO signed the extension until November 2023 of another revolving loan amounting to RON 180,000 thousand contracted from a commercial bank in November 2017, too. The **other current liabilities** at the Group's level increased by 58% and by 17% at ALRO stand-alone level because the Group adopted strategies to benefit from the Government's set of measures implemented in 2020 to support businesses during the COVID-19 pandemic and deferred the payment of the following principal tax liabilities, payable by monthly instalments until December 2021: wages and social security taxes in the total amount of RON 13,507 thousand, VAT payable in the total amount of RON 25,880 thousand.

In 2020, the Group continued its sustainable and long-term investment strategy, but this was adapted to the new reality and context generated by the COVID-19 pandemic outbreak. Thus investments for the maintenance CAPEX and those compulsory from an environmental and energy efficiency point of view were in place and the others were postponed to ensure better cash-flow management. The key-project, AP12LE continued in 2020 and 53 pots were relined using this new innovative technology during the year.

Operational analysis

ALRO Group

ALRO Group reported in 2020 a total production of cast aluminium of 271,307 tonnes, a lower level compared to the one reported in 2019 of 280,326 tonnes due to unfavourable market conditions, including COVID-19 pandemic outbreak that further translated into lower production levels. The processed aluminium production reported a lower quantity in 2020 than the one registered in 2019 (2020: 98,020 tonnes versus 2019: 104,614 tonnes), mainly due to the disruptions generated by the COVID-19 crisis in the automotive and aerospace industries to which the Group delivers its HVAPs product.

The alumina production was 426,393 tonnes in 2020, 7.5% lower compared to the one reported in the same period of the last year when it was 460,911 tonnes due to still lower alumina prices compared to the same period of last year, which translated to lower sales to third parties and finally into lower production levels. Bauxite production recorded a level of 1,342,139 tonnes in 2020 (2019: 1,883,863 tonnes), in line with the Group's necessities and strategy.

ALRO

In 2020, the Company reported a slight decrease in the primary aluminium production compared to the same period of 2019, respectively a decrease of 3% and the processed aluminium production decreased by 13% being above 72,000 tonnes.

In 2020 the primary aluminium sales slightly increased and reported a level of 159,478 tonnes, compared to 152,464 tonnes in 2019, while the processed aluminium sales decreased by 7% in the analysed period, being in 2020 of 75,225 tonnes compared to 80,683 tonnes in 2019.

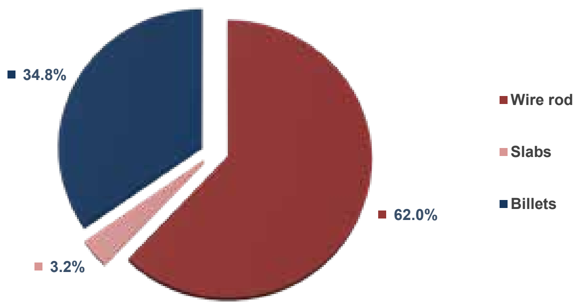
Primary Aluminium Segment

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

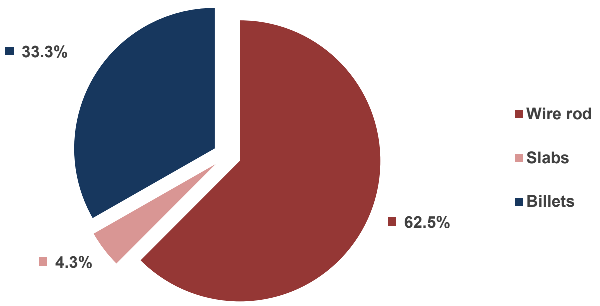
In 2020, the Company continued to improve the mix of products sold, as a result of the implementation of the strategy that is focused on high value-added products. The main markets for ALRO's primary products in 2020 were Romania, Czech Republic, Poland, Bulgaria, Italy, Hungary, and Germany.

The structure of primary aluminium sales based on product types in 2020, compared to 2019, is presented below:

Primary aluminium: 3rd party sales structure in 2020 (RON th)

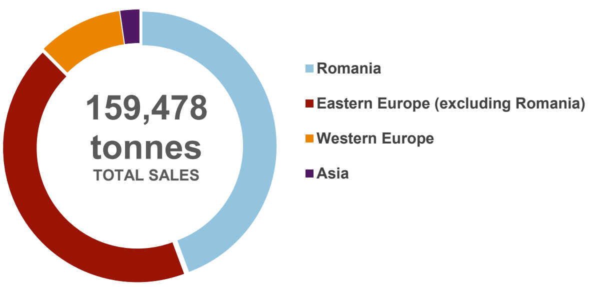


Primary aluminium: 3rd party sales structure in 2019 (RON th)

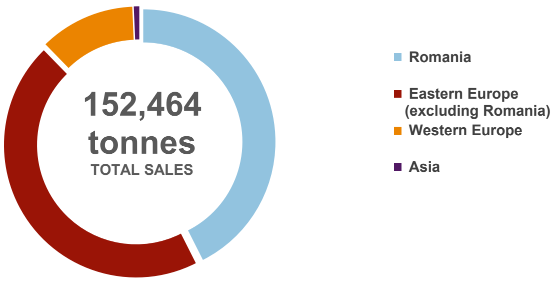


The main markets for the Primary Aluminium segment for 2020 and 2019 are detailed below:

Primary aluminium: main markets in 2020 (tonnes)



Primary aluminium: main markets in 2019 (tonnes)



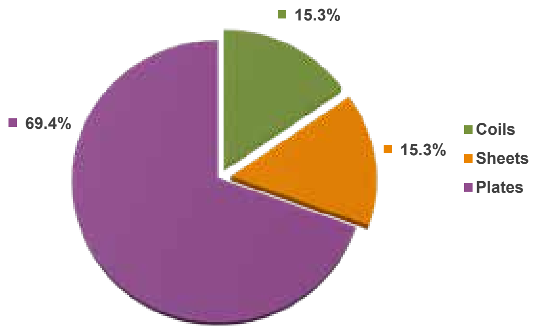
Processed Aluminium Segment

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

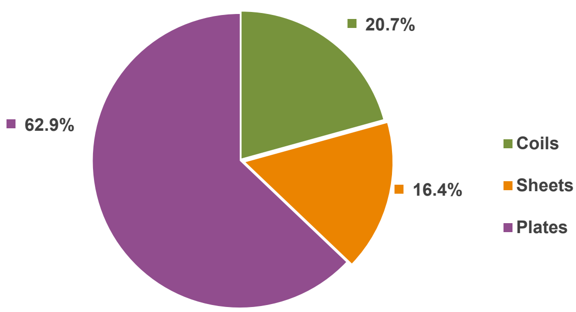
The processed aluminium sales recorded lower levels for sheets and coils in 2020 as compared to 2019. In quantitative terms, aluminium coils decreased by 32% in 2020 compared to the similar period of last year. The main markets for ALRO's processed products in 2020 were Romania, Germany, France, Turkey Italy, Poland, Czech Republic, Spain, Austria, Great Britain, Asia and North America.

The structure of processed aluminium sales based on product types in 2020, compared to 2019, is detailed below:

Processed aluminium: Sales structure in 2020 (RON th)

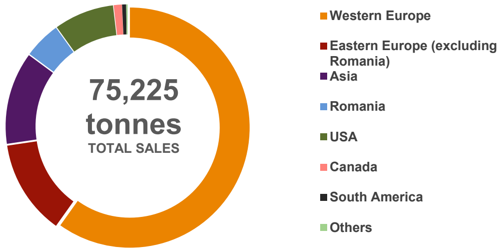


Processed aluminium: Sales structure in 2019 (RON th)

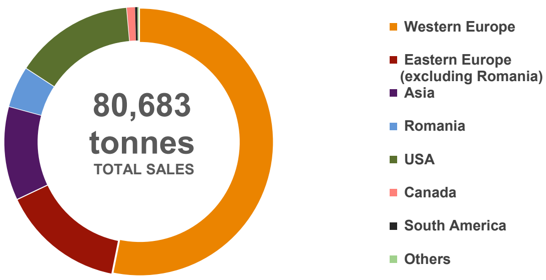


The processed aluminium markets in 2020 versus 2019 are detailed below:

Processed aluminium: main markets in 2020 (tonnes)



Processed aluminium: main markets in 2019 (tonnes)



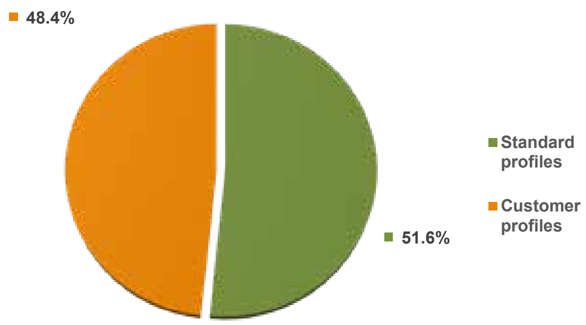
Processed Aluminium Segment (Extruded products)

Vimetco Extrusion sells a wide range of extruded profiles, such as aluminium bars, tubes and profiles, both on domestic and external markets. Currently, 95% of Vimetco Extrusion products are sold abroad.

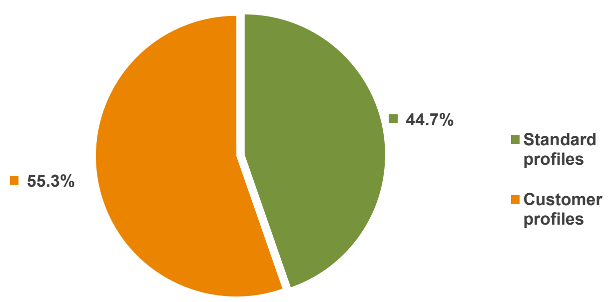
Vimetco Extrusion's special products are considered to be HVAPs and the machined, painted and anodized or powder coated products to be VHVAPs

The structure of extruded products sales based on product types in 2020, compared to 2019, is detailed below:

Extruded products: Sales structure in 2020 (RON th)

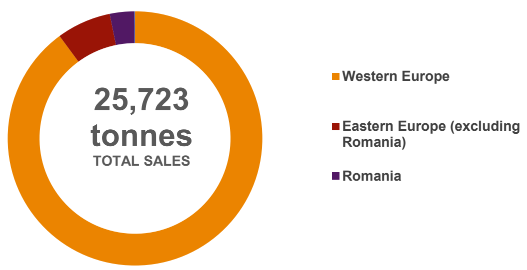


Extruded products: Sales structure in 2019 (RON th)

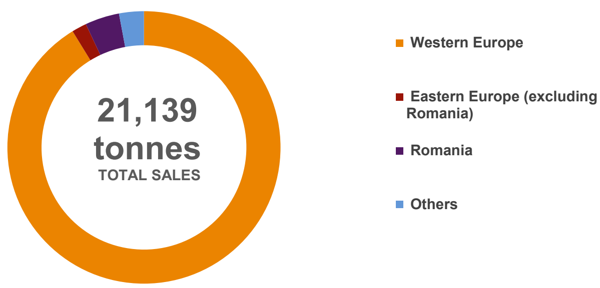


The extruded products markets in 2020 versus 2019 are detailed below:

Extruded products: main markets in 2020 (tonnes)



Extruded products: main markets in 2019 (tonnes)



Other information

- the Group is not dependent on a client or a group of clients due to its diversified portfolio;
- in 2020, the Group did not buy or hold its shares;
- throughout 2020 no mergers or reorganizations occurred;
- in 2020, there were no increases or decreases of the shares held in affiliated entities;
- the equipment status ensures safe operation and the achievement of the proposed objectives, with no problems related to the ownership of the Parent-Company or other Group's subsidiaries tangible assets;
- by upgrading its production machines and equipment, the Parent-Company and/or other Group's subsidiaries are technically and technologically similar to the main aluminium producers on the international market.

ALUM

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

While primarily supplying alumina to the Group, ALUM also sells aluminium hydrate and other alumina special products (including calcined alumina with different granulations, alumina "low soda" and alpha-alumina) to third party customers.

Alum is listed on ATS segment, AeRO category on the BSE, since May 2015. AeRO represents the alternative trading system (ATS) operated by them and therefore is not a regulated market in regards to any MiFID directive.

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

ALUM's involvement in RemovAl, REEScue and ReActiv projects shows the company's commitment towards SUSTAINABILITY and INNOVATION

In 2020, Alum continued its strategy for reducing costs by optimizing its consumption levels and developing new environmental-friendly technologies, by obtaining beneficial prices for its raw materials and by investing in technology and human capital. Moreover, in 2020, continued the implementation of new technologies for the research and production of dry aluminium hydroxide, for the grinding and sorting of dry aluminium hydroxide, and for the classification of wet aluminium hydroxide, all of which are new alumina products with a special destination. This is part of the Group's strategy to continue the technological upgrading programmes within all its divisions, with the main objective of improving the efficiency of the existing equipment and its day-to-day operations.

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

- investments with effect in decreasing production costs and increasing competitiveness, the environment protection and the corporate social responsibility active contribution;
- upgrading its equipment to meet high economic efficiency;

- providing raw materials and energy resources in the most advantageous economic terms;
- diversification of products ranges and increasing the turnover and production volumes;
- retention of the current external clients and attraction of new clients by offering a diversified range of products;
- development and implementation of new research and development projects.

In 2020, ALUM achieved a production of alumina of 426,393 tonnes, decreasing by 7.5% compared to the previous year (2019: 460,911 tonnes), on the background of lower prices for alumina in the market. Consequently, due to a lower demand of alumina in the analysed period the sales of alumina and hydrate to third parties decreased up to 71,046 tonnes, lower by 12.7% than in 2019. For 2020, ALUM reported a turnover of 671,846 RON thousand, lower than the level reported in the previous year (2019: RON 783,641 thousand), due both to lower selling prices for alumina and hydrate and lower quantities sold.

RemovAl Project

ALUM is an active part of RemovAl, a project consortium that spans across 12 European countries (11 EU member states and one associated Country-Norway) bringing together different expertise and know-how. Among the 26 participants in the consortium, there are eight large production industries and companies, ten SMEs and six academic and research institute partners and two industry associations. Three plants represent the alumina sector as the key-stakeholder and waste producer (representing 44% of European alumina production), one legacy site, the European Aluminium Association and the International Aluminium Institute.

The ambition of RemovAL is straightforward: to overcome environmental issues and technological barriers related to the aluminium industry, by combining and advancing existing technologies for the sustainable processing of BR (Bauxite Residue), SPL (Spent Pot Lining, i.e. the residue obtained in the electrolysis process) and other by-products generating revenue. The following processing technologies form the nodes through which different paths can be drawn, depending on waste characteristics, availability and logistics among waste producers and end-users.

A combination of six innovative pilot plants across Europe will form a network of technological nodes, enabling optimum processing flow for valorising the produced bauxite residue. The validation will be done for three European alumina producers (representing 44% of the European alumina production).

Currently, the project is ongoing and the marketing and economic assessments are at the final stage of evaluation. Despite pandemic and inherent delays (around six months' delay), the project will be finalized by the end of October 2022.

REEScue Project

The industrially driven consortium of REEScue is coordinated by "The National Technical University of Athens" (Greece), while three alumina refineries (Aluminium of Greece - Greece, ETI Seydisehir Aluminyum S.A. Turkey, Alum SA Romania) takes part of it together with another university "Necmettin Erbakan Üniversitesi Turke", with long track records in their field of expertise.

The main aim of this project is the efficient exploitation of European bauxite residues resulting from alumina production, containing appreciable concentrations of scandium and REEs, through the development of a number of innovative extraction and separation technologies that can efficiently address the drawbacks of the existing solutions. The proposed solutions will be validated in an appropriate laboratory and bench scale. The overall target is to develop a stable and secure EU CRM supply chain to serve the needs of the EU high tech industry.

In this respect, the starting point of the proposed research is on Technological Readiness Level (TRL 3) and after the project, completion will be Level 5 (TRL 5). This will unlock a huge potential for the industrial uptake by the project partners. The project started on 1 October 2020 for a period of three years (until the end of March 2023). ALUM is one of the work packages leaders, work package 8 = WP8 "Dissemination-Exploitation of Project results" and is actively involved in the reduction of bauxite residues and in the reintroduction into the economic circuit of these by-products resulting from the alumina production process.

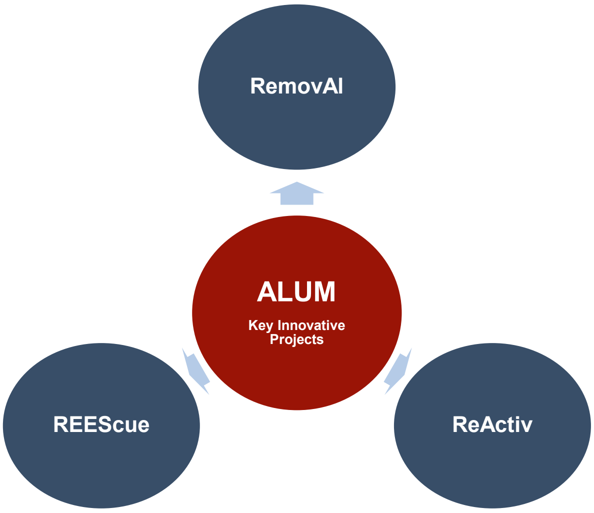
ReActiv Project

The Industrial Residue activation for sustainable cement production project ("ReActiv") will create a novel sustainable value chain, linking bauxite residue, the by-product of the alumina production with the cement industry. ReActiv focuses on transforming a currently unexploited industrial residue from the alumina sector Bauxite Residue, into active material for new sustainable cement products. In ReActiv, ALUM participates as a stakeholder, providing appropriate samples of bauxite residue to be processed in the project, contributes to the feasibility studies and business plan development, especially in regards to potential technology deployment at cement plants. The project will be implemented starting end of 2020 or early 2021 and will be finalized in four years.

The ReActiv project will deploy new technologies that will transform the bauxite residue in a re-active material for low CO_2 cement production, to substitute 30% to 50% of clinker, the main component of cement. The process will provide much lower costs and will produce novel cement products with equal or better performances while reducing emissions related to production by at least 30%.

Moreover, the ReActiv project's objectives are to:

- reduce with at least 30% the primary raw material use per tonne of cement; cut-off waste generation by at least 25%;
- provide significant energy savings and reductions in CO_2 emissions;
- establish the secure and sustainable provision of secondary resources at a total cost lower than existing solutions and to provide a sustainable method that can be replicated across industries.



Vimetco Extrusion

The extrusion shop, which is operated by Vimetco Extrusion ("VE") represents the largest extruder in Romania and a significant player in the Western European extrusion market. Starting with September 2006, Vimetco Extrusion was organized as a separate subsidiary company of ALRO Group to focus on the Group's extrusion business. The company administrative and managerial offices are located in Romania, with the headquarters in 1, Milcov Street, Slatina, Olt County, Romania.

Through Vimetco Extrusion, the Group uses the billets produced by ALRO in its primary aluminium division and manufactures and sells a wide range of extruded profiles, such as aluminium bars, tubes and profiles. Aluminium extrusion is a technique used to transform aluminium billets into objects with a defined cross-sectional profile for a wide range of uses. In the extrusion process, heated aluminium is forced through a die. Extrusions can be manufactured in many sizes and in almost any shape for which a die can be created. The extrusion process makes most of aluminium's unique combination of physical characteristics. Its formability allows it to be easily machined and cast, and yet aluminium is one-third the density and stiffness of steel so the resulting products offer strength and stability, particularly when alloyed with other metals.

Within extruded products, the Group considers its special products to be HVAPs and the machined, painted and anodized or powder coated products to be VHVAPs. Vimetco Extrusion's products are used in various industries, such as transport, construction, various aluminium metal structures, photovoltaic panels. The Group's extruded products are also used in the construction and interior design industries with curtain-walling, ceilings, partitions, railings and panels being some of the various applications of aluminium. Also, extruded products are used in lighting, air conditioning/ ventilation systems, reflectors and in the photovoltaic energy industry.

Vimetco Extrusion is the main supplier for the most important names in the distribution field both in terms of standard profiles and of customized products, but also for important end-users.

Currently, 95% of Vimetco Extrusion products are sold abroad and this percentage represents the confirmation of the consistent high-quality provided by the company, credibility and a high level of customers' service experience.

In 2020, Vimetco Extrusion added 3 new important names to its customers' portfolio

Working with the suppliers and end-consumers at European level, VE is successfully involved in unique deliveries and permanently operating in the following fields: ground and roof installations for solar energy production, trucks and trailers for the transportation sector, buildings & constructions, electric products, civil engineering (i.e. bridges, linear technology and conversion systems).

Despite the unprecedented impact of the COVID-19 crisis which put additional pressure on the extrusion markets, from a sales perspective in 2020 Vimetco Extrusion recorded an upward trend and continued to expand the share of high added-value products and thus, becoming the first choice for its customers. VE maintained its sales strategy by keeping close contact with every actual and new customer to compensate the missing volumes from those customers whose activity was affected by the COVID-19 crisis. In this respect, the solar panels business was of major importance as it is one of the leading industries throughout this pandemic.

By offering mechanically machined profiles and/ or surface treatments, VE took advantage of each opportunity to promote the company's competitive advantages in front of the competition to secure the press capacity with a focus on special profiles and high added-value products. Thus, in 2020, VE succeeded to add to its customers' portfolio three important names:

- ***ABC Aviation*** is a Romanian company brought to life in 2007, active in aerospace and certified by AACR as developer and installer of aerodrome elements and infrastructure for developing helideck platforms made in Romania.

  Until 2020, ABC Aviation installed helidecks for Romanian hospitals (a representative project was in Municipal Hospital in Bucharest). They were using the platforms from Spain, made out of Hydro aluminium profiles. Starting with 2020, Vimetco Extrusion develops together with ABC Aviation helideck platforms made in Romania. Vimetco Extrusion delivers the aluminium profiles and high-added value products (i.e. connectors for helideck assembly). ABC Aviation is responsible for the certification of the final product and will take care of the set up process and the final reception.
  For 2020, three contracts were signed with hospitals – the first project is for the hospital in Bistrita (currently, successfully finalized) and other two similar projects are planned for the Emergency Clinical Hospital for Children "Marie S. Curie" in Bucharest and the Suceava County Emergency Hospital.

- ***Schletter*** – started as a family-owned enterprise is currently positioned as a global group of companies with production facilities in Germany and China, being a leading manufacturer of solar mounting systems. The cooperation with Schletter reflects the steps done by Vimetco Extrusion as part of its strategy to develop and increase the share of high added value products (i.e. extrusion and machining operations)

- ***Metalko*** – a family-owned business- active in several industries. With which, in 2020, two important projects were started: one for the advertising industry (BWM showrooms) and another for football gates (VE's customer being the supplier of the biggest European football championships)

In 2020, Vimetco Extrusion reported sales of 25,723 tonnes, a higher level compared to the similar period of last year (2019: 21,139 tonnes) and an increase of its turnover by 11%, that reached in 2020 a level of RON 314,025 thousand (2019: RON 283,513 thousand). Even though the worldwide economies were severely hit by the COVID-19 pandemic, the extrusion market experienced an increase in demand levels in some regions and for some products. Thus, in 2020 VE took advantage of the anti-dumping process initiated by Europe to China, demand or its customized profiles for solar power plants, while adding to its customers' portfolio new important names. Furthermore, VE managed to become a supplier for helidecks, a premiere for Romania that has also impacted positively the reported sales for the reporting period.

Investments strategy (CAPEX)

The investment plan of VE is structured in two main directions: productive and non-productive investments. The main purpose is to increase the return on investment for shareholders by investing in improving the technological capacity and capability of the company with new equipment and comprehensive IT systems.

Along with productive investments, investment plan contains activities to create a more efficient and safe working environment.

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

The investment plan of Vimetco Extrusion is based on the following guidelines:

- HVAPs portfolio diversification by investments that will increase the technical capability and capacity of the Added Fabrication department, support for the overall company marketing strategy of increasing value-added products;
- Reducing the technical gap between the two existing presses to use their capabilities at the designed capacity. Project budget and implementation plan for the automatic extrusion line have been made with a positive conclusion regarding the general decision to invest;
- Increase share of special profiles sales at 51% in 2021 and develop technical capabilities for increase up to 64% till 2023;
- Continue development of IT systems (WMS, Priority, Charisma and other) that will improve quality, reliability, and speed of data transformation for better decision making;
- Increase VE employee's efficiency by the digitalization of routine data entry tasks, elimination of unnecessary paperwork, emails, excel files, etc., where it is possible to use dedicated software and other solutions;
- Upgrade VE plant to a more professional level via internal culture rules, procedures to show continuous progress to shareholders and VE customers at the shop floor level.

The resulting plan includes the following key projects:

- **Automatic 7" extrusion line** - increase extrusion capacity by 40% (up to 11k tonnes/ year) with one of the best extrusion equipment in the market, thus improving the long-term profitability, investment returns and company's value;

- **Extra Added Fabrication capabilities** - shall provide the ability to be more competitive on the VAPs market, which includes LEAN thinking in the plant and give VE additional return on AP12AP in 2021:
    - automatic cut-punch line – new equipment, which has higher productivity for existing products;
    - semi-automatic cutting saw – replacement for existing saw;
    - automatic box packing – to speed up packing.

- **Digitalization** - developing ERP and IT systems at the plant level. Faster and accurate production planning using data from WMS, follow up and tracking of orders via WMS traceability feature;

- **Automatic reports in Priority** for products profitability necessary for an accurate and objective financial evaluation of the products portfolio;

- **Migration of budget and other excel templates to Priority**, or other software, where applicable;

- **Upgrading die shop;**

- **Soda installation capital repair:**
    - To have faster and fluent process flow;
    - To keep under control budgeted consumptions of the new soda and used soda;
    - To reduce the risk of incidents when tanks are emptying accidentally.

- **Health and safety** - safety fence for Press 2 to significantly reduce the risk of possible accidents. Hence, less sick leave was registered due to that fact and less potential damage costs in case of injury.

Vimetco Extrusion Executive Management is composed of Mr. Igor Higer – General Director, Mrs. Stefania Yaksan – Finance Director. At the date of this Report, Vimetco Extrusion Board of Directors is composed of five members: Igor Higer (President), Aleksandr Barabanov (Vice-President), Arie Shimon Meisel, Per Lyngaa and Stefania Yaksan (since December 2020).

Over the past 14 years, Vimetco Extrusion has become a successful name in Europe, directly competing with large extruders from Turkey, Spain, Italy, Greece, Bulgaria or China. Fair prices, reduced extrusion tools (dies) cost, in-house services for added value products as well as the logistic advantages based on geographical position represent some of the main advantages of Vimetco Extrusion.

VE's goal in 2021 is to achieve better-operating results and improve the products mix in the favour of value-added, customized profiles and by improving operating efficiency and cost productivity. The medium to long-term targets is to shift product mix to over 65% value-added products (from around 50% currently) and achieve the best-in-class cost productivity and industry-standard quality by investing in a new automatic extrusion line and added fabrication equipment. Thus, in 1Q 2021 it is estimated to finalize the purchasing documentation for a new extrusion press that will be commissioned in less than 1.5 years.

Investments are planned for digitalization and process automation such as LEAN thinking in the plant, implementing new capabilities and capacities like automatic cut-punch line, semi-automatic cutting saw and automatic box packing; implementation of a headcount management system (Charisma HCM), a system that supports the human resources department's effort to align employees' personal goals with those of employees. The system supports the human resources department's effort to align employees' personal goals with those of employers.

Furthermore, the collaboration with the major universities and technical local schools for internship and dedicated programs will be continued, the focus on training to improve and develop the skills and knowledge of all staff will be continued. If COVID-19 developments will diminish the travel restrictions, VE will participate in 2021 to various specialized conferences and fairs. All programs to protect company staff by assuring all safety rules and protection measures to fight COVID-19 spreading and infections will be continued.

Sierra Mineral Holdings I, Ltd. (SMHL)

SMHL is responsible for the Group's mining operations and operates bauxite mines located in the Bo, Bonthe and Moyamba districts in the Southern province of the Republic of Sierra Leone on the basis of the Bauxite Mineral Prospecting and Mining Agreement dated 16 July 2012 entered into with the Government of the Republic of Sierra Leone and valid from 1st of January 2012 until 31st of December 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: mining of bauxite. The bauxite obtained by SMHL is sold to ALUM to be refined and to produce alumina, the main raw material used for aluminium production in its refinery located in Tulcea, Romania, which further serves in the aluminium production at ALRO.

On 1st 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. During the latest years all of the Group's alumina and bauxite requirements were met by Alum and SMHL, respectively, with their excess production being sold to third parties. Excess production also allows the Group to increase its primary aluminium output without external acquisition of its main raw materials from third party suppliers.

SMHL managed to run successfully the mine production, beneficiation and export operations of bauxite in Sierra Leone uninterrupted even during the most difficult period of COVID-19 pandemic when many restrictions were imposed. SMHL Management ensured strict implementation of COVID-19 IPC protocol in the operations and communities within which SMHL is operating to proactively prevent, curtail, control and contain spread of infection.

SMHL managed to overcome a challenging year with a COVID-19 pandemic that hit severely the Sierra Leone area

In 2020, SMHL registered a production of 1,342,139 tonnes of bauxite, a lower level compared to 1,883,863 tonnes in 2019 mainly due to the new reality faced. In terms of sales, in 2020, SMHL achieved sales, which amounted to 1,321,685 tonnes, lower by 27% compared to the similar period of last year (2019: 1,815,277 tonnes) as a direct consequence of lower production and demand levels mainly generated by the COVID-19 pandemic.

Also, in 2020 SMHL managed to penetrate the USA market for bauxite; however, due to the outbreak of COVID-19 the end consumer has suspended its operations and currently this project is on hold.

However, the main focus in 2020 was to maintain the operations uninterrupted and sustainable despite of various external and internal challenges, to invest in new equipment and upgrading the existing facilities for better process efficiency and optimization, continue to promote SMHL bauxite worldwide and to export the excess capacity of bauxite and to build value added product range.

In 2021, the focus continues to be securing the Group's raw materials requirements. Constant networking and engagement is being carried out for any potential opportunity of sales to be fulfilled by the spare capacity of SMHL. SMHL Management will be actively participating in the global events in 2021 which may provide scope and opportunity to promote SMHL bauxite in the International market.

Some of the main factors that influenced the performance of the company in 2020 include:

- Global pandemic COVID-19 breaks out which led to global economic instability;
- Drop of bauxite price in the market due to competition with neighbouring Guinea;
- Drop of fuel price on market and active negotiations with all haulage and rented equipment contactors helped SMHL to keep costs growth under control;
- SMHL still continued its program to make appropriate investments for upgrading the equipment used in mining, river transportation, drying and in processing towards optimisation of its operations;

- Improving the bauxite quality by performing an optimal blend of mined and processed ores;
- The company engaged on a continuous process of improving its personnel force efficiency.

SMHL remains profitable in 2020 which is a positive result and the management is determined, despite the forecasted volatility in 2021 to do all it can to consolidate and to maintain a profitable business in the foreseeable future. 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.

The Executive Management of SMHL consists of Alexander Ivanov (Country Manager), Basudeb Datta (General Manager) and Abdul Bangura (Chief Financial Officer). The Board of Directors comprises three members, as follows: Pavel Machitski (Member), Steluta-Mariana Despa-Niculae (Member) and Roman Bulat (Member).

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 can support several investments and social and educational projects for local community development within the mining communities.

The most important aspects regarding the evolution of the demand in 2020 and the 2021 trends can be found below:

- The Chinese dependence on imported bauxite is continuously increasing;
- New alumina projects in China including Guangxi and Inner Mongolia would completely depend on imported bauxite. Successful technical upgrades on alumina projects enable refineries in Shanxi, Henan and Chongqing to use both imported and local bauxite flexibly;
- Many new aluminium projects are also being constructed in Southwest China and some of them would come on stream in H1, 2021, which brings a new change for the aluminium supply.
- The old and new bauxite projects of Guinea are continuously developing and due to increasing global supply scenario and fiercer competition, ore quality and prices are under pressure.

In 2021, SMHL Management will be actively participating in specialized global events (if allowed by the COVID-19 situation) which may provide the scope and opportunity to promote SMHL bauxite in the international market.

Conef S.A.

Conef is a joint-stock company established based on GD no. 30/1991. The Company's shares are not traded on a regulated market, Conef being a closed-end company. The share capital is of RON 6,692 thousand, representing 2,676,661 ordinary nominative shares with a nominal value of RON 2.50, fully paid in by the shareholders.

At the end of 2018, ALRO's majority shareholder, Vimetco N.V together with the shareholder Conef S.A. carried out an accelerated private placement offers for a package of ALRO shares, representing a cumulative percentage of 33.77% of the share capital of the issuer. Following this operation, Conef S.A. disposed of its entire shareholding in ALRO.

The Executive Management of Conef is provided by Marian Nastase – CEO and Constantin Ciobanu – Sole Director.

Other information in accordance with FSA Regulation no. 5/2019 - Financial Instruments and Investments Sector

Analysis of the trends or events that might have an impact over the Group and/ or Company's current activity

As of 31 December 2020, the Parent-Company and subsidiaries are parties to various litigations or legal proceedings arising in the ordinary course of their business, in which they are either defendants or plaintiffs. The Group Companies are not involved in any litigation or court proceedings and are unaware of any actions of a judicial, arbitral or administrative nature that could reasonably be expected to materially and adversely affect the Group's business, financial condition or results of operations.

US anti-dumping duty investigation for aluminium products

On 17 March 2020, the Company announced that it received from the United States International Trade Commission, a notification about a petition filed to the US Department of
Commerce. This petition concerns to establish the anti-dumping tariffs for certain aluminium products originated from 18 countries, including Romania, imported in the United States between 2017 and 2019.

The petition filed by the US Aluminium Association treated the aluminium sheets with a thickness between 0.2 mm and 6.3 mm, made from common alloys (1xxx, 3xxx and 5xxx series). Regarding the sheets of Romanian origin, produced by ALRO, the initial requested anti-dumping tariff proposed to be charged being of 56.22%. Subsequently, on 30 March 2020, the Company announced that it was informed through an external legal consultant that the petition was modified by the authors of the claim, and in case of the products of Romanian origin, subject of the antidumping investigation, the requested anti-dumping tariff, alleged by the petitioners was reduced from 56.22% to 12.51%.

Subsequently, in October the Company was informed that in respect of the sheets of Romanian origin, produced by ALRO, the preliminary anti-dumping tariff, determined by the US Department of Commerce and applicable immediately was of 83.94%. The tariffs which are the subject of the petition must be paid by the importers, not by the producers and they are not imposed retroactively. For ALRO Group, the potential loss would be the decrease of future sales to USA market, since the American importers are thus descouraged to continue buying from ALRO. In March 2021, as a result of the firm position taken and additional arguments presented by the Company, the US Department of Commerce announced their position on the final calculation of the anti-dumping tariff by revising their initial position and reducing this tariff from 83.94% to 37.26%.

The Company considers this petition as being an unfounded one. Moreover, the calculations behind it are erroneous and thus, the Company intends to vigorously defend its position in front of the American authorities involved in this process. However, these tariffs do not have a retroactive impact. Also, the Company has taken all the measures to mitigate any adverse impact that it might face in case the petition is adversely determined.

EU-ETS Compensation Scheme

In September 2020 the subsidy payments related to the year 2019 were made by the Romanian authorities. The EU-ETS compensation scheme was adopted through the Emergency Ordinance 81/2019 with its subsequent modifications and completions and it partially compensates the indirect emissions costs embedded in the energy price. The initial documentation for ALRO, Alum and Vimetco Extrusion for the year 2019 was submitted to the Ministry of Economy, Energy and the Business Environment on 31 December 2019 and for the year 2020 the documentation for ALRO Group companies was submitted on 5 February 2020. The revised documentation including the updates requested by the authorities was submitted in June 2020.

For the next years, these compensation schemes are expected to become part of the business model across Europe. The Green Deal validates once again that the business model across Europe will have to include compensations and subsidies for various topics. And Romania, as a member state, understood the means for this subsidy schemes, which are implemented all across Europe. For example, in Romania, three subsidies schemes are implemented for the aluminium industry: the Excise Exemption, the Exception for the Green Certificates and the Compensation for the indirect CO_2 emissions costs while in Germany, for example, there are subsidies for all taxes on energy price for various industrial sectors and industries at large.

Thus, as of now, the Commission adopted in September the new ETS State Aid Guidelines post-2021 “Guidelines on certain State aid measures in the context of the system for greenhouse gas emission allowance trading post-2021” which enter into force on 1 January 2021, will apply until 2030 and will replace the current Guidelines. Currently, two factors (i.e. the electricity consumption efficiency benchmarks for products covered by the NACE codes in Annex I (Annex II) and Maximum regional CO_2 emissions factors in different geographic areas (tCO_2/MWh) (Annex III) in these guidelines still need to be published and this legislative process is expected to be finalized in 2Q 2021. The compensation rate is 0.75 for the entire period 2021-2030 and all the aluminium industry value chain qualifies for the compensation.

For the Romanian support scheme to apply from 2021 onwards, the local authorities will have to modify the national support scheme (GEO 81/2019 with the subsequent modifications and completions) according to the new guideline and notify it the European Commission for approval. After it is approved by EC, the national authorities will start the implementation of the state aid scheme.

EU Climate Action and Green Deal

On 11 December 2019, the European Commission promulgated a communication setting out the European Green Deal, a EUR one trillion, 10-year investment plan to reduce greenhouse gas emissions by 55% until 2030 (relative to 1990 levels). The Green Deal is an aspiring package of measures ranging from ambitiously cutting greenhouse gas emissions, to investing in cutting-edge research and innovation, to preserving Europe's natural environment.

The European Green Deal represents the European Union's response to a worsening climate and environmental crisis, and its main instrument to bring to life the United Nation's 2030 sustainable development goals.

The European Union is fighting climate change through ambitious policies at home and close cooperation with international partners and by 2050, Europe aims to become the world's first climate-neutral continent.

In early 2021, the Commission plans to adopt a new, more ambitious EU strategy on adaptation to climate change to strengthen efforts on climate-proofing, resilience building, prevention and preparedness, ensuring that businesses, cities and citizens can integrate climate change into their risk management practices. The Commission informed the citizens that for the design of the new strategy, a public consultation will be launched.

ALRO Group pays close attention to its carbon footprint, as part of its goal to become a green and sustainable factory and made significant investments to innovate and to achieve the target of near to zero emissions and waste. The Group uses state-of-the-art technologies, with lower impact on the environment, this being in line with the Green Deal's recommendations. Another step done in the same direction by ALRO in November 2020 was the adherence to ASI - the Aluminium Stewardship Initiative, a global non-profit standards-setting and certification organization. ASI is the only multi-stakeholder platform that establishes clear sustainability criteria for the aluminium industry. The organization's vision is to maximize the contribution of aluminium to a sustainable society.

Moreover, due to aluminium's characteristic of continuously recovering its original properties, the Group has been able to promote and apply the principles of the circular economy, another Green Deal's pillar. Furthermore, aluminium is one of the strongest vectors for decarbonisation of the economy with an increasing role in mobility solutions (electric cars), cargo and freight (aluminium railway cars), in the deployment of wider solutions for renewables (aluminium frames for solar panels) and lighter, energy-friendly buildings.

The New Green Deal, which will position Europe as a global leader for the fight against climate change, based on the impact studies which are either in progress or about to be launched at the European and member state level, the importance of aluminium as a vector of decarbonisation will be reaffirmed and it is estimated that it will become one of the key elements to achieve both the 2030 and 2050 neutrality targets.

The Group aims to reach the climate neutrality targets by using state-of-the-art technologies

Environmental, social, and governance (ESG)

The ESG criteria are a set of standards for a company's operations that are used by socially- conscious investors to screen potential investments. The main components of the ESG score are detailed below:

- *The "E" factor* - Environmental: the environmental area includes the contribution a company or government makes to climate change through greenhouse gas emissions, along with waste management and energy efficiency. For a company to obtain a high score in this area, it should have an environmental policy, an environmental management system, a low carbon intensity, a non-GHG emission program and so on;

- *The "S" factor* - Social: the social area includes human rights, labour standards in the supply chain, any exposure to illegal child labour, and more routine issues such as adherence to workplace health and safety. A company can obtain a high social score by involving itself in the community through various programmes, having a solid human rights policy, a diverse workforce, a health and safety system implemented and so on;

- *The "G" factor* – Governance: the governance area refers to a set of rules or principles defining rights, responsibilities and expectations between different stakeholders in the governance of corporations. A well-defined corporate governance system can be achieved by having a bribery and corruption policy, by having ESG standards implemented, a diverse and independent Board, a whistle-blower program and so on.

Being a subject of interest for investors from all around the world, the Bucharest Stock Exchange decided in 2020 to make a first step in raising awareness of and promoting ESG among the listed Romanian companies through a rating performed with one of the companies specialized in this area. This initiative's main goal was to help the capital market to develop and attract sustainable investments. Therefore, being listed, ALRO has been part of this pilot rating and is putting all its efforts to comply with and implement the best available ESG policies.

Other information

According to the existing borrowing agreements, the Group and the Company are subject to certain restrictive covenants. These covenants require the Group and the Company, among other things, to refrain from paying dividends to its shareholders unless certain conditions are met, and to maintain a minimum or maximum level for certain financial ratios, including debt service coverage ratio, net debt to EBITDA, net debt to equity, current ratio, net financial debt to shareholders' equity, among others.

On 31 December 2020, one of the Group's companies was in breach of one of the covenants in respect of its loans. The Company discussed the situation with the bank and received the necessary waiver within the specified testing period. A breach of covenants in respect of a liability that entitles the creditors to require repayment at a future date within one year from the reporting date is unlikely, and therefore the amounts that are not expected to be paid within one year are classified as long-term liabilities.

During the financial year 2020, there were no other significant changes in the economic and operating conditions affecting the fair value of the Company's assets and liabilities, except the volatility of the aluminium price on international markets and the foreign exchange rate, while locally, on the Romanian market still very high energy prices were registered.

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

Changes in the Board of Directors and Executive Management within ALRO Group

During the reporting period, the following changes took place within the Board or in the management structure of the Group:

- **ALRO:** The Risk and Sustainability Committee – in March 2020 the corporate governance of the Company was strengthened by another committee (the 3rd one), the Risk and Sustainability Committee which is responsible for supervising both the risk management and the management of environmental, occupational, health and safety and corporate social responsibility issues. The Risk and Sustainability Committee is elected by ALRO's Board of Directors and has powers delegated by it. Among the committee's main objectives are: overseeing and making recommendations to the Board regarding the Company's general risk management policy and assisting the Board in reviewing the adequacy, effectiveness and compliance of the Company's risk management policies. The composition of ALRO's Risk and Sustainability Committee as of 31 December 2020 is: Vasile IUGA (Chairman), Gheorghe DOBRA (Member), Marinel BURDUJA (Member), Aleksandr BARABANOV (Member) and Laurentiu CIOCÎRLAN (Member).

- **ALRO:** Operational Management changes: in 2020, several changes occurred within the Operational Management of the Group. Thus, the Acquisition and Logistics of both ALRO and ALUM were taken over by Mr. Aurel BARBULESCU (replacing Mr. Serghei Gheorghe who resigned in November 2019), the Sales Director function was attributed to Mr. Florin VERBONCU since September 2020 (replacing Mr. William Berger who resigned), while the new Technical, Quality and Investment Director of ALRO is Mr. Cristian STANESCU (replacing Mr. Ioan Sava, who retired).

- **Vimetco Extrusion:** New member on Board - Following Mr. Razvan Pop resignation from the Board of Directors, in August 2020, a new member was elected and following corporate governance best practices and trends, a woman was appointed, namely Mrs. Stefania Yaksan;

- **SMHL:** Changes within the management structure – Since 1st of January 2020, Mr. Alexander Ivanov was appointed as Country Manager (the former position was General Manager) and Mr. Basudeb Datta as General Manager (the former position was Production Operational Director);

- **ALUM** – no changes;

- **Conef** – no changes;

- **Other companies** – no changes.

Other information regarding ALRO Group

During the reporting period, the Group's companies did not face the situation of not being able to meet their financial obligations.

Moreover, in 2020 there were no amendments regarding the shares owner rights.

Significant transactions

ALRO Group enters into transactions with its main shareholder, with companies under common control, with directors and key management personnel and the management considers such transactions to be on an arm's length basis.

The balances of acquisitions, debts and receivables (if applicable) regarding significant transactions with related parties on 31 December 2020 are presented in the audited Consolidated Financial Statements. Regarding the nature of these transactions, they refer to goods sold and services rendered by the Group or acquired by the Group from related parties such as Vimetco N.V., Paval Holding SRL, Alum S.A., Vimetco Extrusion SRL, Conef S.A., Sierra Mineral Holdings 1, Ltd., Global Aluminium Ltd., Bauxite Marketing Ltd., Vimetco Trading SRL, Vimetco Management Romania SRL, Vimetco Power Romania SRL, Conef Gaz SRL, Conef Energy SRL, Centrul Rivergate SRL, Rivergate Rating Group SRL, Rivergate Fire SRL, Henan Zhongfu High Precision Aluminium.

Moreover, the transactions primarily consist of an agreement for the provision of:

- consultancy services (concluded with Vimetco Management Romania) - under which Vimetco Management Romania provides services to the Company in connection with the review and analysis of financial and management reports, payroll,corporate finance, financial statements preparation and other financial matters;

- agency and service agreements (concluded with Vimetco Trading) – under which Vimetco Trading identifies potential consumers for the Company's products, participate in negotiations, prepares draft supply contracts, supplies various services (IT, enterprise resource planning (ERP), purchasing services);

- other sales/ purchases of goods and services.

Also, at the date of this Report, Vimetco has obtained a Directors' and Officers' liability and corporate reimbursement four-layer insurance policy with worldwide coverage for the Group's directors and officers. On scheduled expiry, the Group intends to obtain the best market terms coverage on behalf of its directors and officers.

In 2020, the transactions between the related parties were based on bilateral agreements and took place on arm's length basis and the transactions that took place are substantially the same as those set out above.

For more information, about significant transactions with related parties as defined by IAS 24 "Reporting Transactions with Related Parties" under IFRS at the date of this Report, please see **Note 31 - Related party transactions** of the Audited Stand-Alone and Consolidated Financial Statements as of 31 December 2020 included in this Report.

Other information

Relationship between management and employees and conflicting elements that characterise these relationships

Within the Group, there is a permanent dialogue between management and trade unions. The main components of this relationship framework are the collective labour agreement and the available internal regulations. However, all the measures, steps or activities initiated in this area that may impact the employees are previously discussed and agreed upon by both parties.

The average number of employees of the Group in 2020 was 3,958 (2019: 4,291), out of which 2,427 (2019: 2,514) persons are working at ALRO, while 98% of them are qualified workers.

The structure of ALRO's employees in 2020 by the level of education is detailed in the below table:

Level of education	%
Postgraduate studies	2
Undergraduate studies	19
Post-secondary studies	9
Secondary school	46
Professional schools	22
Gymnasium	2

The level of unionisation of ALRO's employees in 2020 was around 89.91% (2019: 91%). During 2020, the relations between the company's executive management and employees represented by unions were fair, regulated by the Collective Labour Agreement and the current specific legislation. No conflicts were reported that could affect the normal activity or continuity of operations.

Any agreement, understanding or family connection between Board members and others

ALRO is governed in a unitary system and the Board members are elected based on the vote of shareholders under OGSM and by full compliance with the legal requirements in force.

At the date of this report, there were no agreements or understandings that should be declared in this section.

Moreover, there are no agreements between Board members and other persons based on which these persons were elected as Board members.

At the date of this report, the list of the management holding shares in the share capital of ALRO is as follows:

Name	Title	Number of shares
Marian NASTASE	Chairman of Board of Directors	300,000 shares
Genoveva NASTASE	Chief Financial Officer	300,000 shares
Marian CILIANU	Operations Director, Primary Aluminium	1,000 shares
Gheorghe DOBRA	Chief Executive Officer	138 shares
Mircea POPA	Operations Director, Processed Aluminium	100 shares

Any agreement, understanding or family connection between Board members and Executive Management and others, due to which the person was appointed a member of the executive management

At the date of this report, ALRO has no information indicating the existence of such contracts or agreements. Although Mr. Marian NASTASE (Chairman of the Board of Directors, ALRO) and Mrs. Genoveva NASTASE (Chief Financial Officer, ALRO) share the same family name, this is just a coincidence and there is no family connection between them.

Any disputes or administrative procedures which involved Board members and members of the Executive Management in the past five years

At the date of this report, ALRO has no information indicating the existence of disputes or administrative procedures against the board or executive management members, to be directly related to their activities within the Group and/or the Company. Also, there is no information on which to conclude such activities could impact the Company's share price or on their ability to hold the position of a member of the above-mentioned management structures.

Corporate governance statement

ALRO is committed to implement and comply with the high standards of corporate governance, as proving good practice in this area ensures clarity to relations between shareholders, Board members, Executive Management and the other stakeholders. By applying the best corporate governance principles, the transparency has been enhanced, while the communication of the Company's activity to stakeholders is improved. Moreover, using a framework based on firm principles reflects on the long term on shareholders and stakeholders value maximisation. Therefore, ALRO gives greater importance to permanent improvement of corporate governance practices and corporate communication and uses as a foundation the principles stipulated in the Code of Corporate Governance (the "Code") issued by BSE.

According to the provisions in article 94 from Title II, Chapter 6 from BSE Code – market operator, updated edition and applicable since October 2019, the Consolidated Annual Report includes the Statement of Code Compliance for the Parent-Company which is listed on BSE, ALRO.

ALRO's Code Compliance Statement is based on the following documents:

- The Company's articles of association, updated in December 2019 approved by the EGSM Resolution no. 650/13.12.2019, published on the website www.alro.ro, in the Investor Relations Section, Shareholder Meeting and Corporate Governance Subsections;
- The Organisation and Operation Rules of the Board approved by GSM Decision no. 625/25.04.2019 containing detailed information about the Board's activity;
- Other internal policies, working procedures and regulations implemented for the consultative Committees or other representative structures functioning within the organization.

ALRO has one-tied Board; if a two-tier system is adopted, the Company will appropriately adapt and apply the provisions of the Code.

** ALRO's Sustainability Report for 2019 was appreciated by an independent jury as being one of the best in the Romanian market during the ARIR Gala held in October 2020 and received the 2nd place in this category;*

*** The award was received during the ARIR Gala held in October 2020, ALRO obtaining the highest number of votes from retail investors;*

**** VEKTOR methodology comprises 15 criteria, in line with international best practices in Investor Relations and, in 2020 it was updated to include the expectations of institutional and individual investors. VEKTOR score was launched in 2019 by ARIR in cooperation with Bucharest Stock Exchange, this indicator being published on the BSE's website on each listed company dedicated page.*

Code compliance statement

Status of compliance with the Bucharest Stock Exchange's Corporate Governance Code at 31 December 2020	Compliance	Non-compliance or partial compliance	Reason of non-compliance
Section A - Responsibilities			
A.1. All companies should have internal regulation of the Board which includes terms of reference/responsibilities for Board and key management functions of the company, applying, among others, the General Principles of this Section.	YES		
A.2. Provisions for the management of conflict of interest should be included in Board regulation. In any event, members of the Board should notify the Board of any conflicts of interest which have arisen or may arise, and should refrain from taking part in the discussion (including by not being present where this does not render the meeting non-quorate) and from voting on the adoption of a resolution on the issue which gives rise to such conflict of interest.	YES		
A.3. The Board of Directors or the Supervisory Board should have at least five members.	YES		
A.4. The majority of the members of the Board of Directors should be non-executive. Not less than two non-executive members of the Board of Directors should be independent, in the case of Premium Tier Companies. Each independent member of the Board of Directors, should submit a declaration that he/she is independent at the moment of his/her nomination for election or re-election as well as when any change in his/her status arises, by demonstrating the ground on which he/she is considered independent in character and judgement.	YES		
A.5. A Board member's other relatively permanent professional commitments and engagements, including executive and non-executive Board positions in companies and not-for-profit institutions, should be disclosed to shareholders and to potential investors before appointment and during his/her mandate.	YES		
A.6. Any member of the Board should submit to the Board, information on any relationship with a shareholder who holds directly or indirectly, shares representing more than 5% of all voting rights.	YES		
A.7. The company should appoint a Board secretary responsible for supporting the work of the Board.	YES		
A.8. The corporate governance statement should inform on whether an evaluation of the Board has taken place under the leadership of the chairman or the nomination committee and, if it has, summarize key action points and changes resulting from it. The company should have a policy/guidance regarding the evaluation of the Board containing the purpose, criteria and frequency of the evaluation process.	YES		
A.9. The corporate governance statement should contain information on the number of meetings of the Board and the committees during the past year, attendance by directors (in person and in absentia) and a report of the Board and committees on their activities	YES		
A.10. The corporate governance statement should contain information on the precise number of the independent members of the Board of Directors.	YES		
A.11. The Board of Premium Tier companies should set up a nomination committee formed of non-executives, which will lead the process for Board appointments and make recommendations to the Board. The majority of the members of the nomination committee should be independent.	YES		

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Code compliance statement (continued)

Section B - Risk management and internal control system			
B.1. The Board should set up an audit committee, and at least one member should be an independent non-executive. The majority of members, including the chairman, should have proven an adequate qualification relevant to the functions and responsibilities of the committee. At least one member of the audit committee should have proven and adequate auditing or internal control system and the corporate governance practices. In the case of Premium Tier companies, the audit committee should be composed of at least three members and the majority of the audit committee should be independent.	YES		
B.2. The audit committee should be chaired by an independent non-executive member.	YES		
B.3. Among its responsibilities, the audit committee should undertake an annual assessment of the system of internal control.	YES		
B.4. The assessment should consider the effectiveness and scope of the internal audit function, the adequacy of risk management and internal control reports to the audit committee of the Board, management's responsiveness and effectiveness in dealing with identified internal control failings or weaknesses and their submission of relevant reports to the Board.	YES		
B.5. The audit committee should review conflicts of interests in transactions of the company and its subsidiaries with related parties.	YES		
B.6. The audit committee should evaluate the efficiency of the internal control system and risk management system. .	YES		
B.7. The audit committee should monitor the application of statutory and generally accepted standards of internal auditing. The audit committee should receive and evaluate the reports of the internal audit team.	YES		
B.8. Whenever the Code mentions reviews or analysis to be exercised by the Audit Committee, these should be followed by cyclical (at least annual), or ad-hoc reports to be submitted to the Board afterwards.	YES		
B.9. No shareholder may be given undue preference over other shareholders with regard to transactions and agreements made by the company with shareholders and their related parties.	YES		
B.10. The Board should adopt a policy ensuring that any transaction of the company with any of the companies with which it has close relations, that is equal to or more than 5% of the net assets of the company (as stated in the latest financial report), should be approved by the Board following an obligatory opinion of the Board's audit committee, and fairly disclosed to the shareholders and potential investors, to the extent that such transactions fall under the category of events subject to disclosure requirements.	YES		
B.11. The internal audits should be carried out by a separate structural division (internal audit department) within the company or by retaining an independent third-party entity.	YES		
B.12. To ensure the fulfilment of the core functions of the internal audit department, it should report functionally to the Board via the audit committee. For administrative purposes and in the scope related to the obligations of the management to monitor and mitigate risks, it should report directly to the chief executive officer.	YES		

This is a free translation from the official Romanian version

Code compliance statement (continued)

Section C - Fair rewards and motivation			
C.1. The company should publish a remuneration policy on its website and include in its annual report a remuneration statement on the implementation of this policy during the annual period under review. The remuneration policy should be formulated in such a way that allows stakeholders to understand the principles and rationale behind the remuneration of the members of the Board and the CEO, as well as of the members of the Management Board in two-tier board systems. It should describe the remuneration governance and decision-making process, detail the components of executive remuneration (i.e. salaries, annual bonus, long term stock-linked incentives, benefits in kind, pensions, and others) and describe each component's purpose, principles and assumptions (including the general performance criteria related to any form of variable remuneration). In addition, the remuneration policy should disclose the duration of the executive's contract and their notice period and eventual compensation for revocation without cause. The remuneration report should present the implementation of the remuneration policy vis-à-vis the persons identified in the remuneration policy during the annual period under review. Any essential change of the remuneration policy should be published on the corporate website in a timely fashion.		PARTIAL	Currently, the remuneration policy is included in the GC Rules and the Company will take measures to comply with the new CGC regarding the review and completion of the information to be included in the remuneration policy. At the moment, the General Shareholders' Meeting establishes the remuneration due to directors for the current fiscal year and the general limit of the remunerations granted by the Board of Directors to the directors appointed with specific positions and to the managers.
Section D - Adding value through investors' relations			
D.1. The company should have an Investor Relations function - indicated, by person (s) responsible or an organizational unit, to the general public. In addition to information required by legal provisions, the company should include on its corporate website a dedicated Investor Relations section, both in Romanian and English, with all relevant information of interest for investors,including D.1.1. Principal corporate regulations: the articles of association, general shareholders' meeting procedures; D.1.2. Professional CVs of the members of its governing bodies, a Board member's other professional commitments, including executive and non-executive Board positions in companies and not-for-profit institutions D.1.3. Current reports and periodic reports (quarterly, semi-annual and annual reports); D.1.4. Information related to general meetings of shareholders; D.1.5. Information on corporate events; D.1.6. The name and contact data of a person who should be able to provide knowledgeable information on request; D.1.7. Corporate presentations (e.g. investor presentations, quarterly results presentations, etc.), financial statements (quarterly, semi-annual, annual), auditor reports and annual reports.	YES		
D.2. The company should have an annual cash distribution or dividend policy. The annual cash distribution or dividend policy principles should be published on the corporate website.		NO	The Company has no dividends policy and shall take the adequate measures in order to comply with CGC.
D.3. The company should have adopted a policy with respect to forecasts, whether they are distributed or not. The forecast policy should be published on the corporate webside.		NO	The Company has no forecasts policy and shall take the adequate measures in order to comply with CGC.
D.4. The rules of general meetings of shareholders should not restrict the participation of shareholders in general meetings and the exercising of their rights. Amendments of the rules should take effect, at the earliest, as of the next general meeting of shareholders.	YES		
D.5. The external auditors should attend the shareholders' meetings when their reports are presented there.	YES		
D.6. The Board should present to the annual general meeting of shareholders a brief assessment of the internal controls and significant risk management system, as well as opinions on matter subject to general meeting's decision.	YES		
D.7. Any specialist, consultant, expert or financial analyst may participate in the shareholders' meeting upon prior invitation from the Chairman of the Board. Accredited journalists may also participate in the general meeting of shareholders, unless the Chairman of the Board decides otherwise.		NO	The Company is working for the amending of the GC Rules in order to comply with the new CGC.

Code compliance statement (continued)

D.8. The quarterly and semi-annual financial reports should include information in both Romanian and English regarding the key drivers influencing the change in sales, operating profit, net profit and other relevant financial indicators, both on quarter-on-quarter and year-on-year terms.	YES		
D.9. A company should organize at least two meetings/ conference calls with analysts and investors each year. The information presented on these occasions should be published in the IR section of the company website at the time of the meetings/conference calls.	YES		
D.10. If a company supports various forms of artistic and cultural expression, sport activities, educational or scientific activities, and considers the resulting impact on the innovativeness and competitiveness of the company part of its business mission and development strategy, it should publish the policy guiding its activity in this area.		NO	The Company shall take the adequate measures in order to comply with CGC.

Responsibilities of the Board of Directors

General presentation

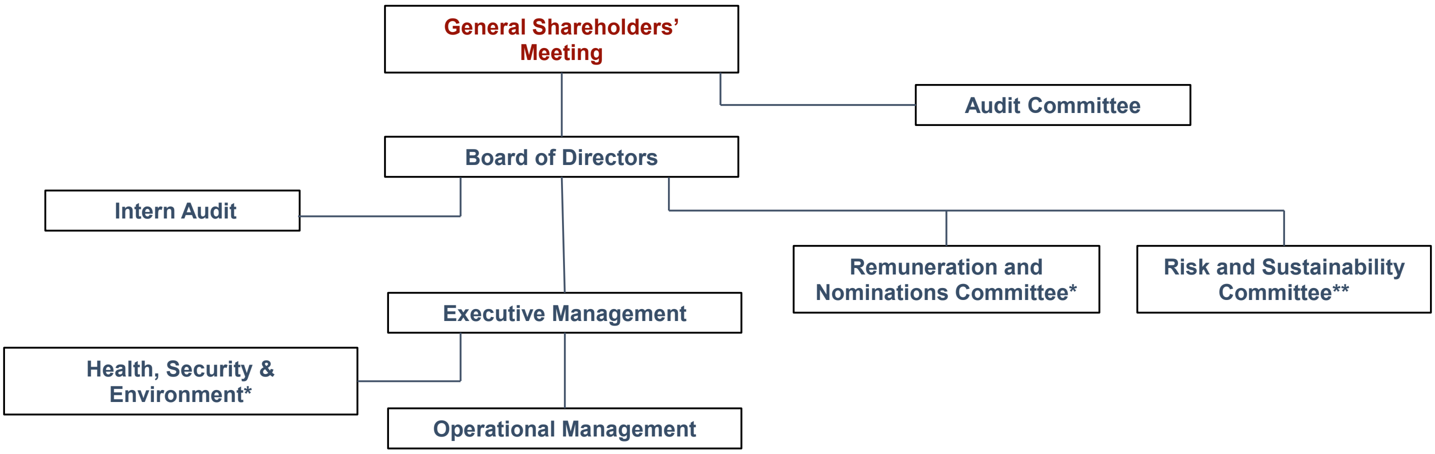
During the reporting period, the Company had the following corporate governance structures: Board of Directors and Executive Management, Audit Committee, Remuneration and Nominations Committe, Risk and Sustenability Committee, ruling structures that represent the interests of the Group, of the Parent-company and its shareholders and is responsible for the overall management of the business.

The Board of Directors has to keep the public informed at least about:

- the role and obligations of the Board;
- the Board's structure, mentioning the number of administrators (executive and non-executive, independent members);
- the manner of appointment of the Board members and the
- procedure of electing them;
- the prerogatives and responsibilities of each corporate governance structure;
- the Board and Executive Management members' remuneration policy;
- designate the members for the Audit Committee, Remuneration and Nominations Committe, Risk and Sustenability Committee.

The structure of the Board ensures that a balance between executive and non-executive members is maintained, the Board of Directors having several members that guarantee the efficiency of its ability to oversee, analyse and evaluate the work of directors and the fair treatment of shareholders. Moreover, the Company evaluates the independence of its members, applying the evaluation criteria established by the Corporate Governance Code, and thus, during 2020, ALRO's Board had at least two independent members and since December 2020 the Board of Directors of ALRO counts three independent members.

Nevertheless, the decision-making process remains a collective responsibility of the Board, which will be held responsible for all decisions made while carrying out its competences. The Board is responsible for preparing and reviewing all the necessary and useful documents to achieve the Company's main scope of the business, except the ones required by law and statutory for GSM or the Company's Management.



Notes:

*From an operational point of view, this function is directly subordinated to the CEO
**This committee was set-up in 2020

The election of Board members is made through a formal, rigorous and transparent procedure and it is based on the recommendations made by the Remuneration and Nominations Committee. The Company publishes on its website the CVs of the candidates proposed for being elected as Administrators as well as the qualifications they hold. Also, information on personal and professional qualifications for current members of the Board and Executive Management can be found on the company's website, www.alro.ro.

Every time a Board member is nominated, GSM aims to ensure a balanced structure of the management body, in line with the Company's activity. As a principle, the nomination by the Board members takes into consideration the graduation of long-term higher education studies, as well as one or more from the following personal and/ or professional qualifications:

- holding a technical qualification in the field in which the Company activates;
- significant management experience, no matter the field in which it was obtained;
- economic education, specialisation or training classes;
- effective communication skills;
- ability to contribute to the Company's development strategies;
- good moral conduct.

The Board of Directors activates following the Company's Articles of Association the Rules of Organization and Operation of The Board and other internal policies for the consultative Committees. The Board meets at least once every month or whenever the situation requires it, the agenda of these meetings complying with the role and obligations of the Board of Directors following the law and the Articles of Association.

ALRO's Committees

ALRO has in place one-tier system and three consultative committees, i.e. the Audit Committee – with powers delegated by the Annual General Shareholders Meeting, Remuneration and Nominations Committees and Risk and Sustainability Committee – designated by the Board of Directors.

Audit Committee

Annual General Shareholders Meeting held on 23 March 2018 approved by Decision no. 584/23.03.2018 the setup of the Audit Committee and by decision no, 587/23.03.2018 approved this Committee's Terms of reference. Subsequently, during the Annual General Shareholders Meeting held on 25 April 2019 by Decision no. 616/25.04.2019 the Audit Committee's Terms of reference were updated and the new composition of the Audit Committee is as follows: Vasile IUGA (Chairman – Independent Member), Adrian MANAICU (Member) and Dorel PARASCHIV (Member).

The Audit Committee is a committee elected by the Extraordinary General Shareholders Meeting of ALRO and has powers delegated to it under the Articles of Incorporation and the applicable legislation and standards.

Among the committee's duties are:

- ***Financial reporting*** – the committee's members shall issue an opinion on the actions and judgements of the management, to monitor the integrity and reliability of the financial information, to review the reports from the external and internal auditors as appropriate etc.

- ***External audit*** - the committee shall oversee the Company's relations with the external auditors and consider and make recommendations to the Board on their appointment, reappointment or removal, to assess annually the qualification, expertise and resources, independence, objectivity and effectiveness of the external auditors and of the external audit process etc.

- ***Internal audit*** - to undertake an annual assessment of the system of internal control in order to determine the effectiveness and scope of the internal audit function, the adequacy of risk management and internal control reports to the Audit Committee of the Board, and management's responsiveness and effectiveness in dealing with identified internal control failings or weaknesses and submit relevant reports to the Board, to review periodic reports on the results of the internal auditors' work, consider the material findings of their investigations and review management's response etc.

- ***Risk and internal controls*** - to review the scope and effectiveness of the systems established by management for the identification, assessment, management and monitoring of financial and non-financial risk, including specifically those relating to internal financial control, financial reporting, internal control and risk management, and receive reports from management and the external and internal auditors on the effectiveness and integrity of those systems, to review the Company's procedures for detecting fraud and whistle blowing and ensure that arrangements are in place by which staff may, in confidence, raise concerns about possible improprieties in matters of financial reporting, financial control or such other matters etc.

The Committee shall regularly file reports on the activity performed to the Board on all matters within its duties and responsibilities, particularly where there are matters in respect of which the Committee considers that action or improvement is needed, including recommendations as to the steps to be taken.

Remuneration and Nominations Committee

Remuneration and Nominations Committee has powers delegated by the Board of Directors and is composed of three of the Board's non-executive members, out of which two of them have to be independent members and the Chairman of the Board has to be one of the members. The composition of ALRO's Remuneration and Nominations Committee is: Marian NĂSTASE (Chairman), Vasile IUGA (Member) and Marinel BURDUJA (Member).
Among the committee's duties are:

- obtain independent legal or independent professional advice, at the Company's expense and secure the attendance of external experts with relevant experience and expertise if it considers this necessary;
- to determine and recommend to the Board the strategy and policy for the remuneration of the Board members, of the Executive Management and of the Senior Management;
- to approve the design of, and determine targets for, any performance-related pay schemes operated by the Company, determine the relevance to achieve performance of events not foreseen, or of factors not taken into account, at the time performance targets were set, and approve the payments made under such schemes;
- to establish guiding criteria for Board membership;
- to perform other tasks in relation to the nomination or removal of members of the Board, as may be delegated by the latter etc.

Risk and Sustainability Committee

The Risk and Sustainability Committee is elected by ALRO's Board of Directors and has powers delegated by it. Among the committee's main objectives are: overseeing and making recommendations to the Board regarding the Company's general risk management policy and assisting the Board in reviewing the adequacy, effectiveness and compliance of the Company's risk management policies. The composition of ALRO's Risk and Sustainability Committee is: Vasile IUGA (Chairman), Gheorghe DOBRA (Member), Marinel BURDUJA (Member), Aleksandr BARABANOV (Member) and Laurentiu CIOCÎRLAN (Member).

The general areas covered by the committee's duties are:

- **Risk management** - Review any periodic risk management reports prepared by the executive management and present to the Board at least semi-annually the overall results of this assessment and updates as required, review and monitor the operational contingency planning and assurance processes within the Company, to ensure all material risks and critical systems and processes are identified and that appropriate contingency plans are in place and are effective, review and monitor the Company's policies, procedures and systems for detecting, reporting and preventing breaches of conduct, whistle-blowing, data breaches and bribery and corruption policies etc.

- **Sustainability** - Identify of the strategic risks to business continuity in the medium and long run, contribute to the development by the Board of Directors of the business strategy in the short, medium and long run, proposing adequate measures and actions from a risk and sustainability perspective, identify any other key factor which may endanger the development of the company's business and operations, as a result of the dynamic evolutions of different factors with impact on the company's activity etc.

- **Health, Safety, Environment and Social Responsibility** - Review and monitor the processes in place which are designed to ensure compliance with all Company Health, Safety, Environment and Social Responsibility Policies and Standards; monitor the adequacy of safety, environment and Social Responsibility reporting systems for actual or potential incidents, breaches and trends, oversee the preparation by the executive management of the environmental protection plan within the Company which is designed to ensure that all material environmental risks are addressed by plans appropriately developed and implemented etc.

The Biography of the Board's members

The Board of Directors represents both the interests of the Company and of its shareholders and is responsible for the overall management of the company.

At 31 December 2020, ALRO's Board of Directors consisted of 11 members and its structure is as described below:

Marian-Daniel NĂSTASE

Birth year: 1972
Date of first appointment: 11 November 2002
Reappointed: 25 April 2019
Term of office expires at: 25 April 2023

Position held within the Company*:
Chairman and Non-Executive Member of the Board of Directors since 25 April 2019

Member in other Committees within the Company

Chairman of the Remuneration & Nominations Committee since 12 August 2019

Marian-Daniel Nastase graduated from the Academy of Economic Studies in Bucharest where he majored in foreign trade and subsequently obtained the INSEAD Diploma for Board members. Mr. Nastase has extensive experience in financial consulting and auditing. He has worked at Deloitte & Touche in Romania, amongst other financial services firms.

In 2002, Marian-Daniel Nastase joined ALRO as the Executive Director in charge of all financial affairs of the Company. Mr. Nastase was subsequently appointed as Vimetco Country Manager Romania and his current mandate covers all Vimetco Group operations in aluminium, alumina and natural gas in the country.

Marian-Daniel Nastase is board member within the following companies: Vimetco NV, Vimetco Management Romania SRL, Vimetco Trading SRL, Everwide Industrial Ltd and he is the Chairman of the Association of Big Industrial Energy Consumers Romania (ABIEC).

Svetlana PÎNZARI

Birth year: 1961
Date of first appointment: 23 March 2019
Reappointed: 25 April 2019
Term of office expires at: 25 April 2023

Position held within the Company*:
Vice-chairman and Non-Executive Member of the Board of Directors since 25 April 2019

Member in other Committees within the Company

N/A

Svetlana Pinzari graduated at Columbia University, New York where she majored in Economics. Mrs. Pinzari performed an internship at International Monetary Fund. Mrs. Pinzari has large experience in banking. She holds management positions for several commercial banks and for Central Bank being responsible for corporate governance, investments, treasury, and national payment system. She acted as Head of Assets and Liabilities Committee, member of Credit Committee and as a member of Board of Directors.

Svetlana Pinzari joined ALRO as Deputy Financial Director; in 2006 she was subsequently appointed as Chief Financial Officer of ALRO's Group and as member of Board of Directors for ALRO's and Alum's until 2013. She was responsible for budgeting, reporting, accounting and treasury.

Afterwards, Mrs. Pinzari joined Vi Holding LLC as Economic Director. Mrs. Pinzari portfolio of responsibilities covered the following major areas: financial planning, budgeting, controlling and reporting.

Svetlana Pinzari is board member within the following companies: Vimetco Management Romania SRL, Vimetco Trading SRL, Everwide Industrial Ltd, S.C. Rivergate Rating Group SRL.

Note - the position held within the Company as per the latest mandate*

At 31 December 2020, the Board of Directors of ALRO consisted of 11 members as described below (cont.):

Gheorghe DOBRA

Birth year: 1959
Date of first appointment: 6 November 2003
Reappointed: 25 April 2019
Term of office expires at: 25 April 2023

Position held within the Company*:
Executive Member of the Board of Directors since 25 April 2019

Member in other Committees within the Company

Member of the Risk and Sustainability Committee since 5 March 2020

Gheorghe Dobra, Ph.D. engineer, Executive MBA graduated from the Bucharest Polytechnic Institute, Romania in 1984 and joined ALRO where he passed through all stages of a successful professional career. Since 1993, he is the Chief Executive Officer of the Company.

His main achievements in the Company are:
• successful privatization of the Company between 2000 - 2002
• increased the Company's economic and financial performance
• technical and technological upgrade to the highest international standards
• increased high and very high added value production
• substantial investments in the environment, which led to improved working conditions and greening the whole company
• reduced costs, focusing on increasing energy efficiency
• re-engineering the organization with positive effects on business optimization
• ALRO accreditation as a supplier for the demanding market of aircraft and automotive industries
• increased the number of social programs for employees and the local community
• increased the Company's creditworthiness on aluminium international market
• vertical integration of production cycles within the Group.

Gheorghe Dobra is board member within the following companies: Vimetco NV and Vimetco Power Romania and he is the Chairman of the Board of Directors of Alum SA.

Pavel MACHITSKI

Birth year: 1983
Date of first appointment: 20 March 2013
Reappointed: 25 April 2019
Term of office expires at: 25 April 2023

Position held within the Company*:
Non-Executive Member of the Board of Directors since 25 April 2019

Member in other Committees within the Company

N/A

Pavel Machitski holds a diploma in Finance and International Business from New York University, Stern School of Business. Pavel Machitski has joined Vimetco N.V. as Deputy CFO in 2009. In 2011 he was appointed as Vice President of the Board of Directors for Alum and board member with conjunct power within Vimetco Management Romania, Vimetco Trading, Vimetco Power Romania and Conef.

In 2013, he was appointed as member of ALRO's Board of Directors. Before joining Vimetco Group, Mr. Machitski worked at Morgan Stanley where he acted as an advisor in numerous transactions in EMEA region (Europe, Middle East and Africa) focusing on capital markets and mergers & acquisitions advisory.

Pavel Machitski is board member within the following companies: Vimetco NV, Vimetco Power Romania SRL, Global Aluminium Ltd., Sierra Minerals Holdings I Ltd, Bauxite Marketing Ltd., Vi Holding LLC., Desiberg Holdings Limited.

Aleksandr BARABANOV

Birth year: 1979
Date of first appointment: 19 December 2014
Reappointed: 25 April 2019
Term of office expires at: 25 April 2023

Position held within the Company*:
Non-Executive Member of the Board of Directors since 25 April 2019

Member in other Committees within the Company

Member of the Risk and Sustainability Committee since 5 March 2020

Aleksandr Barabanov graduated cum laude from the Moscow State Institute of International Relations and is a Certified Internal Auditor, CFA Charterholder, a member of the Chartered Alternative Investment Analyst Association (CAIA) and an ACCA (Association of Chartered Certified Accountants) fellow member.

Mr. Barabanov has an extensive experience of more than 17 years in accounting, reporting and auditing of large industrial companies, mainly in the energy, mining and metals industries. He joined Rinco Group/ Vi Holding in 2006 and is currently Head of Accounting and Corporate Reporting Department and prior to its employment at Rinco Group/Vi Holding, Mr. Barabanov was the Senior Manager of the Financial Analysis Department at JSC Tatnelf. He also worked as an audit consultant at CJSC PricewaterhouseCoopers Audit (Energy and Mining Department).

Aleksandr Barabanov is board member within the following companies: Alum SA, Vimetco Extrusion SRL, Henan Yulian Energy Group Co. Ltd., Everwide Industrial Limited, Desiberg Holdings Limited, Oceanic Investment Limited and Power Shine International Limited.

Note - the position held within the Company as per the latest mandate*

At 31 December 2020, the Board of Directors of ALRO consisted of 11 members as described below (cont.):

Vasile IUGA Year of birth: 1954 Date of first appointment: 25 April 2019 Reappointed: n/a Term of office expires at: 25 April 2023 ***Position held within the Company*:*** Independent Non-executive Member of the Board of Directors since 25 April 2019 ***Member in other Committees within the Company*** Chairman of the Audit Committee since 25 April 2019 Member of the Remuneration & Nominations Committee since 12 August 2019 Chairman of the Risk and Sustainability Committee since 5 March 2020	Vasile Iuga is one of the most experienced business consultants in Romania, with over 27 years of extensive experience in the implementation of International Accounting Standards, financial audit, evaluation and business restructuring, corporate governance, in takeovers, mergers, business acquisitions, privatisations and strategic consultancy, in energy, finance, industry and capital markets, in Romania and Eastern Europe. Before, he worked for 12 years in the aeronautical industry, as testing engineer. He is a graduate of The Faculty of Aerospace Engineering of Politehnica University of Bucharest. He also attended executive trainings with Harvard Business School, INSEAD Paris and IMD Lausanne. Vasile Iuga began his consulting career in PwC Romania in 1991, where a long period of time (2004-2016) was Country Managing Partner for Romania, being the first local partner appointed Managing Partner in Central and Eastern Europe in PwC. He acted in PwC until 2016, last position held being member in the Management Board of PwC for Central and Eastern Europe. Mr. Iuga is member of a number of professional bodies: Association of Chartered Certified Accountants from UK, The Chamber of Financial Auditors of Romania (CAFR), The National Association of Authorized Romanian Valuers (ANEVAR). Vasile Iuga is an active member of the Executive Committee and Treasurer of both the Romanian Olympic and Sports Committee (until September 2020) and of the Aspen Institute. In 2012, in acknowledgement of his contribution to the development of entrepreneurship in Romania and the important role in development of the professional services in Romania, Mr. Vasile Iuga was awarded the title of Professor Honoris Causa from Babes-Bolyai University in Cluj-Napoca, Romania	Vasile Iuga is an independent member of the Board of Directors of Patria Bank S.A. and MASREI (JSE) and member of the Audit Committee of the European Investment Bank.
Marinel BURDUJA Year of birth: 1953 Date of first appointment: 25 April 2019 Reappointed: n/a Term of office expires at: 25 April 2023 ***Position held within the Company*:*** Independent Non-executive Member of the Board of Directors since 25 April 2019 ***Member in other Committees within the Company*** Member of the Remuneration & Nominations Committee since 12 August 2019 Member of the Risk and Sustainability Committee since 5 March 2020	Marinel Burduja graduated the Academy of Economic Studies, Faculty of International Business and Economics in 1976. Moreover, in 1982, Mr. Burduja obtained an international law degree from the Faculty of Law of the University in Bucharest. Mr. Burduja is a banker with an extensive experience and a prodigious career. Marinel Burduja was the mayor of Piatra Neamt municipality (in 1990) and the first president of the Romanian Federation of Municipalities, member of the Romanian Parliament and Vice-president of the Foreign Policy Commission (during 1990 - 1991), and in banking field Mr. Burduja held for 25 years several positions as an Executive Board member in prestigious institutions such as the Romanian Foreign Trade Bank, ABN-AMRO, Credit Anstalt, Raiffeisen Bank. Mr. Burduja was a collaborating professor of the Romanian Banking Institute (RBI) and is member of the Institute of International Finance (IIF) and member of the Romanian Businessmen Association (AOAR). He has been the President of the Lauder-Reut Friendship Forum in Romania, currently being a member of this institution, too.	Marinel Burduja does not have any other professional commitments.

Note - the position held within the Company as per the latest mandate*

At 31 December 2020, the Board of Directors of ALRO consisted of 11 members as described below (cont.):

Laurențiu CIOCÎRLAN Year of birth: 1966 Date of first appointment: 25 April 2019 Reappointed: n/a Term of office expires at: 25 April 2023 ***Position held within the Company*:*** Non-executive Member of the Board of Directors since 25 April 2019 ***Member in other Committees within the Company*** Member of the Risk and Sustainability Committee since 5 March 2020	Laurentiu Ciocirlan is the Managing Partner with Equiliant Capital, an investment fund dedicated to SMEs in Romania. Mr. Ciocirlan started his financial career as an auditor with Arthur Andersen, after which he gained experience in investing in SMEs working for the SEAF Trans Balkan Romania Fund. The longest part of his professional career was with Raiffeisen Bank Romania, where he led the Investment Banking team and has coordinated some of the largest capital market transactions on the Romanian market, with an aggregate value of almost EUR 3bn, including the IPOs of large utilities companies such as Transelectrica, Transgaz, Romgaz, Electrica or for dynamic private companies in various sectors such as Teraplast (construction materials), Medlife (healthcare services) or Purcari Wineries (alcoholic beverages). He also coordinated a large number of corporate and municipal bond issues, including the largest one issued by the Bucharest Municipality, worth EUR 500 million.	Laurențiu Ciocîrlan is a Board Member in Electroprecizia SA, a holding company with activities in manufacturing and logistics.
Oana-Valentina TRUȚĂ Year of birth: 1980 Date of first appointment: 25 April 2019 Reappointed: n/a Term of office expires at: 25 April 2023 ***Position held within the Company*:*** Independent* Non-executive Member of the Board of Directors since 25 April 2019 ***Member in other Committees within the Company*** N/A **since December 2020*	Oana-Valentina Truţa graduated with a Bachelor's degree in Finance and Insurance from the Babes Bolyai University in Cluj-Napoca and a Master's degree in Quantitative Economics and Finance from the same university. Ms. Truţa has experience in investment management and portfolio analysis and is specialized in finance and capital markets. She was part of the Emerging Market Group's investment team at Franklin Templeton Investments between 2010 to 2018. During her tenure at Franklin Templeton Ms. Truţa has been responsible for several companies within the Fondul Proprietatea portfolio. She has also served as member of the Board of Administrators for Hidroelectrica, Transgaz, Electrica Distributie Muntenia Nord, Electrica Distributie Transilvania Nord and Electrica Furnizare.	Oana-Valentina Truță currently serves as Retail Chief Investment Officer with Raiffeisen Bank Romania.
Voicu CHETA Year of birth: 1981 Date of first appointment: 25 April 2019 Reappointed: n/a Term of office expires at: 25 April 2023 ***Position held within the Company*:*** Non-executive Member of the Board of Directors since 25 April 2019 ***Member in other Committees within the Company*** N/A	Voicu Cheta is a lawyer at the Bucharest Bar Association with a legal experience of over 15 years. His speciality practises covers various areas such as high-value commercial litigation, commercial arbitration, insolvency and restructuring, labour relations, public procurement, administrative litigation, debt recovery and corporate law. In the field of legal advice and representation before law and arbitration courts, he has gained an overall view and proven competences to approach commercial legal relationships in a manner that ensures their correlation with the needs of economic activity.	Voicu Cheta is board member within the following companies: S.N. Plafar S.A. and C.N. Administratia Canalelor Navigabile S.A..
Pavel PRIYMAKOV Year of birth: 1981 Date of first appointment: 8 November 2019 Reappointed: n/a Term of office expires at: 25 April 2023 ***Position held within the Company*:*** Non-executive Member of the Board of Directors since 8 November 2019 ***Member in other Committees within the Company*** N/A	Pavel Priymakov graduated from the Academy of Labour & Social Relations, Legal faculty, Civil law, Moscow in 2003. He is currently the Director for international legal affairs of "Vi Holding" LLC. Before joining ViHolding Group he was the General Counsel of a Central European Aluminium Company (subsidiary of En+ Group, Russia) and before that the Head of the Legal Department of the law firm "Padva & Epshtein" (Russia). Between 2002 and 2010, Pavel Priymakov held various legal positions in a consulting company and worked in several development and industrial companies in Russia gaining an extensive practical experience in the law field.	Pavel Priymakov is a board member of Vimetco N.V., Desiberg Holdings Limited, Great Dyke Investments (Private) Limited.

Note - the position held within the Company as per the latest mandate*

ALRO's executive management - structure

The executive management of ALRO has delegated powers from Board of Directors and is legally representing the Company, being responsible for managing the daily operations. The Executive Management is appointed for a period of four years.

Gheorghe Dobra (1959) - Chief Executive Officer

Gheorghe Dobra, PhD, Executive MBA joined ALRO in 1984, occupying several positions, from specialist engineer, to executive manager.

Gheorghe Dobra is currently the CEO of the Company, his current mandate being extended, in June 2019.

Genoveva Năstase (1975) - Chief Financial Officer

Genoveva Năstase graduated from the Executive MBA organized by ASEBUSS in partnership with Kennesaw State University, Atlanta, USA and is the CFO of Vimetco Management Romania and worked as Deputy Finance Director for ALRO for over seven years, from 2002 until 2009.

Genoveva Năstase has an extensive experience in corporate finance, in financial modelling, financial analysis and reporting. Genoveva Năstase's mandate as Chief Financial Officer was extended in February 2021.

Other information required by the Code

- Within the Statement regarding the conformity with the Code, the management of the Company states that, during 2020, an assessment of the Board members was conducted by the Chairman of the Remuneration and Nominations Committee (see the Statement regarding the conformity with the Code, section A.8.);

- The Company has in place a guide on the Commitees' members assessment, including the purpose, criteria and frequency of the evaluation process (please see the Statement regarding the conformity with the Code, section A.8.);

- In 2020, the Board of Directors met in 22 meetings (2019: 22), during which decisions were adopted concerning mainly the following:

    - approval of contracts that must be approved by the Board;
    - adopting the executive management reports;
    - acknowledgment of the main economic and financial indicators of the Company;
    - adopting the company's organisational structural changes;
    - GSM and EGSM convocation in accordance with the terms of the Articles of Association;
    - approval of the Annual Report for 2019, including the financial statements for 2019.

For these 22 Board meetings, the quorum required by law as stipulated in the Company's Articles of Association was met and the average participation rate was of 96% (2019: 70%).

Risk management and internal control system

The management of the risk to which the Group is exposed

According to the BSE's Code of Corporate Governance adopted by the Company and the Group, ALRO Group meets the requirements of:

- transparency, financial reporting, risk management and internal audit;
- having Board members with the necessary professional training or a significant and relevant managerial experience, allowing them to analyse the overall financial position of the Company and the Group;
- risk management processes and corporate governance, ensuring that these mechanisms are functional and effective.

The Board members support, coordinate and actively get involved to improve the risk management system through continuous and direct monitoring. The risk management is conducted under policies approved by the Board. The treasury department identifies, evaluates and hedges financial risks in close collaboration with the operational units of the Group. The Board provides written principles for overall risk management, as well as written policies covering specific areas such as currency risk, interest rate risk, credit risk, price risk.

At the same time, risk management is an integral part of the decision-making process within the Parent-company, ALRO, because each major project or the implementation of a new strategy or direction (respectively regarding the investments area or, for example changing the production mix) involves organising meetings with the top management of the Company and the Group, involved in the respective project.

These meetings aim to examine these decisions from all points of view and, implicitly, to assess the risks associated with them, as well as to determine whether the expected results to be obtained after the implementation of a new project will be beneficial for the Group's business model. Also, in these meetings, relevant opinions of third party specialists with the necessary expertise are considered (e.g. internal audit and/or external consultants, depending on the situation) and are subsequently used for making the final decisions so that the final verdict is based on a comprehensive and objective analysis.

As far as the goals of the Group's risk management system are concerned, these are aimed at securing the Group's and Company's operations and their ability to provide positive economic added value on the medium and long term, through effective management of the risks they are exposed to and through estimating their potential impact on cash flows by meeting the limits set by management regarding the risk appetite.

The Group's and/or Company's activities expose them to a variety of risks, both financial and non-financial, such as the market risk for traded products (including currency risk, interest rate risk, cash flow risk and price risk), credit risk, liquidity risk and operational event-type risk.

Overall Group's risk management programmes focus on the unpredictability of financial markets and seek to minimise the possible adverse effects on the Group's financial performance. The Group uses derivative financial instruments, only when it is feasible, for risk hedging.

Operational & Commercial risks

The Group's results depend on the market for primary aluminium, a highly cyclical commodity affected by global demand, international environment political factors and supply conditions. The price of aluminium has historically been volatile and subject to wide fluctuations in response to relatively minor changes in supply and demand, market uncertainty, the overall performance of global and regional economies, currency fluctuations and speculative actions. Moreover, the market for primary and processed aluminium is global and highly competitive.

Also, the Group is vertically integrated and has a diverse and complex portfolio of assets, production capacities, inventories. The Parent-company, ALRO, and also ALUM, VE and SMHL, are particularly exposed to risks related to the safety of production processes and event risks like explosions, strategic equipment failure etc. For these types of risks, analyses are performed and incidence scenarios are developed and, afterwards, safety plans are set in case of occurrence. For the strategic equipment spare parts inventories were made, so that, in case of unforeseen events, operations can be resumed as quickly as possible and the inherent losses in such situations are thus minimised.

In addition to these safety measures and plans, the Group has an active insurance policy that covers both the material damage for equipment and inventories and any possible losses resulting from equipment failures, which could lead to the interruption of the operations for a certain time.

Capital risk management

The Group's capital management goals refer to safeguarding the Group's ability to continue as a going concern, to create value for shareholders and benefits for third parties, while maintaining an optimal capital structure to reduce its cost.

The Group's capital structure consists of liabilities, which include net borrowings of cash and cash equivalents and equity, including share capital, share premiums, reserves and retained earnings.

The Group's management reviews the capital structure periodically. As part of this review, the management analyses the cost of capital and the risks associated with each class of capital. To maintain or adjust the capital structure, the Group and the Company may adjust the amount of dividends paid to shareholders (if the case), return capital to shareholders, issue new shares or sell assets using receipts to reduce debt.

Market risk

The Group's activities expose it primarily to the market price risk, foreign currency exchange differences and interest rate risks. The Group and the Company enter into a variety of contracts for derivative financial instruments to manage its exposure to market prices, such as:

- options to protect Group and Company cash flows from the adverse impact of falling aluminium prices;
- swaps to manage the clients demands for fix prices with sales of aluminium based on the London Metal Exchange price for High-Grade Aluminium.

The Group is exposed to market risk through the prices of traded products and the variations in cash flows generated by its activities: bauxite mining, refining alumina, obtaining primary and processed aluminium and extruded products. Therefore, this is a significant risk for the Group and Company and should be considered a strategic component in determining the Group's and Company's risk profile, due to its effects that might be directly visible in the Group's cash flows, respectively of the Parent-company. Consequently, this risk is closely monitored and analysed and reports that supervise the cash flows are prepared regularly, so that sufficient liquidities are permanently provided for the normal running of daily operations.

ALRO uses hedging only to reduce the level of exposure against market risk; it did not contract or trade derivative financial instruments for speculative purposes. Derivative financial instruments are monitored and measured monthly at fair value. For further details, please see **Note 32 – Risk management** of the Audited Stand-Alone and Consolidated Financial Statements as of 31 December 2020 included in this Report.

Foreign currency risk

By the nature of the activities carried out, the Group and the Parent Company are subject to foreign currency risk, being exposed to the volatility of the functional currency against other currencies such as USD and EUR (an important share of the aluminium sales are denominated in USD or EUR, while a large part of the operating costs depends on the functional currency, RON). Foreign currency risk is a result of future commercial transactions, of receivables and liabilities. Therefore, the effect of foreign currency risk on cash flows and the correlation with the aluminium price on the international markets are issues that are constantly monitored, with the aim to hedge the anticipated cash-flows in foreign currencies to the extent that the market allows doing this with reasonable costs within the limits of the available trading lines.

The Group's exposure to currency risk results from:
- highly probable future transactions (sales/ purchases) denominated in foreign currency;
- firm commitments denominated in foreign currency, and
- monetary items (mainly trade receivables, trade payables and borrowings) denominated in foreign currency.

No foreign exchange options contracts were entered into in 2020 and no option contract was outstanding. For further details, please see **Note 32 – Risk management** of the Audited Stand-Alone and Consolidated Financial Statements as of 31 December 2020 included in this Report.

Interest rate risk

The Group and Company are also exposed to interest rate risk through its operations and financing agreements. Therefore, the volatility of interest rates such as LIBOR, EURIBOR or ROBOR can generate variations of cash flow resources needed to make interest payments related to liabilities contracted by the Group. These interest rate risks are constantly monitored and quantified.

The Group has no significant interest-bearing assets, revenues and cash flows being substantially independent of changes in market interest rates.

Commodity price risk

Commodity price risk is the risk that the Group and the Company's future earnings will be adversely impacted by changes in the market price of aluminium. The Group and the Company's internal policy is to manage the identified commodity price risk by natural hedge when possible and also for a part of the remaining quantity at risk by entering into derivative contracts such as aluminium swap agreements and ratio-collar transactions on aluminium, when market conditions are favourable. Commodity price risk receives a special attention from the Group's management having a strategic importance in the Group's risk profile because it has a direct impact in the short and medium term liquidity of the Group and/or the Company.

Commodity price risk is analysed in detail; its effects are constantly monitored and quantified, thus the potential adverse impact could be decreased for achieving the Group's medium and long-term goals. As of 31 December 2020 no option contract was outstanding, and no commodity option contracts were entered into in 2020. For further details, please see **Note 32 – Risk management** of the Audited Stand-Alone and Consolidated Financial Statements as of 31 December 2020 included in this Report.

Credit risk

The credit risk refers to the risk that the counterparty might default on its contractual obligations, resulting in financial losses for the Group. To minimise this risk, the Company sells most of its accounts receivable to financial institutions through non-recourse factoring.

ALRO Group has adopted a prudential policy and it trades only when the potential risk of financial losses resulting from non-fulfilment of the contractual obligations is mitigated. The credit risk is covered by sales against non-recourse factoring, trades only with reliable counterparties and guarantees such as a letter of credit, promissory note or cheque.

The accounts receivable consist of a large number of clients, from different industries and geographic areas. The account receivables are sold to financial institutions through non-recourse factoring into a significant proportion. The credit risk exposure is controlled through limits imposed on each client, which are analysed and submitted to the Group's management approval and are monitored daily by a dedicated department. The Group permanently assesses their credit risk based on the financial performance of the clients and their payment history. Regarding the Group's concentration risk, please see **Note 20 - Trade receivables, net** of the Audited Stand-Alone and Consolidated Financial Statements as of 31 December 2020 included in this Report.

Concerning the assets from derivative instruments, the maximum exposure to the credit risk is represented by the fair value at the reporting date.

The credit risk resulted from the transactions with banks and financial institutions are managed by the Treasury Department. Excess liquidity is invested only with approved banks and for credit lines and limits assigned to each counterparty. The counterparty credit limits are annually reviewed by management and may be updated during the year. The limits are set to minimise the concentration risk and thus to decrease the possible financial losses from default by the counterparty. It is estimated that there is no significant exposure from failing to settle the contractual obligations by counterparties regarding financial instruments.

Liquidity risk

Considering the current business environment, the Group and the Company focus on monitoring the liquidity risk, the operational and financial cash inflows and outflows being monitored and analysed monthly and, in some cases, daily, so that any unexpected change in the Group liquidity could be noticed immediately. Based on this analysis, the management can make the best decisions on the financing needs, for the Group and Company to have the necessary capital to be able to meet all current and future financial obligations and to ensure their solvability.

Cautious liquidity risk management implies maintaining sufficient cash and tradable values, financing availability with an adequate amount from committed credit facilities. The management regularly monitors rolling forecasts of liquidity reserves of the Company.

Taxation

Current income tax

The current tax payable is based on the taxable profit realised during the year. The taxable profit differs from the retained profit within the consolidated statement of profit or loss because of the revenues or expenses items that are taxable or deductible in some years and because of items that are never taxable or deductible.

The Group's and the Company's current income tax liability is determined using tax rates that are applicable according to the legislation in force during the reporting period.

Deferred tax

Deferred tax is recognised based on temporary differences between the book value of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the calculation of taxable profit. Liabilities regarding deferred tax are generally recognised for all temporary taxable differences.

Deferred tax assets are generally recognised for all deductible temporary differences as far as it is probable that taxable profits will be available, against which the deferred tax receivables can be used. Deferred income tax assets or liabilities are not recognised if the temporary difference is generated by the initial recognition of goodwill or from the initial recognition of an asset or a liability in a transaction that is not a business combination and, at the time of the transaction, does not affect the accounting profit, nor the taxable profit (tax loss).

Concerning investments in subsidiaries and associates, and interests in joint participation, deferred income tax liabilities are recognised as taxable temporary differences, except where the Group/ Company can control the restatement of the temporary difference and, probably, the temporary difference will not be restated in the predictable future. Deferred tax assets resulting from temporarily deductible differences associated with such investments and interests are recognised only if it is probable that there will be sufficient taxable profits for which to use the benefits of the temporary differences and they are expected to be restated in the predictable future.

The carrying value of the assets to which the deferred tax is applied 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 fully or partly recover the assets. Deferred tax assets and liabilities are measured at the tax rate presumed to be applicable in the period when the recovery of the liability or the realisation of the asset is estimated, based on the tax rates (and on the tax laws) that are effective or will be effective until the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences in terms of what tax is expected to arise from how the Group foresees to recover or deduct the accounting value of assets and liabilities at the end of the reporting period.

Annual current and deferred tax

Annual current and deferred tax are recognised in the consolidated statement of profit or loss unless they relate to items that are recognised in other comprehensive income or directly in equity, in which case the annual current and deferred tax are also recognised in other comprehensive income, respectively in equity.

Internal control system

The The Group's and the Company's internal control system aims to ensure the compliance with the regulations in force, the good operation of the internal activity, following the decisions made by the management, and it also contributes to the effectiveness of the operations, to the efficient use of resources, the prevention and control of the risk of failing to achieve its set goals.

Internal control is applicable through operations performed by the Group and/or Company before, during and after the operations are performed. The internal audit aims to achieve at least the following goals:

- compliance with the regulations in force;
- implementation of the decisions taken by the management;
- the proper operation of the internal activity;
- the reliability of the financial information;
- the effectiveness of operations;
- the efficient use of resources;
- the prevention and control of risks to achieve the goals set.

Since 2018, the company has in place an Audit Committee, which is a committee elected by the EGSM of ALRO and has powers delegated to it under the Articles of Incorporation and the applicable legislation and standards. The Audit Committee is made of three members, elected by the EGSM and comprises at least two members that must be independent of the Company.

Also in 2020, the Audit Committee had the following objectives:

- to ensure that the interests of shareholders are properly protected concerning financial reporting and internal and external audit control;
- to inform the Board about the results of the statutory audit and to explain the way that statutory audit contributed to the integrity of the financial report process and what was the role of the Audit Committee in this process;
- to monitor the financial reporting process and to make recommendations or proposal for assuring its integrity;
- to monitor the effectiveness of the quality internal control systems and Company's risk management system and the internal audit regarding the Company's financial reporting, without breaking its independency;
- to monitor the statutory audit of the annual financial statements and the consolidated annual financial statements, especially their performance taking into consideration the findings and conclusions of the competent authorities;
- to evaluate and to monitor the independence of the financial auditors or the companies of audit according to the applicable legislation and especially the opportunity for receiving by the Company of some services that are not audit services;
- to be responsible for the procedure for the election of the financial auditor or of the audit company and to recommend to the Board of Directors and the Shareholders Meeting the financial auditor/ the audit company to be appointed;
- to keep under review, analyse and evaluate the effectiveness of the Company's internal control policies and procedures for the identification, assessment and reporting of risks and to perform its valuation at least once per year;
- to undertake an independent assessment of the system of internal control and the Company's financial position and accounting affairs, to provide further assurance of the quality and reliability of the financial information used by the board and contained in the documents and announcements approved by the Board for issue on behalf of the Company;
- to review conflicts of interests in transactions of the company and its subsidiaries with related parties;
- to evaluate the efficiency of the internal control system and risk management system;
- to monitor the application of statutory and generally accepted standards of internal auditing. The Audit Committee should receive and evaluate the reports of the internal audit team; to ensure the fulfilment of the core functions of the internal audit department, it should report functionally to the Board via the Audit Committee. For administrative purposes and in the scope related to the obligations of the management to monitor and mitigate risks, it should report directly to the chief executive officer, while remaining independent and informing the Audit Committee every month about the activities which involved management interaction;
- to make cyclical periodical (at least annual), or ad-hoc reports to be submitted to the Board, subsequently to any reviews or analyses that have to be made by the Audit Committee;

- to issue and to present to the Board an opinion regarding transactions of the Company with any of the companies with which it has close relations, that is equal to or more than 5% of the net assets of the Company (as stated in the latest financial report);

The Group and the Company made efforts via the management structure and organisational culture to implement an internal control system that includes various activities for the prevention and detection of unexpected events and risks and potential fraud attempts, of errors or omissions, damage, non-compliance, unauthorised transactions, incorrect or misleading financial reporting, activities that may negatively affect the Group's and/ or the Company's brand etc.

Through its internal procedures and regulations which represent the basis for an integrated internal control system, the Group and the Company have sought to include all relevant operations and activities that take place, to ensure that:

- all its operations are conducted under the law in force for each area in which it operates (for example: to meet local reporting and legal requirements in Sierra Leone, Romania), and following the internal organisation and operation rules;

- controls are implemented to prevent, identify and solve in more efficient way frauds, errors or omissions that may have significant consequences over the Group's and/or Company's activity;

- an organisational culture exists and is maintained, concerning the risk of fraud or error and the employees are aware that providing misleading or wrong information can have serious consequences in the effective administration of daily operations.

Therefore, internal control procedures are designed:

- on one hand, to ensure the compliance of the company's activity and the staff conduct with the framework of applicable laws, values, norms and internal regulations of the Company and the Group's, respectively, and

- on the other hand, to verify the accuracy of reported financial, accounting and management information so that it can correctly reflect the Group's and Company's activity and position.

Internal control is also performed by the finance and internal financial control department, following the accounting policy manual, by monitoring, through a periodical programme of reviews, the compliance with these accounting procedures and policies, with the applicable financial reporting standards, the awareness of and compliance with the financial accounting regulations, thus ensuring the accuracy and completeness of the accounting records through monitoring the presentation in the annual financial statements of quality information to answer to the needs of their users. An important role is also assigned to the internal audit, which, by its operating methodologies, ensures that the internal regulations regarding the risks associated with the different structures within the Group and the Company are complied with and are working.

Therefore, the existence of an internal control environment is the basis of an effective control system and it must be based on clear methodologies, values, ethical principles and measures for the responsibility, authority, skills level, duties assigned to each employee.

The entire internal control system has the final goal of identifying and assessing the process and compliance risks so that they can be prevented, mitigated or considered acceptable, depending on the current risk policy. All these procedures and activities that are the basis of an internal control system are constantly reviewed and improved to meet the business needs and to not become obsolete. All these internal control processes and verifications are supported by appropriate documentation and contain a clear description of all key control activities that have been implemented and performed.

Both the Company's management and the internal audit department are structures within the Group that are responsible for the efficient evaluation and implementation of the internal control system.

Within the Group, both in the Parent-company, ALRO, and at the level of each subsidiary separately, the same accounting and reporting rules are applied to ensure the same treatment for the same types of transactions/ business-related activities. Depending on the evolution of the business and the current law, these rules/ accounting treatments are updated to ensure both compliances with legal requirements and their relevance for the conducted operations. Moreover, the Group and the Company have separate departments for accounting, reporting/ financial control so there is a clear separation of roles and responsibilities, to have in place the 'four eyes' principle and a separate input for operations and authorisation of transactions.

Moreover, Management has constantly tried to use integrated reporting software and to have automated processes as much as possible, to reduce the risk of manual record-keeping, where the risk of error is higher. Setting standards at Group's level for preparing the annual, half-year and quarterly financial statements also represent a crucial component of the internal audit system.

Management fair reward and motivation

Remuneration policy

In 2020, the remuneration of the Board members and/ or Executive Management was in line with the strategy and with the long-term interests of the Group and of the Company, and it was directly linked to the members' responsibilities and with the time spent performing their functions.

ALRO's Board members and Executive Managers receive a fixed remuneration for their mandate.

Since August 2019, ALRO has in place a Remuneration and Nominations Committee which has powers delegated by the Board of Directors and is composed of three of the Board's non-executive members, out of which two of them are independent members and the Chairman of the Board has to be one of the members.

The set-up of this committee represents another example of best governance practices implemented by the Company with the main objective to protect shareholders' interests concerning the remuneration of the Board members, Executive Management (i.e. the managers having the right, according to the Bylaw, to represent the Company) and Senior Management (heads of divisions directly subordinated to the General Manager) by ensuring that the Company maintains and adheres to a remuneration strategy and policy that attracts and retains individuals of the highest quality, including as part of a succession planning for all the key functions of the organization, while at the same time avoiding the risk of overpayment.

As of now, the Company has started to prepare a Remuneration Policy and once it is available and all the required steps for its approval and publication are completed, it will be released to the public.

Remuneration report

ALRO Group aims to gradually align to the corporate governance best practices in respect of Board of Directors' remuneration making in this way a step forward to its investors' expectations.

The aggregate amount of the remuneration paid by ALRO Group to Board of Directors members for all their roles held within the Group was RON 7,281 thousand (2019: RON 6,360 thousand) representing gross salary, bonus and pension contributions, as detailed below:

RON '000

Directors	Gross remuneration	Bonus	Total	Of which, contribution to pension scheme
Marian Nastase	468	-	468	117
Svetlana Pinzari	361	-	361	-
Gheorghe Dobra	2,275	-	2,275	569
Pavel Machitski	592	-	592	-
Aleksandr Barabanov	870	-	870	43
Vasile Iuga	757	-	757	189
Marinel Burduja	583	-	583	146
Laurentiu Gabriel Ciocirlan	433	-	433	108
Oana Truta	308	-	308	77
Voicu Cheta	308	-	308	77
Pavel Priymakov	326	-	326	-
Total	**7,281**	**-**	**7,281**	**1,326**

All the remuneration proposals for the Board members are being made by the Board of Directors and subsequently submitted for GSM approval. The remuneration proposals for the Executives are made by the Remuneration & Nominations Committee and subsequently submitted for approval to Board of Directors. For further details, please see also the *Statement regarding the compliance with the Code, section C.1.*

Shareholders

ALRO Group is permanently developing and trying to adapt its corporate governance guidelines to the latest regulations
and best practices and in this way to be prepared to benefit from new opportunities that could occur and may generate benefits for the Group and the Company. Therefore, the management considers that a transparent decision-making process that is based on clear rules not only ensure an efficient administration of operations but also enhances the confidence of shareholders and third parties interested in the Group's activity. Moreover, this type of organisation contributes to the protection of the shareholders' rights and provides an improvement for the overall performance of the Group, which is reflected in time, both in positive signals from the market and in easier access to financing facilities.

ALRO adheres and complies with a major part of the provisions stipulated in the new Corporate Governance Code issued by BSE. Code requirements are more comprehensive than the legal requirements for listed companies. This report also includes the Appendix regarding the Statement regarding the compliance with the provisions of the Corporate Governance Code issued by BSE which contains the explanations for the provisions of the BSE Code, where it did not comply with the requirements.

ALUM is listed on the secondary market, ATS segment – AeRO – however, it applies the same best practices when it comes to corporate governance rules and complies with all the regulations in force for listed companies on BSE.

The Board of Directors represents the highest forum in respect of the Company's management and along with its executive directors ensures the smooth running of day-to-day operations and is directly involved in the strategic decisions that have a direct impact on the Company's activities. Members of the Board are in a permanent dialogue with the executive directors and are acting taking into consideration the interests of the Company, its shareholders and the interests of the Company employees.

General Shareholders' Meeting is convened by the Board and held at the Company's headquarters or in another place announced by the convening notice, at least once a year, not later than four months after the end of the financial year or whenever is needed. This can be convened at the request of shareholders representing at least 5% of the share capital, in which GSM shall be convened within not more than 30 days and will meet in less than 60 days from the date of the received request. The meeting date will not be earlier than 30 days from the published notice in the Romanian Official Gazette. The notice must be published in the Romanian Official Gazette, Part IV and one wide circulation newspaper from Romania. In exceptional circumstances when it is in the interest of the company, the Board can convene EGSM. The convening notice will be sent both to the BSE and to FSA, following the capital market regulations. The convening notice will also be available on the company website, in the section *"Investor Relation - Shareholder Meeting"*, together with any explicative document related to the items included on the GSM's agenda, such as the annual financial statements, the Board's annual report and the proposal to distribute dividends etc. are made available to shareholders at the company's headquarters and on the website with at least 30 days before the GSM takes place and these documents are approved.

Planning the General Shareholders' Meeting - GSM is usually led by the Chairman of the Board; in certain situations, the Chairman may appoint another person to lead the meeting. The Chairman of the meeting will nominate a secretary and the attending shareholders will vote the Chairman's proposal. The secretary of the meeting verifies the fulfilment of the formalities required by the law for holding the GSM and to prepare the minutes of the meeting. These minutes of the meeting, which are signed by both the chairman and the secretary represent the proof of the fulfilment of the formalities of the convening notice; they mention the date and the place of the GSM, shareholders' request, the shareholders' statements made within the GSM. To be opposable to third parties, GSM decisions will be filed within 15 days from their approval at the Trade Registry to be included within the register and published in the Romanian Official Gazette, Part IV. Decisions will be published at the same time on the Company's website.

Following the capital market regulations, GSM decisions are sent to BSE and FSA within 24 hours of their approval. Moreover, these decisions are available on the company's website, within the section *"Investor Relations - Shareholders Meeting".*

The main responsibilities of the General Shareholders' Meeting are:

- approves or amends the Company's financial statements, after having analysed the Board of Directors' and the financial auditors' reports;
- approves the profit's allotment, under the law stipulations;
- appoints and dismisses the directors;
- settles the directors' remuneration for the current financial year;
- settles the general limit of the remunerations granted by the Board of Directors to the directors appointed with specific positions and to the managers;
- rules over the liability of the directors;
- appoints and dismisses the financial auditor of the Company and rules over the minimum duration of the financial audit contract;
- approves the income and expenses budget and, if applicable, the activity programme for the next financial year;
- decides the pledging, renting or dissolution of one or more of the company units;
- fulfils any other responsibility deemed by the law to be its duty.

Extraordinary General Shareholders Meeting is held at the companies headquarters or in another place announced through the convening notice, whenever it is necessary to make a decision for:

- the change of the Company's legal status;
- the change of the main scope of business;
- the merger with other companies or the split-off of the Company;
- the dissolution of the Company;
- the increase of its share capital;
- the decrease of its share capital or its replenishment by
- issuing new shares;
- the issue of bonds;
- the conversion of a class of bonds into a different class or in shares;
- the conversion of the nominative shares into bearer stock shares or of the bearer stock shares into nominative shares;
- the conversion of the shares from one class into another;
- the approval of the conclusion of legal documents by which assets in the Company's patrimony, whose value exceeds half of the Company's assets book value as of the date of concluding the legal document, are alienated, rented,
- exchanged or encumbered under pledge, or by which assets whose value exceeds the above value are acquired;
- the approval of the conclusion of documents by which assets in the category of non-current assets of the Company, whose value exceeds, separately or jointly, during a fiscal year, 20% of the aggregate non-current assets less the accounts receivable, are acquired, alienated, exchanged or encumbered under pledge;
- the approval of the conclusion of documents by which tangible assets are rented for a period exceeding one year, whose value, separately or jointly, as to the same co-contractor or related or person acting together, exceeds 20% of the value of total non-current assets less the accounts receivables at the date of concluding the legal document, as well as the associations for a period exceeding one year, exceeding the same value;
- the approval of the conclusion of legal documents by which a director or a manager alienates or acquires assets to or from the Company, with a value exceeding 10% of the company net assets value as well as legal documents regarding the renting or leasing of such assets;
- the approval of the organisation and operation by-laws of the Board of Directors;
- the approval of the establishment or dissolution of secondary offices-branches, agencies, representative offices or other similar offices having no legal personality;
- the appointment and dismissal of the members of the Audit Committee, the approval of the Audit Committee's terms of reference, the establishment of the mandate duration and the remuneration of the Audit Committee's members;
- any other responsibility deemed by the law to be its duty.

The main competences of the Board of Directors are:

- enforces the decisions taken by the GSM;
- decides the main activity and development directions of the Company;
- determines the accounting and financial control system and approves financial planning;
- endorses the Company's annual financial statements;
- submits to the financial auditor with at least one month before the day scheduled for the GSM, the annual financial statements for the previous financial year, together with the Board's report and the supporting documents;
- annually submits for the approval of the OGSM, within four months from the closing of the financial year, the report regarding the activity of the company and the financial statements for the previous year;
- annually submits for the approval of the OGSM the revenues and expenditure budget and the activity programme for the following financial year, if the case;
- approves the signing of any legal documents on behalf of the Company, except for those that need, as per the compulsory provisions of the law and the company's articles of association, the approval of the GSM, and except for those that the CEO, acting alone or together with the CFO, may sign without the approval of the Board of Directors, as per the limits settled by the provisions of the articles of association or by the Board of Director's decision;
- approves the change of the registered office of the Company;

- approves the change of the Company's secondary scope of business;
- establishes the additional remuneration;
- of the Directors in charge with specific positions, as well as the executive directors' remuneration, within the general limit approved by the OGSM;
- approves the organisational structure and the internal rules and regulations of the Company;
- appoints and dismisses the CEO and the CFO;
- establishes how the activity of the CEO and the CFO is organised;
- supervises the activity of the CEO and the CFO;
- organises the internal audit activity;
- establishes the Company's marketing strategy and tactics;
- approves the investment plan of the Company;
- decides concerning the market on which the securities issued by the Company shall be quoted and decides over the private independent authorised to hold the registry of the shares issued by the Company;
- submits the request for opening the insolvency procedure of the Company as per Law no. 85/2014 regarding the insolvency procedure prevention and insolvency procedure;
- decides on any other issues within its competence.

Shareholders - rights and obligations

The rights of the Company's minority shareholders are adequately protected by the current legislation in force. Shareholders have the right to obtain relevant information about the Company in a timely manner and on a periodical basis. They have the right to be informed about the decisions regarding the changes of any kind occurring in the Company, in order to understand how these may affect their rights. Each share subscribed and paid by shareholders gives them the right to vote in the GSM, the right to elect and to be elected in the management bodies, the right to participate in distribution of profits according to the Company's Articles of Association and to the legal provisions.

Also, a number of key decisions are exercised by the shareholders, such as:

- ***Convocation of the GSM:*** shareholders representing at least 5% of the share capital have the right to request the convocation of GSM, a situation in which the GSM will be convened not later than 30 days and will take place in less than 60 days from date of the request;

- ***Adding new items on GSM agenda***: one or more shareholders representing, individually or collectively, at least 5% of the Company's share capital have the right to introduce new items on the GSM agenda (each new item will be accompanied by a rationale or by a decision project proposed for resolution by the GSM) and to present decision projects for the points included or proposed to be included on the GSM agenda, within no more than 15 days from the day when the convocation was published in the Romanian Official Gazette;

- ***GSM participation:*** Company's practice is to actively promote the participation of its shareholders in the GSM and they are invited to address questions on issues to be discussed during such meetings. Shareholders may attend the General Shareholders' Meeting in person, by mail or through a representative having a mandate. The mandate can be: (i) special, using a special mandate model that will be provided by the Company or (ii) ordinary, valid for maximum three years, which allows its representative to vote on all issues under discussion within the Company's General Shareholders' Meeting or several companies identified in the mandate, including as regards acts of disposal, on the condition that the mandate to be granted by the shareholder, as client, to a lawyer or an intermediate - financial investment services companies authorised by FSA, credit institutions authorised by the National Bank of Romania, in accordance with the applicable banks regulations, as well as similar entities authorised in EU member or non-member states to perform financial investment services. Shareholders properly registered in the shareholders' register may vote by correspondence before the GSM meeting, using the vote form used for the e-mail voting provided at the company's headquarters and/ or on the company website. More information can be found in the Company Policy o regarding the exercise of voting rights by shareholders in GSM;

- ***Shareholders' questions***: Company's shareholders, no matter of the number of shares held, have the right to send to the Company headquarters written questions referring to the GSM agenda. The questions shall be submitted or sent in enclosed envelope, to the Company's registered office so that they may be recorded by the Registration Office of the Company, at least seven calendar days before the date of the meeting, with the following specification written in capital letters "FOR THE ORDINARY AND/OR EXTRAORDINARY GENERAL SHAREHOLDERS MEETING AS OF __ /____________To be able to identify the shareholder capacity of the person who has sent the questions or making proposals to supplement the agenda, the legal representatives of the Company may ask the respective person to present some documents supporting his/ her identity and the statement of account proving the shareholder capacity and the number of shares held, issued by the Central Depository or, as applicable, by participants providing custody services. More information regarding the documentation necessary to exercise this right might be obtained from the Company Policy regarding the exercise of voting rights by shareholders within the GSM or of addressing questions to the Investors Relations responsible person. Any sensitive information of the Company which may lead to loss or to a competitive disadvantage for the Company will be avoided when the responses are communicated, in order to protect the shareholders' interest.

Agreements between shareholders

In respect of the agreements between shareholders known by the Company and which can lead to restrictions in securities and/or voting rights transfer, we mention that as at 31 December 2020, ALRO did not have pledged shares in the lending banks with which it signed loan agreements (31 December 2019: none).

Diversity

The Group supports diversity inside the Company and inside its subsidiaries concerning the administrative, executive management and supervisory bodies, in respect of the age, gender or education and professional experience.

The percentage of women in the total number of ALRO employees was around 16% in 2020 and even if at first sight this seems to be a small one, this is in line with the average for the aluminium industry and the activities carried out within ALRO production facilities. This percentage is not the result of any discriminatory policy, on the contrary, ALRO provides equal chances, without discrimination for both females and males, but the attractiveness of the metallurgical industry, in general, for women is modest. However, there are departments within ALRO, such as finance, human resources, commercial in which the weight of women is much higher, or even higher than the weight of men in the total number of employees.

Moreover, starting with 2019, ALRO's Board has two female members and both ALRO CFO and the Deputy CFO are women. Furthermore, around 20% of the middle management positions are occupied by women.

Additionally, within the Company, the persons holding executive positions have ages between 30 and 65, and their education and professional experience differ (i.e. engineering, economy, finance, law etc.), but it is relevant for the position held.

Adding value through investor relations

Investor Relations Activities

During 2020, the Group has communicated with third parties through several press releases and participated in press conferences or meetings with investors, analysts or media, and in relevant specialised events, as well.

Moreover, starting with 2016, conference calls with investors and analysts are organised for presenting the annual and half-year results and starting June 2017, these conference calls are conducted four times a year, after the annual, half-year and the quarterly results. These conference calls represent another step forward for ALRO to interact more with investors, analysts and other stakeholders interested in the Company's results and activity. The dates when these conferences are held are included and announced through the financial calendar published both on the Company's website and BSE and FSA websites and anyone interested in the company's activity and updates is welcome to participate. Also, ALRO's representatives participate in at least one event dedicated to investors (institutional and/ or individual investors) organized in Romania or abroad.

Starting 2007, ALRO reports to the capital markets, twice a year, consolidated financial statements, prepared under IFRS, which gives the financial reports a higher level of transparency and comparability from one period to another and also with its peers, the other international companies in the aluminium industry.

ALRO prepares its consolidated and separate financial statements following the Ministry of Public Finance Order no. 2844/2016, with subsequent amendments, which is under the International Financial Reporting Standards (IFRS) adopted by the European Union (EU), except for IAS 21 The Effects of Changes in Foreign Exchange Rates as regards the functional currency, for the provisions of IAS 20 Accounting for Government Grants as regards the recognition of revenues from green certificates, and except for IFRS 15 Revenue from Contracts with Customers as regards the revenues from the taxes related to the distribution grid connection. These exceptions do not affect the conformity with IFRS of the financial statements of the Group and Company.

ALRO aims to ensure a permanent dialogue with third parties, and thus it publishes in real-time, immediately after sending any price-sensitive information to BSE and FSA, such as the Company's financial reports, press releases and all other relevant information for shareholders, analysts, investors and other stakeholders on the Company's website within the Investors Relations section.

ALRO publishes press releases about its investments, sustainability and corporate social responsibility initiatives, activities to reduce the Company's environmental footprint, as well as other actions and/ or partnerships with the local communities, aiming to create a positive impact on them.

In November 2018, ALRO together with other ten representatives of the capital market, companies and individuals, founded the Romanian Investor Relations Association (ARIR) aiming to implement the best communication practices with investors by the Romanian listed companies. ALRO supports this initiative as it believes that ARIR will help to improve the image of the Romanian capital market among investors and that, this Association represents a natural step in aligning the Romanian capital market with the other countries in the region that have already gained an extensive experience in this field. Moreover, ARIR brings added value to the Romanian capital market and represents the companies listed on the BSE, a tool that emphasizes the transparency and openness to apply best practices in the field of Investor Relations (IR). As a founding member of ARIR, ALRO wants to get involved in promoting best IR practices in Romania and, at the same time, to adopt and apply new communication techniques with investors.

ARIR is a non-governmental and non-profit organization that was set-up to provide current and potential issuers, a platform for the development of Investor Relations (IR) professionals. ALRO wants to contribute, through ARIR, to implementing best practices in investor communication, to increase transparency within the listed companies and to comply with the corporate governance principles, to provide investors and shareholders with main elements based on which an investment decision could be made.

Beginning in 2019, the main project of ARIR is VEKTOR, the new capital market index that measures the communication of listed companies with investors. These new assessment criteria aim at promoting the implementation of best practices in investor relations and compliance with the Bucharest Stock Exchange Corporate Governance Code, in line with the expectations of institutional and individual investors. The scope of this new assessment methodology is focusing on promoting pro-active investor relations practices, leaving aside the content accuracy of regulatory-enforced obligations and it includes only publicly available information. The second results of the VEKTOR index were announced on 27 January 2020 and ALRO kept the grade 9,5 (out of 10) received in 2019 (when VEKTOR was launched) which situates the company in the top 10 most performing Romanian companies in investors' communication.

As an acknowledgement of the efforts done in the same direction of improving the IR communication and practices, in 2020 ALRO was awarded the first place for its communication with the retail investors and the second place for its 2019 Sustainability Report during the annual ARIR Gala Awards Ceremony. Thus ALRO proves once again that is focused on improving the IR and communication area and wants to lead by example when it comes to applying best practices of corporate governance and efficient communication with investors and other stakeholders.

2021 Financial Calendar

EVENT	DATE
Publication of 2020 Preliminary Annual Financial Results	26 February
Conference Call for 2020 Annual Results proposed for shareholders approval	29 March
Annual General Shareholders Meeting ("GSM") for the approval of 2020 results	29 April
Publication of the Annual Report as at 31 December 2020	29 April
Publication of the Quarterly Report for the first quarter of 2021, i.e. 1 January - 31 March 2021 ("Quarter I 2021")	14 May
Quarter I 2021 Results Conference Call	17 May
Publication of the Half-Year Report for the six-month period ending 30 June 2021, i.e. 1 January - 30 June 2021 ("2021 Half-Year")	11 August
2021 Half-Year Results Conference Call	13 August
Publication of the Quarterly Report for the third quarter 2021, i.e. 1 January - 30 September 2021 ("Quarter III 2021")	12 November
Quarter III 2021 Results Conference Call	15 November

Investor Relations contact

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Report on payments to Governments for the financial year 2020 for mining activities

The report on payments to Governments is prepared in accordance with Directive 2014/95/EU that amends Directive 2013/34/EU as issued by the European Parliament and which was transposed to the local legislation by Minister of Public Finance Order no. 2844/2016 for approving the Accounting Regulations in accordance with the International Financial Reporting Standards applicable to trade companies whose securities are admitted for trading on a regulated market. Thus, the Group has prepared the following consolidated report that provides an overview of the payments to governments made by ALRO and its subsidiaries in respect of mining activities for the year ended on 31 December 2020 (i.e. the reporting period is 1st of January – 31st of December 2020).

The amounts included in this report are in thousand RON, the average exchange rate for 2020 being used and only the payments which were higher than EUR 100,000 (RON equivalent) were considered.

All amounts are in RON ‘000

Government's institution description	Payment type description	Production entitlements	Other financial taxes	Mining royalties	Other fees
Sierra Leone Maritime Administration - is an open registry accepting worldwide shipowners and various type of vessels that meet the Sierra Leone standards in accordance with Merchant Shipping Act, 2003	0.45 USD/tonne of sold bauxite	3,183			
Nectar Sierra Leone Bulk Terminal - is a mixed company formed of Sierra Leone National Shipping Company Ltd. And Nectar Group Ltd. in the United Kingdom. Sierra Leone's primary multi-user bulk and break-bulk port.	0.24 USD/tonne of sold bauxite	1,545			
The National Revenue Authority (NRA) - was established on the 13th September 2002 through an Act of Parliament called the National Revenue Authority Act, 2002 (Act No-11). The NRA is charged with the responsibility of assessing and collecting domestic taxes, customs duties and other revenues specified by law, as well as administering and enforcing laws relating to these revenues.	3% of Revenues from bauxite			5,726	
The National Revenue Authority (NRA) - was established on the 13th September 2002 through an Act of Parliament called the National Revenue Authority Act, 2002 (Act No-11). The NRA is charged with the responsibility of assessing and collecting domestic taxes, customs duties and other revenues specified by law, as well as administering and enforcing laws relating to these revenues. (Custom duties)	Payment on notification				1,635
The National Revenue Authority (NRA) - In respect of CIT, the Company shall pay 30% tax on realized profit. Due to accumulated losses, SMHL shall pay 30% on 50% of realized profit.	Annual payment notification		1,020		
Community Development Fund - In accordance with Section 139 (4) of the Mines and Minerals Act SMHL entered into a Community Development Agreement with the Government, pursuant to which SMHL shall make payment each year to a community development fund of at least one per cent (1.0%) of Net Bauxite Sales Revenue in US Dollars for such year.	1% of Revenues from bauxite		1,414		
The National Minerals Agency - In respect of Lease, the Company shall pay annualy on the anniversary of the grant of the Mining Lease an annual rent in the amount prescribed by applicable law until the termination of the Lease. Rents payable under this clause 6(d(1)) shall be paid in US dollars and all such payments by the Company shall be made in such currency to the Goverment in accordance with the applicable law.	Annual payment notification				2,333
The Environmental Protection Agency (EPA) - The Company shall conduct its programme of ming operarions in accordance with the Environmental Protection Agency Sierra Leone (EPA-SL) which was established by an act of Parliament in 2008 and amended in 2010.	Annual payment notification				502

This is a free translation from the official Romanian version

Sustainable development and Corporate social responsibility

Sustainable development

The constant involvement in environmental protection activities is part of the Group's long-term development strategy. The Group permanently monitors its environmental footprint and takes the necessary measures to comply with the specific environment rules. Also, besides the specific investments in environmental protection programmes, the Group uses modern technologies, in line with the requirements in this field.

The Group holds in Romania the following environmental permits:

- ALRO holds Integrated Environmental Authorisation for both primary and processed aluminium sectors;
- Alum holds the Integrated Environmental Authorisation no. 1/19.03.2018 valid until March 2028, being permanently under monitoring and reporting obligations. It also holds about 46 other authorisations, certifications, attestations and accreditations; and
- Vimetco Extrusion holds an environmental permit which is renewed when substantive changes occur under the environmental legislation (the last renewal took place on 23 May 2016).

At the same time, the environmental protection investment programmes allowed ALRO to obtain ISO 14001 certification for environmental protection management. Investments in energy efficiency place ALRO in the top of aluminium producers with the lowest specific consumption rates in the European Union. On their return, ALRO's subsidiaries hold more certificates, among which we mention the following:

- ***Alum:***
  - certificate for quality management system according to SR EN ISO 9001:2015 (initial certification date 4.07.2001);
  - certificate for environmental management system according to SR EN ISO 14001:2015 (initial certification date 19 July 2002);
  - certificate for occupational health and safety management according to SR EN ISO 45001:2018 (initial certification date 25 May 2006);
  - energy management system certificate according to SR EN ISO 50001: 2019 (obtained in October 2017).

- ***Vimetco Extrusio***n
  - Quality management system according to SR EN ISO 9001: 2015 for the production and marketing of aluminum alloy profiles (valid until 29 May 2021);
  - EN 15088 - Aluminum products and aluminum alloys for structures in building & construction industry (valid until 12 December 2023);

Within ALRO Group, measures to reduce the energy consumption were implemented and continues to be implemented in the entire production process chain. For example, ALRO operates a production facility that uses scrap aluminium, this being another method of reducing energy consumption and actively contributing to scrap reduction. Besides this, ALRO significantly improved its position regarding the CO_2 emissions within its electrolysis division (which represents the division with the highest CO_2 emissions for producing primary aluminium) and aims to situate within the first 10 worldwide aluminium producers (except China) from an energy efficiency perspective for the electrolysis area after it finalizes the implementation of AP12LE project.

Moreover, within the study "Energy Efficiency and GHG Emissions: Prospective Scenarios for the Aluminium Industry" prepared in 2015 by Joint Research Centre, a Directorate-General of the European Commission at the request of the European Commission reveals that ALRO achieved 99% of its energy efficiency target.

The Group took measures to reduce the emissions in all its activities in Romania and implemented complex upgrading processes with positive effects on the environment. Thus, in the alumina production sector, the Group upgraded its operations since 2007 when ALUM was idled for two years for this purpose. Subsequently resuming the operations, the unit reported decreased production costs thanks to the optimised technological flow, as well as a significant decrease in its environmental footprint.

Also, management takes measures to carefully manage the resources at its bauxite mines in Sierra Leone.

Currently, the Group is not involved in lawsuits concerning the impact of its activities on the environment and does not expect any occurrence of such situations that might involve any violation of environmental protection legislation.

Additionally, within the entire Group, management takes permanent measures to prevent major accidents where dangerous substances could be involved. Therefore, the Group monitors the implementation of the measures that lead to the elimination of the risks of events, which could harm the environment and agrees on the action plan, if the case.

Environmental responsability

Creating value by operating a sustainable and long-term business represents one of ALRO Group's development strategy's fundamental pillar. Being aware of its environmental impact, the Group has continuously monitored its carbon footprint and implemented specific measures having the goal to become a green factory, innovative and sustainable with near to zero emissions and non-recyclable waste.

ALRO Group’s major environmental goals are:

- compliance with the environmental law adopted under the European requirements and strictly complying with all legal regulations in force;
- continuous improvement of activities, processes, products and environmental performance;
- preparation for emergencies and the ability to respond, organise and conduct simulation exercises for incidents involving classified substances;
- prevent pollution and reduce its environmental impact through investments, organisational measures, maintenance, repairs and technological changes;
- continuous monitoring of environmental aspects of the production activity through weekly environmental programmes.

Following the European Commission decision 2016/1032 as of 13 June 2016, establishing best available techniques (BAT) conclusions, under Directive 2010/75/EU of the European Parliament and the Council, for the non-ferrous metals industries, ALRO environmental permit was revised in 2020.

Therefore, ALRO follows the most stringent requirements regarding the emissions, using the best available techniques for the aluminium industry. A relevant example in this regard is that ALRO started to use baked anodes with low sulphur content to comply with the requirements of BAT 69 and BAT 69(a). This change resulted in a 20% decrease of the SO_2 emissions in ALRO.

Following the same direction of increasing efficiency and lowering its impact on the environment, the Group continued to increase the amount of recycled and re-melted aluminium scrap in the Eco-Recycling Facility and the Cast-House and reached the level of more than 400,000 tonnes of aluminium scrap used since 2013.

At ALRO there are two green waste dumps and the Company has completely removed the asbestos as construction material, and inert wastes, such as crushed concrete generated during building demolishing works, are recycled. At Group level, metal scrap and carbon-containing wastes are recycled, but also hazardous wastes from oils, which are recycled by relevant authorized operators.

The Group is allocating significant resources for minimizing the environmental footprint, identifying the best solutions for the capitalization of by-products and waste in all the companies. Aluminium can be recycled indefinitely without losing its properties, fact which allows to be used repeatedly for the same purpose; the Group is focused on promoting the principles of the circular economy to create new economic opportunities and stimulating long-term competitiveness of the Group.

In 2020, ALRO had:

- 10 Inspections from National Environmental Guard - Olt County Commissariat on Environmental line concluded without any non-compliances;
- One inspection by the Olt Emergency Situations Inspectorate on the SEVESO III Directive completed without any non-compliance;
- four Audits on Greenhouse Gases Emissions completed.

To assure that the relevant standards are applied, ALRO has revised the following:

- two water management permits for ALRO Primary and ALRO Secondary Divisions;
- two Green House Gases (GHG) permits issued by the National Agency for Environmental Protection, one for ALRO;

Moreover, ALRO is monitoring the planning methodology for the fourth monitoring period of the EU ETS for 2021-2030 for ALRO Primary and ALRO Secondary Divisions requested by EC.

ALRO Group continuously takes measures to operate following the highest environmental standards, which apply to its activity.

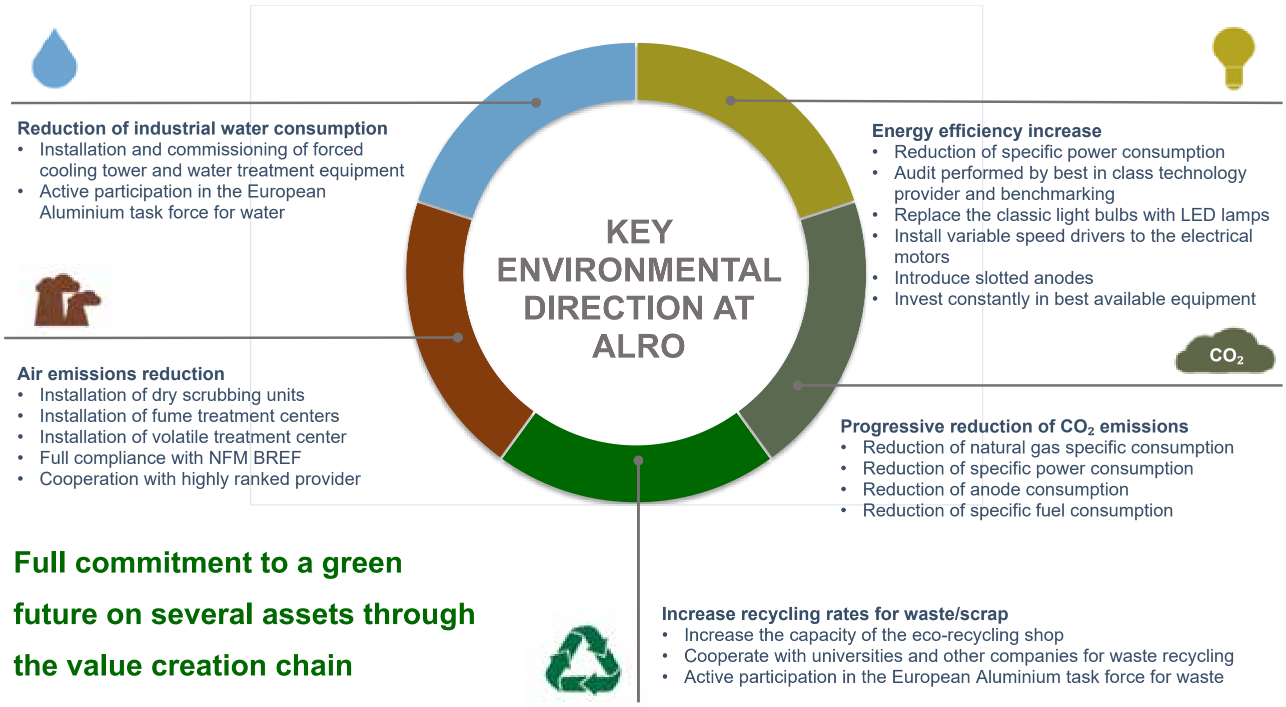
Another objective is referring to environmental protection and ensuring the welfare of the communities in which the Group is operating. For this, the Management has continued to invest in the modernization and efficiency of environmental management by implementing several measures, such as:

- monitoring emissions on the premises and in the production areas;
- promoting an organizational culture and an environmental protection mindset among employees, including specific training seminars (Water production, storage, treatment and distribution training; Waste management training; Environmental Responsible Course etc.); efficient waste management; ensuring the protection of human settlements and improving ecosystems.

The Group carries out a risk identification activity that takes into consideration environmental aspects and impact and the specific of each job and there are performed simulations to test the response capacity of employees in case of possible accidents.

Although ALRO Group does not directly assess the environmental and social impact of its suppliers, however in the supplier evaluation process, it is made a reputational risk assessment which consists of verifying the information regarding the possible legal problems or conflicts in which the evaluated supplier is involved. If the supplier has a legal history of incidents and actions in court, including violations of environmental legislation, these issues will be considered as reputational risks.

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. This Sustainability Report is available for the public to consult on the Company's website, Sustainability Section, Sustainability Reports Subsection.



Corporate Social Responsibility

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

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

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

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

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

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

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

Moreover, ALRO, the Parent-Company, due to its economic and financial potential, but also because it is the only producer of aluminium and aluminium alloys in Romania, it is a representative company not only for the area in which it activates, but for the entire Romanian industry. ALRO is an example of how technical and financial management are blended together with the one related to environmental protection and stakeholder management.

At the same time, the Group is responsible for the safety of its products and customers. ALRO Group contributes to the Romanian capital growth, to the development of the national economy, while ensuring large number of jobs. ALRO is also an important contributor to the local and national budgets.

In the new context of COVID-19 sanitary crisis, ALRO supported the local community to prevent and combat the effects of this pandemic by donating RON 400,000 to Slatina County Emergency Hospital, RON 30,000 to Bucharest Fundeni Hospital, RON 25,000 to Romanian Red Cross, Olt and RON 18,000 to International Police Association of Romania, Olt.

The amount donated to the Slatina Emergency County and to Bucharest Fundeni Hospitals helped the medical staff to procure the sanitization materials needed for both medical staff and patients, thus ensuring the proper working conditions for the efficient management of the COVID-19 cases. On the other side, the amount donated to the Romanian Red Cross ensured the funds needed to acquire the hygiene products and food for the persons' lockdown in their homes due to COVID-19 aggressiveness.

Another essential component in the fight against COVID-19 fast-spreading was represented by the Police and therefore, ALRO supported the policemen around Olt area with protective equipment (i.e. face masks and overalls), high visibility reflective jackets and body-video-cameras used for limiting the spread of coronavirus.

Furthermore, the Group's subsidiaries have also donated significant amounts of money and/ or equipment to local representative institutions to support the fight against COVID-19 pandemic. pandemic effects. Thus ALUM donated close to RON 175,000 to Tulcea County Hospital and Vimetco Extrusion over RON 125,000 to Slatina County Emergency Hospital.

For ensuring the health of its employees, their families and friends while preventing the spreading of this virus within its facilities, starting from an early stage of this pandemic crisis, ALRO has implemented an Emergency and Coordination Committee with the main role to supervise and monitor the health condition of all employees, while taking care that all sanitization and disinfection measures are properly implemented within the entire organization.

ALRO Group has supported the local and national communities and institutions since the early stages of the sanitary crisis and has donated in 2020, close to RON 950,000 to organizations involved in preventing and combating the effects of the COVID-19 pandemic

Among the comprehensive operational and administrative measures implemented within the entire organization there are:

- hygienically and sanitary materials, including protective equipment (i.e. face masks, gloves, overalls) have been distributed to all employees;
- strict measures of cleaning, sanitization and disinfection of the locker rooms, common areas, cafeteria, offices have been implemented and thoroughly followed ever since;
- all the areas inside and outside production facilities are permanently disinfected;
- disinfectant dispensers were placed in the access points, cafeterias and no more cooked meals are offered to the employees;
- all employees were instructed how to act to prevent their infection with COVID-19 and have to report daily their health status;
- the working and shifts hours were changed to minimize interaction;
- employees' health condition has been checked daily before starting the work;
- a contingency plan was already simulated for the case when one or more the employees are infected with COVID-19 and thus the Company ensured that the operations are not disrupted;
- Business trips have been reduced to an absolute minimum and participation in events of all kinds has been suspended;
- Professional training and specialization courses have been suspended and part of them have been held online;
- Visits to the production facilities site were reduced to a minimum;

The Group had implemented working from home for employees, where possible The recommendations for drivers and relevant transport-related undertakings involved in freight transport following the COVID-19 outbreak as published by the European Commission have been implemented within the company.

Moreover, ALRO has its own private Fire Brigade, which is fully operational inside the production facility, as well as its own healthcare office and during the past months benefited from substantial support from its affiliated security company, Rivergate. All these entities are on full alert 24/7.

At community level, in 2020 the following projects have been realized:

- Between March-April 2020, dozens of volunteers from ALRO planted over 10,000 oak tree sprouts on 3.5 acres, as part of the "Resca forest – The month of planting trees" campaign;
- On 5 March 2020, the Olt County Police Inspectorate in partnership with ALRO launched the "Safety and Respect in traffic" campaign, in which the policemen have informed the citizens from both rural and urban areas about the traffic participants' responsibilities, discipline and preventive and cautious behaviour in traffic. The campaign was carried out on three months, in which the policemen presented to all the traffic participants ways to prevent traffic accidents;
- The project "Dual-educational school " - a project that started in 2017 and is on-going at the date of this report;
- ALRO, in partnership with Metallurgical Technical College from Slatina, has developed and implemented starting with 2017 the "Dual-educational school" and set up three classes for the educational year 2020/2021 with the specializations: "mechanic for machines and installations", "low voltage electrician" and "electrical specialist in machines and equipment". Within this project, ALRO financially supports students during their internship periods by granting scholarships of 200 RON/month/ student, the Company ensures the work equipment and a warm meal during the internship periods and ALRO offers jobs to those students who passed the qualification exam at the end of the period.
- ALRO is organizing Internship Programs, taking into consideration the norms in force, which are addressed to students and graduates of the specialization 'non-ferrous metallurgy'. Within these programs, ALRO offers the participants the opportunity of getting used to the working climate, taking part in conversations with specialists and training or workshops;
- ALRO signed numerous partnership with different high schools or universities, such as Metallurgical Technical College from Slatina, Polytechnic University of Bucharest, Craiova University etc. to help the students with the practical part of their bachelor degree, dissertation or any other research papers;
- Various partnerships with high schools, postgraduates and universities (Technical Metallurgical High School from Slatina, Politehnica University of Bucharest, University of Craiova, University of Pitesti, etc.) were concluded to facilitate the specialised practice of students/ pupils, to organise documentation visits at ALRO, or to support them in writing their final papers for obtaining the bachelor's degree, master's degree, PhD, on various topics of research etc.

Besides this, in 2020, ALRO offered several sponsorships to support events and actions in areas such as social-cultural, education, health, religion and cults, sports, partnerships with associations and foundations, with activity in cultural, educational and social-humanitarian fields, such as:

- Financial contributions offered to the non-profit organization ALUCRO, to support the 'Environmental Grants Everyan Counts and Partners;
- The financial support offered to 'The Mentoring Project' Association to help at editing, publication and promoting the collaborative volume 'Quality of life in Romania. A vision of the future', which is published at the Club Romania Publishing House;
- The financial support offered to the CNR-CME Association for organizing the Regional Forum of Energy's activities;
- The financial support offered to the 'Tennis Club ELITE' Association from Targu Jiu for helping the club's activities;
- The financial support offered to the 'Sports School Club Slatina' and 'Sports Club Aluminium ALRO Slatina'
- Sponsorship to the Central Chess Club from Bucharest, to support Nastase Andreea Cristina in participating to trainings and national and international competitions;

- The financial support to two of the projects of the cultural association ‘Pro Contemporania’, ‘Traveling Piano’ and ‘Enescu’s violin’.
- Sponsorships to Clocociov and Strehareti Monasteries for administrative rehabilitation work and purchasing of food.

Moreover, in 2020, special attention was paid to the relations with the trade union organizations within the Company and the trade union federations to which they are affiliated as an important factor of stability, social peace and achievement in terms of performance of the mission and objectives of the Society. Considering the COVID-19 pandemic outbreak, in April 2020 an addendum to the existing contract was signed to prolong it until the end of June 2020. Thus, in July 2020 the negotiations with the trade unions took place, and at the end of September 2020 a new Collective Labour Agreement entered into force.

Additionally, ALRO’s representatives are active in several social dialogue bodies such as the Social Dialogue Commission with the Olt Prefect Institution or the Tripartite Consultative Council, attached to the Olt Labour Inspectorate; ALRO has been involved, with good results, in the work of its employers' organization, namely O.P. UNIROMSIDER.

The other Group’s subsidiaries are actively involved, as well, in the activity and welfare of the communities in which they operate.

ALUM is a company present in the local community through events or activities with a strong social character. Thus, during the year 2020, ALUM was involved in activities with a strong social character, among which:

- Several donations 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. The amount donated was over 170,000 RON;
- Financial support for various projects initiated by non-profit associations in activities aimed at supporting the educational activities in several schools, improve the social protection of institutionalized children with special skills, providing them with the necessary educational materials, support children with autism and ASD (autism spectrum disorder) and other people in distress; helping people with visual disabilities;
- Collecting funds for providing food and clothes on Easter and Christmas holidays for challenged families and children from the social homes in Tulcea;
- Continuing a sportive-educational partnership for having ALUM employees’ children involved in sporting activities (e.g.: swimming), while supporting the organization and participation of children in sports competitions (e.g.: swimming, triathlon);
- The working conditions offered respect the human rights, equality and welfare of employees. In this regard, recruitment, selection and hiring workforce is done mainly from Tulcea County. Also, the percentage of the number of women employed in the company increased from 10% in 2010 to more than 16% in 2020.

Furthermore, SMHL is an active member of Sierra Leone communities, as well, and increased attention is paid to environmental protection taking into account the environmental footprint of mining and to projects that support the social and educational activities in this area.

Vimetco Extrusion plays an important role in the local community, as well through different educational, cultural and corporate social responsibility actions. Thus, during 2020, Vimetco Extrusion was involved in activities with a strong social character, among which:

HR and Corporate Social Responsibility initiatives

- *Internships for University students* – programs of three weeks/ student with University of Craiova (one student with specialization Electrical Engineering and one in the IT Department of Vimetco Extrusion) and with the Polytechnic University of Bucharest (one student with specialization Mechanical and Mechatronic Engineering and one internship in the Maintenance Department);

- *Contract of collaboration* has been agreed to start with 2020, for three years, with the University of Craiova and "Alexe Marin" Technological High School from Slatina. For the University of Craiova, the collaboration consists of promoting projects on several levels: research/consulting services/student training (i.e. course modules, laboratories, internships, Erasmus internships, etc.). For "Alexe Marin" Technological High School from Slatina, the collaboration consists of organizing and conducting practical training for on-the-job learning.

Corporate Social Responsibility

Even from the initial phase of the sanitary crisis, VE has been an active player in the fight towards COVID-19 pandemic. During the year two significant sponsorships to the County Emergency Hospital Slatina were done to support the fight against the coronavirus amounting to more than RON 125,000.

Internally, complex protocols and procedures were implemented to protect the employees. Furthermore, those employees having health issues were allowed to stay at home. For TESA employees the partially work-from-home programme was put in place. Also, other preventive measures were implemented within the plant and the offices areas:

- Temperature scanners at the gate through where all the employees enter the factory;
- Carpets and devices with disinfectant were placed at all the entrances;
- Employees received protective equipment, wipes with disinfectant;
- All surfaces are daily disinfected by a third party; in the plant, for larger areas and surfaces the disinfection is made also by using the atomizer.

Human resources development

The Group encourages and promotes projects aimed at both personal and professional development of its employees, as well as the communities in which they operate. Commercial relations with local suppliers are supported and encouraged within the Group, contributing this way to their development.

The company has implemented annual employee performance assessments so that it can track certain indicators of employee activity and subsequently those with outstanding performances can be encouraged and rewarded.

In general, within the Group, the employees' migration from one company to another is encouraged, but generally, it is preferred to hire local staff from the geographical area where the company operates, to avoid the cultural, language and social differences.

The Group's human resources policy has the following objectives:

- Establishing the organisational framework within each Company (i.e. organisational chart, internal regulations, code of conduct, job descriptions, operational procedures, assessment forms etc.);
- Quantitative and qualitative dimensioning of the necessary workforce by each activity sector, training and continuous development of professional skills, harmonising the employees flow, inputs, outputs and internal mobility;
- Knowing the external business environment to identify opportunities and threats which can determine, positively or negatively, the personnel recruiting and selection activities, as well as identifying the strengths and weaknesses in the internal environment;
- Optimising the use of personnel by allocating employees on positions based on training, skills and professional competences for them to complete their tasks and duties efficiently;
- Training and professional development, professional assessment and career management;
- Motivating the employees, to increase satisfaction and commitment in reaching goals and completing their tasks;
- Developing an organisational culture based on harmonising the organization's interest with those of its employees including competence, commitment, collaboration, respect, fidelity, order and discipline, non-discrimination, following labour law and internal regulations; managing the potential labour disputes, individual or collective, to prevent the events that may disrupt the organization's activities;
- Employer's involvement in decision-making activities by developing horizontal and vertical communication, promoting a transparent and fair social dialogue with trade unions, conformation with the commitments assumed in the collective labour agreement;
- Ensuring the conditions for employees to carry their day-to-day activities in a 'zero-risk' environment;
- Banning any form of direct or indirect discrimination against employees based on gender, sexual orientation, genetic characteristics, age, national origin, race, colour, ethnicity, religion, political beliefs, disability, family situation or responsibility, trade union membership or activity, as well as acts and deeds of exclusion, distinction, restriction or preference based on one or more of the above criteria, which have the purpose or effect of denial, restriction or elimination of recognition, use or exercise of rights stipulated in the labour legislation.

ALRO Group promotes within its employees values like the responsibility of their actions, respect between team members, the priority of the common interest, appeal to honour, creative initiative, the right to a second chance, focus on solutions, practical approach, shared power (authority), continuous professional and personal development.

In the future, the Group aims to develop and implement within the entire organization a culture and business accountability regarding both the environmental responsibility and the community in which it operates. The Group's management considers that the implementation within the Group of healthy principles of sustainable development and a strong policy of corporate social responsibility is meant to generate long-term positive and sustainable results. In this way, the Group can get in the position to generate "win-win" situations for the entire organization and its shareholders, the environment and, last but not least for the communities in which it operates.

ALRO Group training policy

The training activity within ALRO Group focuses on continuing professional development of employees and training in advance the future employees, to provide the necessary qualified personnel for achieving the targeted goals.

The manner of organising and performing the training activity is based on the following principles:

- The Group's human resources policy is linked with the Group's development programmes on short, medium and long-term;
- The Labour Code, republished, and the regulation in force regarding continuing professional development for adults;
- Other legal stipulations in force.

The training activity within the Group is based on:

- Annual programmes for professional development;
- Operational procedures on professional development, competences, awareness and training, certifications and professional assessments;
- Collective Labour Agreement;
- Human resources – specialized organisational structure within the Parent-Company and each subsidiary.

Continuous professional development of ALRO Group's employees is carried out based on the annual training programmes, which consists of a diverse range of implementation ways:

- Periodical professional training;
- Programs for initiation, qualification, re-qualification, authorisation and specific certifications carried in-house or in collaboration with specialised companies;
- Training and specialisation, organised with well-known consulting companies "in-house" or outside the organisation;
- Participation in different programmes of comprehensive studies, postgraduate programmes, MBA etc.;
- Participation in activities such as team–building, symposiums, conferences, workshops, fairs and exhibitions, competitions in Romania and abroad;
- Consultancy services provided by well-known specialists in the aluminium/ alumina/ extruded products etc. production fields;
- Additional training courses using formal and informal methods.
- Advanced programs for professional training through partnerships with the Technical Metallurgical High School from Slatina's students, by setting up dual educational classrooms.

During 2020, within ALRO, qualification and re-qualification professional courses were organised such as nonferrous metallurgist, laminator, chemistry laboratory technicians, machine operators etc., as well as courses for authorising employees to practice occupations which require additional qualifications besides the document that certifies the respective occupation (for example training and authorisation courses for NDT operators, ISCIR authorisations, authorisation of operators carrying out activities in the field of natural gas, etc.). The aim of these training is not only to comply with the legal stipulations for ensuring a proper correlation between the employees' qualifications and jobs but to secure the positions in the organisational chart with well-trained employees, to ensure a proper skills level of employees while remaining connected to the technological developments and facilitating the internal mobility of employees, in case any changes in the organisational structure of the Company would be required.

Moreover, in 2020, there were continued the programs for the improvement of the professions of 'low voltage electrician', 'mechanical locksmith', the training programs such as 'presentation of ALRO's maintenance system', ' measurement with different instruments and motors and couplers' alignment' etc., organized within ALRO Skills Academy, qualification of the laminators, CNC operators, qualification and/ or ISCIR authorization of the forklift or craned bridge operators and ANRE authorization of the plumbers that perform in the natural gas area etc.

Starting with March 2020, the courses were suspended due to the measures taken to prevent the spreading of COVID-19. Later on, the activity was resumed and part of the professional training has been held online, using webinars such as the professional training concerning the electronic preparations of reports and the course regarding the maintenance and planning and manual execution of machines, non-financial education etc. and other part was held in person, by respecting the norms regarding the prevention of spreading COVID-19.

The main objectives of these training are to:

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

In 2020, the professional training and certifications of the employees involved in the Aero and Auto projects continued. The focus on changing employees' view regarding self-control, quality, cost reduction measures, efficient use of the resources needed to carry out activities will be kept, while complying with the operational procedures, improving communication, with technical guidance received from external consultants.

In 2020, TESA employees from all areas of activity (such as technical, industrial automation, IT, economic areas and others) followed professional development training programmes or specialisation programmes to access the most advanced information and best technical and economic practices and in other areas of interest for the Company.

Professional development programs and training and specialization programs have been organized to provide optimal operating conditions, such as training on predictive maintenance system for the machines' viability, training on quality management and environmental protection and energy, evaluation of injury and disease risks, EU regulations regarding chemicals management, training of the personnel responsible for quality management, environmental protection, IT training, HSE training, accounting and financial training and other training and certification programs necessary for the day-to-day performance of the business, training on protective measures on preventing coronavirus infections. All these programs have been organized to assure continuous professional training of the personnel and to certify the professional competencies that are necessary for the daily optimal activities.

In February 2020, 12 employees from ALRO completed the Six Sigma Course, organized in partnership with Effective Flux and they obtained the black belt certification. The objective of the course was the improvement of the operational systems through statistical analysis that can identify and prevent production defects. To complete the course, each participant had to prepare a paper with applicability in ALRO's activity.

Another important method for ongoing professional development is represented by the participation of certain specialists of the Company at several workshops, fairs and exhibitions, both in Romania and abroad (if the travelling conditions will allow it).

Anticipated professional training

The main goal is to offer advance-training to future potential employees (i.e. to pupils from vocational schools and high-schools, to students, to other categories of young people etc.).

Dual professional education
The Academy Skill Project

Starting with 2017 the partnership between ALRO and the Slatina Metallurgical Technical College was signed for the organisation of the first dual professional educational class in Olt County. Through this partnership, ALRO has become an active part of the training and professional qualification process, providing qualified staff, workshops and space for practical classes, providing logistics and equipment so that students can obtain and apply the skills required to perform the qualifications chosen. The partnership with the Technical Metallurgical High School from Slatina milestones are detailed below:

- in the educational year 2018- 2019, by organizing a class of students composed of two groups: a group of 14 students for the qualification as electricians and a group of 14 students for the qualification of low voltage electricians;

- starting with the educational year 2020-2021, 2 classes of 28 students each were organized: one for the qualification of low voltage electrician and one for mechanical of industrial installations and machines;

- after graduation, starting with September 2020, 19 mechanical locksmiths, that graduated from the first promotion of dual professional education, established in 2017 have been hired and perform their activity under the supervision of ALRO's foremen.

Moreover, ALRO supported and encouraged some of its employees to follow high-school or postsecondary schools.

Joint projects with Universities & High-schools

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

- Internships within ALRO's production facilities & offices - on average, each year more than 50 students from different universities and specializations have conducted professional training inside the Company. Starting H1 2020, around 15 students from universities from Bucharest, Craiova and Pitesti, carried out internships within ALRO;

- Realization of the final papers for Bachelor's or Master's Degree on various case studies based on ALRO's activity & business;

- Conducting different joint activities with universities (i.e. students' documentation visits, meetings between ALRO's specialists and students held inside the universities campuses, preparing research papers, participation in career fairs, etc.);

- Material support and sponsorships of different activities performed by universities;

ALRO is organizing Internship Programs, which are addressed to students attending university courses in non-ferrous metallurgy. Anticipated professional training turned out to be beneficial for ALRO, from the following perspectives:

- It smoothed the recruitment & selection process and anticipated the professional development of future employees. Thus, part of the students that followed internships at ALRO were employed after graduation and soon became valuable specialists in the aluminium production process;

- It is also an activity for the community service, as it supports the absorption by ALRO of graduates from technical high-schools from Slatina;

- Conducting different joint activities with universities (i.e. students' documentation visits, meetings between ALRO's specialists and students held inside the universities campuses; preparing research papers, participation to career fairs, etc.);

- Wthin the ALRO Skills Academy programs, Internship Programs have been organized, which are addressed to students attending university courses in non-ferrous metallurgy, program continued by granting a scholarship until the completion of university courses;

- The financial support granted by ALRO in activities carried by certain universities (for example, donating equipment and laboratory equipment, to be used as teaching material).

Employee compensation / incentive programmes

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

- Bonuses were given to employees who participated in important projects;
- Performance criteria are widely used for employees in key positions;
- All employees were given several benefits under the provisions of the Collective Labour Agreement (e.g. free treatment tickets for employees with occupational diseases, holiday vouchers, premiums on the occasion of religious holidays or festive days etc.);
- Means of communication with employees were improved (i.e.: ALRO's intranet, the activity of solving requests and complaints etc.);
- The employees' performance assessments were upgraded and improved.

Subsequent events

The Temporary Framework scheme for State aid in the form of guarantees on loans was published in the Official Gazette of Romania (the "EximBank Guarantees under the COVID-19 state aid scheme") on 7 October 2020 and subsequently amended and completed on 16 December 2020. This scheme supports the Large Enterprises among others, in contracting new loans (investment or working capital) secured by a state guarantee covering maximum 90% of the facility amount for a period that may not exceed four years for working capital, respectively 6 years for investment loans. The Company applied for the scheme and it currently waits for the necessary approvals from the relevant body authorities.

Regarding the US anti-dumping tariffs investigation, in March 2021, the preliminary decision of the Department of Commerce is to impose anti-dumping tariffs in a range between 1.24% and 352.71% against the targeted producers. Concerning the sheets products of Romanian origin, manufactured by ALRO, as a result of the firm position taken and due to additional arguments presented by the Company, the US Department of Commerce announced their position on the final calculation and revised their initial position: the tariffs were reduced from 83.94% to 37.26%. Nevertheless, the Company continues to consider the petition as unfounded and intends to vigorously defend its position in front of the relevant US authorities.

For more information regarding the events that could impact the financial statements, please see **Note 35 - Events after the reporting date** of the Audited Stand-Alone and Consolidated Financial Statements as of 31 December 2020 included in this Report.

Outlook for 2021

In 2021, the Group will remain committed to its long-term strategy of running a sustainable and responsible business and will continue the necessary actions to compensate for the adverse economic and political factors by:

- Ensure the safe operating condition and continue the permanent improvement programs by increasing the efficiency and reliability of current equipment and enhance ALRO's products quality to meet the most demanding quality requirements of ALRO customers in terms of hot rolled products in particular;
- Increase energy efficiency and reduce the consumption of utilities;
- Increase the scrap recycling and grow the quantity of metal molten in the Eco-recycling facility to diminish ALRO's dependence on energy sources and create the premises of a more sustainable business;
- Observe the latest BAT requirements and environment protection regulations;
- Reduction and better management of its inventories
- Increase the share of HVAP and VHVAP in the production mix.

Besides this, ALRO Group is permanently striving to create added value for its customers, both through the quality of its products, as well as through embodying in its production facilities the best available technologies that are available on the market and which can deliver eco-friendly products. As the EU regulations have become even stricter in the aluminium industry field, the Group is committed to lowering its carbon footprint and reach the neutrality targets, in line with all the applicable regulations imposed on the EU member states through the new BAT regulations as approved in June 2016.

In 2021, ALRO and its subsidiaries will continue to be active members in the International and Domestic Organization where it activates as a member like European Aluminium, ABIEC, ARIR, ANEIR, ASI etc.

As the second half of the year 2020 showed signs of recovery and aluminium prices began to rise, the critical investments that were previously slowed down or postponed are now reconsidered in the CAPEX plan. These development projects are aimed at decreasing ALRO's dependence on energy supply by extending the scrap recycling capacity to increase the quantity of recycled material, to make new steps in the strategic goal of achieving 100,000 tpa of processed aluminium scrap, knowing that the aluminium scrap recycling requires only around 5% of the energy consumption used in producing primary aluminium.

ALRO continues its strategy for increasing the value-added production by including in the development plans for the next years the installation of a new slab casting a line in correlation with the development of the scrap melting capacity in the Eco Recycling Workshop, to secure the slab casting capacity according to the slabs required to achieve the FRP production, starting with 2022, when the new scrap melting line will be operational.

Both of these projects are major components that contribute to the achievement of 120,000 tpa of the flat-rolled products, while ALRO will be able to keep its current customers and sales volume for value-added primary products (wire rod and billets) which will increase the Company overall profitability.

Another major focus is to continuously improve the quality of the products and embodied in its production facilities the best available technologies that are available on the market. In this respect, ALRO scheduled the upgrading of one wire rod mill which will have the entire electrical and automation system replaced with state-of-the-art equipment to ensure a reliable operation of this equipment to improve the wire rod product quality and increase the product range.

The commitment to a safer, eco-friendly activity continues to be one of the major concerns in 2021. Therefore, ALRO plans to resume the project for extending the fume treatment plant in the Cast House to all the melting and alloying furnaces, through the installation of state-of-the-art fume filter systems for the collection and filtering of the emissions generated by the furnaces, the project's objectives being in line with the most recent BAT regulations, ALRO thus getting closer to “Zero Waste, Zero emissions” target.

Furthermore, as part of a safe, responsible and profitable business, ALRO is committed to continuing its energy efficiency program by relining the pots using the new AP12LE technology and plans to reline around 120 pots in 2021 using this technology, thus decreasing the specific consumption of electricity below 13 MWh/tonne of aluminium. Moreover, the process of receiving and directing the electrolytic metal to the furnace in the foundry will be automated in the following years.

In the Aluminium Processing Division, ALRO will continue to focus on ensuring the operational reliability as well as increasing the process efficiency and intends to continue the upgrading of its main production machines, by starting the upgrading of the main drive on the Hot Rolling Mill, which is a piece of important equipment for the Processing Division, installing at the same time a dedicated profile control system for hot-rolled products. The use of state-of-the-art driving equipment will lead to reliable operation and better efficiency of the mill, with greater rolling speeds and forces, to the reduction of consumed power and a decrease in the annual maintenance costs. Moreover, the development of the thermal treatment compartment technologies for thin heat-treated sheets to sustain Processing Aluminium Division production increase is planned in 2021.

The maintenance programs scheduled for 2021 comprise works for the improvement and upgrading of key production machines to the nowadays technical standards, for example revamping of Cast-House furnaces and wire rod mills, installing a coil surface monitoring and checking system on the tension levelling line, and repairing ancillary equipment which supports the production activity to ensure a safe and reliable production process in line with ALRO's development objectives.

Furthermore, ALRO plans to access EU funds from those areas that big industrial plants have access for energy generation, process and technology modernizations, new product development and energy efficiency, as soon as that this axis will be open in Romania. The Company keeps its focus on ensuring the necessary power for running our activity.

Furthermore, in 2021 several collaborations with the major universities/research institutes in Europe and Romania for joint technical studies and publication of scientific papers are planned. The applied research themes for improving the operation of the technological processes and reducing the consumption of utilities will continue as well as issues related to the improvement of the working microclimate.

In 2021, participations at various specialized conferences will continue to maintain and continuously improve the image of the Company while complying with the current travel restrictions generated by the COVID-19 pandemic latest developments.

In 2020, the concept of the project for the automatic determination of the dimensions of the slab in the rolling process carried out together with companies from Romania and Germany was approved. The project will be realized at the beginning of 2021 and will have the effect of reducing the waste in the production process, increasing the degree of achieving the production plan, the correct estimation of the unfinished production and increasing the productivity.

Within the Industrial Automation Department, several projects were defined to allow the digital transformation of industrial processes, among which is the "ALRO On Mobile" project that allows access from mobile devices based on the Android operating system. It is based on technologies such as cloud computing and WebApi services and allows access to information about the production, energy consumption, equipment condition, information about environmental conditions.

Programs of anticipated professional training of the labour force have been realized through the conclusion of partnerships with the educational institutions (professional schools, specialized high schools, university environments, etc.).

The transition to a decarbonised energy system and the related policies will lead to more taxes to the energy price (e.g. the announced contracts for difference new schemes for supporting RES, the proposed law for support offshore wind, energy storage, new infrastructure, smart grids, hydrogen production) which will result in the impossibility to keep the energy prices affordable for intensive energy industries. ALRO supports EU's international climate objectives under the Paris Agreement and it considers that climate transition can bring opportunities for the European energy-intensive industry, provided that the right framework conditions are put in place.

The carbon footprint of primary aluminium production in Europe – 6.75 tonne CO_2 per tonne of aluminium - is on average, three times lower than the carbon footprint of the same metal produced in China - 20 tonne CO_2 per tonne of aluminium. Furthermore, carbon emissions from European aluminium industry have decreased by 55% since 1990, however, these improvements are being undermined by massive carbon leakage, which leads to a net increase in global emissions as the raw materials needed in Europe are produced elsewhere.

Carbon leakage in the aluminium sector is already happening. European aluminium producers are increasingly struggling to compete against competitors from other regions of the world, that do not face the same climate-related costs. As a result, Europe has lost 36% of its primary aluminium smelting capacity since 2008, due to plant closures and curtailments. Furthermore, Romanian intensive industries do not benefit from all the reduction in energy taxes that European companies benefit such as the exemptions or reductions in funding support for high-efficiency cogeneration, network taxes etc.

With the electricity cost representing 40% of the total operational costs, the aluminium industry is greatly exposed to fluctuations in electricity prices. Therefore, to access affordable and clean energy and also to support the transition to a sustainable and carbon-neutral energy sector, ALRO is actively exploring to develop its generation sources on-site by a mix of a gas-fueled power plant and photovoltaic panels. The proposed power generation consists of solar photovoltaic projects at ALRO's facilities in Slatina and at ALUM's facilities in Tulcea and a highly efficient CCPP ("Combined cycle power plant") designed and constructed to the best available technology and capable of producing an excellent operational record, in Slatina. It is estimated that the project will be implemented as a turnkey project with future ability to migrate to the use of sustainable low carbon green gases such as green hydrogen when commercially available. Furthermore, the project will increase the efficiency of the national grid by decreasing losses in the network because of its direct connection to the consumer utilities. It will also provide flexibility for the grid as a part of the energy will assure a continuous reserve to help the balance when integrating more RES into the national system. Both projects aim at:

- Reduction of the carbon footprint associated with operating ALRO manufacturing sites in Slatina
- Access to more competitive electricity cost, leading to a more sustainable operation
- Maintaining workforce in the region because of increased competitiveness

Access to affordable and clean energy in a cost-competitive and fair manner as the EU economy decarbonizes remains the biggest challenge for the aluminium sector, which faces fierce global competition from producers in other regions enjoying access to cheap electricity due to the absence of similar regulatory costs as the ones levied in the EU (indirect carbon costs, RES charges, taxes etc.).

Abbreviations and definitions used in this report

AACR	The Romanian Civil Aeronautical Authority
ASF	Romanian Financial Supervisory Authority
ASI	Aluminium Stewardship Initiative
ATS	Alternative trading system on BSE
BAT	Best Available Techniques
BoD	Board of Directors
BSE	Bucharest Stock Exchange
BSE Code	Corporate Governance Code issued by BSE and applicable to listed companies
EBIT	Earnings before interest and taxes
EBITDA	Earnings before interest, taxes, depreciation, amortization and impairment
EGSM	Extraordinary General Shareholders Meeting
EU ETS	European Union's Emissions Trading System
EUID	The European Unique Identifier
EURIBOR	Euro Interbank Offered Rate
FRP	Flat Rolled Product
FSA	Financial Supervisory Authority, Romania
GD	Government Decision
GSM	General Shareholders Meeting
H1/H2	Half-year
HVAPs	High value added products
IATF	International Automotive Task Force
IAS	International Accounting Standards
ICIM	The Research Institute of the Ministry of Environment
IFRS	International Financial Reporting Standards
IMNR	The Research Institute of Research and Development for non-ferrous and rare metals
IO	Intermediate Body
KPI	Key Performance Indicator
ISO	International Organization for Standardization
LC	Letter of credit
LIBOR	London Interbank Offered Rate
LME	London Metal Exchange
NADCAP	National Aerospace and Defense Contractor Accrediation Program of Performance Review Institute
OEM	Original Equipment Manufacturer
OGSM	Ordinary General Shareholders Meeting
ROBOR	Romanian Interbank Offered Rate
VHVAPs	Very high value added products
Q1/Q2/Q3/Q4	Quarter 1/Quarter 2/Quarter 3/Quarter 4
QR Code	Quick response code
RES	Renewable Energy Sources
RTA	Rio Tinto Aluminium Pechiney
U.S.A	United States of America

Consolidated and separate financial statements for the year ended 31 December 2020

Alro S.A. and its subsidiaries

Consolidated and separate statements of profit or loss and other comprehensive income for the year ended 31 December 2020

in RON '000,
except per share data

	Note	Alro Group		Alro	
		2020	2019	2020	2019
Revenue from contracts with customers	5	2,514,716	2,777,801	2,307,360	2,492,611
Cost of goods sold		-2,521,548	-2,550,785	-2,445,143	-2,434,648
Gross result		**-6,832**	**227,016**	**-137,783**	**57,963**
General, administrative and selling expenses	7	-323,305	-280,238	-218,076	-178,821
Impairment of investments	15	-	-	51,683	-48,873
Other operating income	8	735,791	167,755	650,663	87,906
Other operating expenses	8	-6,142	-15,292	-1,766	-6,747
Operating result (EBIT)		**399,512**	**99,241**	**344,721**	**-88,572**
Interest expenses	9	-59,144	-77,334	-51,017	-67,815
Gains (losses) from derivative financial instruments, net	32	-	-3,598	-	-3,598
Other financial income	10	3,530	4,877	3,410	52,812
Other financial costs	10	-18,237	-21,382	-16,789	-19,781
Net foreign exchange gains / (losses)		40,593	-34,589	34,678	-31,585
Result before income taxes		**366,254**	**-32,785**	**315,003**	**-158,539**
Income tax	11	-31,481	-34,452	-19,797	5,638
Result for the period		**334,773**	**-67,237**	**295,206**	**-152,901**
Other comprehensive income / (expense), net of tax:					
Items that will not be reclassified subsequently to profit or loss:					
Remeasurements of post-employment benefit obligations	27	-7,029	-3,333	-5,702	-3,086
Income tax on items that will not be reclassified		1,056	577	912	494
Items that may be reclassified subsequently to profit or loss:					
Translation adjustment		-11,087	-6,266	-	-
Other comprehensive income / (expense) for the period, net of tax		**-17,060**	**-9,022**	**-4,790**	**-2,592**
Total comprehensive income / (expense) for the period		**317,713**	**-76,259**	**290,416**	**-155,493**
Result attributable to:					
Shareholders of Alro SA		**334,289**	**-67,734**	**295,206**	**-152,901**
Non-controlling interest		**484**	**497**	**-**	**-**
		334,773	-67,237		
Total comprehensive income / (expense) attributable to:					
Shareholders of Alro S.A.		**317,303**	**-76,719**	**290,416**	**-155,493**
Non-controlling interest		**410**	**460**	**-**	**-**
		317,713	-76,259		
Earnings per share					
Basic and diluted (RON)	12	0.468	-0.095	0.414	-0.214

The accompanying notes are an integral part of these consolidated and separate financial statements.

These financial statements were authorized for issue by the management on 25 March 2021.

Consolidated and separate statements of financial position as at 31 December 2020

in RON '000

	Note	Alro Group 31 December 2020	Alro Group 31 December 2019	Alro 31 December 2020	Alro 31 December 2019
Assets					
Non-current assets					
Property, plant and equipment	13	1,089,217	1,169,009	790,878	839,732
Investment properties	13	664	696	4,439	4,761
Intangible assets	14	5,957	9,611	5,653	9,287
Investments	15	-	-	451,651	399,968
Goodwill	16	88,856	94,284	-	-
Right-of-use assets	17	10,731	13,258	8,496	10,630
Deferred tax asset	11	48,027	37,294	18,583	11,192
Other non-current assets	18	45,329	3,866	45,329	3,866
Total non-current assets		**1,288,781**	**1,328,018**	**1,325,029**	**1,279,436**
Current assets					
Inventories	19	678,441	828,948	473,979	576,332
Trade receivables, net	20	51,389	76,352	79,719	58,538
Current income tax receivable	11	642	6,225	-	5,917
Other current assets	21	504,571	93,137	469,686	84,599
Restricted cash	22	95	46,164	-	45,200
Cash and cash equivalents	22	105,500	83,182	88,750	72,546
Total current assets		**1,340,638**	**1,134,008**	**1,112,134**	**843,132**
Total assets		**2,629,419**	**2,462,026**	**2,437,163**	**2,122,568**
Shareholders' Equity and Liabilities					
Shareholders' equity					
Share capital	23	370,037	370,037	370,037	370,037
Share premium		86,351	86,351	86,351	86,351
Other reserves	24	335,116	342,667	306,191	306,191
Retained earnings		-40,723	36,446	-25,823	131,868
Result for the period		334,289	-67,734	295,206	-152,901
Equity attributable to shareholders of Alro S.A.		**1,085,070**	**767,767**	**1,031,962**	**741,546**
Non-controlling interest		2,595	2,185	-	-
Total shareholders' equity		**1,087,665**	**769,952**	**1,031,962**	**741,546**
Non-current liabilities					
Bank and other loans, non-current	25	848,285	374,271	806,244	256,699
Leases, non-current	25	3,712	6,161	2,726	4,821
Provisions, non-current	26	37,463	36,704	1,389	1,337
Post-employment benefit obligations	27	49,430	46,637	41,278	39,492
Government grants, non-current portion	28	43,703	47,970	35,745	39,187
Other non-current liabilities		1,148	890	422	371
Total non-current liabilities		**983,741**	**512,633**	**887,804**	**341,907**
Current liabilities					
Bank and other loans, current	25	120,293	869,667	80,141	804,980
Leases, current	25	3,401	4,321	2,742	3,495
Provisions, current	26	33,276	2,793	28,620	2,700
Trade and other payables	29	233,654	206,386	309,351	151,955
Current income taxes payable	11	21,797	2,551	8,081	-
Government grants, current portion	28	4,267	4,267	3,442	3,442
Other current liabilities	30	141,325	89,456	85,020	72,543
Total current liabilities		**558,013**	**1,179,441**	**517,397**	**1,039,115**
Total liabilities		**1,541,754**	**1,692,074**	**1,405,201**	**1,381,022**
Total shareholders' equity and liabilities		**2,629,419**	**2,462,026**	**2,437,163**	**2,122,568**

The accompanying notes are an integral part of these consolidated and separate financial statements.
These financial statements were authorized for issue by the management on 25 March 2021.

This is a free translation from the official Romanian version

Consolidated statement of changes in shareholders' equity for the year ended 31 December 2020 - Alro Group

	Share capital	Share premium	Other reserves
Balance at 1 January 2019	**370,037**	**86,351**	**367,834**
Result for the period	-	-	-
Other comprehensive income / (expense)			
Translation adjustment	-	-	-
Remeasurements of post-employment benefits	-	-	-
Deferred tax on benefits remeasurement	-	-	-
Other comprehensive income / (expense)	**-**	**-**	**-**
Total comprehensive income / (expense)	**-**	**-**	**-**
Transactions with owners of the company recognized directly in equity			
Distributions to owners of the company			
Appropriation of prior year result	-	-	4,563
Dividends distribution	-	-	-
Balance at 31 December 2019	**370,037**	**86,351**	**372,397**
Balance at 1 January 2020	**370,037**	**86,351**	**372,397**
Result for the period	-	-	-
Other comprehensive income / (expense)			
Translation adjustment	-	-	-
Remeasurements of post-employment benefits	-	-	-
Deferred tax on benefits remeasurement	-	-	-
Other comprehensive income / (expense)	**-**	**-**	**-**
Total comprehensive income / (expense)	**-**	**-**	**-**
Transactions with owners of the company recognized directly in equity			
Distributions to owners of the company:			
Appropriation of prior year result	-	-	3,469
Balance at 31 December 2020	**370,037**	**86,351**	**375,866**

The accompanying notes are an integral part of these consolidated and separate financial statements.
These financial statements were authorized for issue by the management on 25 March 2021.

This is a free translation from the official Romanian version

in RON '000

Translation reserve	Total other reserves	Retained earnings	Result for the period	Attributable to shareholders of Alro S.A.	Non-controlling interests	Total shareholders' equity
-23,501	**344,333**	**135,358**	**235,006**	**1,171,085**	**1,739**	**1,172,824**
-	-	-	-67,734	**-67,734**	497	**-67,237**
-6,229	**-6,229**	-	-	**-6,229**	-37	**-6,266**
-	-	-3,333	-	**-3,333**	-	**-3,333**
-	-	577	-	**577**	-	**577**
-6,229	**-6,229**	**-2,756**	**-**	**-8,985**	**-37**	**-9,022**
-6,229	**-6,229**	**-2,756**	**-67,734**	**-76,719**	**460**	**-76,259**
-	4,563	230,443	-235,006	**-**	-	**-**
-	-	-326,600	-	**-326,600**	-14	**-326,614**
-29,730	**342,667**	**36,446**	**-67,734**	**767,767**	**2,185**	**769,952**
-29,730	**342,667**	**36,446**	**-67,734**	**767,767**	**2,185**	**769,952**
-	-	-	334,289	**334,289**	484	**334,773**
-11,020	-11,020	-	-	**-11,020**	-67	**-11,087**
-	-	-7,021	-	**-7,021**	-8	**-7,029**
-	-	1,055	-	**1,055**	1	**1,056**
-11,020	**-11,020**	**-5,966**	**-**	**-16,986**	**-74**	**-17,060**
-11,020	**-11,020**	**-5,966**	**334,289**	**317,303**	**410**	**317,713**
-	3,469	-71,203	67,734	**-**	-	**-**
-40,750	**335,116**	**-40,723**	**334,289**	**1,085,070**	**2,595**	**1,087,665**

The accompanying notes are an integral part of these consolidated and separate financial statements.
These financial statements were authorized for issue by the management on 25 March 2021 .

Separate statement of changes in equity for the year ended 31 December 2020 - Alro

	Share capital
Balance at 1 January 2019	**370,037**
Result for the period	-
Other comprehensive income / (expense)	
Remeasurements of post-employment benefits	-
Deferred tax on benefits remeasurement	-
Total other comprehensive income / (expense)	**-**
Total comprehensive income / (expense)	**-**
Transactions with owners of the company recognized directly in equity	
Distributions to owners of the company	
Appropriation of prior year result	-
Dividends distribution	-
Balance at 31 December 2019	**370,037**
Balance at 1 January 2020	**370,037**
Result for the period	-
Other comprehensive income / (expense)	
Remeasurements of post-employment benefits	-
Deferred tax on benefits remeasurement	-
Total other comprehensive income / (expense)	**-**
Total comprehensive income / (expense)	**-**
Transactions with owners of the company recognized directly in equity	
Distributions to owners of the company	
Appropriation of prior year result	-
Balance at 31 December 2020	**370,037**

The accompanying notes are an integral part of these consolidated and separate financial statements.
These financial statements were authorized for issue by the management on 25 March 2021.

in RON '000

Share premium	Other reserves	Retained earnings	Result for the period	Total
86,351	**306,191**	**235,103**	**225,957**	**1,223,639**
-	-	-	-152,901	**-152,901**
-	-	-3,086	-	**-3,086**
-	-	494	-	**494**
-	**-**	**-2,592**	**-**	**-2,592**
-	**-**	**-2,592**	**-152,901**	**-155,493**
-	-	225,957	-225,957	**-**
-	-	-326,600	-	**-326,600**
86,351	**306,191**	**131,868**	**-152,901**	**741,546**
86,351	**306,191**	**131,868**	**-152,901**	**741,546**
-	-	-	295,206	**295,206**
-	-	-5,702	-	**-5,702**
-	-	912	-	**912**
-	**-**	**-4,790**	**-**	**-4,790**
-	**-**	**-4,790**	**295,206**	**290,416**
-	-	-152,901	152,901	**-**
86,351	**306,191**	**-25,823**	**295,206**	**1,031,962**

The accompanying notes are an integral part of these consolidated and separate financial statements.
These financial statements were authorized for issue by the management on 25 March 2021.

Consolidated and separate statements of cash flows for the year ended 31 December 2020

in RON '000

	Note	Alro Group 2020	Alro Group 2019	Alro 2020	Alro 2019
Cash flow from operating activities					
Result before income taxes		366,254	-32,785	315,003	-158,539
Adjustments for:					
Depreciation and amortisation		166,987	152,754	109,182	101,886
Impairment of investments	15	-	-	-51,683	48,873
Impairment of property, plant and equipment	8	4	-4,790	-	-4,754
Movement in provisions	26	30,482	-28,440	25,920	-23,906
Change in allowance for impairment of inventory	19	-3,659	14,252	-3,773	13,940
Change in allowance for impairment of doubtful receivables	7	391	-274	1,040	35
Losses/(gains) on disposal of property, plant and equipment	8	445	6,114	-153	5,406
Net foreign exchange (gains)/ losses on loans revaluation		-44,140	43,500	-40,178	40,273
Interest income	10	-3,523	-4,866	-3,408	-4,487
Interest expense	9	59,144	77,334	51,017	67,815
Dividend income	10	-2	-1	-2	-48,325
Effect of derivative financial instruments	32	-	3,598	-	3,598
Changes in working capital:					
Change in inventories		154,528	-4,399	107,833	36,052
Change in trade receivables and other assets		-393,398	-9,836	-413,723	136,292
Change in trade and other payables		75,069	-11,257	166,962	9,157
Income taxes (paid)/refunded		-17,560	-37,342	-12,278	-10,927
Interest paid	9	-67,000	-71,773	-60,921	-64,973
Cash receipts/ (Payments) from derivatives, net		-701	5,752	-701	5,752
Net cash generated by / (used in) operating activities		**323,321**	**97,541**	**190,137**	**153,168**
Cash flow from investing activities					
Purchase of property, plant and equipment and intangible assets, net		-82,567	-159,056	-48,565	-84,760
Government grants received		-	4,411	-	3,572
Proceeds from sale of property, plant and equipment		1,472	1,003	98	148
Dividends received		2	-	2	48,324
Change in restricted cash	22	869	7,407	-	5,085
Interest received		3,523	4,866	3,408	4,487
Net cash used in investing activities		**-76,701**	**-141,369**	**-45,057**	**-23,144**
Cash flow from financing activities					
Proceeds from loans	25	102,747	408,617	100,118	290,603
Repayment of loans and leases	25	-326,920	-160,490	-228,938	-159,747
Dividends paid	12,31	-56	-324,779	-56	-324,779
Net cash provided by/(used in) financing activities		**-224,229**	**-76,652**	**-128,876**	**-193,923**
Net change in cash and cash equivalents		**22,391**	**-120,480**	**16,204**	**-63,899**
Cash and cash equivalents at beginning of period		**83,182**	**203,609**	**72,546**	**136,445**
Effect of exchange rate differences on cash and cash equivalents		-73	53	-	-
Cash and cash equivalents at end of period	**22**	**105,500**	**83,182**	**88,750**	**72,546**

The accompanying notes are an integral part of these consolidated and separate financial statements.
These financial statements were authorized for issue by the management on 25 March 2021.

in RON '000, except per share data

1. Organisation and nature of business

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

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

Vimetco N.V. (the Netherlands) is the major shareholder of Alro S.A., holding 54.19% of the Company's share capital at 31 December 2020 and 2019. Vimetco N.V. is a privately held company and its registered office is at Strawinskylaan 403, World Trade Center, A Tower, 4th floor, 1077 XX Amsterdam, The Netherlands. The Company's ultimate controlling entity is Maxon Limited (Bermuda). Please see details of the shareholding in Note 23.

The structure of Alro Group and details about its subsidiaries are presented in Note 15.

Alro is listed on the Bucharest Stock Exchange. The prices per share during the years 2020 and 2019 were within the following ranges:

	2020	2019
- minimum price (RON/share)	1.18	2.06
- maximum price (RON/share)	2.40	3.09
- average price (RON/share)	1.95	2.38

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

	Alro Group		Alro	
	2020	2019	2020	2019
Average number of employees, of which:	3,958	4,291	2,427	2,514
Production staff	3,068	3,411	1,842	1,916
General and administration staff	890	880	585	598

These financial statements were authorised for issue by the Board of Directors on 25 March 2021.

2. Basis of preparation

Statement of compliance

These consolidated and separate financial statements of Alro and its subsidiaries (further named "Financial statements") have been prepared in accordance with the Ministry of Public Finance Order no. 2844/2016, with subsequent amendments, which is in accordance with the International Financial Reporting Standards (IFRS) adopted by the European Union (EU)*.

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

**The Ministry of Public Finance Order no. 2844/2016, with subsequent amendments, is in accordance with the International Financial Reporting Standards (IFRS) adopted by the European Union (EU), except for IAS 21 The effects of changes in foreign exchange rates regarding functional currency, except for the provisions of IAS 20 Accounting for Government Grants regarding the recognition of revenue from green certificates, except for the provisions of IFRS 15 Revenue from contracts with customers regarding the revenue from taxes of connection to the distribution grid.*

Going concern

These financial statements have been prepared on a going concern basis, which assumes the Group and the Company 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. The quarantine caused disturbances of exports from Romania and imports from the countries affected by the pandemic for certain raw materials. Primary aluminium deliveries were less impacted because our main customers are established in Romania, and at the same time a good sales performance was obtained for extruded products. But on the other side, the Processed Aluminium Division was impacted by the pandemic, since the flat rolled products are mainly exported to European countries, and are used in sectors that suffered from a crashed demand in 2020, such as the aerospace and automotive industries. Even on this background, in 2020 the Group managed to achieve steady sales of flat rolled product at the level of 93% of the prior year's sales (2019), and at 97% from the sales of the year 2018 in terms of volume. The lower turnover, though, came from a decrease in price, both the LME and the premia.

The LME lost 87 USD/t on an average in 2020 compared to 2019, and this affected the Group's revenue that fell 9%. 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, alumina and aluminium 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.

As concerns the credit risk, the Group was somewhat affected by the pandemic in the sense that some factoring companies reduced coverage limits for some of the Group's clients, and thus the Group had to substitute them by making its own assessments and partly taking the credit risk on its own. However, this did not result in additional credit losses for the Group.

In terms of liquidity, in 2020 the Group repaid its liabilities and loans in accordance with the initial schedules as agreed in the contracts, and diminished its debt position (refer to note 32 *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 the opportunity offered by the regulators under the current circumstances, for example deferring the payment of certain taxes where possible. A significant achievement for the Group was to grasp the opportunity and benefit from the transposition into the Romanian regulatory framework, of the European legislation for compensating the large energy-consuming enterprises for higher electricity prices resulting from their indirect emission costs in accordance with the EU Emissions Trading Scheme (ETS). Alro Group was thus in the position to recognize the compensation for a part of its indirect energy costs incurred in 2019 and 2020 and reflect this income in its Consolidated and Stand-alone Income Statement for 2020. Details are provided in note 8.

The Group obtained a profit of RON 334,773 thousand in 2020, compared to a loss of RON 67,237 thousand in 2019, with the Company and its operational subsidiaries making profit. 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 and the Company have 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 except for the financial instruments that are measured at fair values, 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.

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.

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

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 and the Company financial statements for the year ended 31 December 2020.

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

The Group and the Company have 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 or 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 Group's or 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 Group's or 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 Group and the Company have 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 and the Company.

- *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 and 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 Group's or 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 Group's or 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 Group's or 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 Group's or Company'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 or Company's financial 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. The amendments are not expected to have impact on the Group given that it doesn't apply hedge accounting.

- *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.

4. Significant accounting policies

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.

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 IAS 39 *Financial Instruments: Recognition and Measurement* 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 acquiree and the equity interests issued by the Group in exchange for control of the acquiree. 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 and liabilities related to employee benefit commitments 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 acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree 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. 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 IAS 39 *Financial Instruments: Recognition and Measurement,* 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 acquiree 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 acquiree 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.

Current versus non-current classification

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

An asset is current when it is:
- Expected to be realised or intended to be 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 Group and 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 Group and the Company measure financial instruments such as derivatives at fair value at each reporting 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 by the Group and 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.

The Group and the Company use 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 Group and the Company determine 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.

Revenue from contracts with customers

Sale of goods

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

The Group and 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.

Under IFRS 15, variable consideration is required to be estimated at contract inception. Revenue is recognized to the extent that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur. As a consequence, for those contracts for which the Group and 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 Group and 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, at the year end, the Group and the Company estimate that such reversals are unlikely.

Principal versus agent considerations
Under IFRS 15, the assessment is based on whether the Group and 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 Group and 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.

Rendering of services
The Group and 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 Group and the Company sell the services in separate transactions. Based on the Group and 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.

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* included under the category *Other current liabilities*, 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.

Leasing

The Group and Company as lessee

The Group and the Company assess whether a contract is or contains a lease, at inception of the contract. The Group and 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 Group and 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.

Lease liability

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 and 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.

The Group and 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.

Right-of-use assets

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 or the Company incur 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, as follows:

	Alro Group	Alro
Land	1.5 -5 years	1.5 -5 years
Plant and machinery	1 - 5 years	1 - 5 years
Equipment and vehicles	1 - 8 years	1 - 8 years

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

The Group and 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.

The Group and Company as lessor

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

Leases for which the Group or the Company 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 or Company'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 and Company's net investment outstanding in respect of the leases.

Foreign currencies

In preparing the consolidated financial statements of the Group, 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 and included as foreign exchange difference. 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);

For the purpose of presenting the financial statements in RON, the assets and liabilities of the foreign operations whose functional currencies are different than RON, 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. Equity items are translated at their 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 the profit or loss in the period in which they are incurred.

Employee benefits

The Group and Company, in the normal course of business, make payments 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 and the Company award their 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. The 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 goods sold" or "General and administrative expenses" within personnel costs.
- Net interest expense, included in profit or loss within interest expense.
- Remeasurement.

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 and 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.

Taxation

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 and 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

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 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.

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 utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax 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 and Company 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.

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 recognised net 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.

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.

When significant parts of property, plant and equipment are required to be replaced at intervals, the Group and 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.

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 and 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:

	2020	2019
Buildings and special constructions	2 - 60 years	2 - 60 years
Plant and machinery	1 - 35 years	1 - 35 years
Equipment and vehicles	1 - 25 years	2 - 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.

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

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.

Investment properties

The Company's investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at cost, less any accumulated depreciation and any accumulated impairment losses.

Depreciation is recognized so as to write off the cost less their residual values over their useful lives, using the straight-line method. Investment properties are derecognised either when they have been disposed of or when they are permanently withdrawn from use and no future economic benefit is expected from their disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in the income statement in the period of derecognition.

Transfers are made to (or from) investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner-occupied property becomes an investment property, the Company accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

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.

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.

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 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 between 3 years (for software) and 50 years (for concessions).

Impairment of tangible and intangible assets

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 and 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 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, 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.

Temporarily idle property, plant and equipment are assessed for impairment individually. For assets put in conservation for an undefined period in accordance with the Board of Directors decision, the Group recognizes an impairment loss equal to their carrying value as at the date of the transfer. Subsequently, these assets are reviewed for possible reversal of impairment, depending on the Group's plans to operate them in the future.

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 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 realizable 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 and Company have a present obligation (legal or constructive) as a result of a past event, it is probable that the Group and Company 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 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.

Warranties

Provisions for the expected cost of warranty obligations under local sale of goods legislation are recognized at the date of sale of the relevant products, at the directors' best estimate of the expenditure required to settle the Group's and Company's obligation.

Decommissioning 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.

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 and Company become 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 and separate profit or loss.

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.

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

Dividends on equity instruments are recognized in profit or loss when the Group and the Company'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.

Impairment of financial assets

The Group and 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 Group and 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 the Group and the Company apply a simplified approach in calculating ECLs. Therefore, the Group and the Company do not track changes in credit risk, but instead recognise a loss allowance based on lifetime ECLs at each reporting date. The Group and 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. More information about the Group’s provision matrix is disclosed in Note 32.

Derecognition of financial assets

The Group and 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 Group and the Company neither transfer nor retain substantially all the risks and rewards of ownership and continue to control the transferred asset, the Group and Company recognise their retained interest in the asset and an associated liability for amounts it may have to pay.
If the Group and 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.

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 and 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 Group and Company are recognized at the proceeds received, net of direct issue costs.

Repurchase of the Group's and 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 Group's and Company's own equity instruments.

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 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 IAS 39 *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 instrumets, net* or *Other financial gains/(losses), net*. Fair value is determined in the manner described in Note 32.

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 and 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 initially recognized less, where appropriate, cumulative amortisation recognized in accordance with the revenue recognition policies.

Derecognition of financial liabilities

The Group and the Company derecognise financial liabilities when, and only when, the Group's and 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.

Derivative financial instruments

The Group and Company enter into a variety of derivative financial instruments to manage its exposure to market risk and foreign exchange rate risk, including foreign exchange forward contracts, swaps and options to manage the commodity prices risks associated with sales of aluminium based on the London Metal Exchange price for High Grade Aluminium ("LME").

Further details of derivative financial instruments are disclosed in Note 32. Derivatives are initially recognized at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

Offsetting 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.

Related parties

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

Government grants

Government grants are recognised once there is reasonable assurance that the Group and 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 Group and Company with no future related costs are recognised in profit or loss in the period in which they become receivable.

Government grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred income and are credited to profit or loss on a straight - line basis over the expected lives of the related assets.

Emission rights

The Group and Company recognise the deficit in emission certificates in the consolidated and separate financial statements based on the net liability method. Under this method only those liabilities that are expected to result from exceeding the emission certificates quotas granted are recognized.

The Group and Company estimate their annual emission volumes at the end of each reporting period and recognise 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 and the Company estimate utilization of less than the allocated emission certificates any potential income from the sale of unused emission certificates is recognized only on actual sale of those certificates.

As the actual emissions volumes at the Group level did not exceed the emission rights granted, no provision is recognised in 2020.

Operating segments

An operating segment is a component of the Group and Company 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 and Company's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and for which distinctive financial information is available. Segment information is presented in respect of the Group's snd Company'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 and Company'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 and Company's financial statements in the period in which they are approved by the Company's shareholders and reflected in a corresponding diminution of shareholders' equity.

As per the Order of the Minister of Public Finances no. 3067/2018 on completing certain accounting regulations, the quarterly distribution of profit to shareholders is made on an optional basis, during the financial period, within the limits of the quarterly achieved net accounting profit, plus potential carried forward profits and amounts from reserves available for this purpose, less any loss carried forward from previous years and amounts placed in reserves as per the legal or statutory requirements.

The settlement of potential differences resulting from dividends distribution during the year is to be made after the approval of annual financial statements, and the payment of potential differences resulting from such settlement must be made within the legally set timeframe. Any excess dividends distributed and paid during the financial period will be paid back by the shareholders to the Company within the legally set timeframe.

Significant accounting judgements, estimates and assumptions

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 Group and 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 Group and Company. Such changes are reflected in the assumptions when they occur.

Impairment of non-financial 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 a discounted cash flow projections model, 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 Company and do not include restructuring activities that the Group and Company are 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. These estimates are most relevant to goodwill and other intangibles with indefinite useful lives recognised by the Group. The key assumptions used to determine the recoverable amount for the different CGUs, including a sensitivity analysis, are disclosed and further explained in Notes 13, 15 and 16.

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. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, 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 and Company 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 diferring interpretations of tax regulations by the Group and 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 carried forward 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. Further details are disclosed in Note 11.

The Group has RON 99,693 thousand (2019: RON 145,184 thousand) of unrecognised deferred tax assets from tax losses carried forward. These losses relate mainly to Sierra Mineral Holdings I, Ltd., and may not be used to offset taxable income elsewhere in the Group. Given the uncertainties surrounding the timing and amounts of future taxable profits available to offset tax losses, the Group has determined that it cannot recognise deferred tax assets on some of the tax losses carried forward. If the Group was able to recognise all unrecognised deferred tax assets, profit and equity would increase by RON 37,659 thousand (2019: RON 50,762 thousand). Further details on taxes are disclosed in Note 11.

Fair value measurement of financial instruments
When the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the DCF model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments. See Note 32 for further disclosures.

Provision for rehabilitation
The Group and the Company have recognized a provision for the rehabilitation of the premises where they deposit 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. See Note 26 for further details.

Defined benefit plans
The cost of the defined benefit plans and the present value of the defined benefit obligations 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, personnel turnover 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 27.

Determining the lease term of contracts with renewal and termination options
The Group and the Company determine the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. The Group and the Company have several lease contracts that include extension and termination options. The Group and the Company apply judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, they consider all relevant factors that create an economic incentive for them to exercise either the renewal or termination. At 31 December 2020 the carrying amount of the right-of-use assets for which the Group and the Company estimated that will exercise the extension option is RON 2,499 thousand for the Group and RON 1,853 thousand for the Company.

Estimating the incremental borrowing rate
If the Group and the Company cannot readily determine the interest rate implicit in the lease, therefore, they use their incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Group and the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group and the Company ‘would have to pay’, which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions).

Provision for expected credit losses of trade receivables
The Group determines the expected credit losses on these items by using a provision matrix, estimated based on historical credit loss experience based on the past due status of the debtors, adjusted as appropriate to reflect current conditions and estimates of future economic conditions. Accordingly, the credit risk profile of these assets is presented based on their past due status in terms of the provision matrix.

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In determining the recoverability of trade receivables 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. Separately, the Group make individual assessment for old and significant receivables. For these receivables, if forecast economic conditions are expected to deteriorate over the next year which can lead to a possibility of default, the historical default rate is adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the expected credit loss and the forecasts for individually assessed receivables are a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Group's trade receivables is disclosed in Note 20, Note 21 and Note 32.

Government grants - compensation for CO_2 emission indirect cost
Significant judgement is required when determining the timing and value for the recognition of government grants related to income. The management carefully evaluates whether the conditions associated with the grants are met, irrespectively if the cash was actually received during the reporting period, and it also determines whether the grants compensate expenses already incurred or future costs. Consequently, the grants could be recognized as income in the current financial year, to match them with the related costs which they are intended to compensate, or on a receipts basis, only if no basis existed for allocating the grant to periods other than the one in which it was received. In addition, if a government grant may become receivable by the Group or the Company as compensation for expenses or losses incurred in a previous period, such a grant is recognised in profit or loss of the period in which it becomes receivable, with disclosure to ensure that its effect is clearly understood. See also Note 8.

Other accounting judgements
The management uses critical accounting judgements also for the provisions and allowances for receivables and inventories, impairment of financial assets and contingent liabilities.

5. Revenue from contracts with customers

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

						2020
Segment	**Bauxite**	**Alumina**	**Primary aluminium**	**Processed aluminium**	**Others**	**Total**
Type of good or service						-
Sale of bauxite	186,214	-	-	-	-	**186,214**
Sale of alumina	-	669,633	-	-	-	**669,633**
Sale of primary aluminium	-	-	1,322,888	-	-	**1,322,888**
Sale of processed aluminium	-	-	-	1,248,174	-	**1,248,174**
Other revenues and services performed	13,967	2,213	-	610	49,712	66,502
Total revenue from contracts with customers	**200,181**	**671,846**	**1,322,888**	**1,248,784**	**49,712**	**3,493,411**

						2019
Segment	**Bauxite**	**Alumina**	**Primary aluminium**	**Processed aluminium**	**Others**	**Total**
Type of good or service						
Sale of bauxite	270,221	-	-	-	-	**270,221**
Sale of alumina	-	782,434	-	-	-	**782,434**
Sale of primary aluminium	-	-	1,375,620	-	-	**1,375,620**
Sale of processed aluminium	-	-	-	1,351,944	-	**1,351,944**
Other revenues and services performed	23,468	1,207	-	592	47,969	**73,236**
Total revenue from contracts with customers	**293,689**	**783,641**	**1,375,620**	**1,352,536**	**47,969**	**3,853,455**

2020 was a challenging year mainly due to the lower LME quotations and declining trend of the specific prices for bauxite and alumina in the international market that led to lower revenue compared to 2019 (for details please see Note 6).

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Set out below, is the reconciliation of the revenue from contracts with customers with the amounts disclosed in the segment information in Note 6:

Revenue	Bauxite	Alumina	Primary aluminium	Processed aluminium	Others	2020 Total
Revenue from contracts with customers	200,181	671,846	1,322,888	1,248,784	49,712	**3,493,411**
Inter-segment transactions	-149,658	-574,443	-212,992	-1,626	-39,976	**-978,695**
Total Group revenue (Note 6)	**50,523**	**97,403**	**1,109,896**	**1,247,158**	**9,736**	**2,514,716**

Revenue	Bauxite	Alumina	Primary aluminium	Processed aluminium	Others	2019 Total
Revenue from contracts with customers	293,689	783,641	1,375,620	1,352,536	47,969	**3,853,455**
Inter-segment transactions	-216,362	-642,406	-183,947	-1,523	-31,416	**-1,075,654**
Total Group revenue (Note 6)	**77,327**	**141,235**	**1,191,673**	**1,351,013**	**16,553**	**2,777,801**

Transactions between operating segments are based on transfer prices that are set on an arm's length basis in a manner similar to transactions with third parties. For the way the Group monitors the performance of its segments, please see Note 6.

6. Segment information

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

Segment revenues and expenses are directly attributable to the segments; joint expenses are allocated to the business segments on a reasonable basis. The income, expenses and result per segments include the transfers between business segments.

In order to have a better visibility on the operational and financial performance of the Group segments, to be able to benefit from its synergies as an integrated group, the Management monitors the segments results whereby the inter-segment transactions are reported at their cost. For the purpose of this note, the inter-segment transfers of the bauxite and alumina segments, represented by deliveries of raw material, and also the transfers of the aluminium segments, consisting of slabs transfered by Alro to its own processing division and billets transferred to the Vimetco Extrusion extruding plant, are reflected at their complete cost, regardless of the fact whether they are within the same entity or not.

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

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Alro Group revenues and results for the year 2020 and 2019 by segment were as follows:

	Bauxite	Alumina	Primary aluminium	Processed aluminium	Others	Inter-segment operations	Total
2020							
Sales to external customers	50,523	97,403	1,109,896	1,247,158	9,736	-	**2,514,716**
Inter-segment transfers	149,584	563,544	1,068,944	1,626	39,976	-1,823,674	**-**
Total sales revenues	**200,107**	**660,947**	**2,178,840**	**1,248,784**	**49,712**	**-1,823,674**	**2,514,716**
Segment results (gross profit)	**43,251**	**28,230**	**-64,146**	**-34,198**	**9,301**	**10,730**	**-6,832**
Other operating income & expenses, net	-37,858	-28,067	89,880	54,986	327,184	219	**406,344**
Operating result (EBIT)	**5,393**	**163**	**25,734**	**20,788**	**336,485**	**10,949**	**399,512**
Total depreciation, amortisation and impairment	24,706	25,622	73,071	44,045	-	-454	**166,990**
EBITDA	**30,099**	**25,785**	**98,805**	**64,833**	**336,485**	**10,495**	**566,502**
Interest and other finance costs, net							**-73,851**
Net foreign exchange gains / (losses)							**40,593**
Result before income taxes							**366,254**
2019							
Sales to external customers	77,327	141,235	1,191,673	1,351,013	16,553	-	**2,777,801**
Inter-segment transfers	195,765	626,369	1,088,339	1,523	31,416	-1,943,412	**-**
Total sales revenues	**273,092**	**767,604**	**2,280,012**	**1,352,536**	**47,969**	**-1,943,412**	**2,777,801**
Segment results (gross profit)	**53,869**	**74,199**	**54,737**	**33,187**	**13,129**	**-2,105**	**227,016**
Other operating income & expenses, net	-44,194	-41,461	-98,961	-78,060	129,518	5,383	**-127,775**
Operating result (EBIT)	**9,675**	**32,738**	**-44,224**	**-44,873**	**142,647**	**3,278**	**99,241**
Total depreciation, amortisation and impairment	22,014	21,984	66,260	38,257	-	-550	**147,965**
EBITDA	**31,689**	**54,722**	**22,036**	**-6,616**	**142,647**	**2,728**	**247,206**
Interest and other finance costs, net							**-97,437**
Net foreign exchange gains / (losses)							**-34,589**
Result before income taxes							**-32,785**

Taking into consideration the adverse conditions of the year 2020, driven by the Covid-19 pandemic, the Group scaled down its non-core operations such as selling surplus production to third parties (bauxite, alumina), and focused on its core production, the aluminium, by coming to meet the market needs on industrial segments where this was the most favourable: the cable industry, the billets, and the extruded products industry. The aluminium segments were nevertheless sensitive to the decrease of the LME quotation by 87 USD/t compared to the average level for the same period of the last year, and this determined lower revenues. At the same time, they were affected by the increased prices of utilities, which is a specificity of the Romanian economic environment where electricity prices are higher than in many other European countries, and the negative gross profit is a result of these factors. To mitigate this flaw, within the EU framework, Romania released a plan to compensate large energy-consuming enterprises for higher electricity prices resulting from their indirect emission costs. The Group recognized this compensation amounting to RON 647,243 thousand in 2020 (in 2019 nil) for the energy costs incurred in the years 2019 and 2020 as a Government Grant under the category *Other operating income and expenses, net* (refer to Note 8 as well). The compensation receivable for 2020 of RON 397,297 thousand is allocated per segments based on the electricity costs incurred directly and indirectly (through the raw materials produced by one segment and transferred to another segment, such as the aluminium metal). The compensation of RON 249,946 thousand for the year 2019 received in September 2020 is not allocated per segments, as it is related to the costs of the entire year 2019, and is therefore included in the column *Others*.

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Had the Group received the portion of government grants for the costs of the year 2019, in 2019 itself, it would have compensated the electricity costs incurred in the corresponding financial period and the result before tax for 2019 would have been higher by RON 249,946 thousand due to this subsidy, while the results per segments for the two comparative years would have been as follows:

2020 (recomputed by including only the subsidy related to 2020):

	Bauxite	Alumina	Primary aluminium	Processed aluminium	Others	Inter-segment operations	Total
Sales to external customers	50,523	97,403	1,109,896	1,247,158	9,736	-	**2,514,716**
Inter-segment transfers	149,584	563,544	1,068,944	1,626	39,976	-1,823,674	**-**
Total sales revenues	**200,107**	**660,947**	**2,178,840**	**1,248,784**	**49,712**	**-1,823,674**	**2,514,716**
Segment results (gross profit)	**43,251**	**28,230**	**-64,146**	**-34,198**	**9,301**	**10,730**	**-6,832**
Other operating income & expenses, net	-37,858	-28,067	89,880	54,986	77,238	219	**156,398**
Operating result (EBIT)	**5,393**	**163**	**25,734**	**20,788**	**86,539**	**10,949**	**149,566**
Total depreciation, amortisation and impairment	24,706	25,622	73,071	44,045	-	-454	**166,990**
EBITDA	**30,099**	**25,785**	**98,805**	**64,833**	**86,539**	**10,495**	**316,556**
Interest and other finance costs, net							**-73,851**
Net foreign exchange gains / (losses)							**40,593**
Result before income taxes							**116,308**

2019 (recomputed by including the subsidy related to 2019):

	Bauxite	Alumina	Primary aluminium	Processed aluminium	Others	Inter-segment operations	Total
Sales to external customers	77,327	141,235	1,191,673	1,351,013	16,553	-	**2,777,801**
Inter-segment transfers	195,765	626,369	1,088,339	1,523	31,416	-1,943,412	**-**
Total sales revenues	**273,092**	**767,604**	**2,280,012**	**1,352,536**	**47,969**	**-1,943,412**	**2,777,801**
Segment results (gross profit)	**53,869**	**74,199**	**54,737**	**33,187**	**13,129**	**-2,105**	**227,016**
Other operating income & expenses, net	-44,194	-35,525	45,149	21,840	129,518	5,383	**122,171**
Operating result (EBIT)	**9,675**	**38,674**	**99,886**	**55,027**	**142,647**	**3,278**	**349,187**
Total depreciation, amortisation and impairment	22,014	21,984	66,260	38,257	-	-550	**147,965**
EBITDA	**31,689**	**60,658**	**166,146**	**93,284**	**142,647**	**2,728**	**497,152**
Interest and other finance costs, net							**-97,437**
Net foreign exchange gains / (losses)							**-34,589**
Result before income taxes							**217,161**

The category *Other operating income and expenses, net,* includes also revenues from the sale of CO2 emission certificates by the Group from its surplus: in Alum a total amount of RON 61,145 thousand during 2020 (in 2019: RON 74,793 thousand) and in Alro a total amount of RON 12,523 thousand during 2020 (2019: RON 45,404 thousand), refer to Note 8.

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

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Segment assets and liabilities at 31 December 2020 and 31 December 2019, respectively, were as follows:

Alro Group	Bauxite	Alumina	Primary aluminium	Processed aluminium	Others	Inter-segment operations	Total
31 December 2020							
Total assets	143,282	660,712	1,063,844	748,623	823,164	-810,206	**2,629,419**
Total liabilities	270,830	207,054	345,556	137,685	980,579	-399,950	**1,541,754**
Capital expenditure	11,104	17,726	47,975	9,342	-	-	**86,147**
Impairment of property, plant and equipment	-	-2,922	-566	-22,325	-	-	**-25,813**
31 December 2019							
Total assets	171,003	616,066	931,095	668,465	723,149	-647,752	**2,462,026**
Total liabilities	314,851	231,710	168,508	164,851	1,119,874	-307,720	**1,692,074**
Capital expenditure	33,485	30,906	49,229	25,330	-	-	**138,950**
Impairment of property, plant and equipment	-	-2,918	-566	-22,526	-	-	**-26,010**

The property, plant and equipment located in Sierra Leone amounts to RON 82,203 thousand (at 31 December 2019: RON 102,378 thousand).

As at 31 December 2020, the total assets representing Others include mainly investments in subsidiaries of RON 451,651 thousand (as at 31 December 2019: RON 399,968 thousand), cash and restricted cash of RON 133,950 thousand (as at 31 December 2019: RON 117,746 thousand), administrative buildings of RON 43,874 thousand (as at 31 December 2019: RON 45,066 thousand), deferred tax asset of RON 18,583 thousand (as at 31 December 2019: RON 11,192 thousand) and derivative financial instruments, when applicable.

As at 31 December 2020, the total liabilities representing Others include mainly borrowings of RON 886,385 thousand (as at 31 December 2019: RON 1,061,679 thousand), post-employment benefit obligations and provisions of RON 71,287 thousand (as at 31 December 2019: RON 43,529 thousand), and, when applicable, dividends.

Inter-segment operations include intercompany eliminations.

The following table shows the distribution of the Group and the Company sales by geographical location of the customer:

	Alro Group		Alro	
	2020	**2019**	**2020**	**2019**
Romania	403,899	438,268	634,795	632,889
Other EU countries	1,639,398	1,780,063	1,294,991	1,436,740
Other European non-EU countries	273,512	253,468	244,409	213,379
USA	113,343	154,845	76,500	154,708
Other countries	84,564	151,157	56,665	54,895
Total	**2,514,716**	**2,777,801**	**2,307,360**	**2,492,611**

7. General, administrative and selling expenses

	Alro Group		Alro	
	2020	**2019**	**2020**	**2019**
Staff costs	-156,963	-123,636	-98,700	-71,363
Third party services	-63,171	-62,699	-47,121	-45,121
Consulting and audit	-30,509	-25,002	-24,543	-20,376
Consumables	-10,997	-11,479	-5,990	-6,474
Taxes other than income taxes	-8,485	-8,939	-6,373	-6,452
Depreciation and amortisation	-12,001	-9,721	-8,817	-6,855
Insurance	-7,661	-8,512	-4,645	-4,807
Marketing and public relations	-5,337	-5,369	-1,129	-1,295
Travelling	-1,338	-4,751	-162	-976
Research and development costs	-15,580	-12,701	-13,005	-10,559
Other	-10,872	-7,703	-6,551	-4,508
Change in allowance for doubtful debts	-391	274	-1,040	-35
Total	**-323,305**	**-280,238**	**-218,076**	**-178,821**

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The category *Staff costs* includes in 2020 an amount of RON 29,665 thousand at the Group level and RON 25,920 thousand at the Company level representing a provision booked in accordance with the Collective Labour Contracts and with the GSM decisions regarding the Management remuneration, following the good financial results of the year 2020 (in 2019: nil). Refer also to Note 26 *Provisions*. The exact amount and timing of the remuneration will be established after the approval of the financial statements for the year 2020.
The Group and the Company incur *Consulting and audit costs* that include mainly technical and financial consulting, as well as audits for various projects or for compliance with regulatory requirements.

The Group and the Company recognized research and development costs related to the EU funded project for the research infrastructure for the aluminium alloy heat treated plates with high qualification industrial applications at Alro and also the project for the research of aluminum hydroxide technology (dry and wet) at Alum. The target of these projects is to establish new technologies to obtain plates for industrial application and to increase the level of innovation and market competitiveness of the Group, while expanding the products portfolio to include new products. The investments made by the Group and the Company in these projects are capitalized in specific equipment that started to be depreciated after the installing of the equipments in the first half of 2019.

8. Other operating income and expenses

	Alro Group		Alro	
	2020	2019	2020	2019
Other operating income				
Rental income	2,065	1,960	1,872	1,688
Government grants	651,687	4,044	633,938	3,250
Income from sale of emission rights	73,668	120,197	12,523	45,404
Income from unused provision reversals (Note 26)	-	16,667	-	15,228
Income from claims and penalties	5,577	9,709	1,061	9,569
Reversal of impairment of property, plant and equipment	-	4,790	-	4,754
Other income	2,794	10,388	1,269	8,013
Total other operating income	**735,791**	**167,755**	**650,663**	**87,906**

	Alro Group		Alro	
	2020	2019	2020	2019
Other operating expenses				
Idle plants depreciation expenses	-502	-1,048	-502	-1,048
Net (loss)/ gain on disposal of property, plant and equipment	-445	-6,114	153	-5,406
Claims, fines and penalties	-317	-3,894	-37	-13
Impairment of property, plant and equipment	-4	-	-	-
Other expenses	-4,874	-4,236	-1,380	-280
Total other operating expenses	**-6,142**	**-15,292**	**-1,766**	**-6,747**

Other operating income

In 2020, the Group and the Company recognized an amount of RON 647,243 thousand at the Group level and RON 630,338 thousand at the Company level 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 Group and the Company in the years 2019 and 2020. The applicable legislation was in force in Romania only starting May 2020 and that is why the compensation for 2019 was booked in 2020 as well, together with the one for 2020. The compensations for the year 2019, namely RON 249,946 thousand at the Group level and RON 243,418 thousand at the Company level, were already received in September 2020. See also Note 21 *Other current assets*.

Additionally, in 2020 the category *Government grants* includes an amount of RON 4,267 thousand at the Group level and RON 3,442 thousand at the Company level (in 2019: RON 4,044 thousand at the Group level and RON 3,250 thousand at the Company level) representing government grants from EU funds received in the period 2013 - 2019 for the investment in equipment intended for the production activity, as well as for purchasing of equipments for research and development activities within the Group. 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 28 *Government grants*.

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In 2020, the Group and the Company sold CO_2 emission certificates of RON 73,668 thousand at the Group level and RON 12,523 thousand at the Company level (in 2019: RON 120,197 thousand at the Group level and RON 45,404 thousand at the Company level) and included them under *Income from sale of emission certificates*, benefiting from the increase in the price of CO_2 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 2019, the amount of RON 16,667 thousand at the Group level and RON 15,228 thousand at the Company level under the category *Income from unused provision reversals* represents the release of an unused provision for remuneration of staff and management recorded by the Group and the Company at 31 December 2018. See also Note 26 Provisions.

In 2020 the category *Income from claims and penalties* includes an amount of RON 4,702 thousand which was recognized by one of the Group's subsidiaries for penalties resulting from a successful legal action against the National Agency for Fiscal Administration for delayed VAT refunds. This category also contains an amount of RON 440 thousand representing income from penalties received from one of the suppliers that failed to perform its contractual obligations related to energy supply in 2017 (in 2019: RON 2,765 thousand). Another amount of RON 4,808 thousand included in the same category in 2019, represents an insurance indemnity received for a piece of equipment which was damaged during a fire incident that took place in 2018 at the Processing mill premises.

In 2019 an amount of RON 6,540 thousand was included in *Other income*, representing an adjustment of the alumina stock following the capital repairs that were made to one of the alumina silos in the Primary aluminium division.

Other operating expenses

Other expenses of the Group and the Company include sundry expenses that cannot be allocated to other categories.

9. Interest expenses

	Alro Group		Alro	
	2020	2019	2020	2019
Interest expense	-59,144	-77,334	-51,017	-67,815
Total	**-59,144**	**-77,334**	**-51,017**	**-67,815**

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

Interest expense includes the amount of RON 11,605 thousand for the Group and the amount of RON 10,961 thousand for the Company (in 2019: RON 12,549 thousand for Group and RON 11,886 thousand for Company) representing 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 negotiated and extended was of RON 16,074 thousand for the Group and the Company and it is included in the Statement of cash flows under *Interest paid* (in 2019: RON 9,972 thousand were paid for the Group and the Company), of which RON 1,002 thousand are related to loans whose negotiations were not finalized at 31 December 2020.

10. Other financial costs and income

	Alro Group		Alro	
Other financial income	**2020**	**2019**	**2020**	**2019**
Interest income	3,523	4,866	3,408	4,487
Dividend income	2	1	2	48,325
Other financial gains	5	10	-	-
Total	**3,530**	**4,877**	**3,410**	**52,812**
Other financial costs				
Bank commissions	-5,375	-5,368	-4,298	-3,955
Commissions paid in relation with factoring agreements	-12,862	-16,014	-12,491	-15,826
Total	**-18,237**	**-21,382**	**-16,789**	**-19,781**

In 2019 the amount of RON 48,324 thousand included in the category *Dividend income* for Alro represents the dividends received by Alro from its subsidiary Conef (see also Note 31) after the sale by Conef of its shareholding in Alro.

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The commissions paid in relation with factoring agreements decreased in 2020 compared to the year 2019 on the background of lower turnover in the context of Covid-19 pandemics, but also due to the renegotiation by the Group and the Company of factoring commissions and margins.

The comparative figures for the year 2019 were reclassified in accordance with the presentation adopted in 2020. RON 21,382 thousand for the Group and RON 19,781 thousand for the Company, representing bank commissions and commissions paid in relation with factoring agreements, previously included under *Other financial gains / (losses), net*, are now presented under *Other financial costs*.

11. Income tax

Income tax recognized in the profit or loss:

	Alro Group		Alro	
	2020	2019	2020	2019
Current tax				
Current tax expense in respect of the current year	-42,457	-19,359	-26,276	-
Deferred tax				
Origination and reversal of temporary differences	14,997	-4,131	6,479	-3,320
Reversal of previously recognised tax losses	-	-19,920	-	-
Capitalisation of tax losses	-4,021	8,958	-	8,958
Total income taxes	**-31,481**	**-34,452**	**-19,797**	**5,638**

The total annual tax can be reconciled with the accounting result as follows:

	Alro Group		Alro	
	2020	2019	2020	2019
Result before tax	366,254	-32,785	315,003	-158,539
Expected average income tax rate	18.5%	4.2%	16.0%	16.0%
Income tax calculated at the expected average tax rate	-67,776	1,392	-50,400	25,366
Effect of revenue exempted from taxation	5,620	973	4,951	7,732
Effect of non-deductible expenses	-721	-20,958	-174	-27,460
Effect of utilisation of previously unrecognised tax losses	1,935	4,061	-	-
Effect of reversal of previously recognised tax losses	-	-19,920	-	-
Effect of capitalisation of previously not recognised deferred tax losses	4,021	-	-	-
Adjustments recognised in relation to the current tax of prior years	-386	-	-	-
Reversal of previously unrecognised deductible temporary difference	13,172	-	13,172	-
Capitalisation of previously unrecognised deferred tax assets	12,654	-	12,654	-
Income tax recognized in profit or loss	**-31,481**	**-34,452**	**-19,797**	**5,638**

The average tax rate for the Company is the tax rate applicable to it in accordance with the legislation in force. The average tax rate for the Group is the average of the tax rates payable by the companies in Romania and Sierra Leone on taxable profits under tax law in those jurisdictions (i.e. 16% in Romania and 30% in Sierra Leone), weighted by the accounting results of each Group company. Thus, the expected weighted average income tax rate for the Group is affected by the statutory income tax rates and regulations in effect and on the mix of pre-tax results of its subsidiaries in the countries where these operate, which can vary year to year. The increase in the Group expected average income tax rate comparing to previous year was mainly due to the fact that in 2019 Alro's tax rate of 16% applied on losses for the year were partially offset by the income tax calculated by SMHL at the expected average tax rate of 30% applicable in Sierra Leone, whereas in 2020 all the major subsidiaires in the Group obtained profits, thus returning the average income tax rate to its normal expected level.

The Reversal of previously unrecognised deductible temporary difference in 2020 of RON 13,172 thousand represents the utilisation of exceeding borrowing costs in amount of RON 82,329 thousand carried forward by Parent company from prior periods (2019: RON 116,029 thousand were considered as non-deductible expenses with the tax effect of RON 18,565 thousand included on the line Effect of non-deductible expenses). Due to a better fiscal EBITDA in the current period, which is used as a threshold in the determination of deductible borrowing cost, the Parent Company had used all the 2020 borrowing costs as deductible expenses and also a part of prior years non-deductible exceeding borrowing cost, which according to local legislation can be carried forward indefinitely. According to the Romanian Fiscal Code, which transposes the EU Directive no. 2016/1164, issued in 2016, the exceeding borrowing costs include interest, expenses for obtaining finance and leasing, capitalized interest and foreign exchange losses above a threshold of EUR 1,000,000 per annum are deductible only up to the level of

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30% of calculated fiscal EBITDA. Romania implemented the above mentioned EU directive starting 1 January 2018. The Group companies in Romania incur borrowing costs related to loans obtained from banks for capital expenditure and development purposes. As these loans are mainly expressed in foreign currency, due to the devaluation of RON against major currencies in 2019, these resulted in significant foreign exchange losses, which have limited the deductibility for income tax purposes. As at 31 December 2020 the Company still has a balance of RON 79,092 thousand of unused exceeding borrowing costs from prior years that can be carried forward indefinitely and up to 30% of yearly fiscal EBITDA be used as tax deductible expenses. As a result, the Company recognised an amount of RON 12,654 thousand as deferred tax assets on these temporary non-deductible expenses related to its bank loans and borrowings, presented on the line Capitalisation of previously unrecognised deferred tax assets.

Included also in *Effect of revenue exempted from taxation* in 2020 are RON 2,929 thousand representing tax reductions as the result of certain sponsorship expenses supported by the Company and RON 2,022 thousand representing tax incentives for early tax payments made also by the Company.

The *Effect of utilisation of previously unrecognized tax losses* of the Group represents prior year tax losses used by Sierra Mineral Holdings I, Ltd. to offset the taxable profits, for which a deferred tax asset was not recognized in the prior years.

The *Effect of reversal of previously recognised tax losses* of the Group in 2019 represents the reduction in prior year tax losses capitalised in 2017 by Sierra Mineral Holdings I, Ltd. to offset future taxable profits. Details for the recognition of deferred tax assets from tax losses carried forward are presented further below.

Analysis of deferred tax of **Alro Group** for the years ended 31 December 2020 and 2019 is as follows:

31 December 2020

	Opening balance	Recognized in profit or loss	Recognized in other comprehensive income	Translation adjustment	Closing balance
Property, plant and equipment	-21,959	2,450	-	-	-19,509
Inventories	8,701	-3,076	-	-	5,625
Trade receivables and other current assets	424	60	-	-	484
Borrowings	-	12,654	-	-	12,654
Trade payables and other liabilities	-102	102	-	-	-
Provisions	8,174	4,822	-	-	12,996
Retirement benefits obligations	7,901	-1,120	1,056	-	7,837
Deferred tax from fiscal loss	34,155	-4,916	-	-1,299	27,940
Deferred tax assets/(liabilities)	**37,294**	**10,976**	**1,056**	**-1,299**	**48,027**

31 December 2019

	Opening balance	Recognized in profit or loss	Recognized in other comprehensive income	Translation adjustment	Closing balance
Property, plant and equipment	-17,990	-3,969	-	-	-21,959
Inventories	5,781	2,920	-	-	8,701
Trade receivables and other current assets	584	-160	-	-	424
Trade payables and other liabilities	-	-102	-	-	-102
Provisions	11,949	-3,775	-	-	8,174
Retirement benefits obligations	7,067	257	577	-	7,901
Deferred tax from fiscal loss	42,963	-10,264	-	1,456	34,155
Deferred tax assets/(liabilities)	**50,354**	**-15,093**	**577**	**1,456**	**37,294**

in RON '000, except per share data

The analysis of deferred tax of **the Company** for the years ended 31 December 2020 and 2019 is presented below:

31 December 2020	Opening balance	Recognized in profit or loss	Recognized in other comprehensive income	Translation adjustment	Closing balance
Property, plant and equipment	-10,146	-309	-	-	-10,455
Investment properties	240	-	-	-	240
Inventories	5,046	-602	-	-	4,444
Trade receivables and other current asstes	129	166	-	-	295
Borrowings	-	12,654	-	-	12,654
Provisions	646	4,155	-	-	4,801
Retirement benefits obligations	6,319	-627	912	-	6,604
Deferred tax from fiscal loss	8,958	-8,958	-	-	-
Deferred tax assets/(liabilities)	**11,192**	**6,479**	**912**	**-**	**18,583**

31 December 2019	Opening balance	Recognized in profit or loss	Recognized in other comprehensive income	Translation adjustment	Closing balance
Property, plant and equipment	-8,310	-1,836	-	-	-10,146
Investment properties	240	-	-	-	240
Inventories	2,816	2,230	-	-	5,046
Trade receivables and other current assets	123	6	-	-	129
Provisions	4,463	-3,817	-	-	646
Retirement benefits obligations	5,728	97	494	-	6,319
Deferred tax from fiscal loss	-	8,958	-	-	8,958
Deferred tax assets / (liabilities)	**5,060**	**5,638**	**494**	**-**	**11,192**

At 31 December 2020 the amount of fiscal losses carried forward from previous years amounted to RON 215,108 thousand (2019: RON 309,684 thousand), out of which for an amount of RON 115,415 thousand (2019: RON 164,500 thousand) the management believed there would be sufficient taxable profits in the future against which these fiscal losses could be used. As a result, a deferred tax asset of RON 27,940 thousand (31 December 2019: RON 34,155 thousand) was recognised in the consolidated financial statements of the Group for these tax losses, almost all originating from Sierra Mineral Holdings I, Ltd. (31 December 2019: RON 25,197 thousand originated from Sierra Mineral Holdings I, Ltd. and RON 8,958 thousand originated from Alro S.A.).

As concerns the Company, the fiscal losses accumulated from prior years in amount of RON 55,987 thousand recognised as at 31 December 2019 were fully used in 2020 to offset its taxable profits and for which the Company recognized a deffered income tax expenses in amount of RON 8,958 thousand in the statement of profit or loss (31 December 2019: the Company recorded a deffered income tax credit from tax losses in amount of RON 8,958 thousand).

Tax effect of fiscal losses and their expiration is as follows:

	Alro Group		Alro	
	31 December 2020	31 December 2019	31 December 2020	31 December 2019
Within 1 year	75	81	-	-
1 - 2 years	4,594	2,143	-	-
2 - 5 years	23,271	19,566	-	-
More than 5 years	-	12,365	-	8,958
Total	**27,940**	**34,155**	**-**	**8,958**

For the deferred tax from fiscal loss, 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 thousand (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 Company has recognized in total a deferred tax asset of RON 18,583 thousand originated from deductible temporary differences (31 December 2019: RON 11,192 thousand of which RON 8,958 thousand originated from recognised tax losses and RON 3,029 thousand from deductible temporary differences).

The Group did not recognise deferred income tax assets in respect of losses amounting to RON 99,693 thousand (2019: RON 145,184 thousand) and their tax effect and expiration is presented in the table below:

Tax loss expiring	Alro Group		Alro	
	31 December 2020	31 December 2019	31 December 2020	31 December 2019
Within 1 year	5,024	6,655	-	-
1 - 2 years	24,002	3,336	-	-
2 - 5 years	8,633	40,360	-	-
More than 5 years	-	411	-	-
Total	**37,659**	**50,762**	**-**	**-**

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

	Alro Group			
	2020	2019	2020	2019
Current income tax receivable	642	6,225	-	5,917
Current income taxes payable	21,797	2,551	8,081	-

Current income tax receivable in 2019 originated at Alro as the result of the losses registered by the Company in the second half of the year which offset the taxable income and the related tax paid during the first half of the year. The amount of RON 5,917 thousand was recovered by the Company in 2020.

Current income taxes payable as at 31 December 2020 include RON 5,946 thousand payable by the Group, 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.

12. Earnings per share

	Alro Group		Alro	
	2020	2019	2020	2019
Net result attributable to the owners of the Entity	334,289	-67,734	295,206	-152,901
Weighted average number of ordinary shares	713,779,135	713,779,135	713,779,135	713,779,135
Basic and diluted earnings per share (RON/share)	0.468	-0.095	0.414	-0.214

Basic and diluted per share data are the same as there are no dilutive securities.

No dividends were declared in 2020 by the Parent company relating to the year 2019. In 2019 dividends of RON 326,600 thousand were distributed for 2018.

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During 2020, the Group and the Company paid dividends in amount of RON 56 thousand to the shareholders in respect of dividends declared for the previous years (in the same period of 2019 the Group and the Company paid RON 324,779 thousand of the dividends declared for 2018).

13. Property, plant and equipment

Alro Group

	Land	Buildings and special construction	Plant and machinery	Equipment and vehicles	Capital assets in progress	Advances for fixed assets	Total
Cost							
Balance at 1 January 2019	**83,736**	**733,561**	**1,976,086**	**452,397**	**309,429**	**12,248**	**3,567,457**
Additions	-	1,830	724	5,278	127,369	-1,661	**133,540**
Disposals	-	-1,516	-14,475	-7,295	-4,463	27	**-27,722**
Transfer between categories	-	48,726	238,730	26,828	-306,377	-7,907	**-**
Transfers to other categories*	-	-1,299	-331	-10,146	-	-	**-11,776**
Translation adjustment	-	1,962	1,956	4,298	646	308	**9,170**
Balance at 31 December 2019	**83,736**	**783,264**	**2,202,690**	**471,360**	**126,604**	**3,015**	**3,670,669**
Additions	-	429	5,972	6,298	71,163	1,574	**85,436**
Disposals	-	-1,188	-9,727	-14,561	38	-74	**-25,512**
Transfer between categories	-	11,222	128,010	7,091	-143,804	-2,519	**-**
Translation adjustment	-	-3,871	-3,929	-7,475	-1,185	-56	**-16,516**
Balance at 31 December 2020	**83,736**	**789,856**	**2,323,016**	**462,713**	**52,816**	**1,940**	**3,714,077**
Accumulated depreciation							
Balance at 1 January 2019	**-**	**-504,285**	**-1,516,508**	**-325,318**	**-**	**-**	**-2,346,111**
Depreciation expense	-	-20,036	-99,522	-28,828	-	-	**-148,386**
Eliminated on disposal and writte off of assets	-	1,427	13,286	5,719	-	-	**20,432**
Transfer between categories	-	-25	262	-237	-	-	**-**
Transfers to other categories*	-	604	31	2,899	-	-	**3,534**
Translation adjustment	-	-1,214	-1,801	-2,104	-	-	**-5,119**
Balance at 31 December 2019	**-**	**-523,529**	**-1,604,252**	**-347,869**	**-**	**-**	**-2,475,650**
Depreciation expense	-	-23,374	-104,406	-29,351	-	-	**-157,131**
Eliminated on disposal and writte off of assets	-	1,100	9,668	12,625	-	-	**23,393**
Transfer between categories	-	-	52	-52	-	-	**-**
Translation adjustment	-	2,620	3,388	4,333	-	-	**10,341**
Balance at 31 December 2020	**-**	**-543,183**	**-1,695,550**	**-360,314**	**-**	**-**	**-2,599,047**
Impairment allowance							
Balance at 1 January 2019	**-**	**-10,681**	**-112**	**-18,425**	**-1,755**	**-**	**-30,973**
Reversals of impairment losses recognized in profit or loss	-	4,775	15	-	-	-	**4,790**
Disposals	-	13	147	13	-	-	**173**
Balance at 31 December 2019	**-**	**-5,893**	**50**	**-18,412**	**-1,755**	**-**	**-26,010**
Impairment losses recognized in profit or loss	-	-4	-	-	-	-	**-4**
Disposals	-	201	-	-	-	-	**201**
Balance at 31 December 2020	**-**	**-5,696**	**50**	**-18,412**	**-1,755**	**-**	**-25,813**
Net book value							
Balance at 31 December 2019	**83,736**	**253,842**	**598,488**	**105,079**	**124,849**	**3,015**	**1,169,009**
Balance at 31 December 2020	**83,736**	**240,977**	**627,516**	**83,987**	**51,061**	**1,940**	**1,089,217**

in RON '000, except per share data

Alro

	Land	Buildings and special construction	Plant and machinery	Equipment and vehicles	Capital assets in progress	Advances for fixed assets	Total
Cost							
Balance at 1 January 2019	**63,680**	**535,449**	**1,720,448**	**288,063**	**240,766**	**1,523**	**2,849,929**
Additions	-	-	724	325	58,853	1,446	**61,348**
Transfer between categories	-	28,331	178,899	7,349	-212,864	-1,715	**-**
Transfers to other categories*	-	-1,299	-331	-8,994	-	-	**-10,624**
Disposals	-	-1,456	-13,214	-4,114	-4,463	-	**-23,247**
Balance at 31 December 2019	**63,680**	**561,025**	**1,886,526**	**282,629**	**82,292**	**1,254**	**2,877,406**
Additions	-	56	5,954	596	42,199	1,389	**50,194**
Transfer between categories	-	212	98,537	2,171	-99,330	-1,590	**-**
Disposals	-	-958	-5,262	-2,680	-	-	**-8,900**
Balance at 31 December 2020	**63,680**	**560,335**	**1,985,755**	**282,716**	**25,161**	**1,053**	**2,918,700**
Accumulated depreciation							
Balance at 1 January 2019	**-**	**-375,903**	**-1,318,598**	**-248,471**	**-**	**-**	**-1,942,972**
Depreciation expense	-	-7,193	-80,947	-8,335	-	-	**-96,475**
Transfer between categories	-	-25	98	-73	-	-	**-**
Transfers to other categories*	-	604	31	2,400	-	-	**3,035**
Eliminated on disposals of assets	-	1,367	12,041	4,112	-	-	**17,520**
Balance at 31 December 2019	**-**	**-381,150**	**-1,387,375**	**-250,367**	**-**	**-**	**-2,018,892**
Depreciation expense	-	-7,903	-83,393	-7,807	-	-	**-99,103**
Transfer between categories	-	-	52	-52	-	-	**-**
Eliminated on disposals of assets	-	870	5,204	2,680	-	-	**8,754**
Balance at 31 December 2020	**-**	**-388,183**	**-1,465,512**	**-255,546**	**-**	**-**	**-2,109,241**
Impairment allowance							
Balance at 1 January 2019	**-**	**-17,605**	**-4,289**	**-1,815**	**-**	**-**	**-23,709**
Reversals of impairment losses recognized in profit or loss	-	4,754	-	-	-	-	**4,754**
Disposals	-	13	147	13	-	-	**173**
Balance at 31 December 2019	**-**	**-12,838**	**-4,142**	**-1,802**		**-**	**-18,782**
Reversals of impairment losses recognized in profit or loss	-	-	-	-	-	-	**-**
Disposals	-	201	-	-	-	-	**201**
Balance at 31 December 2020	**-**	**-12,637**	**-4,142**	**-1,802**	**-**	**-**	**-18,581**
Net book value							
Balance at 31 December 2019	**63,680**	**167,037**	**495,009**	**30,460**	**82,292**	**1,254**	**839,732**
Balance at 31 December 2020	**63,680**	**159,515**	**516,101**	**25,368**	**25,161**	**1,053**	**790,878**

In 2020, the Group continued the investments started in 2018 in projects to implement a new low energy pot design (“AP12LE”) that will allow the Group to reduce the amount of electricity needed to produce aluminium while maintaining the current production. The AP12LE technology implementation is part of the Group's long term programme for enhancing the energy efficiency of its technological processes. The programme will be continued in the following years until all the pots are relined according to the new technology.

At the same time, the Group allocated resources to maintain and improve the equipment parameters at Alum, in order to increase the economic efficiency and for reducing emissions, following the application of the best techniques available in the field. Simultaneously with the investment activity within the technological processes, the Group performed various refurbishing works and purchased equipment necessary to support the mining activity in Sierra Leone.
In 2020, following an intensive upgrading process, the Cold Rolling Mill no. 2 was placed into operation, which represents a major

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equipment for the Processed Aluminium Division. Thus, the Company will be able to cover the technical and quality requirments and a much wider range of cold-rolled products, which will allow it to consolidate its position on the dedicated market.

In 2019, the equipments purchased in 2018 within the investment projects for research infrastructure concerning high qualification industrial applications in Alro, as well as for the research of aluminium hydroxide (wet and dry) manufacturing technologies in Alum, were placed into operation, these projects being co-funded through the European Fund for Regional Development by the Competitiveness Operational Programme 2014 - 2020. During 2019, the Group and the Company received RON 4,411 thousand and RON 3,572 thousand, respectively, from subsidies for the above mentioned projects. (see also Note 28).

The net book value of the *Property, plant and equipment* of the Group includes the amount of RON 17,027 thousand, of which RON 16,144 thousand at Company level, representing borrowing costs capitalized in accordance with IAS 23 *Borrowing costs* (2019: RON 17,191 thousand for the Group and RON 16,237 thousand for the Company). The borrowing costs consist of interest and transaction costs that the Group and the Company incur in relation to the contracted loans. In 2020 the borrowing costs capitalized in the property, plant and equipment were of RON 805 thousand at an average interest rate of 5.05% p.a. both at Group and Company level (in 2019: RON 1,493 thousand at an average interest rate of 6.41% p.a. at Group and Company level).

*As a result of adopting IFRS 16, at 1 January 2019 the Group and the Company reclassified *Property, plant and equipment* with a net book value of RON 7,547 thousand and 6,894 RON, respectively, to the category *Right-of-use assets*. The transfer is related to machines and vehicles under financial lease previously recognized in the *Property, plant and equipment* as per requirements of IAS 17. See also Note 17. Additionally, *Buildings and special construction* with a net book value of RON 695 thousand were reclassified to *Investment property*.

Under *Investment property* are included two buildings rented by the Parent Company to related parties and one of these buildings was rented and reclassified from *Property, plant and equipment* during the year 2019.

Information regarding investment property

	Alro Group		Alro	
	31 December 2020	31 December 2019	31 December 2020	31 December 2019
Net book value	664	696	4,439	4,761
Fair value	1,417	1,055	40,948	39,210

At 31 December 2020 and 2019 the fair value of the rented buildings was based on the valuation performed by an independent appraiser that holds the necessary qualifications and experience for measuring such properties. The fair value was determined using the cost approach by estimating the cost of development of similar buildings, subject to adjustments for obsolescence.

Obsolescence encompasses physical deterioration, functional (technological) obsolescence and economic (external) obsolescence and this is included on the 3rd level of the fair value measurement hierarchy.

	Alro Group		Alro	
	31 December 2020	31 December 2019	31 December 2020	31 December 2019
Depreciation expense	32	8	322	298
Income from rental	200	33	1,075	876

Other information regarding property, plant and equipment

	Alro Group		Alro	
	31 December 2020	31 December 2019	31 December 2020	31 December 2019
The net book value of the property, plant and equipment pledged to secure the borrowings	929,262	926,526	751,995	745,725
Gross book value of assets that are fully depreciated (cost)	843,515	812,206	592,135	577,579
Net book value of idle assets	11,796	10,780	9,163	9,667
Depreciation expense included in the Cost of goods sold during the reporting period	145,368	135,106	92,401	88,410

in RON '000, except per share data

Impairment tests for property, plant and equipment

As at 31 December 2020, the management of Alro identified several factors, such as lower than expected economic performances of certain assets caused mainly by the effects of the Covid-19 pandemic, increasing raw materials prices and high volatility of aluminium market indicating that the cash-generating unit may be impaired. As the result, an impairment test of the property, plant and equipment of Alro was carried out. The resulting recovery value of these property, plant and equipment was higher than their net book value, so no impairment expense was recognized. The impairment test was based on a valuation report made by an independent appraiser.

The recoverable value of the cash generating unit (CGU) Alro was determined based on a fair value of CGU less costs to sell calculation by using future cashflows extracted from budgets estimated by the management of the company. The cashflows in perpetuity beyond this period were extrapolated by using a growth rate of 2.0% per annum (2019: 2.2% per annum), in line with forecast inflation. Average EBITDA margin was assumed at 16.3% for the next five years increasing to a stable level of 17.3% afterwards (2019: 9.7% for the next five years increasing to 11.0% afterwards) and remaining constant at this value in perpetuity. The significant increase in the average EBITDA margin is due to the better forecasts on LME quotations and premiums comparing to last year expectations corroborated with the decreased prices on major raw materials, such as electricity, gas, alumina and others. The fair value measurement was categorized as a Level 3 fair value based on the inputs in the valuation technique used (see Note 32).

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

	2020	2019
Discount rate	9.50%	9.3%
Growth rate, average of next five years	11.28%	6.60%
EBITDA margin, average of next five years	16.31%	9.70%

The estimated recoverable amount of the CGU Alro exceeded its carrying amount by approximately RON 2,770,000 thousand (2019:1,040,000 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	2019
Discount rate	21.82%	14.9%
Growth rate, average of next five years	-0.09%	0.80%
EBITDA margin, average of next five years	9.42%	8.20%
EBITDA margin, terminal value	6.79%	7.60%

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 recoverable 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.

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%

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14. Intangible assets

Alro Group	Development expenses	Other intangibles	Total
Cost			
Balance at 1 January 2019	**4,368**	**46,204**	**50,572**
Additions	-	5,410	**5,410**
Disposals	-	-36	**-36**
Translation adjustment	-	741	**741**
Balance at 31 December 2019	**4,368**	**52,319**	**56,687**
Additions	-	711	**711**
Disposals	-	-52	**-52**
Translation adjustment	-	-1,168	**-1,168**
Balance at 31 December 2020	**4,368**	**51,810**	**56,178**
Accumulated amortisation			
Balance at 1 January 2019	**-4,368**	**-39,270**	**-43,638**
			-
Amortisation expense	-	-2,753	**-2,753**
Eliminated on disposals of assets	-	36	**36**
Translation adjustment	-	-721	**-721**
Balance at 31 December 2019	**-4,368**	**-42,708**	**-47,076**
Amortisation expense	-	-4,356	**-4,356**
Eliminated on disposals of assets	-	52	**52**
Translation adjustment	-	1,159	**1,159**
Balance at 31 December 2020	**-4,368**	**-45,853**	**-50,221**
Net book value			
Balance at 31 December 2019	**-**	**9,611**	**9,611**
Balance at 31 December 2020	**-**	**5,957**	**5,957**

Alro	Development expenses	Other intangibles	Total
Cost			
Balance at 1 January 2019	**-**	**28,486**	**28,486**
Additions	-	5,251	**5,251**
Balance at 31 December 2019	**-**	**33,737**	**33,737**
Additions	-	369	369
Disposals	-	-52	**-52**
Balance at 31 December 2020	**-**	**34,054**	**34,054**
Accumulated amortisation			
Balance at 1 January 2019	**-**	**-22,144**	**-22,144**
			-
Amortisation expense	-	-2,306	**-2,306**
Balance at 31 December 2019	**-**	**-24,450**	**-24,450**
Amortisation expense	-	-4,003	**-4,003**
Eliminated on disposals of assets	-	52	**52**
Balance at 31 December 2020	**-**	**-28,401**	**-28,401**
Net book value			
Balance at 31 December 2019	**-**	**9,287**	**9,287**
Balance at 31 December 2020	**-**	**5,653**	**5,653**

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At 31 December 2020, under *Other intangible assets* are included software programs with a net book value of RON 2,215 thousand (at 31 December 2019: RON 5,166 thousand), that the Group and the Company acquired to be used for production planning in the processed aluminum division. The amortization is recognized on a straight-line basis over their estimated useful life of 3 years.

15. Investments

The parent company **Alro** holds directly or indirectly the following investments in subsidiaries:

					31 December 2020
Subsidiary	**Registered office**	**Shareholding***	**Votes****	**Equity**	**Net result**
Alum S.A.	82, Isaccei St., Tulcea, Tulcea County, Romania	99.40%	99.40%	453,900	70,302
Vimetco Extrusion S.R.L.	1, Milcov St., Slatina, Olt County, Romania	100.00%	100.00%	40,675	10,291
Conef S.A.	64, Splaiul Unirii, Sector 4, Bucharest, Romania	99.97%	99.97%	8,063	-1,163
Global Aluminum Ltd.	Trinity Chambers, PO Box 4301, Road Town, Tortola, BVI	99.40%	100.00%	13,528	-34
Bauxite Marketing Ltd.	Trinity Chambers PO Box 4301, Road Town Tortola, BVI	99.40%	100.00%	-627	-13
Sierra Mineral Holdings I, Ltd.	Sea Meadow House, Blackburne Highway, (P.O. Box 116), Road Town Tortola, BVI	99.40%	100.00%	-127,548	7,229

					31 December 2019
Subsidiary	**Registered office**	**Shareholding***	**Votes****	**Equity**	**Net result**
Alum S.A.	82, Isaccei St., Tulcea, Tulcea County, Romania	99.40%	99.40%	384,356	77,311
Vimetco Extrusion S.R.L.	1, Milcov St., Slatina, Olt County, Romania	100.00%	100.00%	30,390	250
Conef S.A.	64, Splaiul Unirii, Sector 4, Bucharest, Romania	99.97%	99.97%	9,226	-535
Global Aluminum Ltd.	Trinity Chambers, PO Box 4301, Road Town, Tortola, BVI	99.40%	100.00%	14,568	-17
Bauxite Marketing Ltd.	Trinity Chambers PO Box 4301, Road Town Tortola, BVI	99.40%	100.00%	-661	-8
Sierra Mineral Holdings I, Ltd.	Sea Meadow House, Blackburne Highway, (P.O. Box 116), Road Town Tortola, BVI	99.40%	100.00%	-143,848	3,749

* The shareholding represents the effective shareholding percentage of the Parent company in its subsidiaries (direct as well as indirect).

**The voting rights reported are those of the immediate Parent company or companies, where the immediate Parent company or companies are themselves controlled by Alro Group. Consequently, the voting rights reported above might differ significantly from the effective shareholding.

The equity and net result are determined according to the International Financial Reporting Standards and the accounting policies of the Group.

Subsidiaries

Alum S.A., Tulcea, (Alum) is a company set up under the Romanian law and it was established in 1972. Alum is the only producer of calcinated alumina in Romania. Its main activity is the hydro-metallurgical processing of bauxite in order to obtain alumina (aluminium oxide), the main raw material used in aluminium production.

Alum is listed on the Bucharest Stock Exchange, the ATS market segment, AeRo category.

Vimetco Extrusion S.R.L. is a company set up under the Romanian law and its principal activity is the production of extruded aluminum products. The Company's administrative and managerial offices are located in Romania, with the headquarters in 1, Milcov Street, Slatina, Olt County, Romania.

Conef S.A. (Conef) is a company organized under the Romanian law and it was set up in 1991. The main activity of the company (according to the company's deeds) is trading with oil, minerals, and chemical products. In 2018, the main activity of the company was to manage a portfolio of shares in Alro. On 19 December 2018 Conef S.A. disposed entirely its 3.77% holding in Alro S.A. through an accelerated private placement offer for a cash consideration of RON 80,705 thousand.

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On 1 May 2011 Alum acquired from Vimetco N.V. 100% of the company **Global Aluminium Ltd.** The assets of the latter included 100% shareholding in a bauxite mine in Sierra Leone, **Sierra Mineral Holdings I, Ltd.,** and 100% shareholding in **Bauxite Marketing Ltd.**

The bauxite mine supplies a significant part of the necessary raw material for the alumina refinery **Alum S.A.**

The value of Alro's financial investments was:

	2020	2019
Cost		
Balance at 1 January	**571,108**	**571,108**
Additions	-	-
Balance at 31 December	**571,108**	**571,108**
Impairment allowance		
Balance at 1 January	**-171,140**	**-122,267**
Reversal of impairment of financial assets	52,861	-
Impairment loss of financial assets	-1,178	-48,873
Balance at 31 December	**-119,457**	**-171,140**
Net book value		
Balance at 1 January	**399,968**	**448,841**
Balance at 31 December	**451,651**	**399,968**

The Company's investments in other companies in which it holds control over the financial and operational policies are accounted for at cost less the impairment.

As at 31 December 2020, the management of the Company carried out an impairment review of the financial investments and as a result of the test, the recoverable value of the investments was determined to beto be higher than their current book value, therefore a total reversal of RON 51,683 thousand was recognised, which includes an amount of RON 52,861 representing impairment reversal for investment in Alum and RON 1,178 thousand representing additional impairment loss recognised for the investment in Conef (2019: an impairment loss of RON 48,873 thousand was recognised for the investment in Conef). The reversal of impairment of the investment in Alum is mainly attributable to the strong financial results obtained by the subsidiary during the year which had a positive effect on the company's equity value and its capital structure in general.

The recoverable value of the investment in Alum was determined based on the fair value, calculated by the discounted cashflow method (DCF). In the discounted cashflow method, future cashflows were used, based on forecasts estimated by the management, which cover a period of 5 years (2021 – 2025) (in 2019: 5 years), discounted at a rate of 10.7% per year (2019: 10.6% per annum). The cashflows beyond that period have been extrapolated using a growth rate of 2.7% per year (2019: 2.2% per annum). The fair value measurement was categorized as a Level 3 fair value based on the inputs in the valuation techniques used (see Note 32).

Key assumptions:

	2020	2019
Discount rate	10.70%	10.60%
Growth rate, average of next five years	5.41%	2.10%
EBITDA margin, average of next five years	5.68%	5.31%
EBITDA margin, terminal value	6.16%	5.83%

The estimated fair value of the investment in Alum exceeded its carrying value, therefore a reversal of impairment in amount of RON 52,861 thousand was recognised in Company's financial statements for the year ended 31 December 2020 (2019: nil).

The changes in key assumptions used in the fair value estimation, taken in isolation, would result in the following amount of reversal/ (impairment) to the carrying value of investment in Alum:

Increase / Decrease	**+ 1%**	**- 1%**
Discount rate	29,200	82,900
Growth rate, average of next five years	61,500	41,900
EBITDA margin, average of next five years	77,900	29,000
EBITDA margin, terminal value	103,000	2,300

An impairment loss of RON 1,178 thousand was recognised on Alro investment in Conef, as a result of the decrease of the recoverable value of the investment in Conef vhich was determined with reference to its net assets value as at 31 December 2020 (31 December 2019: loss in amount of RON 48,873 thousand).

There were no impairment indications identified for the investment in Vimetco Extrusion, therefore no impairment test was performed as at 31 December 2020 and 2019 on this investment.

The details of the acquisition cost of the Company's investments in subsidiaries as at 31 December 2020 and 2019 are the following:

Name of subsidiary	Basic activity	No. of shares	Cost of purchase (RON/share)	Procentage of ownership / voting (%)	Cost of purchase(RON thousand)
Conef	- holding	2,675,914	24.604	99.97%	65,838
Vimetco Extrusion	- metalurgy industry of aluminium	2,189,320	10.00	100.00%	21,893
Alum	- production of alumina	72,355,909	5.95	99.40%	430,518
		6,052,951	5.60		33,896
		3,187,000	5.95		18,963
Total					**571,108**

The carrying amount of the Company's investments in subsidiaries as at 31 December 2020 and 2019 are presented in the table below:

Name of subsidiary	31 December 2020	31 December 2019
Conef	8,048	9,226
Vimetco Extrusion	21,893	21,893
Alum	421,710	368,849
Total	**451,651**	**399,968**

All the entities mentioned above are incorporated in Romania.

16. Goodwill

	Alro Group	
Cost	**2020**	**2019**
Balance 1 January	164,296	159,586
Translation adjustment	-7,417	4,710
Balance at 31 December	**156,879**	**164,296**
Impairment		
Balance 1 January	-70,012	-68,749
Translation adjustment	1,989	-1,263
Balance at 31 December	**-68,023**	**-70,012**
Net book value		
Balance at 31 December	**88,856**	**94,284**

The goodwill is allocated to the cash generating units at 31 December 2020 and 2019 as follows (after conversion into RON at the period end exchange rate):

	Alro Group	
	31 December 2020	**31 December 2019**
Alro Group	70,190	74,263
Global Aluminium Ltd.	18,240	19,595
Vimetco Extrusion	426	426
Total	**88,856**	**94,284**

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The goodwill allocated to Alro Group results from the acquisitions and transactions under common control and at 31 December 2020 includes an amount of RON 15,408 thousand (2019: RON 15,408 thousand) representing the goodwill at acquisition of Alprom and RON 54,782 thousand (2019: RON 55,855 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 Alro Group.

Impairment test

Goodwill is tested for impairment annually (as at 31 December) and when circumstances indicate the carrying value may be impaired. As a result of the several factors, such impairment indications as decreasing aluminium prices, falling demand and the general negative effect of COVID-19 pandemic outbreak over the global economy were detected and respectively, at 31 December 2020, an impairment test of the goodwill allocated to Alro Group cash-generating unit was carried out. The resulting recoverable value was higher than the net book value, so no impairment expense was recognized.

The accumulated impairment loss as at 31 December 2020 was recognised in the past for the entire goodwill allocated on acquisition of Alum in amount of RON 41,264 thousand and partially for the goodwill allocated to Sierra Leone CGU on acquisition of Global Aluminium Ltd. in amount of RON 26,759 thousand (2019: RON 41,264 thousand for Alum and RON 28,748 thousand for Sierra Leone accordingly).

In 2020, the recoverable amount of the cash-generating unit Alro Group 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 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 Alro Group 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	31 December 2020	31 December 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%).

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 estimated recoverable amount of the CGU Alro Group 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).

The most sensitive key assumptions used in impairment test of CGU Alro Group are the discount rate and EBITDA margin. An increase of the discount rate to 17.1% and a decrease of EBITDA margin to 12.7% 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).

in RON '000, except per share data

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% 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 32).

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

	31 December 2020	31 December 2019
Discount rate, after-tax	19.9%	20.2%
Growth rate (average of next five years)	8.7%	5.1%
EBITDA margin (average of next five years)	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 Alumininium 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 Alumininium Ltd.

17. Right-of-use assets

Starting 1 January 2019 the Group and the Company have applied IFRS 16 *Leases* 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 14,904 thousand for the Group and RON 12,614 thousand for the Company.

The Group and the Company have leasing contracts for various items of plant, machinery, vehicles and other equipment with terms of up to 8 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. Generally, the Group and the Company are restricted from assigning and subleasing the leased assets.

The Group and the Company also have certain leases with lease terms of 12 months or less and low value leases. The Group and the Company apply the ‘short-term lease’ and ‘lease of low-value assets’ recognition exemptions for these leases.

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

in RON '000, except per share data

Categories of right-of-use assets

Alro Group	Equipment	Vehicles	Other	Total right-of-use assets
Cost				
Balance at 1 January 2019	**798**	**10,008**	**4,098**	**14,904**
Additions	604	1,239	67	1,910
Balance at 31 December 2019	**1,402**	**11,247**	**4,165**	**16,814**
Additions	469	559	387	1,415
Disposals	-	-176	-	-176
Balance at 31 December 2020	**1,871**	**11,630**	**4,552**	**18,053**
Accumulated amortisation				
Balance at 1 January 2019	**-**	**-**	**-**	**-**
				-
Amortisation expense	-246	-2,477	-833	-3,556
Balance at 31 December 2019	**-246**	**-2,477**	**-833**	**-3,556**
Amortisation expense	-331	-2,633	-917	-3,881
Eliminated on disposals of assets	-	115	-	115
Balance at 31 December 2020	**-577**	**-4,995**	**-1,750**	**-7,322**
Net book value				
Balance at 31 December 2019	**1,156**	**8,770**	**3,332**	**13,258**
Balance at 31 December 2020	**1,294**	**6,635**	**2,802**	**10,731**

Alro Stand-alone	Equipment	Vehicles	Other	Total right-of-use assets
Cost				
Balance at 1 January 2019	**300**	**9,293**	**3,021**	**12,614**
Additions	-	826	67	893
Balance at 31 December 2019	**300**	**10,119**	**3,088**	**13,507**
Additions	-	559	388	947
Disposals	-	-115	-	-115
Balance at 31 December 2020	**300**	**10,563**	**3,476**	**14,339**
Accumulated amortisation				
Balance at 1 January 2019	**-**	**-**	**-**	**-**
				-
Amortisation expense	-41	-2,218	-618	-2,877
Balance at 31 December 2019	**-41**	**-2,218**	**-618**	**-2,877**
Amortisation expense	-41	-2,339	-701	-3,081
Eliminated on disposals of assets	-	115	-	115
Balance at 31 December 2020	**-82**	**-4,442**	**-1,319**	**-5,843**
Net book value				
Balance at 31 December 2019	**259**	**7,901**	**2,470**	**10,630**
Balance at 31 December 2020	**218**	**6,121**	**2,157**	**8,496**

in RON '000, except per share data

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

	Alro Group		Alro	
	31 December 2020	31 December 2019	31 December 2020	31 December 2019
Depreciation expense of right-of-use assets	3,881	3,556	3,081	2,877
Interest on lease liabilities	371	447	279	339
Expenses related to short-term leases	359	4,694	5	455
Expenses related to leases of low-value assets	137	155	137	125
Total amounts recognised in profit or loss	**4,748**	**8,852**	**3,502**	**3,797**

18. Other non-current assets

	Alro Group		Alro	
	31 December 2020	31 December 2019	31 December 2020	31 December 2019
Collateral deposits	45,200	-	45,200	-
Amounts paid in advance	129	3,866	129	3,866
Total	**45,329**	**3,866**	**45,329**	**3,866**

*Collateral deposits r*epresent cash pledged to a bank until November 2023 for a revolving loan and until February 2024 for a non-cash facility contracted by the Company. As of 31 December 2020, they were reclassified from *Restricted cash,* where they had been presented at 31 December 2019, to *Other non-current assets* due to the maturity of the deposits, which is longer than 1 year (refer to Note 22 *Cash and cash equivalents* as well).

The category *Amounts paid in advance* represents payments for compliance with the regulations in force regarding the renewable energy supported by green certificates, which the Company estimates to recover in more than one year from the reporting date.

19. Inventories

	Alro Group		Alro	
	31 December 2020	31 December 2019	31 December 2020	31 December 2019
Raw and auxiliary materials	293,427	358,838	182,689	210,746
Work in progress	192,839	222,379	119,397	149,338
Finished goods	230,606	290,610	199,660	247,788
Less: allowance for obsolescence	-38,431	-42,879	-27,767	-31,540
Total	**678,441**	**828,948**	**473,979**	**576,332**

In the category *Raw and auxiliary materials* are included: at Alro, alumina and other raw and auxiliary materials needed for aluminium production, and, at the Group level, also the bauxite on stock at Alum. The category *Finished goods* includes Alro's finished goods of aluminium, as well as the alumina produced that is on stock at Alum and the bauxite stock of the subsidiary in Sierra Leone.

The decrease in value of inventories as at 31 December 2020 compared to 31 December 2019 is a result of the Group and the Company management's strategy to reduce the level of inventories that was placed in operation in 2020. The levels of safety stocks of raw and auxiliary materials were optimized, the sales plan was made in such a way so as to sell available output and significantly decrease the stock levels, and during 2020 the Group and the Company identified and took advantage of the opportunities existing in the market, especially for aluminium wire rod, aluminium billets, extruded products, plates, and this is visible in the variation of finished products presented above. Furthermore, new procedures were implemented for stock control and acquisitions of raw materials and spare parts.

The value of inventories pledged for securing the Group's and the Company's borrowings amounts to RON 641,790 thousand for the Group and RON 473,979 thousand for the Company (at 31 December 2019: RON 800,944 thousand for the Group and RON 576,332 thousand for the Company).

During 2020, at the Group level, an amount of RON 2,398,490 thousand (2019: RON 2,489,911 thousand) and, at the Company level, an amount of RON 2,333,105 thousand (2019: RON 2,364,887 thousand) were recognised as *Cost of goods sold.*

in RON '000, except per share data

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

	Alro Group		Alro	
	2020	2019	2020	2019
Balance at beginning of the year	-42,879	-28,148	-31,540	-17,600
(Charge) to cost of goods sold	-533	-15,737	-368	-15,365
Reversal to cost of goods sold	4,192	1,485	4,141	1,425
Translation adjustments	789	-479	-	-
Balance at end of the year	**-38,431**	**-42,879**	**-27,767**	**-31,540**

The carrying amount of any inventories carried at fair value less costs to sell:

	Alro Group		Alro	
	2020	2019	2020	2019
Work in progress	173,586	201,188	100,144	128,147
Finished goods	226,631	285,055	195,685	242,233

20. Trade receivables, net

	Alro Group		Alro	
	31 December 2020	31 December 2019	31 December 2020	31 December 2019
Foreign trade receivables	20,159	51,145	19,069	20,832
Domestic trade receivables	34,453	28,039	62,495	38,511
Allowance for doubtful receivables	-3,223	-2,832	-1,845	-805
Total	**51,389**	**76,352**	**79,719**	**58,538**

The decrease of foreign trade receivables' balance at 31 December 2020 is mainly due to receivables from 3rd parties resulting from sales made by the Group of its own output to traditional clients close to the end of the year, but also due to the sale of emission certificates to a customer, that were outstanding at 31 December 2019 and that were received early in 2020.

The concentration of credit risk is limited due to the fact that the customer portfolios of the Group and of the Company are large and unrelated.

As at 31 December 2020, the highest 5 trade receivables of the Group accounted for nearly 60% of the net trade receivables (at 31 December 2019: nearly 60%). In 2020, two clients individually accounted for more than 5% of the Group's turnover, with 5% each (in 2019: two clients, with 6% and 5%).

As concerns the Company, the top 5 outstanding balances at 31 December 2020 account for more than 70% of the total receivables, with its subsidiaries representing 44% of them (at 31 December 2019: 70%). Please refer to Note 31 for details. Apart from Group companies, 2 third party clients accounted individually for more than 5% of the outstanding balance at 31 December 2020, totaling 27% of it (at 31 December 2019, 3 clients accounted for more than 5% of the outstanding balance). In respect of revenues, in 2020, 3 clients accounted individually for more than 5% of the Company's turnover, of which the top client was a subsidiary, with 9% of the Company's revenues (in 2019: 3 clients accounted individually for more than 5% of the revenues, of which the top client was a subsidiary, with 8% of the Company's turnover).

The Company and its subsidiaries sell significant trade receivables under the existing factoring agreements 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

	Alro Group		Alro	
	31 December 2020	31 December 2019	31 December 2020	31 December 2019
Factoring ceiling amounts, of which:	788,803	826,654	747,413	786,030
Factoring amounts utilized	335,936	371,293	323,073	364,768

The Group and the Company have established a provision matrix that is based on the Group’s and Company's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. More information about the Group’s provision matrix is disclosed in Note 32.

in RON '000, except per share data

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

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

	Alro Group		Alro	
	2020	**2019**	**2020**	**2019**
Balance at beginning of the year	-2,832	-3,106	-805	-770
Charge in the current year	-1,052	-613	-1,068	-35
Release in the current year	633	887	-	-
Utilization of allowances	28	-	28	-
Balance at end of the year	**-3,223**	**-2,832**	**-1,845**	**-805**

The table below provides an analysis of receivables based on relation between their due dates and the respective impairments:

	Alro Group		Alro	
	31 December 2020	**31 December 2019**	**31 December 2020**	**31 December 2019**
Not past due and not impaired	42,500	52,954	72,489	44,806
Past due but not impaired	8,726	23,516	7,230	13,596
Past due and impaired	3,386	2,714	1,845	941
Less: Allowance for doubtful receivables	-3,223	-2,832	-1,845	-805
Total	**51,389**	**76,352**	**79,719**	**58,538**

Trade receivables past due but not impaired at 31 December are as follows:

	Alro Group		Alro	
	31 December 2020	**31 December 2019**	**31 December 2020**	**31 December 2019**
Less than 3 months	4,254	17,364	3,232	6,983
3 months to 6 months	1,297	2,707	1,280	2,714
More than 6 months	3,175	3,445	2,718	3,899
Total	**8,726**	**23,516**	**7,230**	**13,596**

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 32 *Risk management* for further details.

A part of the Group receivables (RON 30,064 thousand at 31 December 2020 and RON 55,422 thousand at 31 December 2019) and of the Company's (RON 61,877 thousand at 31 December 2020 and RON 45,068 thousand at 31 December 2019) are pledged to secure the loans obtained from banks.

21. Other current assets

	Alro Group		Alro	
	31 December 2020	**31 December 2019**	**31 December 2020**	**31 December 2019**
Government grants receivable	397,297	-	386,920	-
VAT recoverable	73,001	55,479	55,712	38,513
Other current assets	9,394	11,916	4,654	5,330
Advances to suppliers	4,198	12,475	3,050	28,390
Prepayments	20,805	13,388	19,353	12,369
Allowance for sundry doubtful debtors	-124	-121	-3	-3
Total	**504,571**	**93,137**	**469,686**	**84,599**

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Movement in allowance for sundry debtors is as follows:

	Alro Group		Alro	
	2020	**2019**	**2020**	**2019**
Balance at beginning of the year	-121	-19	-3	-3
Release / (charge) in the current year	-3	-102	-	-
Balance at end of the year	**-124**	**-121**	**-3**	**-3**

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 249,946 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 (RON 397,297 thousand for the Group and RON 386,920 thousand for the Company). For further details please see also Note 8.

At Company level, the category *Advances to suppliers* at 31 December 2019 contained mainly down payments to one of the subsidiaries for the acquisition of raw materials. During 2020, these down payments were reduced, as the Group pursues an optimum management of its resources.

The category *Prepayments* represents payments for compliance with the regulations in force regarding the renewable energy supported by green certificates, which the Group and the Company estimates to recover in less than one year from the reporting date (at 31 December 2020: RON 14,704 thousand RON; at 31 December 2019: RON 9,343 thousand RON).

22. Cash and cash equivalents

	Alro Group		Alro	
	31 December 2020	**31 December 2019**	**31 December 2020**	**31 December 2019**
Cash at banks in RON	20,993	10,604	13,066	3,240
Cash at banks in other currencies	84,445	72,534	75,678	69,301
Petty cash and cash equivalents	62	44	6	5
Total	**105,500**	**83,182**	**88,750**	**72,546**

At 31 December 2020 and 2019, a great part of cash was held in current accounts opened with reputable private banks in Romania or with State owned banks.

A part of the Group's bank accounts (RON 94,018 thousand as at 31 December 2020 and RON 73,127 thousand as of 31 December 2019) and of the Company (RON 88,744 thousand as at 31 December 2020 and RON 72,546 thousand as of 31 December 2019) are pledged to guarantee the borrowings from banks.

Restricted cash:

	Alro Group		Alro	
	31 December 2020	**31 December 2019**	**31 December 2020**	**31 December 2019**
Restricted cash	95	46,164	-	45,200
Total	**95**	**46,164**	**-**	**45,200**

As at 31 December 2019 the restricted cash of the Company and Group amounting to RON 45,200 thousand consisted of collateral deposits for a revolving facility and a non-cash facility for letters of credit and letters of guarantee. The facilities were renewed in November 2020 and their maturities are in November 2023 and February 2024, respectively, and consequently the related collateral deposits were reclassified as long-term at 31 December 2020 under the category *Other non-current assets* (refer to Note 18 and Note 25 as well).

23. Share capital

The share capital of the Parent Company issued and paid in has the following structure as at 31 December 2020 and 2019 (values recorded with the Trade Registry):

	31 December 2020		
	Number of shares	Nominal value (RON 000)	%
Vimetco N.V.	386,795,344	193,399	54.19
Paval Holding S.R.L.	165,679,915	82,834	23.21
Fondul Proprietatea	72,884,714	36,438	10.21
Fondul de Pensii NN	31,500,000	15,739	4.41
Fondul de Pensii Allianz	23,333,333	11,670	3.27
Others	33,585,829	16,810	4.71
Total	**713,779,135**	**356,890**	**100.00**

	31 December 2019		
	Number of shares	Nominal value (RON 000)	%
Vimetco N.V.	386,795,344	193,399	54.19
Paval Holding S.R.L.	165,679,915	82,834	23.21
Fondul Proprietatea	72,884,714	36,438	10.21
Fondul de Pensii NN	31,500,000	15,739	4.41
Fondul de Pensii Allianz	23,333,333	11,670	3.27
Others	33,585,829	16,810	4.71
Total	**713,779,135**	**356,890**	**100.00**

The major shareholder of Alro S.A. is Vimetco N.V., Netherlands, owned by Vi Holding N.V. (Curaçao).

The nominal value of each share is RON 0.5 (2019: RON 0.5). Each ordinary share carries one vote per share and carries the right to dividends.

The difference between the nominal value and the value of RON 370,037 thousand reported in the Statement of Financial Position of Alro as of 31 December 2020 and 2019, is represented by hyperinflation adjustments that were booked in accordance with IAS 29 *Financial Reporting in Hyperinflationary Economies* until 31 December 2003, less the amount of these adjustments utilized for covering the accounting loss carried forward in accordance with the approval of the General Shareholders' Meeting held in 2014.

24. Other reserves

	Alro Group		Alro	
	31 December 2020	31 December 2019	31 December 2020	31 December 2019
Legal reserve	91,931	88,462	71,378	71,378
Other reserves	283,935	283,935	234,813	234,813
Translation reserve	-40,750	-29,730	-	-
Total	**335,116**	**342,667**	**306,191**	**306,191**

The legal reserve is made up at 20% of the issued and paid shared capital of the Romanian Companies, 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 fiscal facilities obtained during 2001 - 2003, by profit distribution to the development fund done until 2000 and by application of IAS 29.

The translation reserve represents foreign exchange differences resulting from the conversion of the foreign operations of the subsidiaries that have the functional currency different from RON, namely Sierra Mineral Holdings 1 Ltd, Global Aluminium Ltd. and Bauxite Marketing Ltd.

in RON '000, except per share data

25. Borrowings and leases

	Alro Group		Alro	
	31 December 2020	31 December 2019	31 December 2020	31 December 2019
Long-term borrowings				
Long-term bank loans	968,162	1,209,745	886,385	1,061,679
Less: Short-term portion of long-term bank loans	-119,877	-835,474	-80,141	-804,980
Bank loans, non-current	***848,285***	***374,271***	***806,244***	***256,699***
Leases, non-current	3,712	6,161	2,726	4,821
Total long-term borrowings and leases	**851,997**	**380,432**	**808,970**	**261,520**
Short-term borrowings				
Short-term bank loans	416	1,747	-	-
Short-term portion of long-term bank loans	119,877	835,474	80,141	804,980
Bank loans, current	*120,293*	*837,221*	*80,141*	*804,980*
Other loans	-	32,446	-	-
Short-term loans, total	***120,293***	***869,667***	***80,141***	***804,980***
Leases, current	3,401	4,321	2,742	3,495
Total short-term borrowings and leases	**123,694**	**873,988**	**82,883**	**808,475**
Total borrowings and leases	**975,691**	**1,254,420**	**891,853**	**1,069,995**

The bank borrowings of the Group and the Company will mature until 2024. Their related interest rates ranged between 2.80% for EUR and 19% for SLL (Sierra Leone Leones) in 2020 and 2019 at Group level and between 2.80% for EUR and 5.77% for USD in 2020 at Company level (2019: between 2.80% for EUR and 6.75% for USD).

For the exposure of the Group and the Company's borrowings to interest rate changes, please refer to Note 32.

In November 2020, the Parent Company negotiated with a syndicate of banks and signed the extension of a revolving loan agreement of USD 120,000 thousand until November 2023 and of the non-cash facility amounting to USD 30,000 thousand until February 2024.

At the same time, in November 2020 the Parent Company signed the extension until November 2023 of another revolving loan amounting to RON 180,000 thousand contracted from a commercial bank.

In November 2020, the Parent Company fully repaid, according to the schedule, a RON 100,0000 thousand revolving facility for working capital, this loan having been contracted in February 2020 from a commercial bank.

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.

At 31 December 2020, the Group had the amount of RON 34,647 thousand undrawn and available from the borrowing facilities contracted with the banks (at 31 December 2019: RON 735 thousand).

In February 2020 the Parent Company signed the extension until February 2024, of the non-cash facility for letters of credit and letters of guarantee of RON 46,000 thousand.

At 31 December 2020, the Group had the amount of RON 66,912 thousand unutilized and available from the non-cash facilities for letters of credit and letters of guarantee (at 31 December 2019: RON 72,881 thousand).

In 2019, a subsidiary of the Group concluded a contract with a commercial partner for selling CO_2 emission certificates for an amount of RON 32,446 thousand. 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 had not transferred substantially the risks and rewards from the certificates, and it was 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. In December 2020, the subsidiary repurchased the CO_2 emission certificates at the fixed price established in the contract, for the amount of RON 32,002 thousand, with the balancing amount of RON 444 thousand being recognised as interest expense in 2020 in relation to the financing agreement.

in RON '000, except per share data

According to the existing borrowing agreements the Group and the Company are subject to certain restrictive covenants. These covenants require the Group and the Company, among other things, to refrain from paying dividends to its shareholders unless certain conditions are met, and to maintain a minimum or maximum level for certain financial ratios, including: debt service coverage ratio, net debt to EBITDA, net debt to equity, current ratio, net financial debt to shareholders equity, solvency ratio, interest cover ratio, total net leverage ratio. At 31 December 2020, the Parent company was in breach of one of the covenants in respect of one of its loans, with a corresponding long-term balance of RON 43,265 thousand. The Company discussed the situation with the bank and received the necessary waiver within the specified testing period. A breach of covenants in respect of a liability that entitles the creditors to require repayment at a future date within one year from the reporting date is unlikely, and therefore the amounts that are not expected to be paid within one year are classified as long-term liabilities.

The Group and the Company borrowings and leases are secured with accounts receivable amounting to RON 30,064 thousand for the Group and RON 61,877 thousand for the Company (at 31 December 2019: RON 55,422 thousand for the Group and RON 45,068 thousand for the Company), with their current accounts opened with banks (see Note 22), with collateral deposits of RON 45,200 thousand for the Group and the Company (at 31 December 2019: RON 45,200 thousand), with property, plant and equipment (land, buildings, equipment) with a net book value of RON 934,852 thousand for the Group and RON 756,178 thousand for the Company (including for lease contracts) (2019: RON 933,809 thousand for the Group and RON 751,463 thousand for the Company) and with inventories of RON 641,790 thousand for the Group and RON 473,979 thousand for the Company (2019: RON 800,944 thousand for the Group and RON 576,332 thousand for the Company).

The Group and the Company have estimated that the fair value of the borrowings and the leases equals their carrying amount, mainly due to the fact that most of bank loans have variable interest and have been recently contracted. Their fair value belongs to the level 3 of the fair value measurement hierarchy.

The minimum lease payments for leases are set out below:

	Alro Group		Alro	
	31 December 2020	31 December 2019	31 December 2020	31 December 2019
Lease instalments falling due:				
Within 1 year	3,644	4,634	2,925	3,723
1 to 5 years	3,887	6,526	2,861	5,094
Total lease instalments	**7,531**	**11,160**	**5,786**	**8,817**
Less: future finance charges	418	678	318	501
Present value of lease obligations	**7,113**	**10,482**	**5,468**	**8,316**
Thereof:				
Short-term lease obligation (less than 1 year)	3,401	4,321	2,742	3,495
Long-term lease obligations (1 to 5 years)	3,712	6,161	2,726	4,821

Changes in liabilities arising from financing activities of Alro Group:

	Bank and other loans	Leases	Dividends payable
Balance at 1 January 2020	**1,243,938**	**10,482**	**7,001**
New contracts	102,747	1,300	-
Cash outflows	-322,291	-4,629	-56
Interest expense	55,362	371	-
Interest and transaction costs for loans paid	-66,629	-371	-
Interest capitalised	805	-	-
Transaction costs for loans not drawn down during the period	682	-	-
Translation differences	-46,036	-40	-
Balance at 31 December 2020	**968,578**	**7,113**	**6,945**

in RON '000, except per share data

Changes in liabilities arising from financing activities of Alro stand-alone:

	Bank and other loans	Leases	Dividends payable
Balance at 1 January 2020	**1,061,679**	**8,316**	**6,995**
New contracts	100,118	947	-
Cash outflows	-225,203	-3,735	-56
Interest expense	49,064	279	-
Interest and transaction costs for loans paid	-60,642	-279	-
Interest capitalised	805	-	-
Transaction costs for loans not drawn down during the period	682	-	-
Translation differences	-40,118	-60	-
Balance at 31 December 2020	**886,385**	**5,468**	**6,939**

Changes in liabilities arising from financing activities of Alro Group:

	Bank and other loans	Leases	Dividends payable
Balance at 1 January 2019	**944,344**	**6,050**	**331,779**
New contracts	408,290	9,059	-
Cash outflows	-155,781	-4,709	-324,779
Interest expense	73,311	446	-
Interest and transaction costs for loans paid	-71,327	-446	-
Interest capitalised	1,493	-	-
Translation differences	43,608	82	-
Balance at 31 December 2019	**1,243,938**	**10,482**	**7,001**

Changes in liabilities arising from financing activities of Alro stand-alone:

	Bank and other loans	Leases	Dividends payable
Balance at 1 January 2019	**884,091**	**5,581**	**331,774**
New contracts	290,603	6,617	-
Cash outflows	-155,781	-3,966	-324,779
Interest expense	65,791	339	-
Interest and transaction costs for loans paid	-64,634	-339	-
Interest capitalised	1,493	-	-
Translation differences	40,116	84	-
Balance at 31 December 2019	**1,061,679**	**8,316**	**6,995**

in RON '000, except per share data

26. Provisions

Alro Group

	Provision for employee remuneration	Provision for land restoration	Provisions for fines and penalties	Total
Balance at 1 January 2019	**29,899**	**32,854**	**1,334**	**64,087**
Additional provisions recognised	-	1,809	87	**1,896**
Unwinding of discount	-	1,483	-	**1,483**
Utilisation of provisions	-10,532	-	-1,328	**-11,860**
Reversal of provisions	-16,667	-	-	**-16,667**
Translation adjustment	-	558	-	558
Balance at 31 December 2019	**2,700**	**36,704**	**93**	**39,497**
Thereof:				
Current	2,700	-	93	**2,793**
Non-current	-	36,704	-	**36,704**
Additional provisions recognised	29,665	373	905	**30,943**
Unwinding of discount	-	1,343	-	**1,343**
Utilisation of provisions	-	-	-87	**-87**
Translation adjustment	-	-957	-	**-957**
Balance at 31 December 2020	**32,365**	**37,463**	**911**	**70,739**
Thereof:				
Current	32,365	-	911	**33,276**
Non-current	-	37,463	-	**37,463**

Alro

	Provision for employee compensation	Provision for land restoration	Provisions for fines and penalties	Total
Balance at 1 January 2019	**26,606**	**1,287**	**-**	**27,893**
Unwinding of discount	-	50	-	**50**
Utilisation of provisions	-8,678	-	-	**-8,678**
Reversal of provisions	-15,228	-	-	**-15,228**
Balance at 31 December 2019	**2,700**	**1,337**	**-**	**4,037**
Thereof:				
Current	2,700	-	-	2,700
Non-current	-	1,337	-	**1,337**
Additional provisions recognised	25,920	-	-	**25,920**
Unwinding of discount	-	52	-	**52**
Balance at 31 December 2020	**28,620**	**1,389**	**-**	**30,009**
Thereof:				
Current	28,620	-	-	**28,620**
Non-current	-	1,389	-	1,389

The provisions for employees compensation are recognized by the Group and the Company in accordance with the Collective Labour Agreements and with GSM decisions regarding the Directors' remuneration (see also Note 7 *General, administrative and selling expenses*). The exact amount and timing of the remuneration will be established after the approval of the financial statements for the year 2020.

The provision for land restoration is related to the rehabilitation of the premises where the Company and one of its subsidiaries deposit residue from production, as well as the rehabilitation of the premises of the bauxite mine in Sierra Leone. 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 Tulcea: RON 23,153 thousand, the rehabilitation of the premises of the bauxite mine in Sierra Leone: RON 12,921 thousand and the cost recognized by the Parent Company for the rehabilitation of the locations on which it deposits industrial waste in Slatina: RON 1,389 thousand. The Group estimates that the costs would be incurred in 3 - 11 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 in Romania and USD 6 per square meter in Sierra Leone, and discount rates of 1.69% - 3.9% for Romania and 4.7% for Sierra Leone.

in RON '000, except per share data

27. Employee benefits

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

	Alro Group		Alro	
	2020	2019	2020	2019
Salaries and other staff costs	425,556	386,363	287,250	255,045

Defined contribution plans

The employees of the Group and the Company are members of the state-managed retirement benefit plans in the countries where the Group and the Company are operating and in Romania they can subscribe also to private pension funds. The Group and the Company contribute a specified percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group and 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 Group and the Company have an arrangement in place to make payments to an optional defined contribution plan for the post-employment benefit of a part of their employees that have rendered service to the Group and the Company during the period. The defined contribution plan is managed by a separate entity and the contribution made by the Group and the Company is in the form of fixed amounts per employee, paid monthly. The Group and 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 Group's and the Company's legal and constructive obligation being limited to the amounts that it contributes to the fund.

Contributions to defined contribution plans

	Alro Group		Alro	
	2020	2019	2020	2019
Social insurance costs and other taxes	4,052	3,992	3,573	3,555
Other defined contribution pension plans	3,156	3,220	2,018	2,166

Defined benefit plans - post-employment benefits

According to the collective labour agreements, when retiring due to age or illness, the employees benefit from a retirement bonus which is computed based on the number of years of work.

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

	31 December 2020	31 December 2019
Discount rate (%)	3.12	4.46
Estimated salary increase rate (%)	3.92	4.08
Estimated inflation rate (%)	2.42	2.58

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

	Alro Group		Alro	
	2020	2019	2020	2019
Current service cost	2,853	2,693	1,831	1,676
Interest cost on obligation	2,067	2,096	1,622	1,635
Total expense	**4,920**	**4,789**	**3,453**	**3,311**

in RON '000, except per share data

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 1,926 thousand, 2019: RON 2,066 thousand for Group and 2020: RON 1,300 thousand, 2019: RON 1,132 thousand for Company) and *Administrative expenses* (2020: RON 927 thousand, 2019: RON 627 thousand for Group and for Company 2020: RON 531 thousand, 2019: RON 544 thousand), and interest cost on obligation as *Interest expense*.

The movement in the present value of the defined benefits obligation was the following:

	Alro Group		Alro	
	2020	2019	2020	2019
Balance at 1 January	**46,637**	**42,610**	**39,492**	**35,800**
Included in profit or loss:				
Current service cost	2,853	2,693	1,831	1,676
Interest cost on obligation	2,067	2,096	1,622	1,635
Included in other comprehensive income:				
Actuarial changes arising from changes in demographic assumptions	-232	-579	-211	-562
Actuarial changes arising from changes in financial assumptions	4,829	1,896	4,361	1,814
Actuarial changes arising from changes in experience adjustments	2,432	2,016	1,552	1,834
Benefits paid	-8,970	-3,918	-7,369	-2,705
Translation adjustment	-186	-177	-	-
Balance at 31 December	**49,430**	**46,637**	**41,278**	**39,492**

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:

Defined benefit obligation change

	Alro Group		Alro	
	2020	2019	2020	2019
Discount rate +1%	-4,125	-3,694	-3,481	-3,044
Discount rate -1%	5,194	4,266	4,063	3,520
Estimated salary increase rate +1%	5,125	4,268	4,002	3,519
Estimated salary increase rate -1%	-4,146	-3,775	-3,496	-3,097
Longevity +1 year	61	-140	-68	-86
Longevity -1 year	308	146	80	102
Employee turnover rate +0.5%	-330	-432	-414	-354
Employee turnover rate -0.5%	766	434	496	371

The sensitivity analysis 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 5,883 thousand from the defined benefit obligation in the next financial year, of which RON 5,356 thousand are related to the Company (at 31 December 2019 the estimations were of RON 6,695 thousand for the Group and RON 6,239 thousand for the Company).

The weighted average duration of defined benefit obligation is 16.8 years for Alro, 15.6 years for Alum, 12.3 years for Vimetco Extrusion and 19.6 years for Sierra Mineral Holdings 1, Ltd.

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

Alro Group

Maturity analysis of defined benefit payments	**Retirement benefits**	**Death-in-service benefits**	**Total**
Within 1 year	5,174	691	**5,865**
1 - 2 years	3,001	730	**3,731**
2 - 5 years	9,139	2,475	**11,614**
5 - 10 years	22,148	4,997	**27,145**
Over 10 years	106,668	19,801	**126,469**

in RON '000, except per share data

Alro

Maturity analysis of defined benefit payments	Retirement benefits	Death-in-service benefits	Total
Within 1 year	4,851	505	**5,356**
1 - 2 years	2,688	520	**3,208**
2 - 5 years	7,819	1,675	**9,494**
5 - 10 years	16,926	3,056	**19,982**
Over 10 years	63,146	10,775	**73,921**

28. Government grants

	Alro Group		Alro	
	2020	2019	2020	2019
Balance at 1 January	**52,237**	**51,870**	**42,629**	**42,307**
Received during the year	-	4,411	-	3,572
Released to the statement of profit or loss	-4,267	-4,044	-3,442	-3,250
Balance at 31 December	**47,970**	**52,237**	**39,187**	**42,629**
Thereof:				
Current	4,267	4,267	3,442	3,442
Non-current	43,703	47,970	35,745	39,187

In 2019, the Parent Company received the last tranches totalling RON 3,572 thousand from the subsidies obtained through the European Fund for Regional Development through the Competitiveness Operational Program 2014 – 2020 within investment projects dedicated to the research infrastructure for high qualification industrial applications.

In 2019, the Group subsidiary Alum received the last tranche of RON 839 thousand from the subsidy obtained through the European Fund for Regional Development through the Competitiveness Operational Program 2014 – 2020 within the investment project dedicated to the research of aluminum hydroxide technology (dry and wet).

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.

Income released to the Statement of profit or loss of RON 4,267 thousand for the Group (2019: RON 4,044 thousand) and RON 3,442 thousand for the Company (2019: RON 3,250 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 production equipment.

The income recognized during the year in the Statement of profit or loss and other comprehensive income of the Group and the Company is included in the category *Other operating income* (refer to Note 8).

As at 31 December 2020 there are no contingent liabilities attached to these grants.

29. Trade and other payables

	Alro Group		Alro	
	31 December 2020	31 December 2019	31 December 2020	31 December 2019
Foreign trade payables	71,044	38,514	59,545	31,785
Domestic trade payables	105,356	93,261	194,884	49,604
Accrued trade payables	57,254	74,611	54,922	70,566
Total	**233,654**	**206,386**	**309,351**	**151,955**

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

At Company level, the category *Domestic trade payables* at 31 December 2020 contains an amount of RON 119,090 thousand due to one of its subsidiaries for the acquisition of raw materials (at 31 December 2019: RON 13 thousand). Refer to Note 31 as well.

in RON '000, except per share data

30. Other current liabilities

	Alro Group		Alro	
	31 December 2020	31 December 2019	31 December 2020	31 December 2019
Suppliers of fixed assets	8,872	8,295	7,579	6,348
Advances from customers	12,343	8,180	12,346	8,313
Wages and social security taxes	52,788	29,264	30,736	20,730
Dividends payable	6,945	7,001	6,939	6,995
VAT payable	29,483	-	-	-
Other	30,894	36,716	27,420	30,157
Total	**141,325**	**89,456**	**85,020**	**72,543**

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, for one of its subsidiaries, 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 13,507 thousand (at 31 December 2019: nil) and VAT payable in total amount of RON 25,880 thousand (at 31 December 2019: nil), included in the categories *Wages and social security taxes* and *VAT payable*, respectively, in the table above.

In the category *Other*, the Group and the Company included deferred income of RON 19,399 thousand (as at 31 December 2019: RON 22,950 thousand) representing revenues from sales to customers, which were deferred until the moment when control of the goods is transferred to the customer, namely when conditions to deliver goods under contractual terms based on internationally accepted delivery conditions (INCOTERMS) were accomplished.

31. Related parties transactions

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

The main related parties with whom the Group and the Company had transactions during the period are:

Related party	
Vimetco N.V.	Major shareholder
Paval Holding SRL	Shareholder
Alum S.A.	Subsidiary
Vimetco Extrusion SRL	Subsidiary
Conef S.A.	Subsidiary
Sierra Mineral Holdings 1, Ltd	Subsidiary
Global Aluminum Ltd.	Subsidiary
Bauxite Marketing Ltd.	Subsidiary
Vimetco Trading SRL	Common control
Vimetco Management Romania SRL	Common control
Vimetco Power Romania SRL	Common control
Conef Gaz SRL	Common control
Conef Energy SRL	Common control
Centrul Rivergate SRL	Common control
Rivergate Rating Group	Common control
Rivergate Fire SRL	Common control
Henan Zhongfu High Precision Aluminium	Common control

Group transactions are eliminated on consolidation.

in RON '000, except per share data

The primary related party transactions are described below:

Sales of goods and services:

	Alro Group		Alro	
	2020	**2019**	**2020**	**2019**
Subsidiaries	-	-	254,137	216,853
Companies under common control	1,517	1,357	1,422	1,266
Total goods and services provided to related parties	**1,517**	**1,357**	**255,559**	**218,119**

The category *Sales of goods and services* mainly includes income obtained by the Parent Company from the sale of bars to its subsidiary Vimetco Extrusion in the amount of RON 212,993 thousand (2019: RON 183,947 thousand) and from the sale of electricity to its subsidiaries in the amount of RON 37,460 thousand (2019: RON 28,401 thousand). Additionally, this category includes income recorded by the Group from renting office space and various administrative services provided to companies under common control.

Goods and services purchased from related parties:

Subsidiaries	-	-	-576,069	-643,929
Companies under common control	-209,374	-276,421	-89,041	-99,245
Total goods and services purchased from related parties	**-209,374**	**-276,421**	**-665,110**	**-743,174**

The purchases from related parties include acquisitions of gas for the production process by the Group companies from their related party Conef Gaz (during 2020: RON 151,843 thousand at the Group level and RON 38,966 thousand at the Company level; during 2019: RON 219,485 thousand at the Group level and RON 49,552 thousant at the Company level). Additionally, the companies within the Group received services of a supportive nature from other entities under common control, such as advisory services, sales agency services, guard, logistics and administrative services.

The following balances were outstanding at 31 December 2020 and 31 December 2019:

Trade and other accounts receivable:

	Alro Group		Alro	
	31 December 2020	**31December 2019**	**31 December 2020**	**31 December 2019**
Subsidiaries	-	-	35,220	38,993
Companies under common control	3,851	3,557	396	378
Allowance for doubtful receivables	-416	-394	-140	-140
Total trade and other accounts receivable from related parties	**3,435**	**3,163**	**35,476**	**39,231**
- non-current	-	-	-	-
- current	3,435	3,163	35,476	39,231

Trade and other accounts payable:

	Alro Group		Alro	
	31 December 2020	**31 December 2019**	**31 December 2020**	**31 December 2019**
Subsidiaries	-	-	120,173	820
Companies under common control	10,206	7,118	8,568	5,741
Total trade and other accounts payable to related parties	**10,206**	**7,118**	**128,741**	**6,561**

At Company level, the category *Trade and other accounts payable* contains amounts owed to one of its subsidiaries located in Romania for the acquisition of alumina under normal payment terms and conditions. As at 31 December 2020 the total amount payable was of RON 119,090 thousand, (at 31 December 2019: RON 13 thousand), as the Parent company used down payments from the previous year to cover the acquisitions made during the year 2019.

in RON '000, except per share data

Dividends

In 2020, the Parent Company paid dividends of RON 56 thousand to shareholders in respect of dividends declared for the previous years. In 2019, the Parent Company paid dividends declared for 2018 in total amount of RON 324,779 thousand, out of which an amount of RON 176,982 thousand was paid to the major shareholder Vimetco N.V. and an amount of RON 75,809 thousand to its shareholder Paval Holding SRL.

In 2019 the Company received dividends from its subsidiary Conef in amount of RON 48,324 thousand.

Management compensation

The total compensation of the Group and the Company's key management personnel included in General, administrative and selling expenses in the Statement of Profit or Loss and other Comprehensive Income amounts to RON 12,455 thousand (2019: RON 10,526 thousand) at Group level and to RON 10,878 thousand (2019: RON 9,315 thousand) at Company level, respectively, while the expense for determined contribution plan (social contributions) was RON 2,500 thousand for 2020 for the Group (2019: RON 2,315 thousand), and RON 2,220 thousand in 2020 for the Company (2019: RON 2,095 thousand).

Key management personnel transactions

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

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

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

	Alro Group		Alro	
	2020	2019	2020	2019
Goods and services purchased from entities controlled by key management personnel or their close family members	28	124	21	99
Total	**28**	**124**	**21**	**99**

32. Risk management

The Group and the Company's activities expose them to a variety of financial risks: market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. The Group and the Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group and the Company's financial performance. The Group and the Company may use derivative financial instruments to hedge certain risk exposures.

Risk management is carried out by the Group and the Company Treasury under policies approved by the Board of Directors. The Treasury identifies, evaluates and hedges financial risks in close co-operation with the Group and Company'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 and the Company's objectives when managing capital are to safeguard the Group and 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 so as to reduce the cost of capital.

The capital structure of the Group and the Company consists of debt, which includes the borrowings disclosed in Note 25, net of *Cash and cash equivalents* as disclosed in Note 22 (i.e. excluding Restricted cash) and shareholders' equity.

in RON '000, except per share data

The Group and 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 Group and the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistently with other companies in the industry, the Group and 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 computed as total equity as shown in the consolidated and separate statement of financial position plus net debt.

	Alro Group		Alro	
	31 December 2020	31 December 2019	31 December 2020	31 December 2019
Total borrowings (Note 25)	975,691	1,254,420	891,853	1,069,995
Less: cash and cash equivalents (Note 22), adjusted*	-141,500	-119,182	-124,750	-108,546
Net debt	**834,191**	**1,135,238**	**767,103**	**961,449**
Total shareholders' equity	**1,087,665**	**769,952**	**1,031,962**	**741,546**
Total capital	**1,921,856**	**1,905,190**	**1,799,065**	**1,702,995**
Gearing ratio	43%	60%	43%	56%

*The *cash and cash equivalents* are adjusted to include the collateral deposits of RON 36,000 thousand pledged for oustanding borrowings, and included in *Other non-current assets* at 31 December 2020 and in *Restricted cash* at 31 December 2019.

As it appears from the table above, the gearing ratio has decreased from 60% to 43% at Group level and from 56% to 43% at Company level as a consequence of the good results obtained by the Group and the Company in 2020, and due to the reduction of the loans simultaneously with the improvement of the cash and cash equivalents, having in view the financial discipline of the Group and the permanent monitoring of the Group's liquidity.

Market risk

The Group and the Company's activities expose them primarily to the financial risks of changes in commodity prices, foreign currency exchange rates and interest rates. The Group and the Company may enter into a variety of contracts for derivative financial instruments to manage their exposure to market prices, such as:
- commodity options to protect Group and Company cash flows from the adverse impact of falling aluminium prices.
- swaps to manage the needs of clients for fixed prices and the associated commodity price risks resulting from quotations of aluminium based on the London Metal Exchange price for High Grade Aluminium;

Foreign currency risk management

The Group and the Company operate internationally and undertake certain transactions denominated in foreign currencies. Hence, the Group and the Company are exposed to foreign exchange risk arising from various currency fluctuations against the reporting currency, primarily with respect to the EUR and USD. Exchange rate exposures are analyzed and managed by natural hedge with transactions in foreign currencies by utilising spot or forward foreign exchange contracts or other types of derivatives. The risk management policy used by the Group and the Company is to hedge between 0 and 50% of anticipated cash flows in USD and EUR (Romanian sales and purchases) by practicing an active hedging policy and thus covering a variable percentage based on the market opinions regarding future exchange rates correlated with the net exporter position of the Company, as far as the Management considers it appropriate and the market allows this at reasonable costs.

The Group and 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.

in RON '000, except per share data

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

Alro Group

Currency of denomination	EUR	USD	Other	Total
Functional currency	**RON**	**RON**	**RON**	**RON**
31 December 2020				
Total monetary assets	56,783	46,260	129	**103,172**
Total monetary liabilities	225,178	655,397	8,088	**888,663**
31 December 2019				
Total monetary assets	70,277	50,160	73	**120,510**
Total monetary liabilities	286,786	848,290	4,756	**1,139,832**

Alro

Currency of denomination	EUR	USD	Other	Total
Functional currency	**RON**	**RON**	**RON**	**RON**
31 December 2020				
Total monetary assets	45,590	47,819	1	**93,410**
Total monetary liabilities	205,371	581,948	399	**787,718**
31 December 2019				
Total monetary assets	42,684	44,008	1	**86,693**
Total monetary liabilities	203,699	723,127	550	**927,376**

These monetary assets and liabilities do not include derivative contracts entered into.

Foreign currency sensitivity

The Group and the Company are mainly exposed to the fluctuation of RON/USD and RON/EUR exchange rates. The aluminium market, in which the Group operates, is strongly linked to the US dollar. The Group's and the Company's sales are denominated in the USD, and this fact provides for a natural hedge for the liabilities in USD that the Group and the Company have. The following table details the Group and the Company's sensitivity as an impact of a 10% increase/ (decrease) in these currencies against the corresponding functional currency. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% increase/ (decrease) in foreign currency rate. The sensitivity analysis includes external loans where the denomination of the loan is in a currency other than the functional currency.

An appreciation / (depreciation) by 10% of the RON against EUR and USD as indicated below at 31 December would increase / (decrease) profit or loss and equity by the amounts shown below (excluding the impact on income tax).

	Alro Group		**Alro**	
Currency of denomination	EUR	USD	EUR	USD
Functional currency	RON	RON	RON	RON
Change of exchange rate	+/- 10%	+/- 10%	+/- 10%	+/- 10%
31 December 2020				
Profit or loss	16,840 [1)]	60,914 [2)]	15,978 [1)]	53,413 [2)]
Other equity	-	-	-	-
31 December 2019				
Profit or loss	21,651[1)]	79,813[2)]	16,102[1)]	67,912[2)]
Other equity	-	-	-	-

[1)] This is mainly attributable to the exposure outstanding on EUR denominated borrowings and trade payables at the end of the period.

[2)] This is mainly attributable to the exposure outstanding on short-term and long-term USD denominated borrowings at the end of the period.

Foreign exchange options

In February 2019, seeking to mitigate the foreign exchange rate swings, the Group and the Company entered into several transactions, namely European and Asian zero cost option collars for a notional of USD 150 million with financial institutions. Through these contracts, the Group and the Company secured a minimum conversion rate into RON for their aluminium sales denominated in USD. The options had monthly settlements during March - December 2019.

In 2019 under *Gains / (losses) from derivative financial instruments, net* is included a loss in amount of RON 3,598 thousand resulting from the options exercised by the counterparties in the months when the RON/USD conversion rate was above the maximum rate set in the contracts.

As at 31 December 2019 no foreign exchange option contract was outstanding.

No foreign exchange options contracts were entered into in 2020.

Interest rate risk management

The Group and the Company's interest rate risk arises mainly from loans taken. Borrowings received at floating rates expose the Group and the Company to cash flow interest rate risk. Borrowings received at fixed rates expose the Group and the Company to fair value interest rate risk. The interest rates on the Group and the Company'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 and the Company borrowings are contracted at floating interest rates.

The Group and the Company's main interest bearing liabilities are detailed in the liquidity risk management section of this Note.

Interest rate sensitivity

The sensitivity analysis below has been determined based on the exposure to interest rates for EUR, USD and RON denominated loans received and borrowings granted at the balance sheet date and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period in the case of instruments that have floating rates.

If interest rates had been 100 basis points higher/lower and all other variables were held constant, the Group's result for 2020 would decrease/increase by RON 9,890 thousand (2019: RON 12,577 thousand) and the Company's result would decrease/increase by RON 9,047 thousand (2019: RON 10,725 thousand), excluding the impact on income tax.

Commodity price risk

Commodity price risk is the risk that the Group and the Company's future earnings will be adversely impacted by changes in the market price of aluminium. The Group and the Company's internal policy is to manage the identified commodity price risk by natural hedge when possible and also for a part of the remaining quantity at risk by entering into derivative contracts such as aluminium swap agreements and ratio-collar transactions on aluminium, when market conditions are favourable.

Commodity options

As at 31 December 2020 and 2019 no option contract was outstanding, and no commodity option contracts were entered into in 2020.

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. Alro 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 and the Company's financial assets and financial liabilities, except for the normal volatility of aluminium prices on international markets, and of foreign exchange rates. However, the Group and the Company are affected by the Government's schemes to support green energy, leading to higher electricity costs. Although the Group and the Company's main activity is to sell its products at prevailing market prices, the Group and the Company are 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.

in RON '000, except per share data

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 and the Company. The Group is exposed to credit risk from its operating activities (primarily trade receivables (see also Notes 20 and 31) and from its financing activities, including deposits with banks and financial institutions (see also Notes 18 and 22)).

Trade receivables

Trade receivables consist of a large number of customers, spread across diverse industries and geographical areas. In order for the Group and Company to minimize the credit risk, the major part of the receivables are immediately sold to banks by factoring transactions on a non-recourse basis. For a small part of the receivables, which is not covered by factoring contracts, the financial quality of the debtors is permanently monitored, and the Group and the Company exposure from the concluded transactions is spread amongst approved counterparties. The Group and the Company have 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. For the Group and the Company's concentration risk, refer to Note 20.

The credit risk profile of trade receivables is presented based on their past due status in terms of the provision matrix. This provision matrix is initially based on the Group's historical observed default rates, adjusted for forward-looking factors specific to the debtors and the economic environment, if any. Trade receivables are non-interest bearing and are generally on terms of 30 to 90 days. As the Group has trade receivables with term payments due within a relatively short time, the determination of forward looking economic scenarios may be less significant given that over the credit risk exposure period a significant change in economic conditions may be unlikely, and historical loss rates might be an appropriate basis for the estimate of expected future losses.

The methodology used by the Group to measuring expected credit losses for trade receivables could be described as follows:
- determine the period over which the observed historical loss rates are appropriate. The Group selected for this purpose the 5 previous period ending 31 December 2019, 30 September 2019, 30 June 2019, 31 March 2019 and 31 December 2018 for capturing data;
- collect data on trade receivables and group them by their past due status at each of the period under analysis;
- analyze the evolution of these balances after a period of 9 months and determine what amounts from each group outstanding is still unpaid in order to determine the proportion of balances in each past-due category that was ultimately not collected;
- determine the weighted average loss rate (%) per past due status for all the 5 periods under analysis;
- this rate will be applied to determine the impairment loss on gross trade receivables as at 31 December 2020.

Additionally, there are trade receivables from related parties for which the Group made an individual assessment. As there is no recent history of default, no impairment loss was recognized in respect of these receivables. These are presented separately in the provision matrix.

The following table details the risk profile of trade receivables based on the Group's provision matrix. As the Group's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished between the Group's different customer segments.

Trade receivables	31 December 2020		
	Balances	Impairment loss at	Expected loss rate (%)
Terms			
Current (not past due)	41,852	-2	0.01%
1-30 days past due	4,132	-14	0.34%
31-60 days past due	223	-3	1.42%
61-90 days past due	385	-29	7.45%
91-180 days past due	1,303	-6	0.45%
More than 180 days past due	3,387	-3,169	93.57%
Individually assessed receivables	3,329	-	0.00%
Total	**54,612**	**-3,223**	

in RON '000, except per share data

Trade receivables			31 December 2019
	Balances	Impairment loss at	Expected loss rate (%)
Terms			
Current (not past due)	62,214	-68	0.11%
1-30 days past due	8,008	-12	0.15%
31-60 days past due	2,361	-1	0.04%
61-90 days past due	412	-1	0.24%
91-180 days past due	25	-0	0.26%
More than 180 days past due	2,886	-2,750	95.28%
Individually assessed receivables	3,278	-	0.00%
Total	**79,184**	**-2,832**	

Financial instruments and cash deposits

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. Counterparty credit limits are reviewed by management on an annual basis, and may be updated throughout the year. The limits are set to minimise the concentration of risks and therefore mitigate the potential for financial loss through counterparty failure. No material exposure is considered to exist by virtue of the possible non performance by the counterparties in respect of financial instruments.

Liquidity risk management

The ultimate responsibility for liquidity risk management rests with the Board of Directors, which has set up an appropriate liquidity risk management framework for the Group and the Company's short-, medium- and long-term funding and liquidity requirements. The Group and the Company manage liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Included in Note 25 is a listing of additional undrawn facilities that the Borrowings has at its disposal to further reduce liquidity risk.

The following tables detail the Group's and the Company's remaining contractual maturity for its non-derivative 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 and the Company can be required to pay.

Alro Group	within 1 year	1 to 5 years	after 5 years	Total
31 December 2020				
Borrowings (principal and expected future interest payments)	157,845	915,839	-	**1,073,684**
Trade and other monetary payables	365,034	-	-	**365,034**
Total	**522,879**	**915,839**	**-**	**1,438,718**
31 December 2019				
Borrowings (principal and expected future interest payments)	931,802	414,691	-	**1,346,493**
Trade and other monetary payables	267,220	-	-	**267,220**
Total	**1,199,022**	**414,691**	**-**	**1,613,713**

Alro	within 1 year	1 to 5 years	after 5 years	Total
31 December 2020				
Borrowings (principal and expected future interest payments)	114,179	871,322	-	**985,501**
Trade and other monetary payables	370,707	-	-	**370,707**
Total	**484,886**	**871,322**	**-**	**1,356,208**
31 December 2019				
Borrowings (principal and expected future interest payments)	860,209	289,880	-	**1,150,089**
Trade and other monetary payables	193,236	-	-	**193,236**
Total	**1,053,445**	**289,880**	**-**	**1,343,325**

in RON '000, except per share data

Categories of financial instruments

	Alro Group		Alro	
	31 December 2020	31 December 2019	31 December 2020	31 December 2019
Financial assets				
At amortised cost				
Cash and bank balances	105,595	129,346	88,750	117,746
Receivables	168,114	133,567	175,570	97,245
Fair value through profit or loss (FVTPL)				
Designated as at FVTPL	14,782	11,761	14,715	8,962
Total financial assets	**288,491**	**274,674**	**279,035**	**223,953**

Financial assets mandatory at FVTPL represent trade receivables covered by factoring contracts that were not yet sold to the factor at the reporting date. These are used within the business' model to manage the financial assets with the objective of realising cashflows mainly through the sale of the assets, therefore they are classified as at fair value through profit or loss, and are subsequently measured at fair value. Their fair value measurement is classified within Level 2 of the fair value measurement hierarchy. Net gains and losses, if any, are recognised in profit or loss. Due to the very short term between their issuance and the settlement, their cost is a fair approximate of their fair value, and the gain or loss on disposal is nil.

	Alro Group		Alro	
	31 December 2020	31 December 2019	31 December 2020	31 December 2019
Financial liabilities				
Fair value through profit or loss (FVTPL)	-	-	-	-
Amortised cost:				
Trade and other payables	365,034	267,220	370,707	193,236
Non-current bank and other loans	851,997	380,432	808,970	261,520
Current bank and other loans	123,694	873,988	82,883	808,475
Total financial liabilities	**1,340,725**	**1,521,640**	**1,262,560**	**1,263,231**

There were no reclassifications between the categories of financial assets during 2020 and 2019.

Fair value of financial instruments

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

• The fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets is determined with reference to quoted market prices (includes listed redeemable notes, bills of exchange, debentures and perpetual notes).
• The fair value of other financial assets and financial liabilities (excluding derivative instruments) is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.
• The fair value of derivative instruments is calculated using quoted prices. Where such prices are not available, the fair value of financial instruments is determined by using valuation techniques. The Group and the Company use a variety of methods and makes assumptions that are based on market conditions existing at each reporting date. The fair value of forward foreign exchange contracts is determined using forward exchange rates provided by dealers at the reporting date. The fair value of LME forward or swap over-the-counter derivatives is determined using LME aluminium quotes for each settlement dates provided by dealers.

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

• Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
• Level 2 fair value measurements are those derived from valuation techniques containing inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
• Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Group and the Company do not have level 3 financial instruments.

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

The Management consider that the fair values of financial assets and financial liabilities recognised at amortised cost in the financial statements approximate their carrying amounts largely due to the short term maturities, low transaction costs of these instruments as of financial position date, and for the long-term borrowings due to the fact that they have variable interest and the bank margins are similar with those for the recently contracted bank loans.

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.

33. Commitments and contingencies

Commitments
Investment commitments

As at 31 December 2020, the Group’s and the Company's commitments pertaining to the investments for the year 2021 amounted to RON 44,894 thousand (31 December 2019: RON 42,873 thousand) at the Group level and to RON 37,727 thousand (31 December 2019: RON 19,116 thousand) at the Company level.

Raw material purchase contracts

As at 31 December 2020, the Group and the Company had contracts for purchases of raw materials, other consumables and utilities in amount of RON 1,135,583 thousand (31 December 2019: RON 957,574 thousand) for the Group and in amount of RON 1,468,360 thousand (31 December 2019: RON 1,243,619 thousand) for the Company.

Lease commitments — Group and Company as a lessor

The Parent Company has investment property consisting of an extruded aluminium production hall rented to one of its subsidiaries. The agreement is concluded up to the year 2027 and contains a clause of rent indexation with the inflation rate.

In 2019 the Group and the Company rented a building to one of their related parties and classified it as investment property, with the agreement being concluded until 2024.

Rental income recognized by the Group and the Company in 2020 was of RON 200 thousand (in 2019: RON 33 thousand) at Group level and RON 1,075 thousand at Company level (2019: RON 876 thousand).

in RON '000, except per share data

Future minimum lease payments receivable under non-cancellable leases of the Group and the Company as at 31 December 2020 are presented by maturities below:

	Alro Group		Alro	
	31 December 2020	31 December 2019	31 December 2020	31 December 2019
Within 1 year	201	197	1,099	1,072
1 to 5 years	570	757	4,393	4,482
After 5 years	-	-	2,058	3,046
Total	**771**	**954**	**7,550**	**8,600**

Contingencies

The Parent Company has a commitment concluded with the financing bank of one of its subsidiaries (Vimetco Extrusion) where it is mentioned, among others, that the Company should not, by its actions, cause circumstances in which the subsidiary might not be able to discharge its liabilities towards the financing bank. The Management does not expect that this commitment might materialize into cash outflows from the Company, as the conditions imposed by it are totally under the control of Alro.

Litigations

As at 31 December 2020 the Group was subject to a number of lawsuits resulting from the normal course of the business. Management believes that these actions will not have a significant impact on the financial performance and financial position of the Group.

The Group as a plaintif: in 2016, the Parent Company contested before the Court of Law a decision of the Competition Council that fined the Company by RON 21,239 thousand for an alleged vertical agreement on the energy market, which was firmly challenged by the Company, as well as several Romanian Energy Regulatory Authority ("ANRE") orders regarding the calculation of green certificate quota for the Company's energy consumptions in 2015 and regarding the quota settlement methodology. The disputes are ongoing before the competent Courts of Law. The appeal against the sanction decision issued by the Competition Council was rejected by the Primary Court - the Bucharest Court of Appeal. The Company will use legal remedies to defend its position in the case.

The Group as a defendant: in March 2020, the Parent Company of the Group was notified by the United States International Trade Commission that several companies in the United Stated filed a petition for the establishment of antidumping tariffs for certain aluminium products originating from 18 countries, including Romania, imported in United States between 2017 and 2019. The petition is filled by the US Aluminium Association and is concerning the aluminium sheets between 0.2 mm and 6.3 mm, made from common alloys (1xxx, 3xxx and 5xxx series).In case of the sheets of Romanian origin, produced by Alro S.A., the preliminary antidumping tariff, determined by the US Department of Commerce and applicable immediately, was of 83.94%. The tariffs which are the subject of the petition must be paid by the importers, not by the producers and they are not imposed retroactively. In March 2021, as a result of the firm position taken and additional arguments presented by the Company, the US Department of Commerce announced their position on the final calculation of the antidumping tariff by revising their initial position and reducing this tariff from 83.94% to 37.26%. For Alro Group, the potential loss would be the decrease of future sales to USA market, since the American importers are thus descouraged to continue buying from us. The Company continues to consider the petition as unfounded and intends to vigorously defend its position in front of the American authorities involved.

Taxation

The taxation systems in Romania and in the jurisdictions where the Group operates are undergoing continuous developments. Thus, they are 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 management considers that the tax liabilities included in these financial statements are adequate.

Starting September 2019, the Parent Company of the Group was subject to a fiscal audit by the National Agency for Fiscal Administration related to income tax and VAT transactions, for the period January 2013 - December 2014. Following this fiscal audit, which was completed in January 2021, the Company will recognize additional income tax liabilities of RON 154 thousand.

in RON '000, except per share data

At 31 December 2020, one of the Group subsidiaries was subject to fiscal audit from the National Agency for Fiscal Administration related to income tax and VAT transactions, regarding the period 2014 - 2018. At the date when these consolidated financial statements were approved, the fiscal inspection was not finalized. The Group's management cannot estimate a potential impact from this fiscal audit.

34. 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.

	Alro Group		Alro	
	2020	**2019**	**2020**	**2019**
Statutory audit expenses	968	1,069	672	741
Other assurance services	58	184	41	167
Total	**1,026**	**1,253**	**713**	**908**

35. Events after the reporting date

The Temporary Framework scheme for State aid in the form of guarantees on loans was published in the Official Gazette of Romania (the “EximBank Guarantees under the Covid-19 state aid scheme”) on 7 October 2020 and subsequently amended and completed on 16 December 2020. This scheme supports the Large Enterprises among others, in contracting new loans (investment or working capital) secured by a state guarantee covering maximum 90% of the facility amount for a period that may not exceed 4 years for working capital, and 6 years for investment loans, respectively. The Group has applied for the scheme to benefit from its advantages in contracting its future loans and is currently waiting for the approval from the relevant body authorities.

In January 2021, one of the Group subsidiaries signed the contract for the purchase of a new extrusion line. The project is aimed at increasing the production capacity, and the total implementation value is around EUR 10 million, which will be partly financed by a CAPEX bank loan. The new extrusion line is expected to be commissioned in September 2022.

In February 2021, the Group’s Parent Company was subject to an audit of the Customs General Directorate regarding the use of excisable energy products. In the beginning of March 2021, the audit ended without fiscal consequences.

In February 2021, a subsidiary of the Group signed a loan agreement with a commercial bank, which includes a revolving facility for working capital for a limit of USD 3,000 thousand, with the maturity in November 2021 and at the same time a non-cash facility of USD 3,000 thousand, with the maturity in November 2023. The maximum cumulative exposure reserved for the two facilities will not exceed at any time the amount of the loan, respectively USD 3,000 thousand.

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

Independent auditor's report

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Alro S.A.

Report on the Audit of the Consolidated and separate financial statements

Opinion

We have audited the consolidated and separate financial statements of Alro S.A (the Company) with official head office in Pitesti, 116 Street, Slatina, Olt county, Romania, identified by sole fiscal registration number RO 1515374, which comprise the consolidated and separate statements of financial position as at December 31, 2020, the consolidated and separate statements of profit or loss and other comprehensive income, the consolidated and separate statements of changes in shareholders' equity and the consolidated and separate statements of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated and separate financial statements give a true and fair view of the consolidated and separate financial position of the Company as at December 31, 2020 and of its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with the Order of the Minister of Public Finance no. 2844/2016, approving the accounting regulations compliant with the International Financial Reporting Standards, with all subsequent modifications and clarifications.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs), Regulation (EU) No. 537/2014 of the European Parliament and of the Council of 16 April 2014 ("Regulation (EU) No. 537/2014") and Law 162/2017 („Law 162/2017"). Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated and separate 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 consolidated and separate financial statements in Romania, including Regulation (EU) No. 537/2014 and Law 162/2017 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.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated and separate financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the "Auditor's responsibilities for the audit of the consolidated and separate 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 and separate 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 and separate financial statements.

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.

Description of each key audit matter and our procedures performed to address the matter

<table>
<tr><th>Key audit matter</th><th>How our audit addressed the key audit matter</th></tr>
<tr><td colspan="2">Impairment testing of goodwill in the consolidated financial statements and investments in subsidiaries in the separate financial statements

Alro Group’s disclosures about goodwill and investments in subsidiaries, including the related impairment, are included in Note 16 and Note 15 respectively.</td></tr>
<tr><td>Alro Group is required to test at least annually, and also when impairment indicators exist, the goodwill (carrying value of RON 88.9 million in the consolidated statement of financial position) for impairment. The goodwill impairment testing is performed at the level of two cash-generating units (CGUs) – Alro Group (in Romania) and Global Aluminium Ltd (in Sierra Leone). 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 Romania and Sierra Leone, given also the economic situation generated by the Covid-19 pandemic.

Investments in subsidiaries are also significant to our audit because of the magnitude of the balance sheet position as at 31 December 2020 (carrying value of RON 451.7 million RON in the separate statement of financial position, after impairment of RON 119.5 million).

The assessment of the recoverability of the carrying value of investments 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. An impairment assessment also involves consideration of various sources of information, including factors related to the economic environment and industry specific factors.

As at 31 December 2020, the Company has performed a triggering events analysis and an impairment assessment of the investments in subsidiaries which resulted in a net impairment reversal of RON 51,683 thousand comprised of: RON 52,861 thousand representing impairment reversal for investment in Alum and RON 1,178 thousand representing an additional impairment loss recognised for the investment in Conef.

In light of the judgements and estimates used by the management in the determination of future cash flow projections and uncertainties regarding current economic environment this is considered a key audit matter.</td><td>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 Alro Group for the impairment testing of goodwill and 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 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 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 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 Alro Group’s disclosures about impairment testing of goodwill and the Company’s disclosures about impairment of investments in subsidiaries.</td></tr>
</table>

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Impairment testing of property, plant and equipment in the consolidated financial statements and in the separate financial statements Alro Group’s disclosures about property, plant and equipment, including the related impairment, are included in Note 13	
The property, plant and equipment of Alro Group are significant to our audit because of the magnitude of the balance sheet position as at 31 December 2020 (of RON 1,089.2 million in the consolidated statement of financial position and of RON 790.9 million RON in the separate 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, increasing raw materials prices and high volatility of aluminium market (for Alro cash-generating unit), as well as evidence that the fair value of certain assets was lower than their carrying values (for Alum cash-generating unit), indicating that the respective cash-generating units may be impaired. Impairment tests of the property, plant and equipment of Alro cash-generating unit and Alum cash-generating unit have been performed which resulted in recoverable values of the property, plant and equipment from the two cash-generating units 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.	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 Alro 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 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 Alro Group’s disclosures about Impairment testing of property, plant and equipment.

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Other information

The other information comprises the Annual Report (which includes the Directors' Consolidated Report, the Report on Payments to Governments for mining activities and the Corporate Governance Statement), but does not include the consolidated and separate financial statements and our auditors’ report thereon. We obtained the Annual Report, prior to the date of our auditor’s report, and we expect to obtain the Corporate responsibility and sustainability report, as part of a separate report, after the date of our auditor’s report. Management is responsible for the other information.

Our audit opinion on the consolidated and separate financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated and separate 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 and separate financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed on the other information obtained prior to the date of the auditor’s report 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.

Responsibilities of Management and Those Charged with Governance for the Consolidated and separate financial statements

Management is responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with the Order of the Minister of Public Finance no. 2844/2016 approving the accounting regulations compliant with the International Financial Reporting Standards, with all subsequent modifications and clarifications, and for such internal control as management determines is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and separate financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor’s Responsibilities for the Audit of the Consolidated and Separate Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated and separate 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 and separate financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit

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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.

- 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.

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

- Conclude on the appropriateness of management's use of 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 consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- 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.

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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and we communicate to 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.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated and separate financial statements of the current period and are therefore the key audit matters.

Report on Other Legal and Regulatory Requirements

Reporting on Information Other than the Consolidated and separate financial statements and Our Auditors' Report Thereon

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' Consolidated Report and report that:

a) in the Directors' Consolidated Report we have not identified information which is not consistent, in all material respects, with the information presented in the accompanying consolidated and separate financial statements as at December 31, 2020;
b) the Directors' Consolidated Report identified above includes, in all material respects, the required information according to the provisions of the Ministry of Public Finance Order no. 2844/2016 approving the accounting regulations compliant with the International Financial Reporting Standards, with all subsequent modifications and

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clarifications, Annex 1 points 15 – 19 and 26-28;

c) based on our knowledge and understanding concerning the entity and its environment gained during our audit of the consolidated and separate financial statements as at December 31, 2020, we have not identified information included in the Directors' Consolidated Report that contains a material misstatement of fact.

Other requirements on content of auditor's report in compliance with Regulation (EU) No. 537/2014 of the European Parliament and of the Council

Appointment and Approval of Auditor

We were appointed as auditors of the Company by the General Meeting of Shareholders on 28 April 2020 to audit the consolidated and separate financial statements for the financial year ended December 31, 2020. Total uninterrupted engagement period, including previous renewals (extension of the period for which we were originally appointed) and reappointments as statutory auditor, has lasted for eight years covering the financial periods ended December 31, 2013 until December 31, 2020.

Consistency with Additional Report to the Audit Committee

Our audit opinion on the consolidated and separate financial statements expressed herein is consistent with the additional report to the Audit Committee of the Company, which we issued on 22 March 2021.

Provision of Non-audit Services

No prohibited non-audit services referred to in Article 5(1) of Regulation (EU) No. 537/2014 of the European Parliament and of the Council were provided by us to the Company and we remain independent from the Company in conducting the audit.

In addition to statutory audit services and other services as disclosed in the annual report and in the financial statements, no other services were provided by us to the Company, and its controlled undertakings.

On behalf of

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

Registered in the electronic Public Register under No. 77

Name of the Auditor/ Associate Partner: Ariadna Oslobeanu
Registered in the electronic Public Register under No. AF 2199

Bucharest, Romania
25 March 2021

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Statement of the Persons in Charge

Statement of the Persons in Charge

Pursuant to the legal stipulations of the Regulation no. 5/2019 issued by the Financial Supervisory Authority (FSA) for issuers and operations with securities, the management of the Group and of the Company states that:

1. We confirm to the best of our knowledge that the consolidated and separate financial statements of Alro and its subsidiaries, prepared in accordance with the applicable accounting standards give a true and fair view of the financial position, financial performance and cash flows of the Group and of the Company for the year ended 31 December 2020;

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

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

At the date of this report, the Board of Directors of the Parent-company consists of 11 members as follows:

1.	Marian-Daniel NASTASE	Chairman
2.	Svetlana PINZARI	Vice-President
3.	Gheorghe DOBRA	Member
4.	Pavel MACHITSKI	Member
5.	Aleksandr BARABANOV	Member
6.	Vasile IUGA	Member
7.	Marinel BURDUJA	Member
8.	Laurențiu CIOCIRLAN	Member
9.	Oana-Valentina TRUTA	Member
10.	Voicu CHETA	Member
11.	Pavel PRIYMAKOV	Member

The consolidated financial statements of Alro Group and its subsidiaries and the separate financial statements of Alro for the year ended 31 December 2020 are audited.

Chairman of the Board of Directors
Marian Daniel Nastase

CEO
Gheorghe Dobra

CFO
Genoveva Nastase

25 March 2021