2019 Annual Report

vimetco
alro

Contents

Financial and operational highlights for the year 2019

ALRO Group

Indicator	2019	2018
Primary aluminium production (tonnes)	280,326	282,810
Processed aluminium production (tonnes)	104,614	100,501
Alumina production (tonnes)	460,911	571,772
Bauxite production (tonnes)	1,883,863	1,938,461
Sales (thousand RON)	2,777,801	2,982,501
EBITDA[1] (thousand RON)	247,206	485,694
EBITDA margin (%)	9%	16%
Adjusted net result[2] (thousand RON)	(53,336)	249,078
Net result (thousand RON)	(67,237)	235,327

ALRO S.A.

Indicator	2019	2018
Primary aluminium production (tonnes)	280,326	282,810
Processed aluminium production (tonnes)	83,144	77,086
Primary aluminium sales (tonnes)	152,464	153,473
Processed aluminium sales (tonnes)	80,683	77,916
Sales (thousand RON)	2,492,611	2,598,735
EBITDA[1] (thousand RON)	57,433	354,740
EBITDA margin (%)	2%	14%
Adjusted net result[2] (thousand RON)	(110,822)	227,132
Net result (thousand RON)	(152,901)	225,957
Adjusted net earnings[2] per share (RON)	*(0.155)*	*0.318*
Net earnings per share (RON)	*(0.214)*	*0.317*

[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 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 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 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 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 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.

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 66.

Letter to shareholders

Marian NASTASE, Chairman

Gheorghe DOBRA, CEO

Dear readers and shareholders,

Confident and trustworthy. It won't be a surprise for anyone that we have chosen to start the letter to you, dear shareholders and friends of the company with these two words. We all know how challenging, unfavourable and unpredictable 2019 was in terms of prices, disputes, trade wars and political measures, which are now directly incorporated in our results and made us turn on losses after years of profits and dividends. This is why we want to summon your trust in us for the next period which announces to be at least as challenging, considering the recent developments concerning coronavirus which led to significant losses on the local and international stock exchanges, too.

Despite this, please keep in mind that 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 deployment of a wider solutions for renewables (aluminium frames for solar panels) and lighter, energy-friendly buildings. We are confident that 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, will reaffirm the importance of aluminium as vector of decarbonisation and one of the key elements to achieve both the 2030 and 2050 targets.

As additional arguments for you to continue investing in us your trust and keeping your faith for the next period, too, we summarized below some of our biggest achievements and on-going key and innovative projects running in 2019.

Good signs on the State aid scheme to compensate large energy-intensive consumers

At the end of December 2019, the Romanian Government committed to implementing a ***State aid scheme to compensate the companies significantly impacted by the EU-ETS Directive for a share of their indirect emission costs***. The State aid scheme is a transposition of the provisions resulting from the EU ETS Guidelines 2012/C 158/ 04. Such European support schemes have been in force since 2012 and already applied in 12 European states – Germany, France, Spain, Norway, Finland, Hungary, Greece, Latvia – states in which ALRO has strong competitors. The scheme offers a direct subsidy for the compensation of costs relating to greenhouse gas emissions passed on in the electricity price for the economic agents from various fields of activity, in order to preserve their competitiveness. The European Guidelines are defining also the list of industrial sectors which qualify for the direct subsidy as well as the formula of implementation, in the smallest details.

For ALRO, as well as for companies from other 15 Romanian industrial sectors and 8 subsectors these compensations have the role of counteracting the high energy price on the overall cost. Moreover, the source of funds for the actual compensation comes from ***the auctioning of the greenhouse gas emission certificates attributed freely by the European Union to Romania.*** Therefore, the scheme is supported directly from this mechanism implemented across the European Union and is not affecting the rest of the Romanian consumers.

AP12LE project – ALRO continues implementing innovative energy efficiency measures

In 2019, the AP12LE went on smoothly and the results obtained until now are in line with our expectations. This project represents one of the most notable results of ALRO Group's strategy to become a green factory, innovative and sustainable with near to zero emissions' and waste. ***AP12LE 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.*** The contract signed with Rio Tinto Aluminium Pechiney at the end of 2018 led in 2019 to have commissioned 25 electrolysis pots based on AP12LE technology (Aluminium Pechiney Low Energy). The company is committed to continuing this project in the following years until all the pots are relined according to the new technology and an important impact on the quantity of energy consumed is expected. ***According to the research studies done by the Rio Tinto Aluminium Pechiney after the implementation of this project, ALRO will be a top-four performer from an energy efficiency of the electrolysis area perspective within its European peers.***

ALRO continues to implement best corporate governance and investor relations practices

In the last two years, we committed to implementing the best corporate governance and investor relations practices within the group and especially in ALRO. And now, we come in front of you with several achievements in this area:

- During 2019 VEKTOR evaluation was done by the Romanian Investor Relations Association and the results were announced in January 2020, ***with ALRO being one of the Bucharest Stock Exchange top performers by receiving 9.5 points (out of 10)*** within this newly-market index which assesses the transparency communication with investors and other stakeholders of the Romanian listed companies;

- In 2019 we had in place an active and efficient ***Audit Committee*** that met in seven meetings and closely monitored and assessed the entire group's operations;

- We set-up a ***Remuneration and Nominations Committee*** which has already started to bring value-added and works intensively to align ALRO to a best practice in this area, as well;

- We extended the number of seats in the Board to 11 persons which is in line with our peers' practices and in this way we ensured ***we have on-board experts from various industries such as banking, law, consultancy out of which two independent members*** who will enhance our strengths, turn weaknesses into opportunities and challenge our view and strategy, in order to help us become stronger and overcoming these difficult times.

ALRO (BSE: ALR) enters the main index of the market, BET

The capital market recognized ALRO's sound development and strong long-term strategy by successfully closing the largest private placement of shares on the Bucharest Stock Exchange at the end of 2018 and starting from 18 March 2019, the Index Committee of the Bucharest Stock Exchange approved the inclusion of ALRO (code ALR) in BET, the main index of the market, and in BET-TR, the total return version of BET.

Circular economy project on-going at ALUM

Part of the Group's strategy to achieve a sustainable business status and to incorporate the ESG requirements from an early stage, ***in 2019 ALUM continued its strategic program of converting the red mud into a commercially viable product in other industries such as agriculture, construction etc.,*** but especially to be used in agriculture to neutralize acidic soils and increase crop's productivity. The research work for this project was initiated back in 2011 and since then several monitoring reports, research and laboratory tests have been carried out on the storage and use of red mud by prestigious research institutes in Romania, such as ICIM Bucharest (The Research Institute of the Ministry of Environment), ECOIND Bucharest, IMNR Bucharest, IPROCHIM SA Bucharest etc. Moreover, meetings with farmers and other interested parties in such a project were held, in order to collect and analyse the perception and feedback on this work. As of now, the project is on-going as planned and the results obtained are promising.

Implementation of an anti-crisis program including cost reductions and cash flow optimization measures

Facing adverse circumstances in the market, where LME showed a 15% decrease in 2019 compared to 2018, alumina market affected by excess output that led to downward selling prices, higher utility prices (energy and gas) in 2019 versus 2018 – with increased acquisition prices for 2020, an anti-crisis program containing cost reductions and cash flow optimization measures was implemented for H2 2019 and 2020. Some of the main measures taken were to: postpone the investments except the maintenance CAPEX and of those compulsory from an environmental and energy efficiency point of view; lowering the inventories level; minimising the scrap acquisitions in line with the flat-rolled products demand; reducing the raw materials level; limiting the aluminium electrolytic production by decreasing the energy intensity and delaying some capital repairs for the pots, collectively with a change in sales mix structure by raising the quantities of high value-added products.

All these above-stated measures helped us to limit our losses for 2019 to a level of RON 67 million for 2019 compared to a profit of RON 235 million in 2018. At ALRO's level, a loss of RON 153 million in 2019 was registered (2018: a profit of RON 226 million). We managed to have an EBITDA at Group's level of RON 247 million with an EBITDA margin of 9%, while at ALRO's level we reported an EBITDA of RON 57 million with an EBITDA margin of 2%.

Besides this, we continued to strongly rely on our strategy to increase the products mix in favour of flat-rolled products and we managed to report in 2019 increased levels in quantity terms (+ 3.6%) compared to 2018, higher plates by 5% (more than 2,200 tonnes) and coils by 13% (more than 1,970 tonnes). Moreover, we realised increased bauxite sales to third parties, +88% in quantitative terms in 2019 compared to 2018. At Vimetco Extrusion's level, our downstream subsidiary, we are happy to report that in 2019 discussions were initiated to enter into the aerospace industry and the results as of now are quite promising. Along with this, major steps were done by the company in increasing the very high added-value products by developing a new line of business – the welding products.

We want to end the 2019 letter to you, dear shareholders and friends of the company, in an optimistic tonality – ALRO is the single aluminium producer in Romania and one of the largest in Europe, by production capacity; we are one of the major contributors to the Romanian economy and we represent a key-industry at European level considering aluminium unique properties and its prospects to be intensively used in automotive, aerospace, construction and many other industries for achieving a greener and more environmental-friendly status – these are just a few reasons to entrust us with your confidence in the following months and years – we did a good job in the past and we aim to deliver a great one in the future!

Significant events in the financial year 2019

January - December 2019

ALRO Group: Market overview

LME evolution

- In 2019, LME continued its decreasing trend as showed at the end of 2018, leading to an average price for 2019 of 1,791 USD/tonne compared to the LME average price recorded for 2018 of 2,110 USD/tonne and 1,969 USD/tonne in 2017. In 2019 the highest LME value reported was of 1,923 USD/tonne on 20 March 2019 and a minimum of 1,697 USD/tonne was recorded on 2 October 2019, while the highest value for 2018 was of 2,603 USD/tonne on 19 April 2018 (with a minimum of 1,870 USD/tonne on 31 December 2018).

Market evolution

- 2019 continued the trend reflected by 2018 and the global market showed fragility being marked by uncertainties such as the risks of higher production output and state-subsidised excess capacity in China, both for primary and processed aluminium; the US Government aluminium tariffs and new policies for potential imposed barriers; Alunorte activity resuming; macro-economic uncertainty; climate change policies, Brexit updates etc. The slowdown in demand and the effect of the US-China trade war were mainly visible for Germany, the heart of Europe along with the sharp decline in the car industry which has been disrupted by new EU emissions rules and a shift towards the electric vehicle. Outside Germany, the picture remains decidedly combined with weaker demand amidst suppliers of parts and components to the German manufacturing industry weighed against good demand from the construction, truck and trailer, marine and can sheet industries. According to European suppliers, strong output across these markets continues to sustain demand levels across France, Spain, Italy and the Netherlands. However, the market attitude changed over the last two months of 2019 as a more positive macroeconomic data emerged out of China. Trade tensions seem to have eased as the US and China reached a “Phase I” agreement in late 2019. Additionally, in north China, air pollution signals had suspended downstream plants from time to time over the heating season, although these breaks were short and had no major impact.

  Moreover, in 2019, the aluminium industry was one of the principal players of the new global level regarding law and regulations, taxes, environmental protection, CO_2, green certificate prices and allocations. As a direct consequence, LME quotations decreased while the raw materials prices increased with a direct impact on the financial results of all major companies in the aluminium industry.

At national level, the main influencing factor on ALRO’s business in 2019 was represented by the high energy price significantly defined by the following facts:

- ◦ Romania cannot ensure sufficient power when regenerable sources do not produce adequate quantities in line with the demand and hence, our country shifts to a net importer of energy during those specific periods of time;
- ◦ boosted taxes on energy;
- ◦ the significant increase in CO_2 emission prices which lead to a significant increase of the energy price.

Romania’s energy market and indirect carbon costs

- During 2019, the energy supply in Romania also represented a challenge as approximately 40% of the national electricity consumption was covered by the supply from transactions on PZU leading to price distortions. The energy market is highly volatile and thus, the spot prices had reached very high levels during the past years and especially in 2019 which led to a direct negative impact on final consumers, in general, and on energy-intensive users, in particular. In addition to this, no compensation for indirect emission or a steady-state energy consumption profile to help National Energy Transport System was available in 2019 in Romania, as it is the case in countries that have active players in the aluminium industry. *For ALRO, this situation translated during the last years and including in 2019 in abnormally higher production costs, which negatively impacted the final results for 2019.*

The ETS Directive provides State aid for certain undertakings to compensate for increases in electricity prices resulting from the inclusion of the costs of greenhouse gas emissions due to the EU ETS, commonly referred to as *“indirect emission costs”* which further increased the price of electricity for large industrial consumers. Higher electricity prices mean bottom-end reduced competitiveness of the electricity-intensive industries in Romania operating in internationally traded goods markets, as compared with other countries that do not capture carbon costs within the same industries and are actively supported by the countries in which they activate. This could result in the relocation of production to countries without carbon constraints resulting not only in an overall increase in global emissions, so-called *“carbon leakage”*, but also of a loss of employment and economic activity in Romania.

To prevent carbon leakage, ETS indirect cost recovery schemes have been implemented in 12 EU Member States. A review of these schemes in selected countries shows they differ significantly by coverage as well as by ratio of cost recovery. Germany, for example, has the broadest system,

Significant events in the financial year 2019 (continued)

covering a wide group of industrial segments and companies, allowing for up to 85% recovery of the cost of carbon dioxide (CO_2). This may be contrasted with the UK system, which has a narrower coverage, in terms of eligible sectors and consumers, allowing consumers to recover a relatively smaller share of costs.

The EU legislation recommends granting State aid to companies in the sectors exposed to a significant risk of carbon leakage due to costs relating to ETS allowances passed on in the electricity price.

The sheer increase in the price of the GHG allowances from 5 EUR/allowance in 2017 to 29 EUR presently has a significant impact on the prices of industrial products and, consequently, on the competitiveness of the Romanian energy-intensive industry, thus causing a higher risk of relocation with the related social and economic negative effects. Moreover, the scope of climate policies could ironically be undermined by the closure of Romanian companies as production facilities could move to countries with softer carbon policies, thus "exporting" the EU emissions at the cost of less Romanian jobs and growth.

The lack of financial compensation of indirect carbon costs triggers a significant decrease in the competitiveness of the Romanian energy-intensive industries as they are players on a global market, facing double competition from companies benefitting from indirect carbon costs compensation schemes and from third-country companies not facing similar financial burden caused by climate policies. Thus, Romanian energy-intensive companies presently find themselves in a very difficult financial position as the legally allowed compensation of indirect carbon costs is not granted in Romania.

However, at the end of December 2019, the Romanian Government issued an Emergency Ordinance for amending GEO no.115/2011 through which the Romanian Government is committed to implementing a State aid scheme to compensate large energy-intensive undertakings for a share of their indirect emission costs resulting from the EU Emission Trading System ("ETS"), as passed through in electricity prices ("the Scheme") consistent with the EC ETS Guidelines (2012/C 158/04) on State aid policy and the ETS Directive (2003/87/EC).

December 2019

ALRO awarded for excellent investors communication

- Financial Intelligence, one of the main financial news platform on the Romanian market has organized on 11 December 2019 their annual Gala Awards Ceremony for recognising the greatest success stories of 2019. During this ceremony, ALRO received the award "Excellence in investors communication" as a recognition of the efforts done by the company in 2019 in this area.

OGSM and EGSM held on 13 December 2019

- During the OGSM and EGSM held on 13 December 2019 the following decisions were voted:
  - the appointment of Mr. Pavel Priymakov as director for a mandate valid until 25 April 2023;
  - the new structure of the Board of Directors following the appointment of the new members of the Board of Directors, as follows: Marian– Daniel Nastase - Chairman; Svetlana Pinzari – Vice-President; Gheorghe Dobra - Member; Pavel Machitski - Member; Aleksandr Barabanov - Member; Vasile Iuga - Member; Marinel Burduja - Member; Laurentiu Daniel Ciocirlan - Member; Oana-Valentina Truta - Member; Voicu Cheta - Member; Pavel Priymakov – Member.
  - the approval of 7 January 2020 as being the *registration date* and 6 January 2020 as being the *ex date*;

November 2019

Changes within the structure of the Board of Directors of ALRO

- On 6 November 2019, the Company received and registered the resignation of Mr. Serghei Gheorghe, from his position as member and Vice-president of the Board of Directors of ALRO S.A. Following this resignation on 8 November 2019, the Board of Directors appointed an interim member in the person of Mr. Pavel Priymakov. Also, Mrs. Svetlana Pinzari was appointed in the position of Vice-Chairman of the Board of Directors; during this meeting, the GSM was summoned, too, to elect a new member of the Board of Directors.

September 2019

ALRO participated to Krasnoyarsk International Congress and Exhibition "Non-ferrous metals and minerals"

- During 16 to 20 September, Krasnoyarsk (Russia) hosted the annual and 11th edition of the international Congress and Exhibition *"Non-ferrous metals and minerals*", which is one of the world's most popular platforms for exchange of ideas, experience and establishment of mutually beneficial and friendly relations between Russian and foreign companies, universities and Research&Development centers. The Congress and Exhibition was attended by more than 800 representatives of 227 companies and research centers from 34 countries.

Significant events in the financial year 2019 (continued)

ALRO participated to this event and presented two major papers, out of which one received also the award of the “Best report” as detailed below:

- Effects of Ti Addition into Core Alloy on Mechanical Properties and Corrosion Resistance of 4343/3003/4343 Aluminum Alloy Clad Sheets;
  This work was awarded with “Best report” – winner of the “Casting, deformation and recycling” section
- Influence of Rate of Heating to Aging Temperature on Mechanical Properties of 6082 Aluminum Alloy Plates.

August 2019

Set up of the Remuneration and Nominations Committee

- During the meeting of Board of Directors that took place on 12 August 2019, it was decided to set the Remuneration and Nominations Committee, a body subordinated to the Board of Directors. 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 have to be independent members and the Chairman of the Board has to be one of the members.

  At the end of December 2019, the composition of ALRO’s Remuneration and Nominations Committee is Marian-Daniel NASTASE (Chairman), Vasile IUGA (Member) and Marinel BURDUJA (Member).

June 2019

ALRO Group released its Sustainability Report for 2018

- Since 2017, ALRO Group has prepared and disclosed to the market a sustainability report for describing how the organisation has approached the environmental, social and governance aspects which have a meaningful impact over the economy, society and across the company's stakeholders.

  The report for 2018 emphasizes the results achieved by the business in 2018 with respect to the environment, health and safety, education and the company involvement in the local communities’ development. As stated in the past, one of the Group's principal objectives is to reach the *Green Factory, Next Generation Factory, Innovating and Sustainable* status with close to zero waste and emissions. Moreover, the group is actively connected into the life of the local communities and contributes to educative, social and cultural actions with the purpose to develop the overall wealth at a local and national level.

ALRO appoints a new Chairman of the Audit Committee

- In line with the Corporate Governance best practices and with the Bucharest Stock Exchange Code, ALRO has in place an Audit Committee which during the meeting that took place on 6 June 2019 decided to appoint Mr. Vasile Iuga (*Independent Non-Executive Member of the Board of Directors*) in the position of Chairman of the Audit Committee.

ALRO, one of the elite eight Romanian companies to be present at the International Paris Air Show, Le Bourget

- During 17-23 June 2019, under the Romanian flag, ALRO was present at the main event organized for the aerospace and aluminium industries, i.e. International Paris Air Show – Le Bourget 2019 toghether with other seven companies from the aerospace industries.

- Romania participated at the International Paris Air Show - Le Bourget since the 1960s and this participation is organized by the Ministry for the Business Environment, Commerce and Entrepreneurship through the Export Promotion Program, in collaboration with the Association of Romanian Aeronautical Companies (OPIAR).

New investment project started in Sierra Leone

- The Group’s subsidiary, SMHL completed in H2 2019 a bankable feasibility study (“BFS”) for the construction of an alumina tri-hydrate plant (“ATH plant”) with a startup capacity of 200,000 tonnes per annum within its mining lease – ML/2005 in Sierra Leone.

  In February 2019 a pre-feasibility study was achieved and approved by SMHL’s shareholders to carry out an onward bankable feasibility study by SMHL. The BFS work was entrusted to Guiyang Aluminium Magnesium Design and Research Institute (GAMI), China in November 2019. The study is expected to be completed by mid 2020, if all goes as per schedule. SMHL team was appointed to ensure the BFS work is carried out diligently and within the given agreed time frame.

  As a part of this bankable feasibility study, SMHL is carrying out a detailed 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. SMHL team also started other associated supplementary studies including preliminary hydrogeological, geotechnical, infrastructure, market and Rapid Environmental Social Impact Assessment (ESIA) to support the overall BFS for the ATH Project.

  The exploration campaign is expected to result in a rejuvenated enhanced bauxite mineral resources and ore reserves in the concession.

Significant events in the financial year 2019 (continued)

ALRO recycled more than 400,000 tonnes of aluminium scrap

- For ALRO, to create value by operating a sustainable and long-term business represents one of its fundamental purposes and, in line with this strategy, the company allocates a lot of resources for minimising its environmental footprint. Thus, the eco-recycling facility remains one of the main projects driven inside our company and in June 2019 a level of 400,000 tonnes of aluminium scrap recycled and re-melted was reached since 2013 when the eco-recycling facility was commissioned, out of which 187,000 tonnes in the eco-recycling facility and the rest in the cast house.

- ALRO plans to increase even more the activity of its eco-recycling facility to reach a total waste processing capacity of 100,000 metric tonnes per year.

ALRO makes further steps to implement Low Energy technologies

- In 2018, ALRO started at Slatina a project together with Rio Tinto Aluminium Pechiney (“RTA”) to implement a new low energy reduction pot design (“AP12LE”) that will allow the company to reduce the amount of electricity needed to produce aluminium while maintaining the current production. The AP12LE technology implementation is part of the Company’s long term programme for enhancing the energy efficiency of its technological processes.

  In May 2019 the first AP12LE successfully started and the first five pots AP12 Low Energy were put into operation. The AP12LE technology targets an energy consumption below 13 MWh/tonne from an average of 13.28 MWh/tonne while keeping current efficiency at its current level (more than 95.5%).

  The AP12LE pots design is based on the “Technology Brick" approach developed by RTA and uses new relining materials, new cathodes, metallic bar assemblies and slotted anodes. Modernization of the plant will be completed in stages, in line with the pot repair schedule and will not impact the aluminium production.

  At the end of 2019, 25 AP12LE pots were in operation and the programme will be continued in the following years until all the pots are relined according to the new technology.

ING Bank finance Vimetco Extrusion’s working capital

- In 2019, Vimetco Extrusion’s main objective was to optimize its processes and to lean its operations to better react to its customers’ requests. This was further translated in an overdraft facility amounting EUR 9 million from ING Bank, principally used to finance the working capital and secure a normal working flow after the payment terms reduction for raw materials.

May 2019

Vimetco Extrusion proudly sustains Barwell Motorsport team in achieving outstanding results

- Vimetco Extrusion is actively involved in supporting performance and continues to be one of the principal partners of the Barwell Motorsport team on their way of achieving outstanding results. Thus, on 14 May 2019, the defending Blancpain GT Series AM Cup champions Leonid Machitski, Adrian Amstutz and Miguel Ramos were back in action and finished an impressive 1st place at the end of the 3 hours’ endurance race at the historic venue and “Home of British Motorsport”, the famous Silverstone Circuit in the UK. Vimetco Extrusion backed #77 Lamborghini which scored as many points as possible in the first two races of the season. The Silverstone win became the fourth win in a row, which started after their triumphs in the 2018 Spa 24h.

  Vimetco Extrusion proudly sustains Barwell Motorsport team and wishes them great success in all future challenges.

ALRO reaches 10 million tonnes of electrolytic aluminium produced

- ALRO produced the first batch of Romanian aluminium back in 1965 and since that historical moment, on 18 May 2019, the Company reached an impressive level of 10 million tonnes of electrolytic aluminium produced. 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.

April 2019

ALRO re-confirms the Chairman and the Vice-President of the Board of Directors

Following a resolution of the Board of Directors meeting that took place on 25 April 2019, two new appointments took place, as follows: Mr. Marian Daniel Nastase was reconfirmed in the position of Chairman of the Board of Directors and Mr. Serghei Gheorghe was re-elected in the position of Vice-President of the Board of Directors.

ALRO’s Ordinary and Extraordinary General Shareholders Meetings took place

In accordance with the current legislation, ALRO organized the OGSM and EGSM in April 2019 during which several business and administrative items for ensuring a smooth running of the business in 2019 included in the agenda were approved, such as: the amendment of the Articles of Incorporation, updates regarding the Company’s working points, a new shareholders structure based on the latest transactions, Audit Committees’ new member appointment; approval of the new Audit Committee’s Term of Reference, new Board of Directors structure and composition (i.e. increase of the number of seats in the Board from 7 to 11, appointment of a new Board of Directors of 11 members for a mandate of four years, following the application of the cumulative voting method), approval of the new Regulation of organization and functioning of the Board of Directors, approval of the Annual Report for 2018 (including Directors' Report, Auditor's Report and consolidated and separate financial statements of ALRO for the financial year ended on 31 December 2018, the 2019 the Income and Expenditure Budget, 2019 Investment Plan and Activity Program, approval of the remuneration of the Board of Directors members and of the general limit of all the remunerations granted to the Board of Directors members with special functions and to the managers, for 2019, appointment of the auditor for financial year 2019.

ALUM held its Annual General Shareholders Meeting

- In accordance with the legislation requirements, ALUM held on 24 April 2019 the Ordinary General Meeting of Shareholders of Alum S.A. and the following items were approved among others: Directors' Report and Financial Auditor's Report for financial year 2018, the consolidated and separate financial statements of ALUM for financial year 2018, 2019 Budget and Investment Plan, Directors' remuneration for 2019, appointment of the auditor for financial year 2019.

March 2019

ALRO approves a new method for the Board of Directors members' selection

- On 22 March 2019, following *Mr. Adrian Manaicu's (Independent Non-Executive Member of the Board of Directors)* resignation from the Board of Directors of ALRO and in line with the current legal requirements, a new General Shareholders Meeting was summoned for the appointment of a new member within ALRO's Board of Directors. In addition to this resolution, at the request made by Vimetco N.V., the majority shareholder of ALRO, the election of the members of ALRO's Board of Directors at the next GSM shall be organized *using the cumulative vote method*.

ALRO announces the resignation of Board of Directors' and Audit Committee's members

- On 21 March, the Company announced that it had received and registered both the resignation of *Mr. Manaicu (Independent Non-Executive Member of the Board of Directors)*, from his position as member of the Board of Directors of ALRO, as well as the resignation of *Mr. Serghei Catrinescu*, from his position as member of the Audit Committee of ALRO.

  We thank to Mr. Manaicu for his valuable contribution in ALRO's Board of Directors and he remains in full connection with ALRO by having him as a member in the Company's Audit Committee.

ALRO (BSE: ALR) enters the main index of the market, BET

- The capital market recognized ALRO's sound development and strong long-term strategy by successfully closing the largest private placement of shares on the Bucharest Stock Exchange at the end of 2018 and starting from 18 March 2019, the Index Committee of the Bucharest Stock Exchange approved the inclusion of ALRO (code ALR) in BET, the main index of the market, and in BET-TR, the total return version of BET.

  The BET index will thus include 16 companies, which is the first time in the history of the local capital market, and it represents an unprecedented diversification of the sectors reflected by BET index.

  ALRO's shares have been listed on the Bucharest Stock Exchange since October 1997, and following this decision ALRO becomes the first company in the aluminium industry present in these two indices.

ALUM continues the investments for identifying solutions to convert the red mud into a commercially usable product

- On 6 March 2019, ALUM, the only producer of calcined alumina in Romania, announced that it allocated more than one million US dollars, in 2018 for safely storing the red mud derived from bauxite processing. ALUM continues its strategic program of converting the red mud into a commercially viable product in other industries, especially to be used in agriculture to neutralize acidic soils and increase crop's productivity. This is an example of the investments done by the company to act responsibly while implementing circular economy projects with the final aim to minimise the environmental footprint of its business.

  In 2019, ALUM invested in the modernization of the mud dump, while it continued the strategic program for identifying solutions and opportunities to use this secondary product in agriculture or in other industries and very good results in terms of soil fertilization were obtained. This annual program is implemented by the National Institute for Research and Development for Soil Science, Agro-Chemistry and Environmental Protection (ICPA Bucharest), and the experiments are carried out in agricultural research facilities located in Albota Pitesti, Arges which have an albic luvisol, that is a typical acid soil with moderate pH and inappropriate agrochemical properties from the perspective of intensive agriculture. Until now, different amounts of red mud have been used in combination with organic and chemical fertilizers in different experimental versions of the quantities used. Thus, usage of red mud on moderate acid soils increases the alkalinity of the soil, transforming naturally acidic soil in conventional alkaline soil, by increasing the content of its chemical properties.

  ALUM initiated the research work on the variable composition of the mud in 2011 intending to find new technologies to convert the red residue obtained from the processing of the bauxite, in a product commercially viable. In recent years, several monitorization, research and laboratory tests have been carried out on the storage and use of red mud by prestigious research institutes in Romania, such as ICIM Bucharest (The Research Institute of the Ministry of Environment), ECOIND Bucharest, IMNR Bucharest, IPROCHIM SA Bucharest etc.

ALRO participated to The Minerals, Metals & Materials Society, USA annual meeting

The Minerals, Metals & Materials Society ("TMS") Annual Meeting and Exhibition brings together more than 4,000 engineers, scientists, business leaders, and other professionals in the minerals, metals, and materials fields for a comprehensive, cross-disciplinary exchange of technical knowledge.

- During the period 10-14 March 2019, ALRO representatives and specialists participated to the 148th Annual Meeting and Exhibition TMS 2019 held in San Antonio, USA with the following presentations done on the research and development equipment financed through EU grants: :
  - Coupled Fluid Flow and Heat Transfer Analysis of Ageing Heat Furnace;
  - The Influence of the Distance Between the Plate and the Top Nozzles During the Soft Quenching Process of the 6061 Aluminum Alloy Plates;
  - The influence of quenching and stretching process conditions of aluminum alloy plates on residual stresses.

February 2019

The final decision in the litigation S.P.E.E.H. Hidroelectrica S.A. - ALRO S.A. was announced

- On the hearing dated 28 February 2019, the Court dismissed, as being ungrounded, the second appeal filed by the plaintiff S.P.E.E.H. Hidroelectrica against the civil action decision no. 1346/A of 26 September 2017 ruled by the Court of Appeal Bucharest Section V Civil Law in the case file no. 13264/3/2015 and *this decision is final*. Therefore, ALRO made a public announcement in this respect, as it was published on the Courts of Law web portal and on the High Court of Cassation and Justice of Romania website.

ALUM completed the project co-founded by the European Fund for Regional Development

- ALUM implemented the project "Endowment of Alum's Research and Development Department with independent reliable research installations to support the increase in economic competitiveness and business development", co-funded by EU grants within the European Regional Development Fund through the Competitiveness Operational Programme 2014-2020: „Investment in Sustainable Development".
- The project started on 8 September 2016 and the principal objective of the project was the improvement of the research, development and innovation capacity, in order to increase the level of innovation and market competitiveness of the company by purchasing and putting into use research and development equipment. The implementation period of this project was of 24 months; the total value of the project amounted to RON 20 million, out of which, more than RON 6 million represented non-refundable funds.

January 2019

ALRO completed the project co-funded by the European Fund for Regional Development

- ALRO completed the project "Investments for the Research Development Department of ALRO aiming at developing the research/ innovation infrastructure for the aluminium alloy heat treated plates with high qualification industrial applications", co-funded by EU grants within the Research and Development Programme ("Project co-funded by the European Fund for Regional Development through the Competitiveness Operational Programme 2014-2020").

The project began on 5 September 2016 with a deadline set at the beginning of March 2019. The project's principal objective was to enhance the research, advancement and innovation capacity within the Company with the purpose to increase the business competitiveness, to enhance the research and development infrastructure, to develop new products while growing the Company's scientific capacity in intelligent specialization areas.

The project involved the purchase of heat treatment and stretching research equipment amounting to approximately RON 115 million, out of which approximately RON 35 million represented non-refundable grants. The equipment purchased under this project was commissioned in 2019 and is expected to provide ALRO advanced means of research in the field of plates designed for highly specialized industrial applications, thus expanding the Company's know-how and ability to manufacture highly specialized products which may generate benefits for the Company and further increase ALRO's competitiveness on the market.

General information

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 - 1,670,243,176[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 2019 - the last day of 2019 when ALRO's shares were traded (713,779,135 shares * RON 2.34 / 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 in accordance with 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.

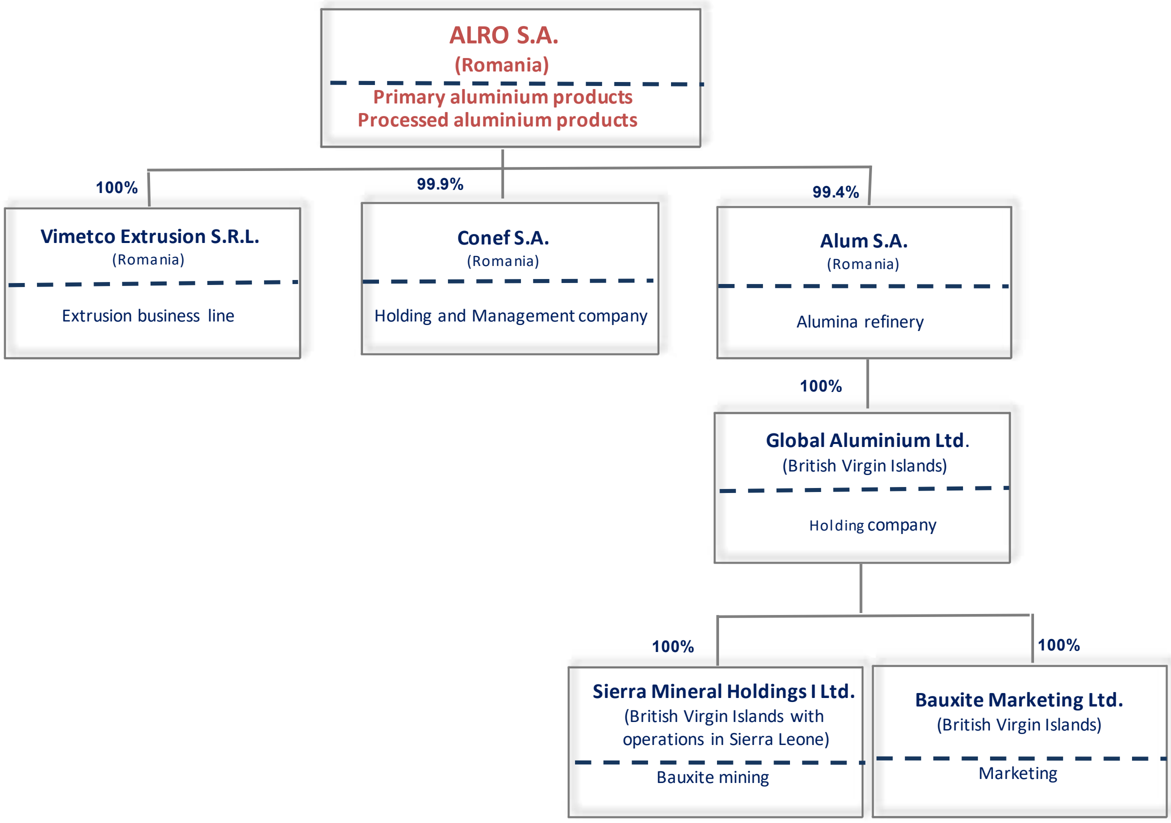
ALRO is part of an integrated Group that produces aluminium, which covers the entire technological process, from bauxite mining to obtaining processed products. The Company was registered under the trade name "ALRO S.A." and has been listed on the Bucharest Stock Exchange since 16 October 1997. The Company's 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. Currently, BET index includes 16 companies, which is a first time in the history of the local capital market and it represents an unprecedented diversification of the sectors reflected by the index. Following this decision ALRO became the first company in the aluminium industry present in the two indices.

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.

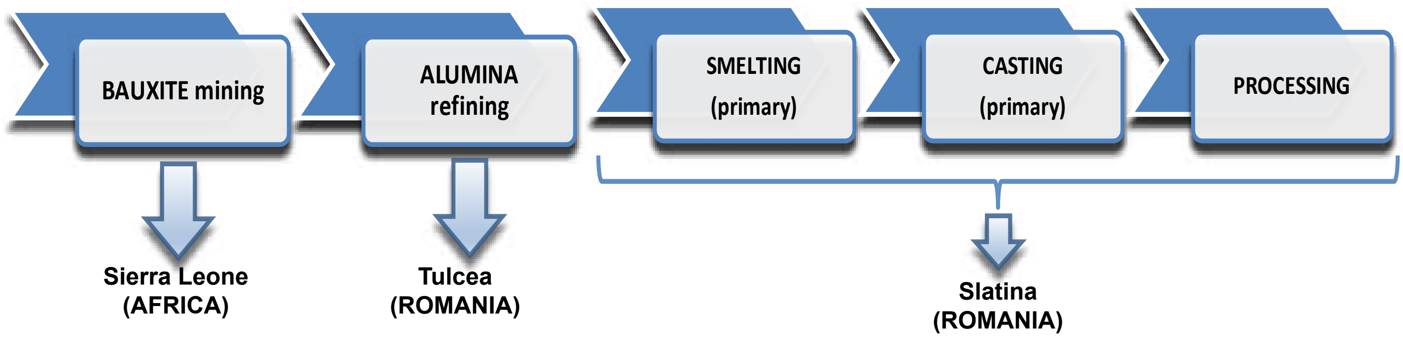


The Group is vertically-integrated, its operations being organized, for management purposes, in four segments: **Bauxite, Alumina, Primary Aluminium** and **Processed Aluminium**. In this way, the resources are efficiently allocated and the segments performance is properly evaluated being the basis on 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 sheets, plates and coils, 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 2019
Sierra Leone	Bauxite washing and drying	125,000 tonnes per month for the washing facility of the main Wash Plant Wash Plant 1 (extension of main wash plant): 35,000 tonnes per month Wash Plant 2 (extension of main wash plant): 17,000 tonnes per month 60,000 tonnes per month for the drying facility and 40,000 tonnes per month for the dry crushing facilities* *no planned dry crushing operations for 2020
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 325,000 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

This is a free translation from the official Romanian version

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 potroom the same quantities produced 20 years ago in ten potrooms. The Eco-recycling facility has a capacity of 35,000 tonnes of recycled solid aluminium and the Cast-House has a capacity of 325,000 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, OHSAS 18001, 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;
- homogeneous aluminium and AlMgSi billets;
- aluminium and aluminium alloyed slabs;
- aluminium and aluminium alloyed plates (heat treated and not heat treated);
- aluminium and aluminium alloyed sheets and coils;
- aluminium alloyed cladded sheets and coils.

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

The main market for the aluminium produced by the Group is represented by the European Union (including Romania), but the Group also sells its FRPs in Turkey, North and South America and Asia. The global aluminium market has been lately characterised by significant consolidation in the last decade and competition is mainly driven by sale price and product quality. The Group's main competitors on the international aluminium market are Amag, Constellium, Arconic, Kaiser, Impol, Aleris, Hulamin, Kumz, Egyptalum and several Chinese producers for FRPs, and Trimet, Hydro Aluminium, Alcoa, Rusal, Dubal, Alba and Egyptalum for its primary aluminium product like aluminium wire rod and billets. In addition to global competitors, the Group competes with Slovalco-Hydro Aluminium, ADG, Talum and Aluminij Mostar in Central, as well as Southern and Eastern Europe and with KUMZ (Russia) and Arconic (worldwide).

In 2019 the aluminium demand continued its growth trend globally. Nevertheless, especially starting the second quarter 2019 it was negatively influenced by:

- *The general economic slowdown* in Europe with a negative impact on the equipment and machinery sector;
- *The auto industry started to weaken* in China but also in Europe, with Germany one of the main concerns;
- *A strong slowdown of the semiconductor market* in Asia and to a certain extent also in USA;
- *Turkey continued to pass through economical turbulences*, high inflation, devaluation of local currencies, political conflicts with EU and USA resulting in reduced economic activity;
- *Overall increasing political and world trade conflictual situation* between USA, China, EU, UK (Brexit), Turkey, Iran, North Korea.

Important aluminium metal flows shifted between key markets areas following US antidumping measurements for Chinese common aluminium alloys. In addition, most of US imports from China practically had stopped. As a direct consequence, the Chinese aluminium exports to Europe increased strongly which further led to much lower premiums in Europe in 2019 compared to 2018, not only for common alloys 5xxx alloy but also for plates 2xxx, 6xxx, 7xxx alloys. During the first four months of 2019, the Chinese exports to Europe nearly doubled compared to the same period of 2018 and continued this trend throughout 2019. The final lifting of US sanctions against Rusal in the first quarter of 2019 brought back more aluminium into the market on one side but put premiums under pressure like for aluminium billets on the other side.

Although worldwide primary aluminium metal deficit might still exist – depending mostly on Chinese usage of its aluminium smelter capacities - as well as low official aluminium inventories, LME downward trend did not stop in 2019 and this displays the uncertainty that still exists in the markets. LME cash seller of around 1,860 USD/tonne at the beginning of 2019 with a peak on 20 March at 1,923 USD/tonne went finally down to 1.800 USD/tonne on 31 December 2019.

In 2019 challenging climate, ALRO continued to successfully implement its sales growth strategy by:

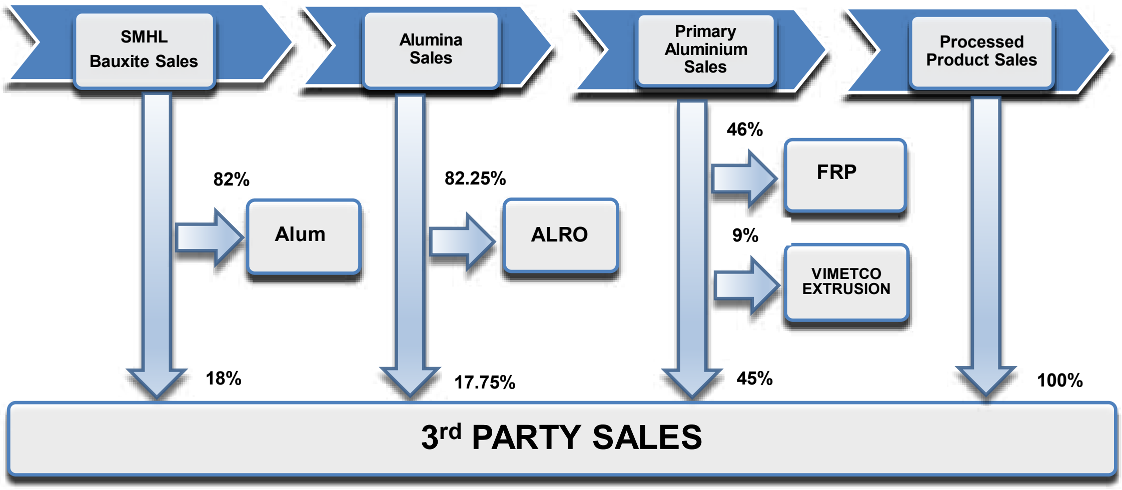
- strengthening its position for aluminium wire rod as a leading producer in Europe and enlarging its clients' portfolio;
- expanding its total sales for aluminium flat-rolled products (FRP) in 2019 compared to 2018;
- concentrating on high added value products (HAVPs) and very high added value products (VHAVPs);
- consolidating its position in sheets and coils even though due to the modernization of one of the cold mills only a limited product range in the first six months 2019 was available to assist the clients;
- development of ALRO's plates sales for the aerospace industry which still shows a positive outlook and solid growth potential. The participation of ALRO at "Le Bourget Airshow" in June 2019 was a success by opening further development

prospects with key customers and shows ALRO growth ambitions in this important market segment;
- developing the market position for heat-treated plates on the US market;
- limiting the loss of quantities on the heat exchanger market that is undergoing due to the weakness of the automotive industry.

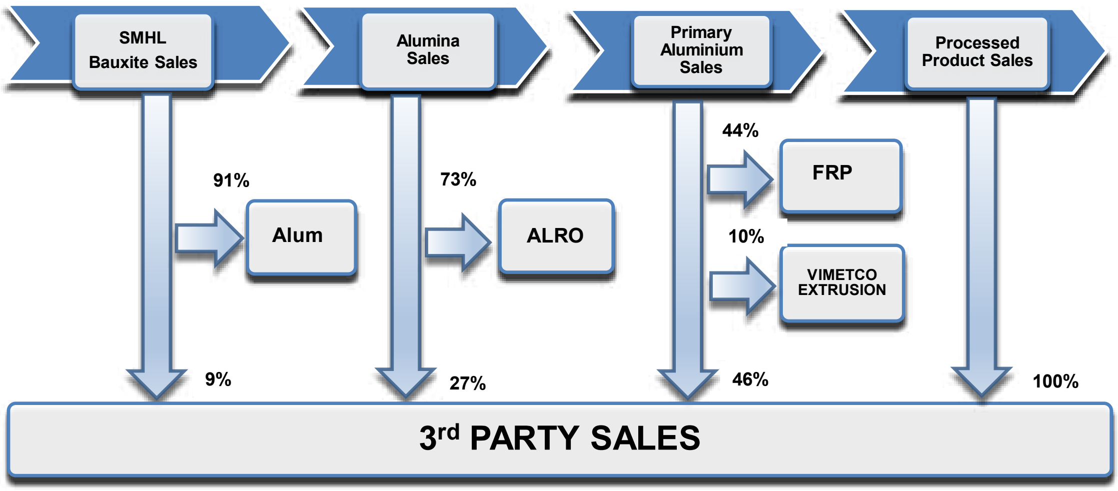
ALRO Group has a strong presence in many industry sectors of the international markets and its expertise and increased focus on flat rolled and extruded HVAPs enables it to meet specialized technical and production standards demanded by certain customers. It also increasingly targets sophisticated industries such as the aeronautic, automotive, marine and construction industries with products the Group considers to be VHVAPs and for which it is able to negotiate higher premiums. The Group has an increasingly diverse customer base. In 2019, the Group sold the majority of its primary products to end-users, and the majority of its processed aluminium products to service centres and distributors. In the same period, the Group's primary products, FRPs and extruded products measured by revenues were exported, predominantly within Europe.

In respect of 3rd party sales, details for 2019 and 2018 are presented below:

2019 (tonnes)



2018 (tonnes)



Although there were some political clarifications in the end of 2019 like for UK Brexit schedule, the overall market situation in 2020 remains challenging for the aluminum industry, which nevertheless should continue its success story of overall yearly increasing demand.

In 2020 ALRO will focus further on developing its sales strategy mainly targeting the aluminium flat-rolled products and aluminium wire rod, while penetrating new markets with its latest developed products as detailed in the following chapter.

Production

In 2019, within the Production Divisions, as a response to the adverse economic environment for the overall aluminium industry reflected by a steady slide of the aluminium price and rising requirements on the carbon footprint on the environment, corroborated with an increase in the utilities price, the Company focussed its capital on the main strategic goals, namely reducing ALRO's energy dependence, extending ALRO's clients portfolio, improving the efficiency and reliability of existing crucial equipment and increasing production safety with the final aim to increase ALRO's competitiveness on the market and grow its market share.

Long-term profitable growth and sustainability are key elements of ALRO's commitment to its shareholders. Based on this, one of the most important targets for the group is to reduce the specific energy consumption in all its sectors aiming to reach and even outclass some of the best peers in terms of energy consumption.

RTA project – status update as of 31 December 2019

As part of its strategy for improving the 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 and started the implementation of the Low Energy Lining technology. Thus, in 2019, 25 pots were relined according to this technology. The target of this project, in particular, is to reduce the pot consumption by approximately 300 kWh/tonne of aluminium (together with the use of slotted anodes for the pot relining), while maintaining the current smelter pots production.

The process consists in replacing, during the pot overhaul of the existing lining design by a new design of the cathode bars and achieving an optimized set-up of the other cathode materials, which generates a lower power consumption. The construction of the first AP12LE posts relined according to the RTA technology started in May 2019, the pots being relined using advanced materials and the latest technology for cathode assembly installation. Up to date, 25 pots have been commissioned and started-up and the programme is planned to be performed over a period of seven to eight years until all the pots for repairs are relined based on the new technology.

The performance of the pots relined and started up based on AP12LE technology is currently under assessment in order to check the compliance of the performance parameters with the provisions set in the contract concluded with RTA.

Investments in research&development co-funded by EU

In the Processing Division, a major achievement of the Company in 2019 is the commissioning of the investment project “Investments in the R&D Department of ALRO aiming at improving the research infrastructure for the aluminium alloy heat treated plates with high qualification industrial applications”, which ALRO has implemented with EU funds under the Competitiveness Operational Programme - Research, Technological Development and Innovation (RDI) to Support Economic Competitiveness and Business Development.
The project was designed to offer improved research equipment/ infrastructure so that the Company can increase its knowledge-based capacity for manufacturing products demanded in highly specialised areas – automotive industry, aircraft industry and thus to extend its clients portfolio while maintaining the existing customers and sales volume for the highly profitable primary products, accelerating the development of new products and optimising the existing ones.

The project, consisting of three highly specialised pieces of equipment for plate processing, namely equipment for the research of the aluminium alloy plates quenching, equipment for the research of residual stress removal process for plates of less than 20mm thickness and equipment for the research of the aluminium alloy plates aging process, was implemented over a period of 3 years and ALRO received a total EU grant of RON 35 million, representing 50% of the total eligible costs of the project.

All this equipment, developed with advanced technologies and customised for ALRO requirements, was commissioned in the beginning of 2019 and will provide ALRO the research infrastructure necessary to grow the know-how and expertise for developing HVA heat treated products for highly specialised applications in the aerospace and automotive industries.

Expanding the product range

Another milestone achieved in 2019 was the expanding of the new product range as several new product developments were finalized. All these products are either VHVAP, either products that allows ALRO to use supplementary resources. Main products with VHVA are:

- Hard alloy heat-treated plates in alloy 2219, temper T851, thickness range 15 to 100 mm. *This is a typical product for aerospace (plane engines) with very few producers on the market;*
- Hard alloy heat-treated plates in alloy 7050 for qualification with a major aerospace OEM were produced in a thickness range between 50 and 100 mm. All the tests, including fracture toughness, were successful. *In 2020 a new qualification batch will be produced for cross-checking and stabilization of technology;*
- A prequalification program for hard alloy heat-treated plates in alloy 2024 according to the technical specification of one of the major OEM in the aerospace industry is running. *The slabs were cast and hot-rolled, now these are in finishing the stage in Processing Division;*
- Sheets and coils hard alloy in 5083 H3xx. These products are mainly used for automotive and we already qualify a product for fuel tank with a very well-known OEM. *These products were developed using the cold rolling mill #2;*
- Low gauge hard alloy heat-treated plates in alloy 2xxx and 7xxx with thickness down to 10 mm. In the past the power gauge possible to be produces was 15 mm. *These products were developed using new research facilities in the R&D Department;*
- New product that allows ALRO to use available supplementary resources on the market are sheets and coils in alloy 4017. *This alloy was specially developed for* ***intensive use of recycled scrap****.*

In 2019, 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 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.

Thanks to the investments implemented in the research and development department in particular, i.e. "*Investments in the R&D Department of ALRO aiming at improving the research infrastructure for the aluminium alloy heat treated plates with high qualification industrial applications"*, ALRO will be able to increase its capability to develop new manufacturing technologies materialised in products with higher value added and higher premium, in particular the production of heat-treated plates, sheets and cladded products, in order to diversify its product range and meet the most demanding quality requirements of its customers in sophisticated industries.

Therefore, in 2019 compared with 2018, the flat-rolled products output was higher by 8% as the Company's main focus remained to increase the percentage of the HVAPs and VHAPs in the production mix. For example, the number of plates produced for the aerospace industry was higher by 61% compared with 2018. As in the past, all the production efforts within the FRPs Division were directed to improve the overall efficiency, this being a measured part of the commitment to satisfy ALRO's customers' requirements with the aim to increase the Company's presence in the aerospace and automotive industries.

The main achievement of 2019 included the digitalization process initiated within the entire factory as part of ALRO's plan to become a next-generation factory, factory of the future, is represented by the implementation of the advanced production planning system developed with Quintiq. Currently, this new digital application is running in FRP area and Cast House. The principal goals of this project are to increase delivery performance and better serve customers by reducing and optimizing inventory, increasing throughput and optimizing waiting time sequences, with the final objective to increase the overall business profitability.

In 2019, the FRP Division continued and/ or finalized several major projects for its production facilities. In this respect it is worth mentioning that, after an intensive testing of the cold rolling mill which was subject to a major revamping process, in May 2019, the revamped cold rolling mill no. 2 started to produce good material. Because of its complexity, the mill still requires some fine-tuning which will be continued in 2020 so that the equipment reach the best performance in terms of productivity and quality, and, it is expected that after this equipment is fully-running, the production will increase while our learning curve grows in the sense of our gaining experience and new skills with this revamped equipment. The cold rolling mill no. 2 represents a major equipment for the Processed Aluminium Division and has been subject to an intensive upgrading process, and as a result, ALRO will be able to cover the technical and quality requirements and a much wider range of cold-rolled products, which will allow the Company to consolidate its position on the dedicated market.

Moreover, TPM ("Total productive maintenance") was fully implemented within the entire factory. In this way, ALRO will be able to reduce the accidental shutdowns and increase the OEE (i.e. "Overall equipment effectiveness") of all the company's machines.

Besides these, the grinding machine for working rolls cylinders has also been revamped. The modernization was done in 2019 and the main improvements implemented were: a new filtering system and lubrication system were installed, a mechanical recondition of equipment was performed and the automation and HMI (i.e. "Human-machine interface") processes were changed and improved.

In the Primary Aluminium Division, in 2019 ALRO completed a significant investment project consisting in the installation of two new slab homogenizing furnaces, of +/- 5˚C temperature uniformity, and related cooling chamber, and the three machines were successfully commissioned and put into production. Thanks to the new homogenising capacity, ALRO will benefit from the increase of homogenised slab production capacity up to 48,000 tpa, which will support the Company in the strategic goal to produce 120,000 tonnes of flat-rolled products.

In 2019, ALRO also completed and commissioned the upgrading of G18 furnace combustion system, which is part of a larger energy efficiency programme aimed at improving the current technological process in the Primary Aluminium Division Cast House. The project is one of the energy efficiency actions ALRO committed to implement, which leads to decreased methane gas consumption rates, with combustion fumes CO and NOx decreasing implicitly and to an improvement of the technological process efficiency in the Cast House by increasing the scrap re-melting rate.

A revamping and repair program of the existing facilities has been carried out in 2019 for ensuring a proper functioning of all the essential components of the rolling mills and the proper quality of the rolled products, providing ALRO the equipment capacity for the FRP increase and also maintaining in operation production machines, safety taking high priority in all the investment decisions.

In 2019, the average number of pots in operation *was 614 and efficiency of over 95% was achieved, while the specific consumption in D.C. was 13,254 KWh /tonne of aluminium which is less by 22 KWh/tonne of aluminium compared to 2018.* These results are in line with the Company strategy to further lean its operations within the electrolysis sections for achieving even more reduced energy consumption rates.

The project is part of a higher objective of the Group which involves the reduction of the Group's energy consumption rates, integrated into the implementation of a new aluminium plant concept based on research and development, a high degree of digitalization and automation, eco-friendly technologies, close to zero emissions and close to zero waste.

Another project envisaging the same objective is the increase of scrap recycling, given that aluminium recycling requires only approximately 5% of the energy required to produce primary aluminium. In this respect, the Group intends to increase the processing capacity of the eco-recycling facility in stages to reach a total waste processing capacity of 100,000 metric tonnes per year. Through this new facility, the Group will be able to provide molten aluminium from alternative sources, partially replacing the aluminium produced by electrolysis.

In the refinery facility, the Group has completed the implementation of new technologies for the research and production of dry aluminium hydroxide, 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.

The Group is continuing 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. Furthermore, ongoing improvement of product quality and range of products are done and the audits performed up to now in 2019, had, as a result, the approval and renewal of all the certifications in place.

Following the resolution of the OGSM that took place in April 2019, ALRO allocated more than USD 35 million for 2019 ALRO's Investment Plan, for Primary and Processed Aluminium Divisions. Part of the approved investment budget was directed towards completing investment projects started during the previous years, including the completion of the actions taken to improve the energy efficiency of the existing equipment and process and providing the equipment and maintenance activities necessary to ensure the operating conditions and safe production process continuity. The approved investment budget also included projects aiming at continuing the FRP production development up to 120,000 tpa, as per ALRO's strategy, by providing the metal processing facilities, namely the revamping of the Hot Rolling Mill, at increasing the scrap recycling rate and also at observing the latest emission BAT requirements in terms of environment protection.

Although the year 2019 was a very difficult one with severe economic slowdowns in certain areas accompanied by rising production prices caused mainly by energy and emission certificates requirements, ALRO had to re-shape the list of its priorities in terms of investments; however, the Company remained committed to its business goals, addressing and overcoming the challenges, managing to successfully invest a roughly amount of 15 mill USD and secured the operations of the Company while continuing to grow the HVAPs section.

Energy efficiency

- *Achievements and/or major events during FY 2019*

One of the Company's main medium and long term goals is represented by the optimization of energy and utility consumption rates; consequently, ALRO has made continuous investments for the fulfilment of these objectives.

Energy consumptions are constantly monitored in order to optimize production processes and increase energy efficiency. Therefore, throughout 2019 the connection to the remote metering system of the SNTGN Transgaz Natural Gas Transmission Operator was completed. The aim of this project was the on-line monitoring of natural gas consumption rates directly from the settlement meters, hence providing a better natural gas consumption forecast in order to reduce daily variations.

- *Investments done/ new projects planned for increasing energy efficiency*

In 2019, in addition to the investment project implemented in 2018 on the Cast House furnaces G15 and G16 where stirring equipment was installed, resulting in an improvement of the metal stirring process and increase of the melting rate, and it was also completed the implementation of the final part of the G17 and G18 melting furnaces upgrading through the installation of new combustion systems, the objective of this project being to increase the melting process efficiency by using highly efficient burners. These led to a reduction of the methane gas consumption, combustion fumes CO and NOx decreasing implicitly but also to increase the scrap remelting rate, thus becoming possible to recirculate the technological scrap generated as a result of the FRP finished products increase under maximum efficiency conditions.

Research and Development (R&D)

In the last years, Research and Development continued to be an important activity for growth, as well for evolving the performance of ALRO's 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 in order 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;
- the development of the new products.

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 own thermal treatment section, equipment acquired through the European financing project, the technologies for the production of thin heat-treated sheets;
- developing within its own metallographic analysis laboratory, new analyses in accordance with the quality requirement of customers from aerospace and automotive industries.

Among the programs that were successfully performed in 2019 we might mention:

- New aluminum alloy development, slab from 7xxx series

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

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

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

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

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

Procurement and Logistics ("PLD")

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

Considering the macroeconomic unfavorable circumstances for aluminium industry in 2019, PLD main objectives were:

- *Efficient sourcing of main raw materials*: timely acquisition process with the lowest costs in terms of prices, logistics and payment terms; to attain all these, key performance indicators (KPI) were used to measure the current performance with previous years, market and budget, optimization of the entire PLD process and finally to evaluate the result;

- *Cost reduction by:*

    - *Reducing raw materials acquisition prices* - the expenditures with main raw materials expenditure in 2019 were reduced by approximately 14% compared to 2018, our expectation for 2020 is to further decrease the acquisition prices;

    - *Aluminium Scrap acquisition* - lower acquisition prices (both as % of LME and in US dollars/mt) and increased quantities aquired in 2019 compared to 2018. Aluminium scrap project contributes to ALRO's energy efficiency strategy;

- *Improved inventory management and measurement indicators for evaluation* - planning and scheduling to avoid stock-outs or overstock and where possible dual and/or multiple sourcing to improve supply assurance;

- *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;

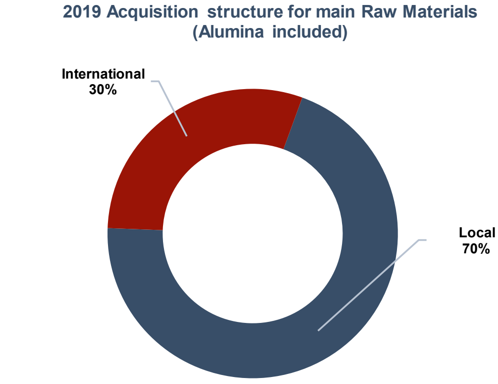
- *Support the Group's strategy in social responsibility, environmental protection and continuous development through contracting of related Investment projects*;

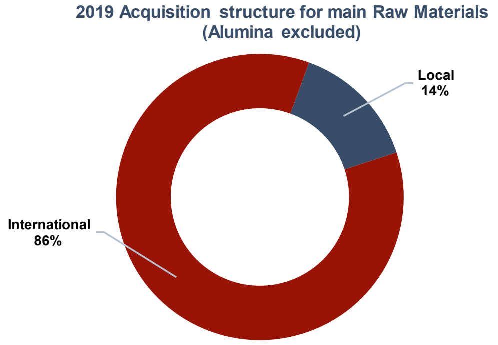
- *Alignment to one of the group's objectives* - the digital transformation:

    - moving from paperwork to electronic documents/ approvals of the transactions;
    - e-tenders for the acquisition of goods and services wherever possible;
    - GPS monitoring and control of the fleet and warehousing and cost reduction.

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 2019, please see the graphs below:



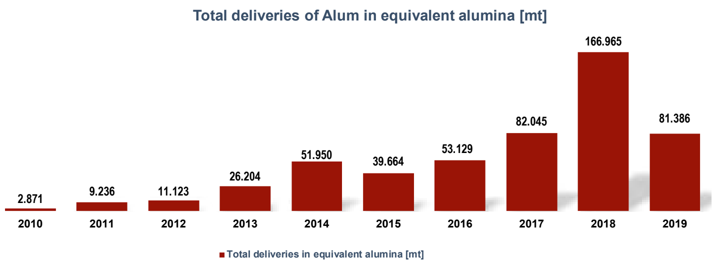


PLD also manages Alum's alumina and hydrate sales. Therefore, one of our main objectives is to increase Group profitability and cash flow by reducing raw materials acquisition prices and logistics costs and increase sales to third parties.

Alumina prices in 2019, according to benchmark indexes, decreased by about 30% compared to 2018 on an oversupplied market and declining aluminium quotations.

As alumina price around the world is mainly linked to Platts, CRU & Metal Bulletin indexes and Alum sales are oriented to foreign market (in proportion of around 18%), increase of sales was a tough task in 2019.

However, PLD managed in 2019 to conclude sale contracts of 33,356 mt alumina and 77,328 mt aluminium hydrate (meaning 81,386 mt in equivalent alumina) with 35 clients in 16 countries, for both metallurgical and non-metallurgical applications.

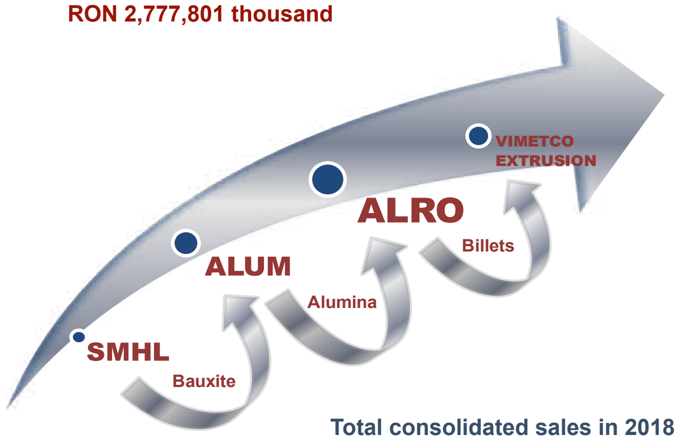


ALRO Group - figures

Financial and economic review

The Group's consolidated sales in 2019 were of RON 2,777,801 thousand, a slight decrease compared to the level reported in the similar period of 2018 (respectively RON 2,982,501 thousand), mainly due to the unfavourable international and national market conditions (i.e. decreased LME prices and higher electricity costs) that affected all players in the aluminium industry throughout 2019. ALRO's sales were of RON 2,492,611 thousand in 2019 (2018: RON 2,598,735 thousand).

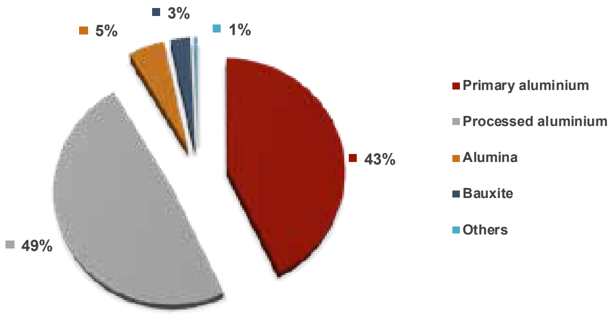
Total consolidated sales in 2019
RON 2,777,801 thousand



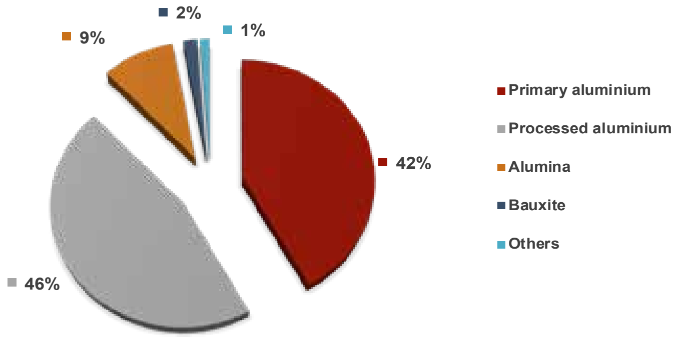
Total consolidated sales in 2018
RON 2,982,501 thousand

The contribution of the sales of the Primary Aluminium segment to third parties was RON 1,191,673 thousand in 2019 and represented 43% of the Group's total revenues (2018: RON 1,250,331, thousand; 42%). Third party sales of Processed Aluminium segment represented 49% of the Group's total revenues in 2019, being of RON 1,351,013 thousand (2018: RON 1,373,194 thousand; 46%), in line with the Group's strategy of increasing the percentage of the HVAPs and VHAPs sales.

ALRO Group: 2019 sales by segments to external customers



ALRO Group: 2018 sales by segments to external customers



Group net result for 2019 was a ***net loss*** of RON 67,237 thousand compared to a ***net profit*** of RON 235,327 thousand in 2018 – this significant decrease in results was a direct consequence of a continuous decreasing trend of the LME and of tough market conditions internationally (i.e. including US Government policies regarding the imposed aluminium tariffs, US-China trade war, the Brexit negotiations, higher costs for utilities and on the alumina segment, Norsk Hydro' Alunorte alumina refinery restarting its production), while locally the Company had to face increased utilities prices especially for the electricity that continued to report tremendous levels in 2019 and to reach new peaks.

ALRO reported a ***net loss*** of RON 152,901 thousand opposed to a ***net profit*** of RON 225,957 thousand in the same period of last year, as an immediate result of the adverse market circumstances, as mentioned above – i.e. weaker sales prices and higher electricity prices which continued to report prohibitive levels in 2019 and remained extremely volatile during the year and thus, are still a burden for ALRO, which is the biggest energy consumer in Romania.

However, at the end of December 2019, the Romanian Government issued an Emergency Ordinance for amending GEO no.115/2011 through which the Romanian Government is committed to implementing a State aid scheme to compensate large energy-intensive undertakings for a share of their indirect emission costs resulting from the EU ETS guidelines.

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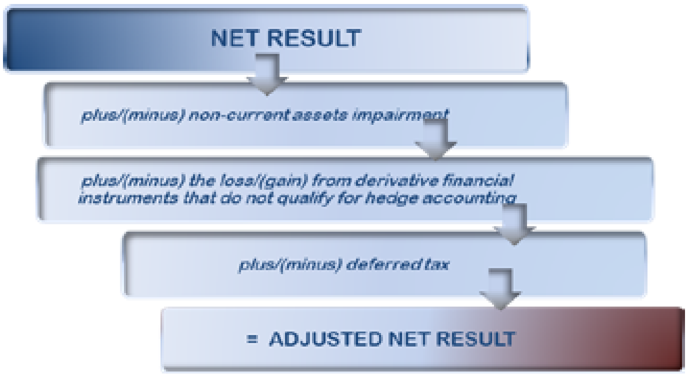
The reconciliations of the Adjusted Net Result at ALRO Group level, and for ALRO, respectively, for 2019 and 2018 are detailed below:

ALRO Group

	2019	2018
NET RESULT	**(67,237)**	**235,327**
Plus/(minus) charge/(reversal) of non-current assets impairment expense/(income)	(4,790)	(1,261)
Plus/(minus) the loss/(gain) from derivative financial instruments that do not qualify for hedge accounting	3,598	(35,161)
Plus/(minus) deferred tax expense/(income)	15,093	50,173
ADJUSTED NET RESULT	**(53,336)**	**249,078**

ALRO

	2019	2018
NET RESULT	**(152,901)**	**225,957**
Plus/(minus) charge/(reversal) of investments impairment expense/(income)	48,873	(1,284)
Plus/(minus) charge/(reversal) of non-current impairment expense/(income)	(4,754)	(521)
Plus/(minus) the loss/(gain) from derivative financial instruments that do not qualify for hedge accounting	3,598	(35,161)
Plus/(minus) deferred tax expense/(income)	(5,638)	38,141
ADJUSTED NET RESULT	**(110,822)**	**227,132**



Regarding the ***cost of goods sold***, the Group reported a higher level by 10% in 2019 (2019: RON 2,550,785 thousand versus 2018: RON 2,312,624 thousand), mainly due to more high-priced utilities costs (i.e. electricity and gas), which were in line with the prices from OPCOM's platforms. The corresponding trend was reflected at ALRO's level, also, where the cost of goods sold is by 14% higher in 2019 compared to the similar period of last year (2019: RON 2,434,648 thousand versus 2018: RON 2,133,538 thousand).

The ***Group's gross profit*** dropped by 66% in 2019 compared to 2018 and the gross profit margin was 8% from 22% in 2018, principally due to the adverse influence of the market that revealed depressed LME levels and higher input costs as mentioned above. ***ALRO's gross profit*** was significantly affected and was in 2019 of RON 57,963 thousand compared to RON 465,197 thousand in 2018.

On the other side, the ***general, administrative and selling expenses*** decreased by 10% in 2019 (from RON 310,921 thousand in 2018 to RON 280,238 thousand in 2019) which is in line with the Group's strategy to closely monitor its costs, while achieving more efficient operations by process optimization and digitization.

In 2019 ***other operating income*** amounted to RON 167,755 thousand (compared to RON 11,376 thousand in 2018) and it was related mainly to the Group's sales of emission rights in amount of RON 120,197 thousand (in 2018: nil) and from provision reversals.

The amount of RON 34,589 thousand represents ***net foreign exchange losses*** coming principally from the revaluation of the loans and other debts of the Group in foreign currencies (2018: a loss of RON 19,637 thousand).

For further details, see also ***Note 9 Interest Expenses*** and ***Note 25 Borrowings and lease liabilities*** from the Consolidated Financial Statements for the year ended on 31 December 2019 included in this Report.

The ***Group's operating result*** for 2019 reflected a decreased level, too, mainly because of the adverse impact of the electricity market locally and due to weaker LME quotations. Therefore, the Group reported for 2019 a lower ***EBIT*** of RON 99,241 thousand compared to RON 361,840 thousand in 2018. The corresponding development, but more adverse was revealed at ALRO's level, ***the Parent-company***, which recorded a negative ***EBIT*** of RON 88,572 thousand in 2019 compared to a positive EBIT of RON 274,500 thousand in 2018.

In 2019 the ***Group managed to generate positive cash flows from its operating activities*** of RON 97,541 thousand. However, this level was lower than the one reported for the similar period of last year (2018: RON 319,191 thousand) mainly due to higher interest paid during 2019 as higher levels were registered for LIBOR, ROBOR rates and due to higher outstanding balances for the Group's bank loans as at 31 December 2019. At ALRO's level, the ***cash flows generated from the operating activities*** was RON 153,168 thousand in 2019 (2018: RON 352,445). The cash used in investing was at Group's level of RON 141,369 thousand in 2019 versus 2018: RON 63,487 thousand and at ALRO's level RON 23,144 thousand in 2019 versus RON 81,575 thousand in 2018.

The ***cash flows used in financing activities*** in 2019 shows mainly the proceeds from loans contracted by the Group in 2019, the repayment of loans done during the year and the dividends payment done for the financial year 2018. During the OGSM held on 25 April 2019 a gross dividend of RON 0.45756 for one share for the financial year 2018 was distributed in full.

As a consequence of the challenges faced in 2019, as of 31 December 2019, the Group reported ***cash and cash equivalents*** of RON 83,182 thousand and restricted cash of RON 46,164 thousand, compared to RON 203,609 thousand and restricted cash of RON 8,370 thousand at 31 December 2018.

Group's total assets reported as at 31 December 2019 were in amount of RON 2,462,026 thousand, a lower level compared to RON 2,939,444 thousand as at 31 December 2018, due to interim dividends declared initially as per applicable regulations for the 9 months ended 30 September 2018 distributed by the Parent-Company from the net accounting profit of the period, and from retained earnings carried forward from prior years. In April 2019 after approving by the General Shareholders' Meeting of the annual financial statements for 2018 and declaring the final dividends, the interim dividends were settled on the account of annual dividends and affected the Parent Company's equity.

The ***Group's non-current assets*** were of RON 1,328,018 thousand as at 31 December 2019 versus 31 December 2018: RON 1,391,132 thousand, while the ***Group's current assets*** contracted by 27% in the examined period compared to the level reported as at 31 December 2018 (2019: RON 1,134,008 thousand versus 31 December 2018: RON 1,548,312 thousand) due to payment of dividends. The equivalent trend was registered by ***ALRO*** which reported ***total assets*** of RON 2,122,568 thousand as at 31 December 2019 (31 December 2018: RON 2,784,095 thousand), out of which ***non-current assets*** of RON 1,279,436 thousand as at 31 December 2019 (31 December 2018: RON 1,400,481 thousand) and ***current assets*** of RON 843,132 thousand as at 31 December 2019 versus RON 1,383,614 thousand as at 31 December 2018.

Group's total liabilities slightly decreased by 4% and reached a level of RON 1,692,074 thousand at 31 December 2019 (31 December 2018: RON 1,766,620 thousand), principally due to the loans taken by the Parent-Company and Group's subsidiaries, Alum and Vimetco Extrusion in 2019. The level of the ***Group's non-current liabilities*** as at 31 December 2019 was RON 512,633 thousand (31 December 2018: RON 1,003,352 thousand), while the ***Group's current liabilities*** were of RON 1,179,441 thousand at 31 December 2019 opposed to RON 763,268 thousand at 31 December 2018. The same trend was registered by ***ALRO*** which reported ***total liabilities*** of RON 1,381,022 thousand as at 31 December 2019 (31 December 2018: RON 1,560,456 thousand), out of which ***non-current liabilities*** of RON 341,907 thousand as at 31 December 2019 (31 December 2018: RON 894,622 thousand) and ***current liabilities*** of RON 1,039,115 thousand as at 31 December 2019 versus RON 665,834 thousand as at 31 December 2018.

In 2019, the Group continued its ***sustainable and long-term investment strategy and commitment*** to reduce its energy dependency, raising energy efficiency and strengthening its clients' portfolio for enhancing the competitiveness and the quality of the VHVAPs products, particularly. In 2019, some of the projects included in the Company's Investment Programme were continued, while other projects have been started both in the Primary and in the Processed Aluminium Divisions. The amount spent in 2019 is of USD 15 million. For additional details, please see also the sections related to Alum, Vimetco Extrusion and SMHL, the main subsidiaries of ALRO Group, included in the next chapter *Operational analysis*.

Operational analysis

ALRO Group

ALRO Group reported in 2019 a total production of cast aluminium of 280,326 tonnes, a slightly lower level compared to the one reported in 2018 of 282,810 tonnes due to unfavourable market conditions that further translated in lower production levels. The processed aluminium production reported a higher quantity in 2019 than the one registered in 2018 (2019: 104,614 tonnes versus 2018: 100,501 tonnes), which was in line with the Group strategy to move its production and sales to the high-value added products that have higher margins.

The alumina production was of 460,911 tonnes in 2019, by 19% lower compared to the one reported in the same period of the last year when it was 571,772 tonnes due to two main combined reasons:

- the market conditions with Alunorte restarting the full production in 2019, which further led to decreased prices for alumina compared to the same period of last year, which translated in lower sales to third parties and finally into lower production levels, and
- due to repairing works done at the alumina dome (the main alumina storage facility located in Slatina with a capacity of 35,000 tonnes; this was the first year when such works were done inside the dome since its commissioning in 2009) and this led to lower deliveries to ALRO in 2019.

Bauxite production recorded a level of 1,883,863 tonnes in 2019 (2018: 1,938,461 tonnes), in line with the Group's necessities and strategy.

ALRO

In 2019, the Company reported a slight decrease in the primary aluminium production compared to the same period of 2018, respectively a decrease of 1% and, in line with the company's strategy, the processed aluminium production increased by 8% being of more than 83,000 tonnes.

In 2019 the primary aluminium sales slightly decreased and reported a level of 152,464 tonnes, compared to 153,473 tonnes in 2018, while the processed aluminium sales increased by 4% in the analysed period, being in 2019 of 80,683 tonnes compared to 77,916 tonnes in 2018.

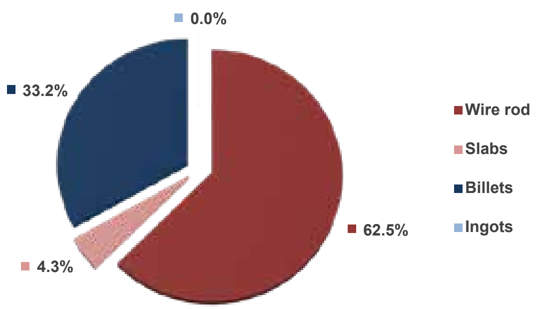
Primary Aluminium Segment

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.

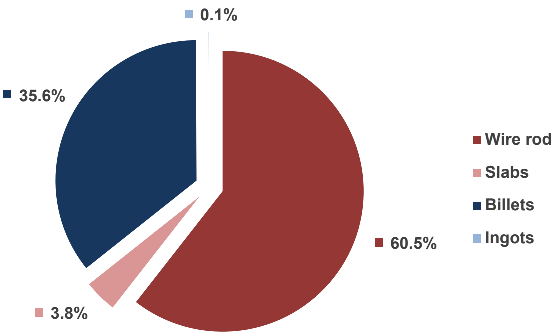
In 2019, the Company continued to improve the mix of products sold, as a result of the implementation of the strategy that is focused on high value added products. The main markets for ALRO's primary products in 2019 were besides Romania, Czech Republic, Poland, Bulgaria, Italy, Hungary, and Germany.

The structure of primary aluminium sales based on product types in 2019, compared to 2018, is presented below:

Primary aluminium: sales structure in 2019 (RON th)

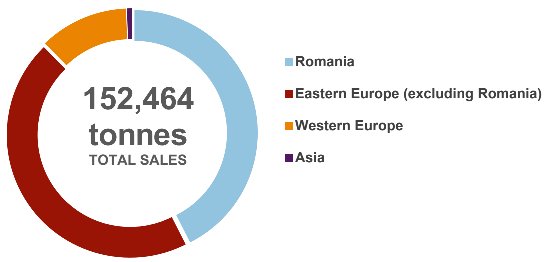


Primary aluminium: sales structure in 2018 (RON th)

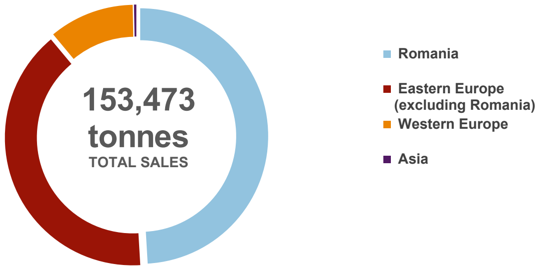


The main markets for the Primary Aluminium segment for 2019 and 2018 are detailed below:

Primary aluminium: main markets in 2019 (tonnes)



Primary aluminium: main markets in 2018 (tonnes)



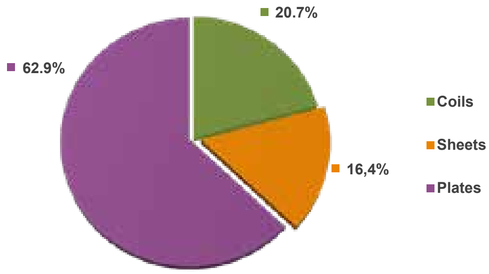
Processed Aluminium Segment

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 increased levels for plates and coils in 2019 as compared to 2018. In quantitative terms, aluminium coils increased by 13% in 2019 compared to the similar period of last year. The main markets for ALRO's processed products in 2019 were besides Romania, Germany, France, Turkey Italy, Poland, Czech Republic, Great Britain, Asia and USA.

The structure of processed aluminium sales based on product types in 2019, compared to 2018, is detailed below:

Processed aluminium: Sales structure in 2019 (RON th)



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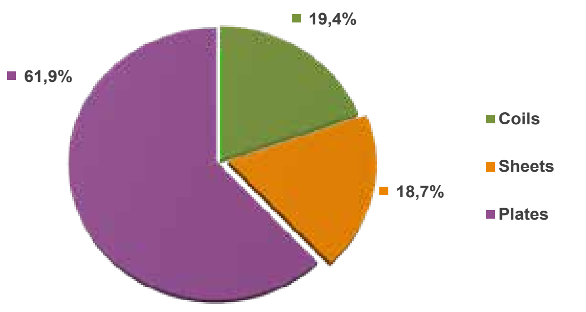
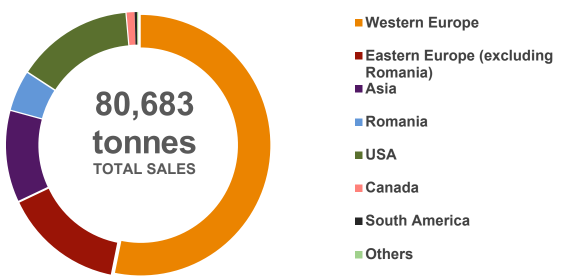
Processed aluminium: Sales structure in 2018 (RON th)

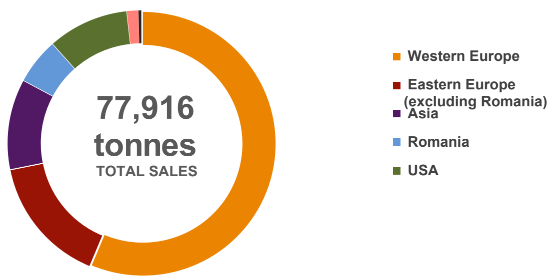


The processed aluminium markets in 2019 versus 2018 are detailed below:

Processed aluminium: main markets in 2019 (tonnes)



Processed aluminium: main markets in 2018 (tonnes)



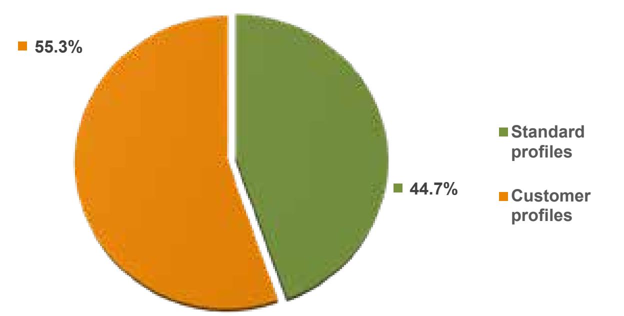
Processed Aluminium Segment (Extruded products)

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.

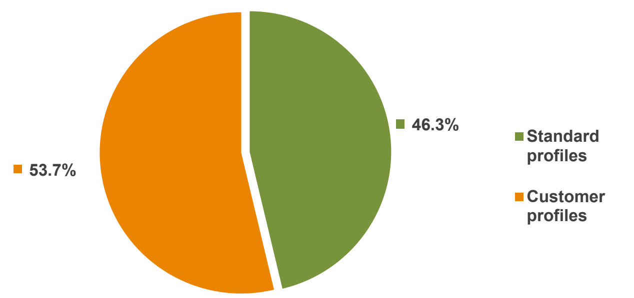
Vimetco Extrusion's special products are considered to be HVAPs and the machined, painted and anodized or powder coated products to be VHVAPs.

The structure of extruded products sales based on product types in 2019, compared to 2018, is detailed below:

Extruded products: Sales structure in 2019 (RON th)

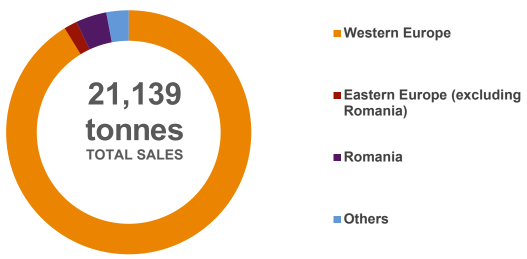


Extruded products: Sales structure in 2018 (RON th)

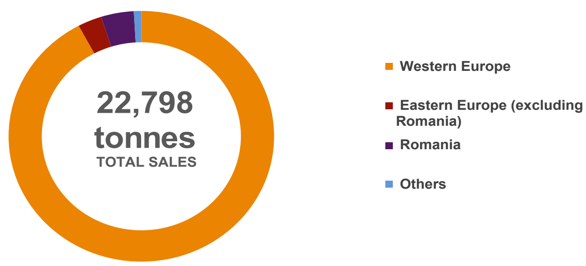


The extruded products markets in 2019 versus 2018 are detailed below:

Extruded products: main markets in 2019 (tonnes)



Extruded products: main markets in 2018 (tonnes)



Other information

- the Group is not dependent on a client or a group of clients due to its diversified portfolio;
- in 2019, the Group did not buy or hold its shares;
- throughout 2019 no mergers or reorganizations occurred;
- in 2019, 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).

In 2019, 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 in human capital. Moreover, in 2019, Alum completed implementing 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 May 2018 the Group's subsidiary Alum signed two credit facilities by an agreement with two banks, one in amount of USD 20,000 thousand and the other one in amount of USD 5,000 thousand, repectively, for financing investment projects. The loans will be repaid in seven instalments half-yearly with a grace period of two years.

In 2019, Alum achieved a production of alumina of 460,911 tonnes, decreasing by 19% compared to the previous year (2018: 571,772 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 81,386 tonnes, lower by 55% than the budgeted quantities for 2019. For 2019, Alum reported a turnover of RON 783,641 thousand, lower than the level reported in the previous year (2018: RON 875,816 thousand), due both to lower selling prices for alumina and hydrate and lower quantities sold.

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 the 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. In addition, extruded products are used in lighting, air conditioning/ ventilation systems, reflectors and in the photovoltaic energy industry. Currently, 95% of Vimetco Extrusion products are sold abroad.

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 production of extruded range of profiles from 0.1 kg/m to 13 kg/m.

In 2019, VE continued its strategy to extend its products portfolio, especially that of the HVAPs and VHVPs and the clients portfolio, too.

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 Razvan Pop.

In 2019, Vimetco Extrusion reported sales of 21,139 tonnes, a lower level compared to the similar period of last year (2018: 22,798 tonnes) and a slightly decrease of its turnover by 8%, that reached in 2019 a level of RON 283,513 thousand (2018: RON 307,352 thousand), mainly due to a lower demand from market and also due to the company's focus on customized products ("VHVAPs"), which requires a longer production period due to the technological process which is more complex. Moreover, in 2019 Vimetco Extrusion faced tough conditions and it struggled to keep its equipment running at maximum capacity in a declining market while continuing the direction of the Group's strategy to expand its VHVPs and to become the first choice for its customers.

By offering mechanically machined profiles and/or surface treatments, Vimetco Extrusion has brought the aluminium profiles to another level, from extrusion, closer to the finished products. This offers us a net advantage in terms of maintaining and improving the existing customer portfolio, as well as developing new markets and VHVAPs.

Vimetco Extrusion is already a brand and 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.

Working with the suppliers and consumers at European level we are successfully involved in unique deliveries, 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 (bridges, linear technology and conversion systems).

Vimetco Extrusion continues to focus on the supply of products on the European market, exporting about 95% of the products. The credibility and services provided to customers and the consistent high-quality have been the key factors in the significant development of the Company.

In 2019, Vimetco Extrusion made steps forward to develop new products and services for its clients.

A new such product is represented by the welding products. Hence a new business development unit was set up within Vimetco Extrusion comprising of professionals with more than 25 years of experience in additional fabrication who are ready to assist clients in modelling aluminium and bringing to life customized complex products suitable for the most exquisite requests. This represents another measure implemented by Vimetco Extrusion within its strategy of becoming the clients preferred one-stop-shop.

Moreover, Vimetco Extrusion aims to enter the aerospace industry, too as done in the past by the Parent-company, ALRO. Therefore, discussions were held and efforts were done in this direction and the prospects are quite promising and the company's management is confident that the first results will be visible in 2020.

Over the past 13 years, Vimetco Extrusion has become a successful name in Europe, directly competing with large extruders from Turkey, Spain, Italy, Greece, Bulgaria or China. Therefore, in a market with fierce competition, the main advantage remains its flexibility, a team which is "dedicated to perfection" and customer orientation policy.

Environmentally friendly

Investments to reduce the company's carbon footprint were done in 2019 by implementing a new automatic nitration oven to replace the existing oven from 1972 production year, thus improving also the quality of the nitrating layer.

Energy Efficiency

The new technology implemented has as direct result increased productivity, by lowering the fixed costs. Moreover, through extensive use of raw materials from recycled scrap, the company managed to reduce its raw materials costs.

Energy consumption rates are constantly monitored to optimize production processes and increase energy efficiency.

In 2019 a new nitriding oven was installed which has estimated electricity consumption of 21.3 kWh, compared with the existing oven of 22.5 kWh. Furthermore, maximum load capacity is 1,500 kg with the new nitriding oven, while with existing nitriding oven it was 1,000 kg.

Purchasing and Logistic

The relation with suppliers is maintained by an internal department, which assures all materials and services needed for current activity. The main cost of Vimetco Extrusion is represented by raw materials - aluminium billets, which are purchased mainly from ALRO.
All packing materials (i.e. wood, cardboard, plastic foil, paper) are purchased from the Romanian market at competitive prices and in favourable payment conditions.

The main delivery condition to our customers is DDP, so the logistics and transport are assured by Vimetco Extrusion. The transport is done only by road, with trucks contracted from transport companies.

In 2019, Vimetco Extrusion managed to adapt the purchasing process to the company volume of needs (i.e. a faster internal flow and increased production levels) linked to the aluminium market changes. We succeeded to improve the process of purchase by 50% compared with 2018 with the same human resources but with increasing of company's departments' requests by 6%.

Capital Expenditures

The investment plan of Vimetco Extrusion is structured in two main directions: production-related and non-production related investments. The main objective is to increase the return on investment for shareholders by investing in increasing technological capacity and capability of the company with new equipment and comprehensive IT systems.

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

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

- High Added Value products 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 added value products;
- Reducing the technical gap between the two existing presses to use their capabilities at the designed capacity. Feasibility study for the automatic extrusion line has been made with a positive conclusion regarding the general decision to invest;
- Sustain share of special profiles sales at 50% in 2020 and develop technical capabilities for an increase up to 65%;
- Continue implementation of IT systems (i.e. WMS, Chronos, Priority) that will improve the quality, reliability and speed of data transformation to better decision making;
- Increase the employees' efficiency by automatization 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 the plant to a more professional level via internal culture rules, procedures to show continuous progress to shareholders and customers at the shop floor level.

Despite a weak 2020 market outlook estimation, VE's goal is to achieve moderately better-operating results than in 2019 with sales product mix maintained at 50% value-added, customized profiles and by improving operational efficiency and productivity.

Vimetco Extrusion medium to long-terms targets are to shift product mix to over 65% value-added products and achieve the best-in-class productivity and industry-standard quality by investing in a new automatic extrusion line and added fabrication equipment. Besides this, VE plans to:

- complete a *new product* and thus, to create the Aluminum welding department. By creating a new business unit inside the company with additional know-how, VE strategy is to continue to remain a reliable, one-stop-shop supplier and a preferred choice supplier for its customers;
- add *extra fabrication capabilities*, which it is estimated to provide the ability to be more competitive on the VHVAPs market;
- collaborate with the major universities and technical local schools for *internship and dedicated programs*;
- participate at various *specialized conferences and fairs* with the main aim to maintain and permanently improve the image of the company (i.e. Dusseldorf Aluminum Exhibition).

Vimetco Extrusion continues to rely on loyalty of existing customers, while entering new markets and finding new customers, offering value-added and high-quality products with a high degree of processing at competitive prices and flexible delivery terms.

Vimetco Extrusion is also involved in the life of local communities and encourages the communication between educational institutions and the private sector.

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.

The Executive Management of SMHL consists of Aleksandr Ivanov (General Manager) and Abdul Bangura (CFO). The Board of Directors comprises three members, as follows: Pavel Machitski (Member), Steluta-Mariana Despa-Niculae (Member) and Roman Bulat (Member).

In 2019, SMHL registered a production of 1,883,863 tonnes of bauxite compared to 1,938,461 tonnes in 2018. In terms of sales, in 2019, SMHL achieved sales which amounted to 1,815,277 tonnes compared to 1,957,280 tonnes in 2018. SMHL took advantage of the market opportunities by selling the surplus of its bauxite to third parties.

SMHL achieved higher unit sales price in 2019 by 2% as SMHL was able to control its operational cost and further improve its efficiency and quality of its products through several technical initiatives and investments that were undertaken during the year.

Some of the main factors that contributed to the good performance of the company in 2019 include:

- a better organisation of the production activity by outsourcing mining, dry beneficiation and transportation activities;
- increasing the operating efficiency through the implementation of a controlled and timely programme of repairs and maintenance for the plants, fleets and equipment used, which directly resulted in a reduction of production losses and increase efficiency;
- making appropriate investments for upgrading the operating equipment, mining, river transportation and in processing and optimisation operations;
- improving the bauxite quality by performing an optimal blend of mined and processed ores as well as investment in New Plants and equipment;
- the company engaged on a continuous process of improving its personnel force by employing better-qualified staff and dropping those that were less efficient or surplus to requirement all geared towards achieving the company's quantitative and qualitative production parameters.

The positive results achieved in 2019 followed the same upward trajectory that began in 2015 and the management is determined, despite the forecasted turbulence in 2020 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.

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 projects for local community development within the mining communities.

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-Daniel Nastase – CEO and Constantin Ciobanu – Sole Director.

Other information in accordance with FSA Regulation no. 5/2018 - Financial Instruments and Investments Sector

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

As at 31 December 2019, 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.

Hidroelectrica

- In April 2015, Hidroelectrica S.A. filed a lawsuit against the Company before the Bucharest Court of Law, in relation to, inter alia, alleged benefits from the contract entered into with the Company. Hidroelectrica claimed direct damages amounting to:
    - RON 60,347,845 representing the alleged price difference between the average price on the bilateral contracts market and the average cost of electricity production, plus accrued interests; and
    - RON 80,011,257 representing the alleged loss of profit caused by the sale of electricity below production costs

Both the Bucharest Court of Law and the Bucharest Court of Appeal rejected the claims brought by Hidroelectrica, partly as being time-barred by the applicable statute of limitation (3 years from the date of the alleged losses), and partly as being without merit

- May 2015 - the Parent Company acknowledged a legal civil action at the Bucharest Court of Law, brought by Hidroelectrica S.A., regarding material claims by the electricity producer for alleged unrealized benefits from the bilateral contract with ALRO S.A.

- In December 2015, the Primary Court rejected a significant part of the claims of Hidroelectrica as being time-barred, and consequently only remaining claims are under discussion, related to a short period from the contract of less than two months, which were subsequently dismissed in first instance by the Court in June 2016

- Hidroelectrica has filed a second appeal which is now pending before the High Court of Cassation and Justice and the first hearing was scheduled for 4 October 2018

- On 7 December 2018, the panel of judges no. 3 has admitted, in principle, the second appeal of the plaintiff Hidroelectrica against the civil decision no. 1346/A dated 26 September 2017, given by the Court of Appeal Bucharest – Section V Civil Law and ruled the date of 28 February 2019 for the judgement on merits of the second appeal, in public meeting, the parties to be summoned.

- On the hearing date of February 28, 2019, the court dismissed, as being ungrounded, the second appeal filed by the plaintiff S.P.E.E.H. Hidroelectrica against the civil action decision no. 1346/A of September, 26 2017, ruled by the Court of Appeal Bucharest Section V Civil Law in the case file no. 13264/3/2015. ***The decision is final. The information has been excerpted from the Courts of Law web portal, where it was posted on the site of the High Court of Cassation and Justice of Romania.***

Romanian Competition Council

- In 2016, the Company challenged before the Bucharest Court of Appeal a decision of the Romanian Competition Council to impose a fine of RON 21,239 thousand to the Company for an alleged vertical agreement on the energy market. The fine was paid but the challenge was still pending. For the next hearing the Court nominated an expert to file the expert report.

  In addition, the Company challenged before the Bucharest Court of Appeal several ANRE orders regarding:

    - the calculation of the Green Certificate quota for the Company's energy consumptions in 2015, and
    - the quota settlement methodology.

  The first challenge was rejected at first instance by the Bucharest Court of Appeal as time-barred and the second appeal filed by the Company is now pending before the High Court of Cassation and Justice. The second challenge is pending before the Bucharest Court of Appeal, at first instance. Both proceedings are suspended until the Romanian Constitutional Court decides on the constitutionality challenges filed by the Company in relation to legal provisions which are impacting the disputes.

  In the matter of the annulment of the Competition Council decision, the latest trial date was set to 1st April of 2019 by the Bucharest Court of Appeal, in order for the Competition Council to take note and to respond to the Company's request that the Court of Justice of the European Union shall be asked to clarify some legal aspects of the matter.

  In the matter of the temporary suspension of the enforcement proceedings of the sanction decision no. 82/2015 issued by the Competition Council, ALRO informed its shareholders and investors that on 10th of June 2016 the Bucharest Court of Appeal dismissed the claim as being ungrounded. Following the submission of the second appeal with the High Court of Cassation and Justice of Romania, and this court, on the hearing date of 14th of November 2018, dismissed the second appeal filed by ALRO against the decision no. 2014/ 10.06.2016 given by the Bucharest Court of Appeal, as well as the cross-appeal brought by the defendant Competition Council against the considerations of the same decision, as unfounded. ***The decision pronounced by the High Court is final.***

- In the case file 954/2/2016 pending before the Bucharest Court of Appeal, whose object-matter is both the claim for the cancellation of an administrative document – i.e. the sanction report, as well as the claim for the cancellation of the sanction decision no.82/2015 issued by the Competition Council, following the attachment of the case file 3536/2/2016,the Court postponed the case until 5th of June 2019, to deliver the judgement on the application initiating proceedings before the Court of Justice of the European Union submitted by the plaintiff.

  According to the information posted on the Courts' websites, the decision ruled by the Court is as follows: The Court partly admits the request for the expert fee increase. The Court decides the increase of the expert fee with the amount of RON 22,000. It dismisses the application initiating proceedings before the Court of Justice of the European Union. It gives the date of 7 October 2019 as the date for continuing the hearing proceedings, the parties to be summoned for that date that further set a new hearing date on 4 November 2019. On this date the court has judged the claim and has deferred the issuance of the judgement for the date of 18 November 2019. Further on the court has deferred the issuance of the judgement for the date of 2 December 2019 and subsequently on 16 December 2019. Therefore, the next hearing date was 20 December 2019 when the court has deferred the issuance of the judgement for the date of 30 December 2019 the Court dismissed the claim for annulment of the ruling proceedings dated 24 December 2015 of the Plenum of the Competition Council, as being inadmissible and the amended claim for annulment of the Decision of the Plenum of the Competition Council no. 82/24.12.2015 was dissmissed as being unfounded.

As concerns the status and any updates (if the case) of the above case files, ALRO will inform the general public and the investors in due course.

At 31 December 2019, some of the Group companies were in breach of some of the covenants in respect of their loans. The Group subsidiaries discussed the situation with the banks and received the necessary waivers 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 2019, 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 prohibitive 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** – during the OGSM held on 25 April 2019, the following appointments took place:
  - Mr. Marian-Daniel Nastase was appointed as a Board member for a four-years mandate, valid from 25 April 2019 until 25 April 2023. In addition, following the resolution of the Board of Directors meeting that took place on the same day, Mr. Marian Daniel Nastase was reconfirmed as Chairman of the Board of Directors;
  - Mr. Serghei Gheorghe was appointed as a Board member for a four-years mandate, valid from 25 April 2019 until 25 April 2023. In addition, following a resolution of the Board of Directors meeting that took place on the same day, Mr. Serghei Gheorghe was re-elected as Vice-President of the Board of Directors;
  - Mr. Gheorghe Dobra was appointed as a Board member for a four-years mandate, valid from 25 April 2019 until 25 April 2023;
  - Mr. Pavel Machitski was appointed as a Board member for a four-years mandate, valid from 25 April 2019 until 25 April 2023;
  - Mrs. Svetlana Pinzari was appointed as a Board member for a four-years mandate, valid from 25 April 2019 until 25 April 2023;
  - Mr. Aleksandr Barabanov was appointed as a Board member for a four-years mandate, from 25 April 2019 until 25 April 2023;
  - Mr. Vasile Iuga was appointed as a Board member for a four-years mandate, from 25 April 2019 until 25 April 2023;
  - Mr. Marinel Burduja was appointed as a Board member for a four-years mandate valid from 25 April 2019 until 25 April 2023;
  - Mr. Gabriel Laurentiu Ciocirlan was appointed as a Board member for a four-years mandate valid from 25 April 2019 until 25 April 2023;
  - Mrs. Oana Valentina Truta was appointed as a Board member for a four-years mandate, from 25 April 2019 until 25 April 2023;
  - Mr. Voicu Cheta was appointed as a Board member for a four-years mandate from 25 April 2019 until 25 April 2023;
- **ALRO** - on 27 June 2019, the mandate of the Chief Executive Officer, Mr. Gheorghe Dobra, was extended by the Board of Directors, from 1 August 2019 to 31 July 2023;
- **ALRO** - During the meeting of Board of Directors that took place on 12 August 2019, it was decided to set the Remuneration and Nominations Committee, a body subordinated to the Board of Directors. 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. At the end of December 2019, the composition of ALRO's Remuneration and Nominations Committee is Marian-Daniel Nastase (Chairman), Vasile Iuga (Member) și Marinel Burduja (Member);

- **ALRO** - on 6 November 2019, the Company received and registered the resignation of Mr. Serghei Gheorghe, from his position as member and Vice-President of the Board of Directors of ALRO S.A.. Following this resignation on 8 November 2019, the Board of Directors appointed an interim member in the person of Mr. Pavel Priymakov. Also, Mrs. Svetlana Pinzari was appointed in the position of Vice-Chairman of the Board of Directors; during this meeting, the GSM was summoned, too, to elect a new member of the Board of Directors;

- **ALRO** - on 13 December 2019 during the OGSM and EGSM, Mr. Pavel Priymakov was appointed as Director for a mandate valid until 25 April 2023 and the new structure of the Board of Directors following the appointment of the new members of the Board of Director is: Marian-Daniel Nastase - Chairman; Svetlana Pinzari – Vice-President; Gheorghe Dobra - Member; Pavel Machitski - Member; Aleksandr Barabanov - Member; Vasile Iuga - Member; Marinel Burduja - Member; Laurentiu Daniel Ciocirlan - Member; Oana-Valentina Truta - Member; Voicu Cheta - Member; Pavel Priymakov – Member.

- **ALUM** – no changes;
- **Vimetco Extrusion** – no changes;
- **SMHL** – 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 2019 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 these transactions are concluded at arms' length.

The balances of acquisitions, debts and receivables (if applicable) regarding significant transactions with related parties on 31 December 2019 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., 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, financial statements and other corporate and financial matters;

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

In addition, 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 in the best market terms coverage on behalf of its directors and officers.

In 2019, the transactions between the related parties were based on bilateral agreements and took place on arm's length 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" in accordance with IFRS at the date of this Report, please see ***Note 31 - Related parties' transactions*** of the Audited Individual and Consolidated Financial Statements as at 31 December 2019 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 key-elements of the framework that shows the relationship between management and employees are the collective labour agreement and available internal regulations. In practice, all the steps or activities that are initiated and may have an impact on employees are previously discussed and agreed by both parties.

The average number of employees of the Group in 2019 was 4,291 (2018: 4,111), out of which 2,514 (2018: 2,549) persons are working at ALRO, while 98% of them are qualified workers.

The structure of ALRO's employees in 2019 by level of education is detailed in the below table:

Level of education	%
Postgraduate studies	2
Undergraduate studies	18
Post-secondary studies	8
Secondary school	41
Professional schools	26
Gymnasium	5

The level of unionisation of ALRO's employees in 2019 was around 91% (2018: 94%). During 2019, 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-Daniel NASTASE	Chairman of Board of Directors	300,000 shares
Genoveva NASTASE	Chief Financial Officer	300,000 shares
Marin CILIANU	Operations Director Primary Aluminium	1,000 shares
Ioan SAVA	Technical and Quality Director	145 shares
Gheorghe DOBRA	Chief Executive Officer	138 shares
Mircea POPA	Operations Director FRP	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.

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 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 high standards of corporate governance, as it believes that a good practice in this regard ensures clarity to relations between shareholders, Board members and Executive Management, and involves a higher level of transparency and thus the communication of the Company's activity to stakeholders is improved. Providing an organised working framework based on firm principles means, on a long term, to maximise the value for both shareholders and the interested public. Therefore, ALRO gives a greater importance to permanent improvement of corporate governance rules and uses as a foundation the principles stipulated in the Code of Corporate Governance (the "Code") issued by BSE.

In the context of strategic and specific goals of the Group's activity, the implementation and development of corporate governance principles are 2 measures to ensure a rigorous framework of functioning.

According to the provisions in article 94 from Title II and in article 4 from Title VI – Book I from BSE Code – market operator, updated edition from August 2016, the Group includes the Statement of Corporate Governance within the Annual Report.

As a support for the Statement of Corporate Governance, the Company 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 sub-sections;
- 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.

ALRO has chosen a unitary management system; if a dual system is adopted, the Company will appropriately adapt and apply the provisions of the Code.

Code compliance statement

Status of compliance with the Bucharest Stock Exchange's Corporate Governance Code at 31 December 2019	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.		NO	The Company shall take the adequate measures in order to comply with CGC.
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

General presentation

During the reporting period, the Company had the following corporate governance structures: Board of Directors and Executive Management, Audit Committee and Remuneration and Nominations 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 Audit Committee and Remuneration and Nominations Committee members.

The structure of the Board ensures that a balance between executive and non-executive members is maintained, the Board of Directors having a number of members that guarantees 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 2019, ALRO's Board had two independent members.

However, the decisions-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 all the necessary and useful documents to achieve the Company's main scope of business, except the ones required by law and statutory for GSM or for the Company's Directors.

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. In addition, 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, when a Board member is nominated, GSM aims to ensure a balanced structure of this 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 in accordance with the Company's Articles of Association and the Rules of Organisation and Operation of the Board of Directors. The Board meets at least once every month or whenever the situation requires it, the agenda of these meetings being in compliance with the role and obligations of the Board of Directors, in accordance with the law and the Articles of Association.

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 2019, 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

Principal 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. 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 2018
Reappointed: 25 April 2019
Term of office expires at: 25 April 2023

Principal position held within the Company:
Vice-chairman since 8 November 2019
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 hold 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.

At 31 December 2019, ALRO's Board of Directors consisted of 11 members and its structure is 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

Principal position held within the Company:
Executive Member of the Board of Directors since 25 April 2019

Member in other Committees within the Company

N/A

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

Principal 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

Principal 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

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 14 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.

At 31 December 2019, 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

Principal 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

Mister 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.

Mister 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 Body of Licensed Accountants and Expert Accountants in Romania (CECCAR), 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, 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

Principal 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

Marinel 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.

He 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. Marinel 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.

At 31 December 2019, 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 ***Principal 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	Laurentiu Ciocirlan started his financial carreer as an auditor with Arthur Andersen, after which he gained experience in investing in SMEs working for the SEAF TransBalkan Romania Fund. The longest part of his professional carreer 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 ***Principal 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	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 ***Principal 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 ***Principal position held within the Company*** Non-executive interim 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 Labor & 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.

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) - General Director

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 previously she was 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 2017.

Other information required by the Code

- At 31 December 2019, ALRO has appointed a secretary to the Board which is responsible for supporting the Board's activity (see the *Statement regarding the conformity with the Code, section A.7.*);

- Within the Statement regarding the conformity with the Code, the management of the Company states that, during 2019, no assessment of the Board conducted by the President or the Remuneration&Nominations Committee took place (see the *Statement regarding the conformity with the Code, section A.8.*);

- The Company needs a policy/ guide on the Committee 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 2019, the Board of Directors met in 22 meetings (2018: 34), 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 2018, including the financial statements for 2018.

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 70% (2017: 82%).

Risk management and internal control system

The management of the risk to which the Group is exposed

According to the new BSE's Code of Corporate Governance adopted by the Group in order to meet requirements of transparency, financial reporting, risk management and internal audit, the Board members have the necessary professional training or a significant and relevant managerial experience, allowing them to analyse the overall financial position of the Group, the risk management processes and its 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 of 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 an 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: 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.

Capital risk management

The Group's capital management goals refer to safeguarding the Group's ability to continue as a going concern, in order 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 borrowings net 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. In order 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:

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

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.

Throughout the financial year 2019, ALRO used 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*** from the financial statements 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.

In February 2019, seeking to mitigate the foreign exchange rate risk 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.

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.

For further details, please see ***Note 32 – Risk management*** from the financial statements 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 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 on a daily basis by a dedicated department. The Group permanently assesses their credit risk based on the financial performance of the clients and theirs payment history. Regarding the Group's concentration risk, please see ***Note 20 - Trade receivables*** from the financial statements 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 so as 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, on a daily basis, so that any unexpected change in the Group liquidity could be noticed immediately. Based on this analysis, the management can take 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.

Operational risk

Regarding the operational risk, the Group is vertically integrated and has a diverse and complex portfolio of assets, production capacities, inventories. The Parent-company, ALRO, and also Alum and SMHL, are particularly exposed to risks related to the safety of production processes and to 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 an 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 period of time.

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 participations, deferred income tax liabilities are recognised as taxable temporary differences, except where the Group/ Company are able to control the restatement of the temporary difference and it is probable that 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 the way in which 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 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, in accordance with the decisions made by the management, and it also contributes to the operations effectiveness, 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. 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.

At the end of the year 2019, 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 to 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 in accordance with 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 in accordance with the internal organisation and operation rules;
- controls are implemented to prevent, identify and solve in a 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 of the staff conduct with the framework of applicable laws, values, norms and internal regulations of the Company and of 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, in accordance with 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 in order 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 compliance 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, in order 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 2019, 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. As at 31 December 2019, this committee is composed of: Marian-Daniel Nastase (Chairman), Vasile Iuga (Member) and Marinel Burduja (Member).

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.

Remuneration report

ALRO Group aims to gradually align to the corporate governance best practices in respect of Board of Directors' individual 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 6,360 thousand (2018: RON 12,573 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	312	-	312	78
Svetlana Pinzari	249	-	249	38
Gheorghe Dobra	1,943	-	1,943	486
Pavel Machitski	371	-	371	-
Aleksandr Barabanov	452	-	452	24
Vasile Iuga	201	-	201	50
Marinel Burduja	201	-	201	50
Laurentiu Gabriel Ciocarlan	201	-	201	50
Oana Truta	201	-	201	50
Voicu Cheta	201	-	201	50
Pavel Priymakov[1]	33	-	33	-
Adrian Manaicu[2]	101	-	101	25
Serghei Gheorghe[3]	1,405	488	1,893	473
Total	**5,871**	**488**	**6,360**	**1.376**

Note:

[1]The remuneration refers to the period 6 November 2019 - 31 December 2019
[2]The remuneration refers to the period 1 January 2019 - 22 March 2019
[3]The remuneration refers to the period 1 January 2019 - 6 November 2019

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 of new opportunities that could occur and may generate benefits for the Group and for 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 an 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 New 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 is the highest forum in respect of the Company's management and along with its executive directors ensures the smooth running of the day to day operations and is directly involved in strategic decisions with 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, Part IV. The notice must be published in the Romanian Official Gazette, Part IV and in 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, in accordance with 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, the agenda, the shareholders who are present, the number of shares, a summary of the discussed points, the decisions adopted and, on shareholders' request, the shareholders' statements made within the GSM. In order 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.

In accordance with the capital market regulations, GSM decisions are sent to BSE and FSA within 24 hours from 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, in accordance with 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 into 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 the 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 BoD'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 Directors 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 of the CFO is organised;
- supervises the activity of the CEO and of the CFO;
- organises the internal audit activity;
- establishes the Company's marketing strategy and tactics;
- approves the investment plan of the Company;
- decides with respect to 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;

- ***Introduction of 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***: the 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 clear cap letters specification written: "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 2019, ALRO did not have pledged shares in the lending banks with which it signed loan agreements (31 December 2018: 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 16,34% in 2019 (2018: 16,53%) 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.

In ALUM, the percentage of the women working in the company has increased from 10% in 2010 to 16.5% in 2019 (2018: 16.8%).

Moreover, starting 2019, ALRO's Board has two female members and both ALRO CFO and the Deputy CFO are women. At the end of 2019, about 20% of the managers and deputy managers were women (2018: 20%), while the proportion of women in the middle management positions was of 21% (2018: 21%).

Additionally, within the Company, the persons holding executive positions have ages between 29 and 63, and their education and professional experience varies (i.e.: engineering, economy, finance, law etc.), but it is relevant for the position held.

Adding value through investor relations

Investor Relations Activities

During 2019, 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 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 on 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 in accordance with 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 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* 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 improving 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 for 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, in order to provide investors and shareholders with main elements based on which an investment decision could be made.

In 2019, the main project of ARIR was VEKTOR, the new capital market index that measures the communication of listed companies with investors. These new assessment criteria aim at promoting 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 public available information. The first results of the VEKTOR index were announced on 30 January 2020 and ALRO received the grade 9,5 (out of 10) which situates the company in the top 10 most performing Romanian companies in communicating with investors.

As an acknowledgement of the efforts done and results achieved in the investor relations area in the past year, in December 2019 ALRO was awarded for excellent investors communication by Financial Intelligence, one of the main financial news platforms on the Romanian market during their annual Gala Awards Ceremony. This event rewarded the greatest success stories of 2019 and ALRO proved to be one of the most active players in the IR area and thus an example of best practices when it comes to applying good corporate governance principles and efficient communication with investors and other stakeholders.

2020 Financial Calendar

EVENT	DATE
Publication of 2019 Preliminary Annual Financial Results	24 February
Conference Call for 2019 Annual Results proposed for shareholders approval	27 March
Annual General Shareholders Meeting ("GSM") for the approval of 2019 results	28 April
Publication of the Annual Report as at 31 December 2019	28 April
Publication of the Quarterly Report for the first quarter of 2020, i.e. 1 January - 31 March 2020 ("Quarter I 2020")	14 May
Quarter I 2020 Results Conference Call	18 May
Publication of the Half-Year Report for the six-month period ending 30 June 2020, i.e. 1 January - 30 June 2020 ("2020 Half-Year")	12 August
2020 Half-Year Results Conference Call	14 August
Publication of the Quarterly Report for the third quarter 2020, i.e. 1 January - 30 September 2020 ("Quarter III 2020")	13 November
Quarter III 2020 Results Conference Call	18 November

Investor Relations contact

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Report on payments to Governments for the financial year 2019 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 2019 (i.e. the reporting period is 1st of January – 31st of December 2019).

The amounts included in this report are in thousand RON, the average exchange rate for 2019 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	Infrastructure improvements
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	3,012				
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	1,663				
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			8,018		
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				3,300	
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		3,713			
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		4,843			
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				2,331	
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				501	

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. In addition, 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 19.07.2002);
  - certificate for occupational health and safety management according to SR EN ISO 45001:2018 (initial certification date 25.05.2006);
  - energy management system certificate according to SR EN ISO 50001: 2019 (obtained in October 2017).

- ***Vimetco Extrusio***n
  - certificate ISO 9001:2015 for quality control and products quality compliance certificate

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 the 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) from 6th place in 2007-2008 to 3rd place in 2013-2014. This benchmarking took into consideration all the European aluminium smelters and was done by European Aluminium, an association which represents the voice of the aluminium industry in Europe.

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.

Additionally, ALRO initiated in 2018 a new project aiming to further increase its overall energy efficiency by implementing a new design for its pots; the project is a collaboration done with Rio Tinto Aluminium Pechiney and currently, the project is undergoing. At the end of this project, it is estimated that ALRO will reach 4th place in the world regarding the energy consumption rates within its electrolysis division (i.e. Chinese smelters are not considered in this analysis).

The Group took measures to reduce the emissions in all its activities in Romania and implemented complex upgrading processes with positive effects for 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.

More than this, Alum permanently invested in environmental protection projects and searched for viable and optimised solutions that might have a positive impact on environment. During 2009-2012, Alum invested more than USD 10 million for modernisation and refurbishment of red slurry dump and subsequently it had allocated half a million dollars every year for its maintenance in accordance with the environmental standards. Moreover, in 2016 Alum announced the beginning of implementing its project "Endowment of Alum's Research and Development Department with independent installations, performances in research to support economic competitive growth and business development", the purpose of the project being represented by the enhancement of the research, development and innovation capacity, in order to increase the level of innovation and market competitiveness of the company by purchasing and using research and development equipment with a positive indirect impact on the environment.

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 over the environment and does not expect any occurrence of such situations that might involve any violation of environmental protection legislation.

Additionaly, 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 have negative impact on the environment and agrees the action plan in case this might happen.

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 emergency situations and the ability to respond, organising and conducting simulation exercises for incidents involving dangerous substances;
- prevent pollution and combat the environmental factors through investments, organisational measures, maintenance and repairs and technological changes;
- continuous monitoring of environmental aspects of production activity through weekly environmental programmes.

ALRO Group continuously takes measures to operate in accordance with the highest environmental standards, which are applicable for its activity.

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: http://www.alro.ro/en/sustainability-reports.

Environmental responsability

The Group constantly acts to reduce its emissions, which might affect the environment and takes measures to increase its energy efficiency to contribute to the sustainable development of the areas in which it operates.

Ways to minimise the ecological footprint

During the past years, ALRO Group has invested more than USD 100 million to improve labour conditions and for environmental protection. The Company applies modern concepts of integrated waste management. Moreover, all employees are trained in order to bring their active contribution to environmental protection, while being compliant with the occupational health and safety obligations.

For example, ALRO recycles aluminium scrap that has the "end of waste" status. Moreover, the Company invested in building an Eco-recycling facility that uses modern technologies such as double chamber furnaces with oxygas burners. All the gases resulting from the burning process are collected and treated in dry scrubbing centres' as the company has built its gas treatment centre where all the parameters are monitored 24/24 and everything is digitalized

Furthermore, ALRO takes measures for the selective removal of all waste (metal, paper and cardboard, polyethylene, glass) by endowment with disposal bins accordingly to EU standards, for disposal through authorised companies; has built two green waste dumps in each of its locations; it has completely removed the asbestos used as a construction material for the Company's buildings and fully recycles inert waste, such as crushed concrete generated from building demolishing works supplied to stakeholders for road construction or consolidation purposes.

Moreover, the Group recycles the non-hazardous wastes such as scrap metal, carbon-containing wastes, but also hazardous waste from oils which is the subject to recycling by the relevant authorised recycling operators.

For more information regarding the Group's sustainability actions and activities, please see ALRO Group's *Sustainability Report* here: http://www.alro.ro/en/about/ALRO/socialresponsibility.

Corporate Social Responsibility

Corporate Social Responsibility (CSR) represents the management process, an integrated part of the Group's business strategy, through which it wants to contribute 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 image, 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 we are proud to report that our lightweight aluminium contributes to fuel efficiency of planes and vehicles, thus reducing emission levels.

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 the community in which it operates. 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 2019, ALRO has contributed and provided support in various cultural, sports and educational actions and activities, as well as social activities, out of which some examples are listed below:

- ALRO financially supported the activities of the National Mechanics Olympiad and the National Mechanics Competition for students from vocational schools. The event was organized in partnership with the Metallurgical Technological High School;

- ALRO in partnership with Metallurgical Technical College from Slatina has developed and implemented the "Dual-educational school" project for the school year 2017/2018 by organizing a class of 28 students in the specialization "equipment and installations in industry mechanics". This partnership continues in the school year 2019/2020 by establishing another two classes in the electrical and mechanical specialties;

- ALRO got involved in other educational activities such as:

    - 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;
    - depending on needs, ALRO offers jobs to those students who passed the qualification exam at the end of the period;
    - during June and September 2019, ALRO organized Internship Programs, which were addressed to students and graduates for the specialization "Non-Ferrous Metallurgy". Within these programs, ALRO offers participants the opportunity to get the “job experience feeling” by “working” inside the factory; moreover, they can participate in discussions and meetings with the specialists working at ALRO, as well as being active in specialized training and workshops;
    - the Intership Program was continued with the grant of a scholarship until the end of the academic year.

- Students and teachers at the University of Pitesti – Faculty of Mechanics have conducted a technical visit to ALRO for documentation and information;

- Within the secondary education project, the "Baccalaureate, a chance for your career", Alexe Marin Technological High School in Slatina in collaboration with ALRO organized a study visit attended by students and teachers from this institution; the main objective of the project is to increase the pupils’ motivation for learning, achieving performance and improve their learning experience and obtaining better results;

- Various partnerships with highschools, 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 2019, 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:

- support offered to the ALUCRO Association for the grant of one of the prizes awarded during the Can Art & Design festival;
- support offered to the "The Mentoring Project" Association to support the publication and launch of the paperwork "Energy. Operational concepts and tools”;
- ECOIND support for organizing the event International Symposium "Environment and Industry SIMI 2019";
- support offered to the Save the Children Association, for educational projects;
- support offered to the Subsidiary of the Red Cross from Olt county, for the development of the social project "First aid camp for children in rural areas";
- support offered to the Cultural Pro Contemporania Association, for supporting two national projects "The traveling Piano and Enescu’s Violin";
- the project "Spring Cross - Slatina 5k" – Sport means health! This is why ALRO encourages and supports sports activities in Slatina and beyond. Several employees took part in the Spring Cross, organized on May 12, 2019 in Slatina and they won several awards at the end of this competition.

Moreover, in 2019, a particular 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. Thus, during February-March 2019 negotiations with the trade unions took place, and as of 1st of April 2019 a new Collective Labour Agreement entered into force, both at ALRO and at Alum.

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 2019, Alum was involved in activities with a strong social character, among which:

- Financial support for various projects initiated by non-profit associations in activities aimed at involving children in socio-cultural activities (participation of prize-winning students in excursions, supporting students in robotics and IT, chess, promotion and practising of sports disciplines, program for children and youth education by volunteers, supporting activities for the education of children from disadvantaged families);
- Sponsoring the International Delta & Wetlands 2019 International Symposium and Delta & Wetlands 2020 - an annual event presenting the latest achievements of researchers in the Danube Delta Biosphere Reserve, which discusses the scientific issues related to the implementation of the European Environmental Directives at a national level, such as those related to cross-border and interregional cooperation;
- Sponsorship for the “Rowmania FEST” event - International Rowing Boat Festival organized by the non-profit association “Ivan Patzaichin – Mila 23”;
- Collecting funds for providing food and clothes on Easter and Christmas holidays for challenged families and children and for the people living in the Nursing Home for the Elderly in Tulcea;
- Financial support for the non-profit organization "Casiana" for supporting children suffering from incurable diseases;
- Financial support for the non-profit organization "The Danube Delta psychology center" in the benefit of children with autism and other people in distress;
- Financial support for the non-profit organization "The Association of the blind people in Romania” for helping people with visual disabilities;
- Continuing a partnership with a local instructor to offer free swimming lessons for Alum’s employees’ children and supporting their participation in sports competitions (swimming, triathlon, etc).

Additionally, SMHL is an active member of Sierra Leone communities, as well, and an 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 2019, Vimetco Extrusion was involved in activities with a strong social character, among which:

- *HR and Corporate Social Responsibility initiatives*

Internships actions

The program *“I want to learn an occupation”* dedicated to students of Technical Professional Schools and High Schools from Slatina – 4 weeks overall during one-year time/student:

- 14 students from Metallurgical Technical College – specialization electromechanics. Following this program, two students have been hired in Vimetco Extrusion in September 2019 as electricians. In the Company, a training and professional development program has been created for them in order to support them in reaching the appropriate skills and experience as autonomous in their positions;
- two students from Metallurgical College – specialization Environment Protection. The internship took place within the HSE Department.

Internships for University students – programs of 3 weeks/student:

- Polytechnic University of Craiova:
    - one student specialization Electrical Engineering;
    - internship in the IT Department of Vimetco Extrusion.

- *Corporate Social Responsibility:*

    - Sponsorship to Slatina hospital thanks to which medical equipment were bought: monitor vital functions and an electrocauter.
    - Internship programs;
    - The annual camp *“Nurturing my roots”* was organized for 14 children from Child Protection local Institution and three children of the Company employees, with ages between 10 to 18 years old, having as purpose their emotional intelligence development. The camp lasted for five days and it was fully sponsored by Vimetco Extrusion. Following this initiative one young man, 18 years old, participant in the camp, under Child Protection authorities, was hired in Vimetco Extrusion as soda operator.

ALRO Group is also involved in activities or events with a strong recreational character for its employees. Thus, in May and October 2019, a team from the Group was present at the 8th edition of OMV Petrom Semi-marathon in Bucharest, respectively at the 12th edition of Raiffeisen Bank Bucharest Marathon, that are part of the calendar of events through which the Bucharest is included in the international marathon circuit, joining the other European capitals that host such competitions on an annual basis. Moreover, ALRo Runners team was present at Baneasa Race in December 2019. At all 2019 editions, ALRO Group was represented by a mixed team that was present both at individual and relay races.

The Group’s Management encourages and supports employees to participate in such events, being a promoter of healthy lifestyle, while maintaining a balance between professional and personal life.

Human resources development

The 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, in order to avoid the cultural, language and social differences.

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

- Establishing the organisational framework within the organization (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 in order to identify opportunities and threats which can determine, in a positive or negative way, 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 in order for them to complete their tasks and duties in an efficient manner;
- Training and professional development, professional assessment and career management;
- Motivating the employees, in order to increase satisfaction and commitment in reaching goals and completing own 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, in order to prevent the events that may disrupt the organization's activities;
- Employers 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: responsibility of their own actions, respect between team members, 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 environment responsibility and the community in which it operates. 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, in order 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 on the basis of 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, post graduate 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.

During 2019, 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 trainings 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.

In 2019, professional training and specialisation of the employees involved in the aero and auto projects continued. Special emphasis was placed on internal training programmes focusing on changing employees' view regarding self-control, quality, cost reduction, efficient use of the resources needed to carry out activities, compliance with system and operational procedures, improving communication, etc.

In 2019, TESA employees from all areas of activity (such us, technical, industrial automation, IT, economic areas and others) followed professional development training programmes or specialisation programmes in order to access the most advanced information and best practices in their activity fields and in other areas of interest for the Company. Professional development programmes such as the Executive MBA or training and specialisation programmes were held, such as: IATF 19949: 2016 - quality management systems, AS 9100 International Auditor; programmable automation courses, evaluation and certification regarding the realisation of the dynamic balances "in situ", error measurement methods for counters of electricity, evaluation and certification regarding the achievement of dynamic balances, financial and accounting programmes, programmes in the field of environmental protection, specific authorisation programmes for RSVTI, RSL, and RTS responsible persons within the Company, programmes on the management of classified information, personal data protection and others.

The implementation of these new techniques and technologies were accompanied by adequate training programmes for the machines and equipment operators and were organised in most cases by external training consultants.

Another important method for professional development training is the participation of the employees to seminars, fairs, expositions and workshops, in Romania and abroad. ALRO Group's management encourage the interest of its employees for professional and personal development and has supported its staff to follow post-secondary schools, universities, masters, postgraduate or PhD programmes.

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.).

This is carried out through the following methods:

- *Partnership with the Technical Metallurgical High School from Slatina materialised through:*
    - The partnership between ALRO and Slatina Metallurgical Technical College for the organisation of the first dual vocational education 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 continued in the educational year 2018-2019, by organising 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. The project "Dual-educational school" will continue in 2020 and a new partnership with the Metallurgical Technical College was concluded for the establishment in September of two more classes in the mechanical and electrical field.
    - The partnership with the Slatina Metallurgical Technical College has also facilitated several specialised internships within ALRO production facilities for vocational schools' students – classes of rolling mill operators, numerical control machine tool operators, Cast-House operators and electro mechanics. Moreover, it has encouraged some of the Company's employees to follow highschool or postsecondary schools;
    - Facilitate specialised internships at ALRO for vocational schools' students – classes of rolling mill operators, numerical control machine tool operators, Cast-House operators and electro mechanics;
    - Support some employees to follow high-school or postsecondary schools;
    - Conduct joint projects (e.g. provide equipment for schools' laboratories, organise educative activities with pupils etc.);
- *Partnerships with technical universities, mostly with Politehnica University of Bucharest, University of Craiova (Physics Department, Faculty of Automation, Computers and Electronics etc.) implemented through:*
    - Internship - practice periods in ALRO; support offered for preparing the final papers for Bachelor's, Master's or PhD Degrees;
    - On average, more than 30 students each year from different universities and specialisations have conducted professional training and documentation activities within the Company;

  - 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.);
  - Starting H1 2019, within 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;
  - Financial support granted by ALRO in activities carried by certain universities (for example, donating equipment and laboratory equipment, to be used as a teaching material).

- Anticipated professional development turned out to be beneficial for ALRO, from the following perspectives:
  - It smoothed the recruitment process, selection and anticipated the professional development of future employees. Thus, part of the students who 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.

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 is 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

In February 2020, ALRO signed a borrowing contract with a commercial bank in Romania. The borrowing is a RON 100,000 thousand revolving loan to be used for working capital and it has the maturity in November 2020. The facility is guaranteed 30% by cash collateral, and 70% by a guarantee from the Romanian state.

At the date when these financial statements were authorised for issue, negotiations with a bank were still ongoing in respect of the terms and conditions of a CAPEX facility for an amount of up to USD 40,000 thousand, and the maturity in 2026.

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

In March 2020, ALRO received from the United States International Trade Commission a notification that a petition for establishing antidumping tariffs for certain aluminium products originated from 18 countries, including Romania, was received by the US Department of Commerce. The petition is filed by the US Aluminium Association and concerns aluminium sheets between 0.2 mm and 6.3 mm made of common alloys (1xxx, 3xxx and 5xxx series). In respect of the sheets of Romanian origin, produced by ALRO, the requested antidumping tariff to be assessed by the US Department of Commerce, is of 56.22%, with prospective application.

ALRO considers this petition as unfounded and the calculations which are behind it as erroneous and it intends to vigorously defend its position in front of the American authorities involved. From the data that it has for the moment, the management of the Company is unable to assess whether the petition will be accepted or dismissed, as, from the data received from the external legal consultant, the process of investigation will be rather complex and will involve a multitude of factors. The petition does not impact past years and, from the preliminary analysis performed, it does not appear that the performance of ALRO will be significantly affected in 2020 by a potential negative outcome of this petition. The Company is actively working to mitigate any adverse impact that it might face if the petition is adversely determined.

At the end of 2019, China announced that it faces a new type of virus, initially called "the novel coronavirus" and later officially named "Covid-19". It appeared originally in the city of Wuhan, China and affects the respiratory system of humans and being extremely easily transmitted it quickly led to an epidemics all around the world. As of now, over 400,000 of cases were reported worldwide and nearly 20,000 deaths, which determined worldwide governments to take extraordinary measures such as limiting the movement of persons and even restricting businesses. The current unprecedented situation might have some negative outcomes due to the economic slowdown caused by the temporary closure of businesses and freezing of activities in the most affected countries.

Concerning the aluminium industry, a drop of the aluminium price was registered in 2020: from an average of 1,791 USD/tonne (LME cash seller in December 2019) to 1,772 USD/tonne in January 2020 and further to 1,686 USD/tonne in February 2020. Nevertheless, the aluminium market has seen even lower quotations in the past and such volatility is normal to the industry.

ALRO Group has taken all the required and legal measures to limit the extent of the virus and remains observant to find the most suitable solutions to keep potential slowdowns at minimum levels.

For more information regarding the events that could impact the financial statements, please see ***Note 35 - Events after the reporting date.***

Outlook for 2020

In 2020, 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 print, in line with all the applicable regulations imposed on the EU member states through the new BAT regulations as approved in June 2016.

Under this responsible attitude to society, employees and environment equally, amongst other environment projects, ALRO planned to start in 2020 the extension of the fume treatment plant in the Cast House to the melting and alloying furnaces (furnaces G0 – G10), by installing state of the art fume filter systems for the collection and filtering of the emissions generated by the furnaces. By implementing this project, the Company will observe the new associated emission levels for dust emissions to air from aluminium melting, treatment and casting in primary aluminium production, as imposed through the new BAT regulations, ALRO 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 programme by relining new 75 pots, out of which 58 will be relined with the new AP12LE technology, considering that the implementation of Aluminium Pechiney technology on the smelter pots relining is planned to be carried out over eight 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, and the Company plans to start the upgrading of the main drive on the Hot Rolling Mill, which is an 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, in 2020 it is expected to achieve increased production and deliveries for FRP, generated especially by higher production levels for plates, sheets and coils with a focus on the HVAP.

As other initiatives for 2020, we could mention the following:

- Submission of at least one project proposal within Horizon 2020, the EU Research and Innovation Horizon 2020 program;
- Collaboration with the major universities/research institutes in Europe and Romania for joint technical studies (minimum three) and publication of scientific papers (minimum two);
- 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 environment;
- In house technologies development for thin heat-treated sheets, within the Thermal Treatment Compartment, to support the Processing Aluminium Division production increase;
- Participations at various specialized conferences with the aim to maintain and continuously improve the image of the company and of the group.

In terms of human resources, in 2020, ALRO will continue the vocational training programs, materialized by:

- Programs for new employees, whose objective is the improvement and development of professional competences and skills, for a broader understanding of operational and system practices and procedures, increasing the efficiency of the activities carried out, increasing of the motivation, etc.;
- Programs for the continuous development of the competences of the employees involved in the aero and auto projects;

- Management, leadership, but also specialized technical programs designed to train employees, specific development needs of individuals resulting from the succession and career development program;
- Recruitment programs and personnel selection that correspond to the ALRO employment requirements;
- Programs of anticipated professional training of the labor force, realized through the conclusion of partnerships with the educational institutions (professional schools, specialized high schools, university environments, etc.).

Abbreviations and definitions used in this report

ATS	Alternative trading system on BSE
BoD	Board of Directors
BSE	Bucharest Stock Exchange
BSE Code	Corporate Governance Code issued by BSE and applicable to listed companies
COP	Competitiveness Operational Programme
EBIT	Earnings before interest and taxes
EBITDA	Earnings before interest, taxes, depreciation, amortization and impairment
ECOIND	The National Research Institute for Research&Development for Industrial Ecology
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 products
FSA	Financial Supervisory Authority, Romania
GD	Government Decision
GSM	General Shareholders Meeting
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
ISO	International Organization for Standardization
LEI	Legal Entity Identifier Code
LIBOR	London Interbank Offered Rate
LME	London Metal Exchange
MA	Management Authority
MEF	Ministry of European Funds
OEM	Original Equipment Manufacturer
OGSM	Ordinary General Shareholders Meeting
ROBOR	Romanian Interbank Offered Rate
RTA	Rio Tinto Aluminium Pechiney
U.S.A	United States of America

Consolidated and separate financial statements for the year ended 31 December 2019

Alro S.A. and its subsidiaries

Consolidated and separate statements of profit or loss and other comprehensive income for the year ended 31 December 2019

in RON '000,
except per share data

	Note	Alro Group		Alro	
		2019	2018	2019	2018
Revenue from contracts with customers	5	2,777,801	2,982,501	2,492,611	2,598,735
Cost of goods sold		-2,550,785	-2,312,624	-2,434,648	-2,133,538
Gross profit		**227,016**	**669,877**	**57,963**	**465,197**
General, administrative and selling expenses	7	-280,238	-310,921	-178,821	-195,748
Impairment of investments	15	-	-	-48,873	1,284
Other operating income	8	167,755	11,376	87,906	7,949
Other operating expenses	8	-15,292	-8,492	-6,747	-4,182
Operating result (EBIT)		**99,241**	**361,840**	**-88,572**	**274,500**
Interest expenses	9	-77,334	-47,309	-67,815	-43,977
Gains (losses) from derivative financial instruments, net	32	-3,598	35,161	-3,598	35,161
Other financial gains / (losses), net	10	-16,505	-14,961	33,031	22,820
Net foreign exchange gains / (losses)		-34,589	-19,637	-31,585	-16,536
Result before income taxes		**-32,785**	**315,094**	**-158,539**	**271,968**
Income tax	11	-34,452	-79,767	5,638	-46,011
Result for the period		**-67,237**	**235,327**	**-152,901**	**225,957**
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	-3,333	-411	-3,086	526
Income tax on items that will not be reclassified		577	-34	494	-84
Items that may be reclassified subsequently to profit or loss:					
Translation adjustment		-6,266	9,538	-	-
Other comprehensive income / (expense) for the period, net of tax		**-9,022**	**9,093**	**-2,592**	**442**
Total comprehensive income / (expense) for the period		**-76,259**	**244,420**	**-155,493**	**226,399**
Result attributable to:					
Shareholders of Alro SA		**-67,734**	**235,006**	**-152,901**	**225,957**
Non-controlling interest		**497**	**321**	**-**	**-**
		-67,237	235,327		
Total comprehensive income / (expense) attributable to:					
Shareholders of Alro S.A.		**-76,719**	**244,043**	**-155,493**	**226,399**
Non-controlling interest		**460**	**377**	**-**	**-**
		-76,259	244,420		
Earnings per share					
Basic and diluted (RON)	12	-0.095	0.329	-0.214	0.317

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 26 March 2020.

Consolidated and separate statements of financial position as at 31 December 2019

in RON '000

	Note	Alro Group 31 December 2019	Alro Group 31 December 2018	Alro 31 December 2019	Alro 31 December 2018
Assets					
Non-current assets					
Property, plant and equipment	13	1,169,009	1,190,373	839,732	883,248
Investment properties	13	696	-	4,761	4,356
Intangible assets	14	9,611	6,934	9,287	6,342
Investments	15	-	-	399,968	448,841
Goodwill	16	94,284	90,837	-	-
Right-of-use assets	17	13,258	-	10,630	
Deferred tax asset	11	37,294	50,354	11,192	5,060
Other non-current assets	18	3,866	52,634	3,866	52,634
Total non-current assets		**1,328,018**	**1,391,132**	**1,279,436**	**1,400,481**
Current assets					
Inventories	19	828,948	835,029	576,332	626,270
Trade receivables, net	20	76,352	70,126	58,538	143,335
Current income tax receivable		6,225	-	5,917	-
Other current assets	21	93,137	431,178	84,599	472,480
Restricted cash	22	46,164	8,370	45,200	5,084
Cash and cash equivalents	22	83,182	203,609	72,546	136,445
Total current assets		**1,134,008**	**1,548,312**	**843,132**	**1,383,614**
Total assets		**2,462,026**	**2,939,444**	**2,122,568**	**2,784,095**
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	342,667	344,333	306,191	306,191
Retained earnings		36,446	135,358	131,868	235,103
Result for the period		-67,734	235,006	-152,901	225,957
Equity attributable to shareholders of Alro S.A.		**767,767**	**1,171,085**	**741,546**	**1,223,639**
Non-controlling interest		2,185	1,739	-	-
Total shareholders' equity		**769,952**	**1,172,824**	**741,546**	**1,223,639**
Non-current liabilities					
Bank and other loans, non-current	25	374,271	870,781	256,699	810,828
Leases, non-current	25	6,161	3,550	4,821	3,350
Provisions, non-current	26	36,704	32,854	1,337	1,287
Post-employment benefit obligations	27	46,637	42,610	39,492	35,800
Government grants, non-current portion	28	47,970	49,956	39,187	41,161
Other non-current liabilities		890	3,601	371	2,196
Total non-current liabilities		**512,633**	**1,003,352**	**341,907**	**894,622**
Current liabilities					
Bank and other loans, current	25	869,667	73,563	804,980	73,263
Leases, current	25	4,321	2,500	3,495	2,231
Provisions, current	26	2,793	31,233	2,700	26,606
Trade and other payables	29	206,386	210,750	151,955	151,522
Current income taxes payable		2,551	14,300	-	5,010
Government grants, current portion	28	4,267	1,914	3,442	1,146
Other current liabilities	30	89,456	429,008	72,543	406,056
Total current liabilities		**1,179,441**	**763,268**	**1,039,115**	**665,834**
Total liabilities		**1,692,074**	**1,766,620**	**1,381,022**	**1,560,456**
Total shareholders' equity and liabilities		**2,462,026**	**2,939,444**	**2,122,568**	**2,784,095**

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 26 March 2020.

This is a free translation from the official Romanian version

Consolidated statement of changes in shareholders' equity for the year ended 31 December 2019 - Alro Group

	Share capital	Share premium	Other reserves
Balance at 1 January 2018	**356,091**	**86,351**	**364,519**
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	-	-	3,315
Dividends distribution (Note 12)	-	-	-
Disposal of own shares*	13,946	-	-
Balance at 31 December 2018	**370,037**	**86,351**	**367,834**
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**(Note 12)	-	-	-
Balance at 31 December 2019	**370,037**	**86,351**	**372,397**

*On 19 December 2018 Conef S.A. disposed entirely of its 3.77% holding in Alro S.A. through an accelerated private placement offer for a cash consideration of RON 80,705 thousand.

**Dividends distributed in 2019 represent interim dividends initially declared in 2018 based on Q3 2018 results and retained earnings, which were recognized as assets at 31 December 2018 under "Other current assets" in accordance with the applicable legislation (the Financial Ministry's Order no. 3067/2018) and which were deducted from equity only after their approval as final dividends by the Ordinary General Shareholders' Meeting held in April 2019.

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 26 March 2020.

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
-32,977	331,542	49,409	390,581	1,213,974	1,374	1,215,348
-	-	-	235,006	235,006	321	235,327
9,476	9,476	-	-	9,476	62	9,538
-	-	-405	-	-405	-6	-411
-	-	-34	-	-34	-	-34
9,476	9,476	-439	-	9,037	56	9,093
9,476	9,476	-439	235,006	244,043	377	244,420
-	3,315	387,266	-390,581	-	-	-
-	-	-367,637	-	-367,637	-12	-367,649
-	-	66,759	-	80,705	-	80,705
-23,501	344,333	135,358	235,006	1,171,085	1,739	1,172,824
-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

*On 19 December 2018 Conef S.A. disposed entirely of its 3.77% holding in Alro S.A. through an accelerated private placement offer for a cash consideration of RON 80,705 thousand.

**Dividends distributed in 2019 represent interim dividends initially declared in 2018 based on Q3 2018 results and retained earnings, which were recognized as assets at 31 December 2018 under "Other current assets" in accordance with the applicable legislation (the Financial Ministry's Order no. 3067/2018) and which were deducted from equity only after their approval as final dividends by the Ordinary General Shareholders' Meeting held in April 2019.

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 26 March 2020 .

Separate statement of changes in equity for the year ended 31 December 2019 - Alro

	Share capital
Balance at 1 January 2018	**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 2018	**370,037**
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**

*Dividends distributed in 2019 represent interim dividends initially declared in 2018 based on Q3 2018 results and retained earnings, which were recognized as assets at 31 December 2018 under "Other current assets" in accordance with the applicable legislation (the Financial Ministry's Order no. 3067/2018) and which were deducted from equity only after their approval as final dividends by the Ordinary General Shareholders' Meeting held in April 2019.

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in RON '000

Share premium	Other reserves	Retained earnings	Result for the period	Total
86,351	**306,191**	**299,011**	**317,686**	**1,379,276**
-	-	-	225,957	**225,957**
-	-	526	-	**526**
-	-	-84	-	**-84**
-	**-**	**442**	**-**	**442**
-	**-**	**442**	**225,957**	**226,399**
-	-	317,686	-317,686	**-**
-	-	-382,036	-	**-382,036**
86,351	**306,191**	**235,103**	**225,957**	**1,223,639**
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**

*Dividends distributed in 2019 represent interim dividends initially declared in 2018 based on Q3 2018 results and retained earnings, which were recognized as assets at 31 December 2018 under "Other current assets" in accordance with the applicable legislation (the Financial Ministry's Order no. 3067/2018) and which were deducted from equity only after their approval as final dividends by the Ordinary General Shareholders' Meeting held in April 2019.

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 26 March 2020.

Consolidated and separate statements of cash flows for the year ended 31 December 2019

in RON '000

	Note	Alro Group 2019	Alro Group 2018	Alro 2019	Alro 2018
Cash flow from operating activities					
Result before income taxes		-32,785	315,094	-158,539	271,968
Adjustments for:					
Depreciation and amortisation		152,754	125,114	101,886	82,045
Impairment of investments	15	-	-	48,873	-1,284
Impairment of property, plant and equipment	8	-4,790	-1,261	-4,754	-521
Movement in provisions	26	-28,440	4,403	-23,906	1,090
Change in allowance for impairment of inventory	19	14,252	12,502	13,940	12,499
Change in allowance for impairment of doubtful receivables	7	-274	944	35	-43
Loss on disposal of property, plant and equipment	8	6,114	2,788	5,406	1,666
Net foreign exchange losses on loans revaluation		43,500	27,546	40,273	27,336
Interest income	10	-4,866	-7,478	-4,487	-6,288
Interest expense	9	77,334	47,309	67,815	43,977
Dividend income	10	-1	-1	-48,325	-37,202
Effect of derivative financial instruments	32	3,598	-35,161	3,598	-35,161
Changes in working capital:					
Change in inventories		-4,399	-167,521	36,052	-119,061
Change in trade receivables and other assets		-9,836	-1,175	136,292	103,967
Change in trade and other payables		-11,257	31,372	9,157	20,421
Income taxes paid		-37,342	-20,743	-10,927	-2,860
Interest paid		-71,773	-41,194	-64,973	-36,757
Proceeds from derivatives, net		5,752	26,653	5,752	26,653
Net cash generated by / (used in) operating activities		**97,541**	**319,191**	**153,168**	**352,445**
Cash flow from investing activities					
Purchase of property, plant and equipment and intangible assets, net		-159,056	-292,365	-84,760	-202,746
Government grants received		4,411	24,312	3,572	21,068
Proceeds from sale of property, plant and equipment		1,003	2,679	148	245
Proceeds from disposal of own shares	15	-	80,705	-	-
Dividends received		-	-	48,324	37,201
Change in restricted cash	22	7,407	58,639	5,085	55,356
Change in loans to related parties	31	-	55,067	-	-
Interest received		4,866	7,476	4,487	7,301
Net cash used in investing activities		**-141,369**	**-63,487**	**-23,144**	**-81,575**
Cash flow from financing activities					
Proceeds from loans and leasing		408,617	62,638	290,603	2,108
Repayment of loans		-160,490	-70,216	-159,747	-66,466
Dividends paid	12, 31	-324,779	-365,415	-324,779	-379,803
Net cash provided by/(used in) financing activities		**-76,652**	**-372,993**	**-193,923**	**-444,161**
Net change in cash and cash equivalents		**-120,480**	**-117,289**	**-63,899**	**-173,291**
Cash and cash equivalents at beginning of period		**203,609**	**320,828**	**136,445**	**309,736**
Effect of exchange rate differences on cash and cash equivalents		53	70	-	-
Cash and cash equivalents at end of period		**83,182**	**203,609**	**72,546**	**136,445**

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 26 March 2020.

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, Romania.

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 2019 and 2018. 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 2019 and 2018 were within the following ranges:

	2019	2018
- minimum price (RON/share)	2.06	2.81
- maximum price (RON/share)	3.09	4.27
- average price (RON/share)	2.38	3.50

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

	Alro Group		Alro	
	2019	2018	2019	2018
Average number of employees, of which:	4,291	4,111	2,514	2,549
Production staff	3,411	3,217	1,916	1,966
General and administration staff	880	894	598	583

These financial statements were authorised for issue by the Board of Directors on 26 March 2020.

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 Company's premises, upon request. They are also available on the website of the Company www.alro.ro within the applicable legal time frame.

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.

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:

	2019	2018
USD exchange rate at the end of the period**	4.2608 USD/RON	4.0736 USD/RON
USD average exchange rate***	4.2392 USD/RON	3.9433 USD/RON

**) as communicated by 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.

** 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 and except for the accounting treatment of interim dividends, which, according to the Ministry of Public Finance Order no. 3067/2018, are recorded in the consolidated statement of financial position at 31 December 2018 as receivables on the position 'Other current assets' and as liabilities on the position 'Other current liabilities'.*

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 2019 and their effect in the preparation of the Group and the Company financial statements for the year ended 31 December 2019.

Standards and interpretations effective in 2019 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 2019:

IFRS 16 *Leases*

IFRS 16 Leases, issued on 13 January 2016 is effective for annual periods beginning on or after 1 January 2019 (early application was permitted, but not before an entity applies *IFRS 15*). *IFRS 16* supersedes *IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease. IFRS 16* sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under *IAS 17*. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets and short-term leases. At the commencement date of a lease, a lessee will recognise a liability to make lease payments and an asset representing the right to use the underlying asset during the lease term. Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. Lessor accounting under *IFRS 16* is substantially unchanged from the accounting under *IAS 17*.

a) Nature of the effect of adoption of IFRS 16

Before the adoption of IFRS 16, the Group classified each of its leases (as lessee) at the inception date as either a finance lease or an operating lease. A lease was classified as a finance lease if it transferred substantially all of the risks and rewards incidental to ownership of the leased asset to the Group; otherwise it was classified as an operating lease. Finance leases were capitalised at the commencement of the lease at the inception date at fair value of the leased property or, if lower, at the present value of the minimum lease payments.

Lease payments were apportioned between interest (recognised as finance costs) and reduction of the lease liability. In an operating lease, the leased property was not capitalised and the lease payments were recognised as rent expense in profit or loss on a straight-line basis over the lease term. Any prepaid rent and accrued rent were recognised under *Prepayments and Trade and other payables*, respectively.

Upon adoption of IFRS 16, the Group applied a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The standard provides specific transition requirements and practical expedients, which have been applied by the Group.

Leases previously classified as finance leases

The Group did not change the initial carrying amounts of recognised assets and liabilities at the date of initial application for leases previously classified as finance leases (i.e., the right-of-use assets and lease liabilities equal the lease assets and liabilities recognised under IAS 17). The requirements of IFRS 16 were applied to these leases from 1 January 2019.

Leases previously accounted for as operating leases

The Group recognised right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The right-of-use assets for most leases were recognised based on the carrying amount as if the standard had always been applied, apart from the use of incremental borrowing rate at the date of initial application. In some leases, the right-of-use assets were recognised based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognised. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

In adopting IFRS 16, at 1 January 2019 right-of-use assets of RON 14,904 thousand were recognised for the Group and RON 12,614 thousand for the Company (out of which RON 7,545 thousand for the Group and RON 6,893 thousand for the Company represent reclassification of financial lease contracts and RON 7,360 thousand for the Group and RON 5,721 thousand for the Company represent additional right-of-use assets recognised for operating lease contracts), being presented in the statement of financial position in Other non-current assets. At 1 January 2019, additional lease liabilities of RON 7,360 thousand were recognised by the Group and RON 5,721 thousand for the Company.

b) Summary of new accounting policies in adopting IFRS 16

The Group applied IFRS 16 initially on 1 January 2019, using the modified retrospective approach. The Group applied IFRS 16 to all contracts entered into before 1 January 2019 and identified as leases in accordance with IAS 17 and IFRIC 4.

The Group elected to use the exemptions proposed by the standard on lease contracts for which the lease terms ends within 12 months as of the date of initial application, and lease contracts for which the underlying asset is of low value.

The Group recognised new assets and liabilities for its operating leases of vehicles, land and equipments. A depreciation charge for right-of-use assets and interest expense on lease liabilities are also recognized. Right-of-use assets for property leases is measured on transition as an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position immediately before the date of initial application.

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees.

in RON '000, except per share data

Previously, the Group recognised operating lease expense on a straight-line basis over the term of the lease, and recognised assets and liabilities only to the extent that there was a timing difference between actual lease payments and the expense recognised.

The Group has lease contracts for various items of machinery, vehicles and other equipment used in its operations with lease terms between 3 and 10 years. Generally, the Group is restricted from assigning and subleasing the leased assets. There are several lease contracts that include extension and termination options. Using their professional judgement and experience, the Group and the Company's management considered the lease term to be equal with the projections of Group and Company's business plans (5 years) for contracts for which they had reasonable assurance that the extension option would be exercised at the end of the contract.

The effect of adoption IFRS 16 as at 1 January 2019 (increase/(decrease) is, as follows:

	Alro Group 2019	Alro 2019
Assets		
Right-of-use assets	14,904	12,614
Property, plant and equipment	-7,545	-6,893
Total assets	**7,360**	**5,721**
Liabilities		
Interest-bearing loans and borrowings	7,360	5,721
Total liabilities	**7,360**	**5,721**
Total adjustments on equity	**-**	**-**
Retained earnings	-	-
Non-controlling interests	-	-

The lease liabilities as at 1 January 2019 can be reconciled to the operating lease commitments as of 31 December 2018, as follows:

	Alro Group 2019	Alro 2019
Operating lease commitments as at 31 December 2018	**3,491**	**2,866**
Weighted average incremental borrowing rate as at 1 January 2019	4,71%	4,52%
Discounted operating lease commitments as at 1 January 2019	3,329	2,738
Less:		
Commitments relating to short-term leases	-67	-38
Add:		
Commitments relating to leases previously classified as finance leases	6,050	5,581
Lease payments relating to renewal periods not included in operating lease commitments as at 31 December 2018	4,098	3,021
Lease liabilities as at 1 January 2019	**13,410**	**11,302**

- *Amendments to IFRS 9 Prepayment features with negative compensation* were issued on 18 May 2018 (effective for annual reporting periods beginning on or after 1 January 2019 with earlier application permitted). The Amendment allows financial assets with prepayment features that permit or require a party to a contract either to pay or receive reasonable compensation for the early termination of the contract (so that, from the perspective of the holder of the asset there may be ‘negative compensation’), to be measured at amortized cost or at fair value through other comprehensive income. The amendments do not have an impact on the Group's or Company's financial statements.

- *Amendments to IAS 19: Plan Amendment, Curtailment or Settlement*, issued on 7 February 2018. The amendments require entities to use updated actuarial assumptions to determine current service cost and net interest for the remainder of the annual reporting period after a plan amendment, curtailment or settlement has occurred. The amendments also clarify how the accounting for a plan amendment, curtailment or settlement affects applying the asset ceiling requirements. The amendments do not have an impact on the Group's or Company's financial statements.

- *Amendments to IAS 28: Long-term interests in associates and joint ventures* (issued on 12 October 2018). The Amendments relate to whether the measurement, in particular impairment requirements, of long term interests in associates and joint ventures that, in substance, form part of the 'net investment' in the associate or joint venture should be governed by IFRS 9, IAS 28 or a combination of both. The Amendments clarify that an entity applies IFRS 9 Financial Instruments, before it applies IAS 28, to such long-term interests for which the equity method is not applied. In applying IFRS 9, the entity does not take account of any adjustments to the carrying amount of long-term interests that arise from applying IAS 28. These amendments are not applicable to the Group and the Company.

- *IFRIC 23 Uncertainty over income tax treatments.* Interpretation was issued on 7 June 2017, is applicable for annual periods beginning on or after 1 January 2019 and earlier application is permitted. Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12. The Interpretation provides guidance on considering uncertain tax treatments separately or together, examination by tax authorities, the appropriate method to reflect uncertainty and accounting for changes in facts and circumstances. The amendment did not have an impact on the Group's and Company's financial statements.

- *Annual Improvements to IFRS Standards 2015 – 2017 Cycle* (effective for annual periods beginning on or after 1 January 2019), issued on 12 December 2017 and not yet adopted by the EU. The improvements are not expected to have a material impact on the Group's and Company's financial statements. These annual improvements are a collection of amendments to IFRSs:

- *IFRS 3 Business Combinations and IFRS 11 Joint Arrangements:* The amendments to IFRS 3 clarify that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business. The amendments to IFRS 11 clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business.

- *IAS 12 Income Taxes:* The amendments clarify that the income tax consequences of payments on financial instruments classified as equity should be recognized according to where the past transactions or events that generated distributable profits has been recognized.

- *IAS 23 Borrowing Costs:* The amendments clarify paragraph 14 of the standard that, when a qualifying asset is ready for its intended use or sale, and some of the specific borrowing related to that qualifying asset remains outstanding at that point, that borrowing is to be included in the funds that an entity borrows generally.

Standards issued, but not yet effective and not early adopted

- *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. It's 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.

- *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.

- *Amendment to IFRS 3 Business Combinations*, issued on 22 October 2018 (not yet adopted by EU) intended to improve the definition of a business and assist entities to determine whether a transaction should be accounted for as a business combination or as an asset acquisition. The amendments clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs; narrow the definitions of a business and of outputs by focusing on goods and services provided to customers and by removing the reference to an ability to reduce costs; add guidance and illustrative examples to help entities assess whether a substantive process has been acquired; remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs; and add an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The amendments apply prospectively to transactions or other events that occur on or after the date of first application.

IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current (Amendments)
The amendments are effective for annual reporting periods beginning on or after January 1, 2022 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 consolidated financial statements.

- *Amendments to IAS 1 and IAS 8: Definition of Material,* issued on 31 October 2018. The amendments clarify and align the definition of 'material' and provide guidance to help improve consistency in the application of that concept whenever it is used in IFRS. 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.' The amendments clarify that materiality will depend on the nature or magnitude of information. An entity will need to assess whether the information, either individually or in combination with other information, is material in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. Although the amendments to the definition of material is not expected to have a significant impact on financial statements, the introduction of the term 'obscuring information' in the definition could potentially impact how materiality judgements are made in practice, by elevating the importance of how the information is organised in the financial statements.

- *Amendments to IFRS 9, IAS 39 and IFRS17: Interest Rate Benchmark Reform,* issued on 26 September 2019. The Amendments relate to the issues affecting financial reporting in the periods before replacement of an existing interest rate benchmark with an alternative interest rate. The Amendments provide relief from the highly probable and prospective assessments required by IFRS 9 and IAS 39 for hedging relationships that are affected by the uncertainties of the inter-bank offered rates ('IBORs') reform. With the same objective, the Amendments provide relief from the retrospective assessment under IAS 39. The exceptions described in the Amendments apply only to those hedging relationships directly affected by uncertainties of the IBOR reform including cross-currency interest rate swaps (for the interest component affected). The Amendments will become effective for the annual periods beginning on or after 1 January 2020, with earlier application permitted.

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 the Group and the Company cannot make a reasonable estimate of such reversal of revenue at year end.

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

Recognition of revenue from distinct performance obligations
The Group and the Company have analyzed its contracts with customers to determine all its performance obligations and it has not identified any new performance obligation that should be accounted for separately in accordance with IFRS 15.

Rendering of services
The Group 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" 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.

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.

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

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

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

	Alro Group	Alro
	2019	2019
Land	5 years	5 years
Buildings and special constructions	5 years	5 years
Plant and machinery	3 years	3 years
Equipment and vehicles	1 - 8 years	1 - 8 years

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 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:

	2019	2018
Buildings and special constructions	2 - 60 years	2 - 60 years
Plant and machinery	1 - 35 years	1 - 30 years
Equipment and vehicles	2 - 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.

Depreciation is recognized so as to write off the cost less their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

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

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 and contract assets, the Grup 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.

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.

Embedded derivatives

Derivatives embedded in non-derivative host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at FVTPL.

Hedge accounting

The Group and Company may designate certain hedging instruments as either fair value hedges or cash flow hedges.

At the inception of the hedge relationship, the Group and Company document the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group and Company document whether the hedging instrument is highly effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk.

Note 32 presents details of the fair values pertaining to the derivative financial instruments for hedging purposes.

Fair value hedges

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recognized in profit or loss immediately, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The change in the fair value of the hedging instrument and the change in the hedged item attributable to the hedged risk are recognized in the line of the consolidated statement of comprehensive income relating to the hedged item.

Hedge accounting is discontinued when the Group and Company revoke the hedging relationship, when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting.

The fair value adjustment to the carrying amount of the hedged item arising from the hedged risk is amortised to profit or loss from that date.

Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognized in *other comprehensive income* and accumulated under the heading of cash flow hedging reserve. The gain or loss relating to the ineffective portion is recognized immediately in the profit or loss, and is included in *Gains/(losses) from derivative financial instruments, net* and *Other financial gains / (losses), net* line items.

Amounts previously recognized in *Other comprehensive income* and accumulated in equity are reclassified to the profit or loss in the periods when the hedged item is recognized in the profit or loss, in the same line of the *Statement of comprehensive income* as the recognized hedged item.

However, when the hedged forecast transaction results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously recognized in other comprehensive income and accumulated in equity are transferred from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability.

Hedge accounting is discontinued when the Group and the Company revoke the hedging relationship, when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting.

Any gain or loss recognized in *Other comprehensive income* and accumulated in equity at that time remains in equity and is recognized when the forecast transaction is ultimately recognized in the consolidated and separate profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognized immediately in the profit or loss.

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 2019.

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 Company opted for the quarterly distribution of dividends as at the date of 30 September 2018. 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 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 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 145,184 thousand (2018: RON 86,136 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 50,762 thousand (2018: RON 32,860 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.

Useful lives of property, plant and equipment
The Group and the Company review the estimated useful lives of property, plant and equipment at the end of each reporting period.

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.

in RON '000, except per share data

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:

Segment	Bauxite	Alumina	Primary aluminium	Processed aluminium	Others	2019 Total
Type of good or service						-
Sale of bauxite	270,221	-	-	-	-	**270,221**
Sale of alumina	-	782,434	-	-	-	**782,434**
Sale of primary aluminium	-	-	2,115,362	-	-	**2,115,362**
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**	**2,115,362**	**1,352,536**	**47,969**	**4,593,197**

Segment	Bauxite	Alumina	Primary aluminium	Processed aluminium	Others	2018 Total
Type of good or service						-
Sale of bauxite	265,829	-	-	-	-	**265,829**
Sale of alumina	-	875,299	-	-	26,371	**901,670**
Sale of primary aluminium	-	-	2,243,590	-	-	**2,243,590**
Sale of processed aluminium	-	-	-	1,374,283	-	**1,374,283**
Other revenues and services performed	26,720	517	-	600	39,889	**67,726**
Total revenue from contracts with customers	**292,549**	**875,816**	**2,243,590**	**1,374,883**	**66,260**	**4,853,098**

The decrease in the Group revenue was mainly due to the Primary Aluminium and Alumina segments, following the decrease of the aluminium quotations in the international markets and the unfavourable conditions for the sale of alumina and hydrate.

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	2019 Total
Revenue from contracts with customers	293,689	783,641	2,115,362	1,352,536	47,969	**4,593,197**
Inter-segment transactions	-216,362	-642,406	-923,689	-1,523	-31,416	**-1,815,396**
Total Group revenue (note 6)	**77,327**	**141,235**	**1,191,673**	**1,351,013**	**16,553**	**2,777,801**

Revenue	Bauxite	Alumina	Primary aluminium	Processed aluminium	Others	2018 Total
Revenue from contracts with customers	292,549	875,816	2,243,590	1,374,883	66,260	**4,853,098**
Inter-segment transactions	-240,497	-602,782	-993,259	-1,689	-32,370	**-1,870,597**
Total Group revenue (note 6)	**52,052**	**273,034**	**1,250,331**	**1,373,194**	**33,890**	**2,982,501**

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.

in RON '000, except per share data

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.

Alro Group revenues and results for the year 2019 and 2018 by segment were as follows:

	Bauxite	Alumina	Primary aluminium	Processed aluminium	Others	Inter-segment operations	Total
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**
2018							
Sales to external customers	52,052	273,034	1,250,331	1,373,194	33,890	-	**2,982,501**
Inter-segment sales	222,294	587,305	946,994	1,689	32,370	-1,790,652	**-**
Total sales revenues	**274,346**	**860,339**	**2,197,325**	**1,374,883**	**66,260**	**-1,790,652**	**2,982,501**
Segment results (gross profit)	**52,922**	**103,917**	**280,786**	**225,634**	**9,035**	**-2,417**	**669,877**
Other operating income & expenses, net	-44,678	-47,043	-131,441	-84,270	-57,119	56,514	**-308,037**
Operating result (EBIT)	**8,244**	**56,874**	**149,345**	**141,364**	**-48,084**	**54,097**	**361,840**
Total depreciation, amortisation and impairment	18,672	17,661	60,761	26,847	-	-87	**123,854**
EBITDA	**26,916**	**74,535**	**210,106**	**168,211**	**-48,084**	**54,010**	**485,694**
Interest and other finance costs, net							**-27,109**
Net foreign exchange gains / (losses)							**-19,637**
Result before income taxes							**315,094**

In 2019, the aluminium segments were sensitive to the decrease of LME by more than 300 USD/t compared to the average level for 2018, which 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. The decrease in the operating profit for the Processed aluminium is more present with the extruded products, whose markets showed a slowdown in 2019. As concerns the sale of upstream products, in 2019 the Group delivered more bauxite to third parties, but it could no longer benefit from high alumina prices recorded in 2018 and it sold less alumina outside the group, considering that it was more economically advantageous to support mainly the Group's needs. *Other operating income and expenses* in 2019 include mainly revenues from the sale of emission certificates in Alum (RON 74,793 thousand) and Alro (RON 45,404 thousand), which the Group had at its disposition to sell when the specific market would become favourable. The two companies benefited from emission rights certificates for their lower emission of carbon dioxide following investments made by the group in energy efficiency during the years.

in RON '000, except per share data

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.

Segment assets and liabilities at 31 December 2019 and 31 December 2018, respectively, were as follows:

Alro Group

	Bauxite	Alumina	Primary aluminium	Processed aluminium	Others	Inter-segment operations	Total
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**
31 December 2018							
Total assets	158,466	540,823	1,146,583	687,906	1,220,738	-815,072	**2,939,444**
Total liabilities	299,867	233,352	178,735	172,808	1,477,558	-595,700	**1,766,620**
Capital expenditure	32,860	50,605	80,402	141,600	-	-	**305,467**
Impairment of property, plant and equipment	-	-2,954	-566	-27,453	-	-	**-30,973**

The property, plant and equipment located in Sierra Leone amounts to RON 102,378 thousand (at 31 December 2018: RON 86,853 thousand).

Total assets representing *Others* include mainly investments in subsidiaries, administrative buildings, deferred tax asset and derivative financial instruments.

Total liabilities representing *Others* include mainly borrowings, provisions and 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	
	2019	**2018**	**2019**	**2018**
Romania	438,268	575,981	632,889	800,715
Other EU countries	1,780,063	1,824,577	1,436,740	1,424,807
Other European non-EU countries	253,468	326,131	213,379	212,521
USA	154,845	106,883	154,708	106,603
Other countries	151,157	148,929	54,895	54,089
Total	**2,777,801**	**2,982,501**	**2,492,611**	**2,598,735**

in RON '000, except per share data

7. General, administrative and selling expenses

	Alro Group		Alro	
	2019	2018	2019	2018
Staff costs	-123,636	-148,622	-71,363	-94,209
Third party services	-62,699	-66,127	-45,121	-46,573
Consulting and audit	-25,002	-29,655	-20,376	-24,184
Consumables	-11,479	-14,314	-6,474	-7,199
Taxes other than income taxes	-8,939	-9,714	-6,452	-7,384
Depreciation and amortisation	-9,721	-8,005	-6,855	-4,854
Insurance	-8,512	-7,386	-4,807	-4,210
Marketing and public relations	-5,369	-10,783	-1,295	-2,105
Travelling	-4,751	-5,572	-976	-1,637
Research and development costs	-12,701	-	-10,559	-
Other	-7,703	-9,799	-4,508	-3,436
Change in allowance for doubtful debts	274	-944	-35	43
Total	**-280,238**	**-310,921**	**-178,821**	**-195,748**

Staff costs are at a lower level in 2019 as the management analyzed the results of the Group and of the Company and decided not to book a provision for remuneration for this period (see also *Note 8 Other operating income* and *Note 26 Provisions),* whereas in 2018 the category Staff costs included an amount of RON 29,615 thousand at the Group level and RON 26,606 thousand at the Company level representing a provision in line with the Collective Labour Contract and with GSM decisions regarding the Management remuneration.

In 2019 the Group and the Company recognized research and development costs of RON 12,701 and RON 10,559 thousand, respectively (in 2018, for both the Group and Company: 0) after the placing into operation in the beginning of 2019 of the equipments under 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.

In 2018, the category *Consulting and audit i*ncluded an amount of RON 4,633 thousand, the *Taxes other than income taxes* included an amount of RON 975 thousand and the *Marketing and public relations* included an amount of RON 4,207 thousand representing some projects in which the Group was involved to improve its operational performance and the market corporate image by increasing its visibility.

8. Other operating income and expenses

	Alro Group		Alro	
	2019	2018	2019	2018
Other operating income				
Rental income	1,960	1,185	1,688	1,586
Government grants	4,044	1,592	3,250	1,146
Income from sale of emission rights	120,197	-	45,404	-
Income from unused provision reversals (Note 26)	16,667	-	15,228	-
Income from claims and penalties	9,709	2,899	9,569	3,038
Reversal of impairment of property, plant and equipment	4,790	1,261	4,754	521
Other income	10,388	4,439	8,013	1,658
Total other operating income	**167,755**	**11,376**	**87,906**	**7,949**

	Alro Group		Alro	
	2019	2018	2019	2018
Other operating expenses				
Idle plants depreciation expenses	-1,048	-1,098	-1,048	-1,098
Net loss on disposal of property, plant and equipment	-6,114	-2,788	-5,406	-1,666
Claims, fines and penalties	-3,894	-742	-13	-4
Other expenses	-4,236	-3,864	-280	-1,414
Total other operating expenses	**-15,292**	**-8,492**	**-6,747**	**-4,182**

in RON '000, except per share data

Other operating income

Government grants represent funds from EU subsidies received during the years 2013 - 2019 for investing in production equipment, as well as for purchasing equipments for research and development activities within the Group and the Company. The subsidies 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.*

During the year 2019, the Group and the Company sold CO_2 emission certificates of RON 120,197 thousand at the Group level and RON 45,404 thousand at the Company level, included under *Income from sale of emission certificates* (2018: nil), benefiting from the increase in the price of CO_2 emission certificates. The Group and the Company were in the position to have a surplus of emission certificates as they made numerous efforts to invest in energy efficiency in the latest years.

In 2019, the Group and the Company analyzed the results for the period and decided to adjust the amounts that would be paid as remuneration to their employees and management out of the provisions booked at 31 December 2018, thus reversing the amount of RON 16,667 thousand at the Group level and RON 15,228 thousand at the Company level, included above under I*ncome from unused provision reversals*. Apart from this, an amount of RON 10,532 thousand at the Group level and RON 8,678 thousand at the Company level, from the total short-term provision of RON 29,899 thousand for Group and RON 26,606 thousand for Company recorded at 31 December 2018, were utilized during the 2019 (2018: RON 21,514 thousand for Group and RON 20,972 thousand for Company). See also Note 26 *Provisions*.

An amount of RON 4,808 thousand is included in the category *Income from claims and penalties* during the year 2019 (in 2018: nil), representing 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, but also for the economic losses resulting from the interruption of the activity caused by this incident. Another amount of RON 2,765 thousand (2018: nil) included in the same category represents income from penalties received from one of the suppliers that failed to perform its contractual obligations related to energy supply in 2017.

In 2019 an amount of RON 6,540 thousand (in 2018: nil) is 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	
	2019	2018	2019	2018
Interest expense	-77,334	-47,309	-67,815	-43,977
Total	**-77,334**	**-47,309**	**-67,815**	**-43,977**

Interest expense increased during the year 2019 compared to the previous year mainly as a result of additional loans taken by Alro in January 2019 in the form of supplements to existing loans (a new non-revolving facility of USD 20,000 thousand and a USD 50,000 thousand CAPEX facility), of Alum's drawdown of the remaining USD 10,000 thousand from its loan contracted in May 2018, and also due to the increase in the LIBOR and ROBOR benchmark interest rates. For further details, see also Note 25 *Borrowings and lease liabilities.*

Interest expense includes the amount of RON 12,549 thousand for the Group and the amount of RON 11,886 thousand the Company (in 2018: RON 8,547 thousand for Group and RON 8,337 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 2019 for loans taken was of RON 9,972 thousand for the Group and the Company and it is included in the Statement of cash flow under *Interest paid* (in 2018: RON 4,775 thousand were paid for the Group and RON 2,404 thousand for the Company).

in RON '000, except per share data

10. Other financial gains/(losses), net

	Alro Group		Alro	
	2019	2018	2019	2018
Interest income	4,866	7,478	4,487	6,288
Dividend income	1	1	48,325	37,202
Bank commissions	-5,368	-6,183	-3,955	-4,368
Other financial gains / (losses), net	10	181	-	-
Commissions paid in relation with factoring agreements	-16,014	-16,438	-15,826	-16,302
Total	**-16,505**	**-14,961**	**33,031**	**22,820**

In 2018, the category *Interest income* included an amount of RON 2,220 thousand related to a borrowing agreement concluded by a subsidiary with the Parent company of Alro, namely Vimetco NV (refer to Note 31 as well). In 2018, the Parent company of Alro Group repaid the total outstanding amount to the Group's subsidiary.

The amount of RON 48,325 thousand included in the category *Dividend income* for Alro represents the dividends received by Alro from one of its subsidiaries in 2019 (2018: RON 37,202 thousand) (see also Note 12).

11. Income tax

Income tax recognized in the profit or loss:

	Alro Group		Alro	
	2019	2018	2019	2018
Current tax				
Current tax expense in respect of the current year	-19,359	-29,594	-	-7,870
Deferred tax				
Origination and reversal of temporary differences	-4,131	-35,504	-3,320	-38,141
Reversal of previously recognised tax losses	-19,920	-14,669	-	-
Capitalisation of previously unrecognised tax losses	8,958	-	8,958	-
Total income taxes	**-34,452**	**-79,767**	**5,638**	**-46,011**

The total annual tax can be reconciled with the accounting result as follows:

	Alro Group		Alro	
	2019	2018	2019	2018
Result before tax	-32,785	315,094	-158,539	271,968
Expected average income tax rate	4,2%	20,1%	16,0%	16,0%
Income tax calculated at the expected average tax rate	1,392	-63,420	25,366	-43,515
Effect of revenue exempted from taxation	973	894	7,732	5,952
Effect of non-deductible expenses	-20,958	-7,877	-27,460	-8,448
Effect of utilisation of previously unrecognised tax losses	4,061	4,631	-	-
Effect of reversal of previously recognised tax losses	-19,920	-14,669	-	-
Effect of reversal of previously not recognised deferred tax assets	-	674	-	-
Income tax recognized in profit or loss	**-34,452**	**-79,767**	**5,638**	**-46,011**

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 decrease in the Group expected average income tax rate comparing to previous year was mainly due to the fact that the Company's income tax on 2019 losses calculated at 16% where partially offset by the income tax calculated by SMHL at the expected average tax rate of 30% applicable in Sierra Leone.

The increase in the *non-deductible expenses* comparing to previous year is as a consequence of the amendments of the Romanian Fiscal Code applicable starting 1 January 2018 related to the exceeding borrowing costs, and the amount of RON 116,029 thousand representing interest expenses and items related to interest was treated as being non-deductible for tax purposes, and resulted in an increase of the income tax by RON 18,565 thousand (2018: RON 7,263 thousand). The above mentioned amendments to the Romanian Fiscal Code transpose the EU legislation i.e. the Directive no. 2016/1164, issued in 2016. The recommendation was for the directive to be transposed by member states by 31 December 2018 with applicability starting 1 January 2019. According to the Directive, the exceeding borrowing costs are those costs that are interest, expenses for obtaining finance, but also expenses for leasing finance, capitalized interest and foreign exchange losses. According to the provisions of the directive, these costs, when incurred by the companies above a threshold of EUR 3,000,000 per annum are deductible only up to the level of 30% of their EBITDA. Romania implemented the above mentioned EU directive starting 1 January 2018, and the thresholds of exceeding borrowing costs, regardless of the size of the companies, were EUR 200,000 and 10% of EBITDA in 2018 and EUR 1,000,000 and 30% of EBITDA starting 1 January 2019. 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 deductibility for income tax purposes.

in RON '000, except per share data

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 obtained by the subsidiaries, 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 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 2019 and 2018 is as follows:

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**

31 December 2018

	Opening balance	Recognized in profit or loss	Recognized in other comprehensive income	Translation adjustment	Closing balance
Property, plant and equipment	-16,867	-1,123	-	-	-17,990
Inventories	2,639	3,142	-	-	5,781
Trade receivables and other current assets	319	265	-	-	584
Provisions	8,754	3,195	-	-	11,949
Retirement benefits obligations	6,852	249	-34	-	7,067
Deferred tax from fiscal loss	97,148	-55,902	-	1,717	42,963
Deferred tax assets/(liabilities)	**98,845**	**-50,174**	**-34**	**1,717**	**50,354**

in RON '000, except per share data

The analysis of deferred tax of **the Company** for the years ended 31 December 2019 and 2018 is presented below:

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**

31 December 2018	Opening balance	Recognized in profit or loss	Recognized in other comprehensive income	Translation adjustment	Closing balance
Property, plant and equipment	-6,870	-1,440	-	-	-8,310
Investment properties	240	-	-	-	240
Inventories	816	2,000	-	-	2,816
Trade receivables and other current assets	135	-12	-	-	123
Provisions	4,281	182	-	-	4,463
Retirement benefits obligations	5,763	49	-84	-	5,728
Deferred tax from fiscal loss	38,920	-38,920	-	-	-
Deferred tax assets/(liabilities)	**43,285**	**-38,141**	**-84**	**-**	**5,060**

At 31 December 2019 the amount of fiscal losses carried forward from previous years amounted to RON 309,684 thousand (2018: RON 252,746 thousand), out of which for an amount of RON 164,500 thousand (2018: RON 166,610 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 34,155 thousand (31 December 2018: RON 42,963 thousand) was recognised in the consolidated financial statements of the Group for these tax losses.

As concerns the Company, at 31 December 2019 it recorded a fiscal loss amounting to RON 55,987 thousand for which a deferred income tax asset of RON 8,958 thousand was recognized. The fiscal losses accumulated from prior years in amount of RON 243,255 thousand recognised as at 31 December 2017 were fully used in 2018 to offset its taxable profits for which the Company recognized a deferred income tax expense in amount of RON 38,920 thousand in the statement of profit or loss.

Tax effect of fiscal losses and their expiration is as follows:

	Alro Group		Alro	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018
Within 1 year	81	-	-	-
1 - 2 years	2,143	7,198	-	-
2 - 5 years	19,566	11,471	-	-
More than 5 years	12,365	24,294	8,958	-
Total	**34,155**	**42,963**	**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 2019 and cover a five-year period. The cash flows beyond the five-year period have been extrapolated until the year 2025, when the tax losses expire, at a 2.2% growth rate in line with the forecast inflation. The main assumptions used in the forecast are the average sales growth of 1.05% per annum for the next 5 years (31 December 2018: 1.03%), average EBITDA margin of 17.01% (31 December 2018: 18.74%) and a profit before tax margin of 10.28% (31 December 2018: 11.75%) per annum. As a result of the forecast, the management expects to use an amount of RON 46,188 thousand from total RON 253,202 thousand (31 December 2018: RON 113,715 thousand from total RON 252,998 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 EBITDA margin and profit before tax margin. A decrease in the forecasted EBITDA margin by 1.0% would reduce the deferred tax assets by RON 1,900 (31 December 2018: RON 2,200 thousand) and a decrease in the forecasted profit before tax margin by 1.0% would reduce the deferred tax assets by RON 2,400 (31 December 2018: RON 2,700 thousand).

in RON '000, except per share data

The Company has recognized in total a deferred tax asset of RON 11,192 thousand (31 December 2018: RON 5,060 thousand) of which RON 8,958 thousand originated from recognised tax losses and RON 2,234 thousand from deductible temporary differences. There are no reasonable changes in assumptions used in the Company's forecast that would reduce the recognised deferred tax assets from tax losses.

The Group did not recognise deferred income tax assets in respect of losses amounting to RON 145,184 thousand (2018: RON 86,136 thousand) and their tax effect and expiration is presented in the table below:

Tax loss expiring	**Alro Group**		**Alro**	
	31 December 2019	**31 December 2018**	**31 December 2019**	**31 December 2018**
Within 1 year	6,655	-	-	-
1 - 2 years	3,336	2,446	-	-
2 - 5 years	40,360	23,138	-	-
More than 5 years	411	7,276	-	-
Total	**50,762**	**32,860**	**-**	**-**

12. Earnings per share

	Alro Group		**Alro**	
	2019	**2018**	**2019**	**2018**
Net result attributable to the owners of the Entity	-67,734	235,006	-152,901	225,957
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)	-0.095	0.329	-0.214	0.317

Basic and diluted per share data are the same as there are no dilutive securities.

The General Shareholders' Meeting dated 25 April 2019 approved the distribution of dividends declared for the year 2018 amounting to RON 326,600 thousand, which resulted into a gross dividend payable of 0.45756 RON/share.

In 2019, the Group and the Company paid RON 324,779 thousand from the dividends declared for 2018 (in 2018: RON 365,415 thousand were paid in respect of dividends declared for 2017 by the Group and RON 379,803 thousand by the Company).

in RON '000, except per share data

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 2018	**83,736**	**719,864**	**1,923,137**	**438,006**	**81,547**	**44,611**	**3,290,901**
Additions	-	277	1,348	7,189	282,074	14,011	**304,899**
Disposals	-	-95	-12,768	-23,320	-358	-198	**-36,739**
Transfer between categories	-	11,745	62,571	26,527	-54,410	-46,433	**-**
Translation adjustment	-	1,770	1,798	3,995	576	257	**8,396**
Balance at 31 December 2018	**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**
Accumulated depreciation							
Balance at 1 January 2018	**-**	**-484,594**	**-1,442,020**	**-314,685**	**-**	**-**	**-2,241,299**
Depreciation expense	-	-18,687	-83,657	-26,707	-	-	**-129,051**
Eliminated on disposal and writte off of assets	-	88	10,810	18,041	-	-	**28,939**
Transfer between categories	-	-	41	-41	-	-	**-**
Translation adjustment	-	-1,092	-1,682	-1,926	-	-	**-4,700**
Balance at 31 December 2018	**-**	**-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**
Impairment allowance							
Balance at 1 January 2018	**-**	**-11,081**	**-248**	**-21,483**	**-1,755**	**-**	**-34,567**
Impairment losses recognized in profit or loss	-	-21	-	-	-	-	**-21**
Reversals of impairment losses recognized in profit or loss	-	412	136	734	-	-	**1,282**
Disposals	-	9	-	2,324	-	-	**2,333**
Balance at 31 December 2018	**-**	**-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**
Net book value							
Balance at 31 December 2018	**83,736**	**218,595**	**459,466**	**108,654**	**307,674**	**12,248**	**1,190,373**
Balance at 31 December 2019	**83,736**	**253,842**	**598,488**	**105,079**	**124,849**	**3,015**	**1,169,009**

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 2018	**63,680**	**534,620**	**1,681,686**	**281,139**	**49,580**	**40,050**	**2,650,755**
Additions	-	47	1,348	715	204,609	7,906	**214,625**
Transfer between categories	-	822	49,333	9,701	-13,423	-46,433	**-**
Disposals	-	-40	-11,919	-3,492	-	-	**-15,451**
Balance at 31 December 2018	**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**
Accumulated depreciation							
Balance at 1 January 2018	**-**	**-369,370**	**-1,259,203**	**-243,580**	**-**	**-**	**-1,872,153**
Depreciation expense	-	-6,566	-69,442	-8,326	-	-	**-84,334**
Transfer between categories	-	-	41	-41	-	-	**-**
Eliminated on disposals of assets	-	33	10,006	3,476	-	-	**13,515**
Balance at 31 December 2018	**-**	**-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**
Impairment allowance							
Balance at 1 January 2018	**-**	**-18,026**	**-4,398**	**-1,831**		**-**	**-24,255**
Reversals of impairment losses recognized in profit or loss	-	412	109	-	-	-	**521**
Disposals	-	9	-	16	-	-	**25**
Balance at 31 December 2018	**-**	**-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**
Net book value							
Balance at 31 December 2018	**63,680**	**141,941**	**397,561**	**37,777**	**240,766**	**1,523**	**883,248**
Balance at 31 December 2019	**63,680**	**167,037**	**495,009**	**30,460**	**82,292**	**1,254**	**839,732**

During the 12 months ended 31 December 2019 the Group acquired property, plant and equipment of RON 133,540 thousand (during the 12 months ended 31 December 2018: RON 304,899 thousand), while the Company acquired property, plant and equipment of RON 61,348 thousand (during the 12 months ended 31 December 2018: RON 214,625 thousand).

The Group and the Company invested in projects aimed at reducing the energy consumption in the smelter area by implementing a new and advanced technology for pot relining. Other capital expenditure was made on the purpose to improve the cast products quality by purchasing and installing two slab homogenizing furnaces and a cooling chamber in the Cast house. The investments in the processed aluminium division continued with the revamping of the Cold Rolling Mill no. 2, as well as implementing an advanced production planning system, a flat rolled products marking and traceability system and the modernization of the grinding machine. At the same time, the Group allocated resources to maintain and improve the equipment parameters at Alum. 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 RON '000, except per share data

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 (2018: 0). During the 12 months ended 31 December 2019, the Group and the Company received RON 4,411 thousand and RON 3,572 thousand, respectively, from subsidies for the above mentioned projects (in 2018: the Group received RON 24,312 thousand and the Company RON 21,068 thousand) (see also Note 28).

The net book value of the *Property, plant and equipment* of the Group includes the amount of RON 17,191 thousand, of which RON 16,237 thousand at Company level, representing borrowing costs capitalized in accordance with *IAS 23 Borrowing costs* (2018: RON 16,315 thousand for the Group and RON 15,294 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 2019 the borrowing costs capitalized in the property, plant and equipment were of RON 1,493 thousand at an average interest rate of 6.41% p.a. both at Group and Company level (in 2018: RON 6,773 thousand at the Group level and RON 5,871 at the Company level at an average interest rate of 5.99% p.a. for the Group and 6.01% p.a. for the Company).

*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 7,545 thousand and 6,893 RON, respectively, to *Other non-current assets* (in 2018 nil). 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 3 and Note 17.

**Transfers to other categories* also include the classification by the Company as investment property of a building that is rented to one of its related parties, with a net book value of RON 696 thousand at 31 December 2019. The depreciation expense of this building was of RON 8 thousand during 2019, and the income from rent was of RON 33 thousand. At 31 December 2019, the fair value of this building is of RON 1,055 thousand. The appraisal was done by an independent appraiser that holds the necessary qualifications and experience for measuring such properties, and it belongs to the level 3 of the fair value hierarchy measurements.

Additionally, the *Investment Property* category in the Separate Statement of Financial Position includes a building rented to a subsidiary at a net book value of RON 4,065 thousand at 31 December 2019 and RON 4,356 thousand at 31 December 2018. The depreciation expense of this building was of RON 290 thousand in 2019 and 2018, and the income from rental was of RON 843 thousand in 2019 (2018: RON 806 thousand). At 31 December 2019, the fair value of the rented building is RON 38,155 thousand (at 31 December 2018: RON 37,888 thousand), based on the valuation performed by an independent appraiser that holds the necessary qualifications and experience for measuring such properties, and this is included on the 3rd level of the fair value measurement hierarchy.

Other information regarding property, plant and equipment

	Alro Group		Alro	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018
The net book value of the fixed assets pledged to secure the borrowings	926,526	745,126	745,725	626,466
Gross book value of assets that are fully depreciated (cost)	812,206	781,930	577,579	561,633
Net book value of idle assets	10,780	16,579	9,667	13,946
Depreciation expense included in the Cost of goods sold during the reporting period	135,106	116,012	88,410	76,093

in RON '000, except per share data

Impairment tests for property, plant and equipment

Other than for Alro cash generating unit (CGU), there were no impairment indications identified for the companies in the Group. As at 31 December 2019, the management of Alro identified several factors, such as lower than expected economic performances of certain assets, 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 recovery 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 5-years budgets estimated by the management of the company. The cashflows in perpetuity beyond this period were extrapolated by using a growth rate of 2.2% per annum, in line with forecast inflation. Average EBITDA margin was assumed at 9.7% for the next five years increasing to a stable level of 11.0% afterwards and remaining constant at this value in perpetuity. 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:

	2019
Discount rate	9.3%
Growth rate, average of next five years	6.60%
EBITDA margin, average of next five years	9.70%

The estimated recoverable amount of the CGU Alro exceeded its carrying amount by approximately RON 1,040,000. 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:

	CGU Alro
Discount rate	14.9%
Growth rate, average of next five years	0.8%
EBITDA margin, average of next five years	8.2%
EBITDA margin, terminal value	7.6%

In 2018 there were no impairment indicators identified for the companies in the Group, therefore no impairment tests of the property, plant and equipment were performed at 31 December 2018.

in RON '000, except per share data

14. Intangible assets

Alro Group	Development expenses	Other intangibles	Advances for intangibles	Total
Cost				
Balance at 1 January 2018	**4,368**	**45,073**	**-**	**49,441**
Additions	-	568	-	**568**
Disposals	-	-159	-	**-159**
Translation adjustment	-	722	-	**722**
Balance at 31 December 2018	**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**
Accumulated amortisation				
Balance at 1 January 2018	**-4,368**	**-36,462**	**-**	**-40,830**
				-
Amortisation expense	-	-2,123	-	**-2,123**
Eliminated on disposals of assets	-	14	-	**14**
Translation adjustment	-	-699	-	**-699**
Balance at 31 December 2018	**-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**
Net book value				
Balance at 31 December 2018	**-**	**6,934**	**-**	**6,934**
Balance at 31 December 2019	**-**	**9,611**	**-**	**9,611**

Alro	Development expenses	Other intangibles	Advances for intangibles	Total
Cost				
Balance at 1 January 2018	**-**	**28,231**	**-**	**28,231**
Additions	-	400	-	400
Disposals	-	-145	-	-145
Balance at 31 December 2018	**-**	**28,486**	**-**	**28,486**
Additions	-	5,251	-	**5,251**
Balance at 31 December 2019	**-**	**33,737**	**-**	**33,737**
Accumulated amortisation				
Balance at 1 January 2018	**-**	**-20,472**	**-**	**-20,472**
				-
Amortisation expense	-	-1,672	-	-1,672
Balance at 31 December 2018	**-**	**-22,144**	**-**	**-22,144**
Amortisation expense	-	-2,306	-	-2,306
Balance at 31 December 2019	**-**	**-24,450**	**-**	**-24,450**
Net book value				
Balance at 31 December 2018	**-**	**6,342**	**-**	**6,342**
Balance at 31 December 2019	**-**	**9,287**	**-**	**9,287**

in RON '000, except per share data

In *Other intangible assets* are included software programs that the Group and the Company acquired in 2019 at a cost of RON 4,393 thousand, to be used for production planning in the processed aluminum division (2018: RON 227 thousand).

15. Investments

The parent company **Alro** holds directly or indirectly the following investments in subsidiaries:

					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

					31 December 2018
Subsidiary	**Registered office**	**Shareholding***	**Votes****	**Equity**	**Net result**
Alum S.A.	82, Isaccei St., Tulcea, Tulcea County, Romania	99.40%	99.40%	307,471	52,326
Vimetco Extrusion S.R.L.	1, Milcov St., Slatina, Olt County, Romania	100.00%	100.00%	30,150	6,761
Conef S.A.	64, Splaiul Unirii, Sector 4, Bucharest, Romania	99.97%	99.97%	58,099	-34,196
Global Aluminum Ltd.	Trinity Chambers, PO Box 4301, Road Town, Tortola, BVI	99.40%	100.00%	14,983	1,096
Bauxite Marketing Ltd.	Trinity Chambers PO Box 4301, Road Town Tortola, BVI	99.40%	100.00%	-623	-16
Sierra Mineral Holdings I, Ltd.	Sea Meadow House, Blackburne Highway, (P.O. Box 116), Road Town Tortola, BVI	99.40%	100.00%	-141,401	7,058

* 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.

in RON '000, except per share data

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:

	2019	2018
Cost		
Balance at 1 January	**571,108**	**571,108**
Additions	-	-
Balance at 31 December	**571,108**	**571,108**
Impairment allowance		
Balance at 1 January	**-122,267**	**-123,551**
Reversal of impairment of financial assets	-	9,023
Impairment loss of financial assets	-48,873	-7,739
Balance at 31 December	**-171,140**	**-122,267**
Net book value		
Balance at 1 January	**448,841**	**447,557**
Balance at 31 December	**399,968**	**448,841**

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 2019, 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 be lower than their book value, therefore an impairment in amount of RON 48,873 thousand was recognised for the investment in Conef (2018: a reversal of RON 9,023 thousand was recognised for the investment in Alum and an impairment loss of RON 7,739 thousand for the investment in Conef).

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 (2020 – 2024) (in 2018: 5 years), discounted at a rate of 10.6% per year (2018: 11.0% per annum). The cashflows beyond that period have been extrapolated using a growth rate of 2.2% per year (2018: 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:

	2019	2018
Discount rate	10.60%	11.54%
Growth rate, average of next five years	2.10%	1.71%
EBITDA margin, average of next five years	5.31%	5.77%
EBITDA margin, terminal value	5.83%	5.83%

The estimated fair value of the investment in Alum was not materially different from its carrying amount (2018: was above by RON 9,023 thousand), therefore no impairment or reversal was recognised in Company's financial statements for the year ended 31 December 2019 (2018: a reversal of RON 9,023 thousand).

The changes in key assumptions used in the fair value estimation, taken in isolation, would produce the following results on the impairment of investment in Alum:

Increase / Decrease	**+ 1%**	**- 1%**
Discount rate	-23,100	35,700
Growth rate, average of next five years	19,200	-1,500
EBITDA margin, average of next five years	28,700	-22,500
EBITDA margin, terminal value	58,500	-53,100

An impairment loss of RON 48,873 thousand was recognised on Alro investment in Conef, following the disposal of its 3.77% portfolio of shares held in Alro. The recoverable value of the investment in Conef was determined with reference to its net assets value as at 31 December 2019 (31 December 2018: loss in amount of RON 7,739 thousand).

There were no impairment indications identified for the investment in Vimetco Extrusion, therefore no impairment test was performed as at 31 December 2019 and 2018 on this investment.

The details of the acquisition cost of the Company's investments in subsidiaries as at 31 December 2019 and 2018 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	24.60	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 2019 and 2018 are presented in the table below:

Name of subsidiary	31December 2019	31 December 2018
Conef	9,226	58,099
Vimetco Extrusion	21,893	21,893
Alum	368,849	368,849
Total	**399,968**	**448,841**

All the entities mentioned above are incorporated in Romania.

16. Goodwill

	Alro Group	
Cost	**2019**	**2018**
Balance 1 January	159,586	155,005
Translation adjustment	4,710	4,581
Balance at 31 December	**164,296**	**159,586**
Impairment		
Balance 1 January	-68,749	-67,520
Translation adjustment	-1,263	-1,229
Balance at 31 December	**-70,012**	**-68,749**
Net book value		
Balance at 31 December	**94,284**	**90,837**

The goodwill is allocated to the cash-generating units at 31 December 2019 and 2018 as follows (after translation adjustments and impairment):

	Alro Group	
	31 December 2019	**31 December 2018**
Alro Group	74,263	71,677
Global Aluminium Ltd.	19,595	18,734
Goodwill at acquisition of Vimetco Extrusion	426	426
Total	**94,284**	**90,837**

in RON '000, except per share data

The goodwill allocated to Alro Group results from the acquisitions and transactions under common control and at 31 December 2019 and includes an amount of RON 15,408 thousand (2018: RON 15,408 thousand) representing the goodwill at acquisition of Alprom and RON 58,855 thousand (2018: RON 56,270 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 of goodwill

The accumulated impairment loss as at 31 December 2019 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 28,748 thousand (2018: RON 41,264 thousand for Alum and RON 27,485 for Sierra Leone accordingly).

In 2019, the recoverable amount of 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 (see Note 32).

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	**2019**	**2018**
Discount rate, after-tax	9.3%	9.6%
Growth rate (average of next five years)	6.9%	6.5%
EBITDA margin (average of next five years)	12.3%	13.7%

The discount rate is the CGU weighted-average of the cost of equity of the CGU, i.e. 10.2% (in 2018: 9.8%), 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 2018: 4.9%), using the CGU's debt leverage of 14.5% (in 2018: 4.6%).

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 2.2% (in 2018: 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 1,380,000 thousand (2018: RON 1,977,000 thousand) and for CGU Global Aluminium Ltd. by approximately RON 39,000 thousand (2018: RON 73,000 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 14.2% and a decrease of EBITDA margin to 10.6% applicated separately, would cause the estimated recoverable amount to be equal to the carrying amount (2018: increase to 16.9% and decrease to 9.9% respectively). For the other assumptions management considers that there are no reasonably possible modifications that would lead to an impairment of the goodwill allocated to CGU Alro Group.

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 2019 and 2018 cover a five-year period. The after-tax discount rate is of 20.2% per annum (in 2018: 19.4% per annum). The cash flows beyond the five-year period have been extrapolated until the year 2035, when the estimated reserves (measured and indicated) will be depleted at a 2.2% growth rate in line with the forecast inflation (in 2018: 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).

in RON '000, except per share data

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

	2019	**2018**
Discount rate, after-tax	20.2%	19.4%
Growth rate (average of next five years)	5.1%	1.0%
EBITDA margin (average of next five years)	17.0%	18.7%

The discount rate is the CGU weighted-average cost of equity of 22.2% (in 2018: 20.2%), calculated based on the average unlevered betas of comparable companies within the industry and of a cost of debt after tax of 4.8% (in 2018: 1.1%), using the CGU's debt leverage of 11.4% (in 2018: 4.3%).

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

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

The most sensitive key assumption used in impairment test of CGU Global Aluminium Ltd. are the discount rate and EBITDA margin. An increase of the discount rate to 25.5% and a decrease of EBITDA margin to 12.4% applied separately, would cause the estimated recoverable amount to be equal to the carrying amount (2018: an increase of the discount rate to 25.39% and a decrease of EBITDA margin to 13.2%). For the other assumptions management considered that there are no reasonably possible modifications that would lead to an impairment of the goodwill allocated to CGU Global Aluminium Ltd.

17. Right-of-use assets

	Alro Group		**Alro**	
	31 December 2019	**31 December 2018**	**31 December 2019**	**31 December 2018**
Right-of-use assets	13,258	-	10,630	-
Total	**13,258**	**-**	**10,630**	**-**

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 mainly for equipments and vehicles with terms of up to 10 years. The carrying value of the right of use assets at 31 December 2019 was RON 13,258 thousand for the Group and RON 10,630 thousand for the Company. For further details see also Note 3.

in RON '000, except per share data

Categories of right-of-use assets

	Alro Group		Alro	
	2019	2018	2019	2018
Equipment				
Balance at 1 January	**798**	**-**	**300**	**-**
Depreciation charge for the year	-246	-	-41	-
Additions	604	-	-	-
Balance at 31 December	**1,157**	**-**	**259**	**-**
Vehicles				
Balance at 1 January	**10,008**	**-**	**9,293**	**-**
Depreciation charge for the year	-2,477	-	-2,218	-
Additions	1,239	-	826	-
Balance at 31 December	**8,770**	**-**	**7,901**	**-**
Others				
Balance at 1 January	**4,098**	**-**	**3,021**	**-**
Depreciation charge for the year	-833	-	-618	-
Additions	67	-	67	-
Balance at 31 December	**3,332**	**-**	**2,470**	**-**
Right-of-use assets as at 1 January	**14,904**	**-**	**12,614**	**-**
Right-of-use assets as at 31 December	**13,258**		**10,630**	

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

	Alro Group		Alro	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018
Depreciation expense of right-of-use assets	3,556	-	2,877	-
Interest on lease liabilities	447	-	339	-
Expenses related to short-term leases	4,694	-	455	-
Expenses related to leases of low-value assets	155	-	125	-
Total amounts recognised in profit or loss	**8,852**	**-**	**3,797**	**-**

18. Other non-current assets

	Alro Group		Alro	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018
Collateral deposits	-	45,200	-	45,200
Amounts paid in advance	3,866	7,434	3,866	7,434
Total	**3,866**	**52,634**	**3,866**	**52,634**

Collateral deposits RON 45,200 thousand at 31 December 2018 represented cash placed with a bank until November 2020 as a pledge for a revolving loan and a non-cash facility contracted by the Company. As of 31 December 2019, these were reclassified as *Restricted cash* due to the term of less than one year up to the maturity of deposits (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.

in RON '000, except per share data

19. Inventories

	Alro Group		Alro	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018
Raw and auxiliary materials	358,838	368,452	210,746	254,993
Work in progress	222,379	224,405	149,338	156,426
Finished goods	290,610	270,320	247,788	232,451
Less: allowance for obsolescence	-42,879	-28,148	-31,540	-17,600
Total	**828,948**	**835,029**	**576,332**	**626,270**

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 value of inventories pledged for securing the Group's and the Company's borrowings amounts to RON 800,944 thousand for the Group and RON 576,332 thousand for the Company (at 31 December 2018: RON 779,508 thousand for the Group and RON 626,270 thousand for the Company).

The movement in adjustments for the impairment of inventories is the following:

	Alro Group		Alro	
	2019	2018	2019	2018
Balance at beginning of the year	-28,148	-15,180	-17,600	-5,101
(Charge) to cost of goods sold	-15,737	-12,545	-15,365	-12,499
Reversal to cost of goods sold	1,485	43	1,425	-
Translation adjustments	-479	-466	-	-
Balance at end of the year	**-42,879**	**-28,148**	**-31,540**	**-17,600**

20. Trade receivables, net

	Alro Group		Alro	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018
Foreign trade receivables	51,145	42,562	20,832	35,146
Domestic trade receivables	28,039	30,670	38,511	108,959
Allowance for doubtful receivables	-2,832	-3,106	-805	-770
Total	**76,352**	**70,126**	**58,538**	**143,335**

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 2019, the highest 5 trade receivables of the Group accounted for nearly 60% of the net trade receivables (at 31 December 2018: nearly 28%). The increase compared to the previous year is due to sales 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 thus accounts for 16% of the outstanding balance. In 2019, two clients individually accounted for more than 5% of the Group's turnover, i.e. 6% and 5% (in 2018: two clients, with 8% and 6%).

As concerns the Company, the top 5 outstanding balances at 31 December 2019 account for 70% of the total receivables, with its subsidiaries representing 28% of them (at 31 December 2018: 65%). Please refer to Note 31 for details. Apart from Group companies, 3 third party clients accounted individually for more than 5% of the outstanding balance at 31 December 2019, totalling 42% of it (at 31 December 2018, 3 clients accounted for slightly more than 5% of the outstanding balance). In respect of revenues, in 2019, 3 clients accounted individually for more than 5% of the Company's turnover, of which the top client was a subsidiary, with 8% of the Company's revenues (in 2018: 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.

in RON '000, except per share data

Amounts available under factoring agreements

	Alro Group		Alro	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018
Factoring ceiling amounts, of which:	826,654	785,279	786,030	759,628
Factoring amounts utilized	371,293	414,279	364,768	406,631

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.

In determining the recoverability of a trade receivable, the Group and the Company consider any change in the credit quality of the customer from the date the credit was initially granted up to the reporting date and adjusted for forward-looking factors specific to the debtors and the economic environment.

Accordingly, the 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	
	2019	2018	2019	2018
Balance at beginning of the year	-3,106	-2,162	-770	-813
Charge in the current year	-613	-1,238	-35	-175
Release in the current year	887	167	-	91
Utilization of allowances	-	127	-	127
Balance at end of the year	**-2,832**	**-3,106**	**-805**	**-770**

Trade receivables, ageing is provided below:

	Alro Group		Alro	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018
Not past due and not impaired	52,954	51,194	44,806	104,907
Past due but not impaired	23,516	18,543	13,596	38,960
Past due and impaired	2,714	3,495	941	238
Less: Allowance for doubtful receivables	-2,832	-3,106	-805	-770
Total	**76,352**	**70,126**	**58,538**	**143,335**

Trade receivables past due but not impaired at 31 December are as follows:

	Alro Group		Alro	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018
Less than 3 months	17,364	15,164	6,983	19,121
3 months to 6 months	2,707	95	2,714	11,284
More than 6 months	3,445	3,284	3,899	8,555
Total	**23,516**	**18,543**	**13,596**	**38,960**

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 55,422 thousand at 31 December 2019 and RON 51,807 thousand at 31 December 2018) and of the Company's (RON 45,068 thousand at 31 December 2019 and RON 133,901 thousand at 31 December 2018) are pledged to secure the loans obtained from banks.

in RON '000, except per share data

21. Other current assets

	Alro Group		Alro	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018
VAT recoverable	55,479	59,699	38,513	41,720
Other current assets	11,916	342,452	5,330	338,392
Advances to suppliers	12,475	10,583	28,390	76,471
Prepayments	13,388	18,463	12,369	15,900
Allowance for sundry doubtful debtors	-121	-19	-3	-3
Total other current assets	**93,137**	**431,178**	**84,599**	**472,480**

Movement in allowance for other doubtful debtors is as follows:

	2019	2018	2019	2018
Balance at beginning of the year	-19	-47	-3	-29
Release / (charge) in the current year	-102	28	-	26
Balance at end of the year	**-121**	**-19**	**-3**	**-3**

At 31 December 2018, the category *Other current assets* included an amount of RON 326,600 thousand, representing interim dividends declared as per applicable regulations (the Order of the Minister of Public Finances no. 3067/2018 on completing certain accounting regulations), for the 9 months ended 30 September 2018, distributed by the Parent Company from the net accounting profit of the period, and from retained earnings carried forward from previous years. In April 2019, after approval by the General Shareholders' Meeting of the annual financial statements for 2018, the interim dividends were declared as final annual dividends and were debited to the Parent Company's equity. Please see also Note 30.

At Company level, the category *Advances to suppliers* contains mainly down payments to one of the subsidiaries for the acquisition of raw materials. During 2019, a great part of these down payments were reduced, as the Group pursues an optimum management of its resources.

22. Cash and cash equivalents

	Alro Group		Alro	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018
Cash at banks in RON	10,604	67,202	3,240	4,422
Cash at banks in other currencies	72,534	136,368	69,301	132,021
Petty cash and cash equivalents	44	39	5	2
Total	**83,182**	**203,609**	**72,546**	**136,445**

At 31 December 2019 and 2018, 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 73,127 thousand as at 31 December 2019 and RON 137,289 thousand as of 31 December 2018) and of the Company (RON 72,546 thousand as at 31 December 2019 and RON 136,445 thousand as of 31 December 2018) are pledged to guarantee the borrowings from banks.

Restricted cash:

	Alro Group		Alro	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018
Restricted cash	46,164	8,370	45,200	5,084
Total	**46,164**	**8,370**	**45,200**	**5,084**

The amount of RON 45,200 thousand included in *Restricted cash* as of 31 December 2019 for the Group and the Company reffers to cash placed with a bank until November 2020 as a pledge for a revolving loan and a non-cash facility contracted by the Company. At 31 December 2018, these collateral deposits were classified as *Non current assets* (refer to Note 18 as well).

At 31 December 2018 the restricted cash in amount of RON 8,370 thousand for the Group and RON 5,084 thousand for the Company included mainly cash collateral at banks for letters of credit for the acquisition of property, plant and equipment.

23. Share capital

The share capital of the Parent Company issued and paid in has the following structure as at 31 December 2019 and 2018 (values recorded with the Trade Registry):

			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**

			31 December 2018
	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 (2018: 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 2019 and 2018, 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.

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24. Other reserves

	Alro Group		Alro	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018
Legal reserve	88,462	83,899	71,378	71,378
Other reserves	283,935	283,935	234,813	234,813
Translation reserve	-29,730	-23,501	-	-
Total	**342,667**	**344,333**	**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.

25. Borrowings and leases

	Alro Group		Alro	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018
Long-term borrowings				
Long-term bank loans	1,209,745	944,344	1,061,679	884,091
Less: Short-term portion of long-term bank loans	-835,474	-73,563	-804,980	-73,263
Bank loans, non-current	***374,271***	***870,781***	***256,699***	***810,828***
Leases, non-current	6,161	3,550	4,821	3,350
Total long-term borrowings and leases	**380,432**	**874,331**	**261,520**	**814,178**
Short-term borrowings				
Short-term bank loans	1,747	-	-	-
Short-term portion of long-term bank loans	835,474	73,563	804,980	73,263
Bank loans	*837,221*	*73,563*	*804,980*	*73,263*
Other loans	32,446	-	-	-
Short-term bank loans, total	***869,667***	***73,563***	***804,980***	***73,263***
Leases, current	4,321	2,500	3,495	2,231
Total short-term borrowings and leases	**873,988**	**76,063**	**808,475**	**75,494**
Total borrowings and leases	**1,254,420**	**950,394**	**1,069,995**	**889,672**

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 2019 and 2018 at Group level and between 2.80% for EUR and 6.75% for USD at Company level.

For the exposure of the Group and the Company's borrowings to interest rate changes, please refer to Note 32.

In January 2019, the Parent Company signed an amendment to one of its existing loans of USD 167,000 thousand, by which, among others:
- the loan was supplemented with a non-revolving facility of up to USD 20,000 thousand for working capital, with the maturity in December 2019, being fully reimbursed until the end of the year;
- the loan was supplemented with a facility of up to USD 50,000 thousand for financing and refinancing the capital expenditure of the Company in 2018 and 2019, with the maturity in December 2024.

In June 2019 the Group subsidiary Vimetco Extrusion obtained an overdraft facility for working capital in amount of EUR 9,000 thousand from a commercial bank. The facility has the maturity in June 2021.

In January 2019, Alum drew down the remaining part of USD 10,000 thousand from the credit facilities that it had received in May 2018 from two banks.

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At 31 December 2019, the amounts of RON 735 thousand for the Group and RON 119 thousand for the Company were undrawn from the borrowing facilities contracted with the banks (at 31 December 2018: RON 43,966 thousand for the Group and RON 3,230 thousand for the Company).

At 31 December 2019, the Group and the Company had the amount of RON 72,881 thousand unutilized and available from the non-cash facilities for letters of credit and letters of guarantee (at 31 December 2018: RON 10,574 thousand).

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

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 at 31 December and 30 June of each year 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 2019, some of the Group companies were in breach of some of the covenants in respect of their loans. The Group companies discussed the situation with the banks and received the necessary waivers 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.
At 31 December 2019 the Group classified an amount of RON 694,561 thousand representing loans with maturity in November 2020, from *Bank and other loans, non-current*, where they were included at 31 December 2018, to *Bank and other loans, current.*

The Group and the Company borrowings are secured with accounts receivable amounting to RON 55,422 thousand for the Group and RON 45,068 thousand for the Company (at 31 December 2018: RON 51,807 thousand for the Group and RON 133,901 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 2018: RON 45,200 thousand), with property, plant and equipment (land, buildings, equipment) with a net book value of RON 926,526 thousand for the Group and RON 745,725 thousand for the Company (2018: RON 745,126 thousand for the Group and RON 626,466 thousand for the Company) and with inventories of RON 800,944 thousand for the Group and RON 576,332 thousand for the Company (2018: RON 779,508 thousand for the Group and RON 626,270 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 the long term loans have variable interest and the bank margins are similar with those for the recently contracted bank loans. Their fair value belongs to the level 3 of the fair value measurement hierarchy.

Following the adoption of IFRS 16 at 1 January 2019, the Group recognized additional lease liabilities of RON 7,360 thousand and the Company recognized additional lease liabilities of RON 5,721 thousand (refer to Note 3 and Note 17 as well).

The minimum lease payments for leases are set out below:

	Alro Group		Alro	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018
Lease instalments falling due:				
Within 1 year	4,634	2,664	3,723	2,382
1 to 5 years	6,526	3,668	5,094	3,461
After 5 years	-	-	-	-
Total lease instalments	**11,160**	**6,332**	**8,817**	**5,843**
Less: future finance charges	678	282	501	262
Present value of lease obligations	**10,482**	**6,050**	**8,316**	**5,581**
Thereof:				
Short-term lease obligation (less than 1 year)	4,321	2,500	3,495	2,231
Long-term lease obligations (1 to 5 years)	6,161	3,550	4,821	3,350

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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 paid	-71,327	-446	-
Interest capitalised	1,493	-	-
Dividends declared	-	-	1
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 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**

Changes in liabilities arising from financing activities of Alro Group:

	Bank and other loans	Leases	Dividends payable
Balance at 1 January 2018	**911,838**	**6,711**	**2,941**
New contracts	60,426	2,212	-
Cash outflows	-67,410	-2,806	-365,415
Interest expense	44,076	215	-
Interest paid	-40,979	-215	-
Interest capitalised	6,773	-	-
Dividends declared	-	-	694,253
Translation differences	29,620	-67	-
Balance at 31 December 2018	**944,344**	**6,050**	**331,779**

Changes in liabilities arising from financing activities of Alro stand-alone:

	Bank and other loans	Leases	Dividends payable
Balance at 1 January 2018	**908,942**	**5,700**	**2,941**
New contracts	-	2,108	-
Cash outflows	-64,301	-2,165	-379,803
Interest expense	42,367	187	-
Interest paid	-36,570	-187	-
Interest capitalised	5,871	-	-
Dividends declared	-	-	708,636
Translation differences	27,782	-62	-
Balance at 1 January 2018	**884,091**	**5,581**	**331,774**

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 2018	**25,825**	**30,769**	**1,005**	**57,599**
Additional provisions recognised	30,132	231	561	**30,924**
Unwinding of discount	-	1,319	-	**1,319**
Utilisation of provisions	-21,514	-	-	**-21,514**
Reversal of provisions	-4,544	-	-232	**-4,776**
Translation adjustment	-	535	-	535
Balance at 31 December 2018	**29,899**	**32,854**	**1,334**	**64,087**
Thereof:				
Current	29,899	-	1,334	**31,233**
Non-current	-	32,854	-	**32,854**
Additional provisions recognised	-	1,809	87	**1,896**
Unwinding of discount	-	1,483	-	**1,483**
Utilisation of provisions	-10,532	-		**-10,532**
Reversal of provisions	-16,667	-	-1,328	**-17,995**
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**

Alro

	Provision for employee compensation	Provision for land restoration	Provisions for fines and penalties	Total
Balance at 1 January 2018	**25,516**	**1,239**	**-**	**26,755**
Additional provisions recognised	26,606	-	-	**26,606**
Unwinding of discount	-	48	-	**48**
Utilisation of provisions	-20,972	-	-	**-20,972**
Reversal of provisions	-4,544	-	-	**-4,544**
Balance at 31 December 2018	**26,606**	**1,287**	**-**	**27,893**
Thereof:				
Current	26,606	-	-	**26,606**
Non-current	-	1,287	-	**1,287**
Additional provisions recognised	-	-	-	**-**
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**

The provisions for employees compensation are recognized by the Group and the Company basically in accordance with the Collective Labour Agreements and with GSM decisions regarding the Directors' remuneration. In 2019, the Group analyzed the financial results for the period and decided not to book a provision for this period (see also Note 7 *General, administrative and selling expenses*).

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 2019 and are related to: the red mud lake in Tulcea: RON 22,112 thousand, the rehabilitation of the premises of the bauxite mine: RON 13,255 thousand and the cost recognized by the Parent Company for the rehabilitation of the locations on which it deposits industrial waste in Slatina: RON 1,337 thousand. The Group estimates that the costs would be incurred in 5 - 14 years' time and calculates the provisions using the DCF method based on the following assumptions: estimated range of cost: RON 39 – RON 69 per square meter in Romania and USD 6 per square meter in Sierra Leone, and discount rates of 3.0% - 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	
	2019	2018	2019	2018
Salaries and other staff costs	386,363	385,595	255,045	262,011

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	
	2019	2018	2019	2018
Social insurance costs and other taxes	3,992	3,816	3,555	3,355
Other defined contribution pension plans	3,220	2,800	2,166	2,107

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 2019 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 2019	31 December 2018
Discount rate (%)	4.46	4.98
Estimated salary increase rate (%)	4.08	4.18
Estimated inflation rate (%)	2.58	2.68

in RON '000, except per share data

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

	Alro Group		Alro	
	2019	2018	2019	2018
Current service cost	2,693	2,555	1,676	1,669
Interest cost on obligation	2,096	1,700	1,635	1,375
Total expense	**4,789**	**4,255**	**3,311**	**3,044**

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* (2019: RON 2,066 thousand, 2018: RON 1,822 thousand for Group and 2019: RON 1,132 thousand, 2018: RON 1,049 thousand for Company) and *Administrative expenses* (2019: RON 627 thousand, 2018: RON 733 thousand for Group and for Company 2019: RON 544 thousand, 2018: RON 620 thousand), and interest cost on obligation as *Interest expense*.

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

	Alro Group		Alro	
	2019	2018	2019	2018
Balance at 1 January	**42,610**	**41,569**	**35,800**	**36,019**
Included in profit or loss:				
Current service cost	2,693	2,555	1,676	1,669
Interest cost on obligation	2,096	1,700	1,635	1,375
Included in other comprehensive income:				
Actuarial changes arising from changes in demographic assumptions	-579	-17	-562	-5
Actuarial changes arising from changes in financial assumptions	1,896	-1,538	1,814	-985
Actuarial changes arising from changes in experience adjustments	2,016	1,965	1,834	464
Benefits paid	-3,918	-3,618	-2,705	-2,737
Translation adjustment	-177	-6	-	-
Balance at 31 December	**46,637**	**42,610**	**39,492**	**35,800**

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	
	2019	2018	2019	2018
Discount rate +1%	-3,694	-3,475	-3,044	-2,780
Discount rate -1%	4,266	3,833	3,520	3,218
Estimated salary increase rate +1%	4,268	3,885	3,519	3,244
Estimated salary increase rate -1%	-3,775	-3,570	-3,097	-2,849
Longevity +1 year	-140	-203	-86	-74
Longevity -1 year	146	49	102	88
Employee turnover rate +0.5%	-432	-531	-354	-384
Employee turnover rate -0.5%	434	244	371	270

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

The Group expects to make a payment of RON 6,695 thousand from the defined benefit obligation in the next financial year, of which RON 6,239 thousand are related to the Company (at 31 December 2018 the estimations were of RON 6,483 thousand for the Group and RON 6,007 thousand for the Company).

The weighted average duration of defined benefit obligation is 16.3 years for Alro, 15.4 years for Alum, 12.7 years for Vimetco Extrusion and 19.9 years for Sierra Mineral Holdings 1, Ltd.

in RON '000, except per share data

The following information relates to the maturity profile of the defined benefit obligation at 31 December 2019:

Alro Group

Maturity analysis of defined benefit payments	Retirement benefits	Death-in-service benefits	Total
Within 1 year	5,950	745	**6,695**
1 - 2 years	3,302	803	**4,105**
2 - 5 years	9,370	2,678	**12,048**
5 - 10 years	22,664	5,212	**27,877**
Over 10 years	105,057	19,598	**124,655**

Alro

Maturity analysis of defined benefit payments	Retirement benefits	Death-in-service benefits	Total
Within 1 year	5,685	554	**6,239**
1 - 2 years	2,986	588	**3,574**
2 - 5 years	7,746	1,884	**9,630**
5 - 10 years	17,248	3,373	**20,621**
Over 10 years	63,543	10,966	**74,509**

28. Government grants

	Alro Group		Alro	
	2019	**2018**	**2019**	**2018**
Balance at 1 January	**51,870**	**29,150**	**42,307**	**22,385**
Received during the year	4,411	24,312	3,572	21,068
Released to the statement of profit or loss	-4,044	-1,592	-3,250	-1,146
Balance at 31 December	**52,237**	**51,870**	**42,629**	**42,307**
Thereof:				
Current	4,267	1,914	3,442	1,146
Non-current	47,970	49,956	39,187	41,161

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 (2018: two tranches in amount of RON 21,068 thousand were received).

In 2019, the Group subsidiary Alum received the last tranche in amount of RON 839 thousand from the subsidy obtained through the European Fund for Regional Development through the Competitiveness Operational Program 2014 – 2020 within the investment project dedicated to the research of aluminum hydroxide technology (dry and wet. In 2018 two tranches in amount of RON 3,244 thousand were received.

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 4,044 thousand for the Group (2018: RON 1,592 thousand) and RON 3,250 thousand for the Company (2018: RON 1,146 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 2019 there are no contingent liabilities attached to these grants.

in RON '000, except per share data

29. Trade and other payables

	Alro Group		Alro	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018
Foreign trade payables	38,514	42,740	31,785	28,177
Domestic trade payables	93,261	99,051	49,604	61,199
Accrued trade payables	74,611	68,959	70,566	62,146
Total	**206,386**	**210,750**	**151,955**	**151,522**

Domestic trade payables are payables towards suppliers located in the countries where the Group operates (in Romania and Sierra Leone, respectively).

At 31 December 2019, accrued trade payables include an amount of RON 58,075 thousand (31 December 2018: RON 50,068 thousand) for electricity acquired in December 2019, which will be paid in the next accounting period, according to the agreements concluded.

30. Other current liabilities

	Alro Group		Alro	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018
Suppliers of fixed assets	8,295	31,917	6,348	25,963
Advances from customers	8,180	10,239	8,313	9,968
Wages and social security taxes	29,264	32,612	20,730	22,612
Dividends payable	7,001	331,779	6,995	331,774
Other	36,716	22,461	30,157	15,739
Total	**89,456**	**429,008**	**72,543**	**406,056**

At 31 December 2018, the category *Dividends payable* for the Group and the Company included an amount of RON 326,600 thousand, representing interim dividends declared as per applicable regulations (the Order of the Minister of Public Finances no. 3067/2018 on completing certain accounting regulations), for the 9 months ended 30 September 2018, distributed by the Parent Company from the net accounting profit of the period and from retained earnings. In April 2019, after approval by the General Shareholders' Meeting of the annual financial statements for 2018, the interim dividends were declared as final annual dividends. Please see also Note 21.

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.

in RON '000, except per share data

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.

The primary related party transactions are described below:

Sales of goods and services:

	Alro Group		Alro	
	2019	**2018**	**2019**	**2018**
Subsidiaries	-	-	216,853	249,669
Companies under common control	1,357	1,306	1,266	1,216
Total goods and services provided to related parties	**1,357**	**1,306**	**218,119**	**250,885**

Goods and services purchased from related parties:

Subsidiaries	-	-	-643,929	-604,730
Companies under common control	-276,421	-260,781	-99,245	-87,268
Total goods and services purchased from related parties	**-276,421**	**-260,781**	**-743,174**	**-691,998**

The purchases from related parties include acquisitions of gas for the production process by the Group companies from their related party Conef Gaz (during 2019: RON 219,485 thousand at the Group level and RON 49,552 thousand at the Company level; during 2018: RON 206,705 thousand at the Group level and RON 40,000 thousand at the Company level, respectively).

Interest expense from related parties:

Subsidiaries	-	-	-	1,040
Vimetco N.V.	-	2,220	-	-
Total interest income from related parties	**-**	**2,220**	**-**	**1,040**

in RON '000, except per share data

The following balances were outstanding at 31 December 2019 and 31 December 2018:

Trade and other accounts receivable:

	Alro Group		Alro	
	31 December 2019	31December 2018	31 December 2019	31 December 2018
Subsidiaries	-	-	38.993	160.770
Companies under common control	3.557	3.465	378	286
Allowance for doubtful receivables	-394	-372	-140	-140
Total trade and other accounts receivable from related parties	**3.163**	**3.093**	**39.231**	**160.916**
- non-current	-	-	-	-
- current	3.163	3.093	39.231	160.916

Trade and other accounts payable:

	Alro Group		Alro	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018
Subsidiaries	-	-	820	456
Companies under common control	7,118	3,365	5,741	2,287
Total trade and other accounts payable to related parties	**7,118**	**3,365**	**6,561**	**2,743**

Dividends

In 2019, the Parent Company paid dividends declared for 2018 to the major shareholder Vimetco N.V. in amount of RON 176,982 thousand (in 2018 RON 321,635 thousand were paid in respect of dividends declared for 2017). Also, in 2019 the Parent Company paid dividends declared for 2018 to its shareholder Paval Holding SRL in amount of RON 75,809 thousand (in 2018: 0).

In 2019 the Company received dividends from one of its subsidiares in amount of RON 48,324 thousand (2018: RON 37,201 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 10,526 thousand (2018: RON 20,820 thousand) at Group level and to RON 9,315 thousand (2018: RON 17,452 thousand) at Company level, respectively, while the expense for determined contribution plan (social contributions) was RON 2,315 thousand for 2019 for the Group (2018: RON 4,790 thousand), and RON 2,095 thousand for 2019 for the Company (2018: RON 3,990 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	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018
Goods and services purchased from entities controlled by key management personnel or their close family members	124	156	99	103
Benefits paid to close family members of the key management personnel	-	-	-	-
Total	**124**	**156**	**99**	**103**

in RON '000, except per share data

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 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.

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.

Consistent 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 calculated as *Total equity* as shown in the consolidated and separate statement of financial position sheet plus *net debt*.

	Alro Group		Alro	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018
Total borrowings (Note 25)	1,254,420	950,394	1,069,995	889,672
Less: cash and cash equivalents (Note 22), adjusted*	-119,182	-239,609	-108,546	-172,445
Net debt	**1,135,238**	**710,785**	**961,449**	**717,227**
Total shareholders' equity	**769,952**	**1,172,824**	**741,546**	**1,223,639**
Total capital	**1,905,190**	**1,883,609**	**1,702,995**	**1,940,866**
Gearing ratio	60%	38%	56%	37%

*The *cash and cash equivalents* are adjusted to include the collateral deposits of RON 36,000 thousand pledged for oustanding borrowings, and included in *Restricted cash* at 31 December 2019 and in *Other non-current assets* at 31 December 2018.

As shown in the above table, the gearing ratio has increased from 38% to 60% at Group level and from 37% to 56% at Company level mainly due to additional loans in the form of supplements to existing loans contracted in 2019 for investments and working capital and of drawdown of the unutilized limit of a credit facility contracted in 2018, on the one hand, and also due to decrease of cash and cash equivalents as a result of dividends paid by the Company during the year, on the other hand.

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 enter into a variety of contracts for derivative financial instruments to manage their exposure to market prices, such as:

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

in RON '000, except per share data

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.

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 2019				
Total monetary assets	70,277	50,160	73	**120,510**
Total monetary liabilities	286,786	848,290	4,756	**1,139,832**
31 December 2018				
Total monetary assets	87,602	97,322	22	**184,946**
Total monetary liabilities	194,799	648,715	1,002	**844,516**

Alro

Currency of denomination	**EUR**	**USD**	**Other**	**Total**
Functional currency	**RON**	**RON**	**RON**	**RON**
31 December 2019				
Total monetary assets	42,684	44,008	1	**86,693**
Total monetary liabilities	203,699	723,127	550	**927,376**
31 December 2018				
Total monetary assets	69,852	101,060	15	**170,927**
Total monetary liabilities	183,846	569,661	216	**753,723**

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.

in RON '000, except per share data

	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 2019				
Profit or loss	21.651[1)]	79.813[2)]	16.102[1)]	67.912[2)]
Other equity	-	-	-	-
31 December 2018				
Profit or loss	10.720[1)]	55.139[2)]	11.399[1)]	46.860[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 i*s included a loss in amount of RON 3,598 thousand (2018: nil) 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 (31 December 2018: nil).

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 2019 would decrease/increase by RON 12,577 thousand (2018: RON 9,655 thousand) and the Company's result would decrease/increase by RON 10,725 thousand (2018: RON 8,951 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.

in RON '000, except per share data

Commodity options

In 2018, on the purpose of protecting its revenues against the volatility of aluminium price, the Group and the Company had contracts with financial institutions consisting of 100% collar of Asian options by taking long positions on put options and short positions on call options for a quantity of 92,000 tonnes aluminium, for which a minimum price of 2,200 USD/tonne to 2,400 USD/tonne was secured, with exercising dates during January-December 2018.

In 2018, options for a quantity of 63,200 tonnes were exercised due to the fact that the LME quotations were below the minimum price of 2,200 USD/tonne. The gain of RON 35,161 thousand resulting from the options exercised during year 2018, net of their cost as well as the cost of the options not exercised when the LME quotations were within the collar interval, is included in the category *Gains (losses) from derivative financial instruments, net* in the Statement of profit or loss.

As at 31 December 2018 and 2019 no option contract was outstanding, and no commodity option contracts were entered into in 2019.

In 2019 and 2018 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.

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.

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

Trade receivables		**31 December 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**	

in RON '000, except per share data

31 December 2018

Trade receivables

	Balances	Impairment loss at	Expected loss rate (%)
Terms			
Current (not past due)	47,704	-0	0.00%
1-30 days past due	17,978	-6	0.03%
31-60 days past due	586	-1	0.09%
61-90 days past due	317	-17	5.44%
91-180 days past due	103	-14	13.56%
More than 180 days past due	2,385	-2,302	96.53%
Individually assessed receivables	4,159	-766	18.42%
Total	**73,232**	**-3,106**	

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 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**
31 December 2018				
Borrowings (principal and expected future interest payments)	126,277	937,438	-	**1,063,715**
Trade and other monetary payables	638,449	-	-	**638,449**
Total	**764,726**	**937,438**	**-**	**1,702,164**

Alro	within 1 year	1 to 5 years	after 5 years	Total
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**
31 December 2018				
Borrowings (principal and expected future interest payments)	121,483	869,784	-	**991,267**
Trade and other monetary payables	546,499	-	-	**546,499**
Total	**667,982**	**869,784**	**-**	**1,537,766**

Included in *Trade and other monetary payables* at 31 December 2018 are dividends of RON 326,600 thousand declared by the Parent company at 30 September 2018 (see Note 30).

in RON '000, except per share data

Categories of financial instruments

	Alro Group		Alro	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018
Financial assets				
At amortised cost				
Cash and bank balances	129,346	211,979	117,746	141,529
Receivables	133,567	172,461	97,245	230,952
Fair value through profit or loss (FVTPL)				
Designated as at FVTPL	11,761	6,289	8,962	6,278
Total financial assets	**274,674**	**390,729**	**223,953**	**378,759**

	Alro Group		Alro	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018
Financial liabilities				
Fair value through profit or loss (FVTPL)	-	-	-	-
Amortised cost:				
Trade and other payables	267,220	636,534	193,236	545,353
Non-current bank and other loans	380,432	874,331	261,520	814,178
Current bank and other loans	873,988	76,063	808,475	75,494
Total financial liabilities	**1,521,640**	**1,586,928**	**1,263,231**	**1,435,025**

Financial assets at FVTPL include trade receivables covered by factoring contracts that were not yet sold to the factor at the reporting date.

There were no reclassifications between the categories of financial assets during 2019 and 2018.

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 swap over-the-counter derivatives is determined using LME aluminium quotes for each settlement dates provided by dealers.

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

• Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

• Level 2 fair value measurements are those derived from valuation techniques containing inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

• Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Group and the Company do not have level 3 financial instruments.

in RON '000, except per share data

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 2019, the Group's and the Company's commitments pertaining to the investments for the year 2020 amounted to RON 42,873 thousand (31 December 2018: RON 57,340 thousand) at the Group level and to RON 19,116 thousand (31 December 2018: RON 37,128 thousand) at the Company level.

Raw material purchase contracts

As at 31 December 2019, the Group and the Company had contracts for purchases of raw materials, other consumables and utilities in amount of RON 957,574 thousand (31 December 2018: RON 1,256,016 thousand) for the Group and in amount of RON 1,243,619 thousand (31 December 2018: RON 1,466,804 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, the agreement being concluded up to the year 2024.

Rental income recognized the Group and the Company in 2019 was of RON 33 thousand at Group level and RON 876 thousand at Company level (2018: RON 806 thousand).

Future minimum lease payments receivable under non-cancellable leases of the Group and the Company as at 31 December 2019 are presented by maturities below:

	Alro Group		Alro	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018
Within 1 year	197	-	1,072	843
1 to 5 years	757	-	4,482	3,609
After 5 years	-	-	3,046	3,984
Total	**954**	**-**	**8,600**	**8,436**

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 2019 the Group and the Company were 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 and/or of the Company.

In May 2015, the Parent Company acknowledged a legal civil action at the Bucharest Court of Law, brought by Hidroelectrica S.A., regarding material claims by the electricity producer for alleged unrealized benefits from the bilateral contract with Alro S.A. In December 2015, the Primary Court rejected a significant part of the claims of Hidroelectrica as being time-barred, and consequently only remaining claims were under discussion, related to a short period from the contract of less than 2 months, which were subsequently dismissed in first instance by the Court in June 2016. In the appeal stage, the Bucharest Court of Appeal also dismissed Hidroelectrica appeal action, and the Company reported this information to the investors and interested public. Hidroelectrica has filed a second appeal which was dismissed by the High Court of Cassation and Justice, this decision being final.

In 2016, the Parent Company also 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.

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, the fiscal year remains open for tax audit for a period of 5 years and 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 is 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. At the date of approval of the consolidated financial statements the fiscal inspection was not completed. The Group management does not estimate a significant financial impact as a consequence of this fiscal audit.

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

Starting November 2019, the Group subsidiary Sierra Mineral Holdings 1, Limited was subject to a fiscal audit by the National Revenues Authority (NRA) in Sierra Leone related to income tax, corporate tax and other taxes of transaction including benefits in kind as well as tax liability lodgement to NRA, for the period 2017 - 2018. The fiscal audit was finalized in March 2020 without significant financial impact.

In accordance with the requirements issued by the Ministry of Public Finance in Romania that relate to the fiscal treatment of the items of equity that have not been subject to the calculation of the income tax as at the date of their recording in the accounts due to their nature, should the Group change the destination of the statutory reserves in the future (to cover losses or to make distributions to the shareholders), this will lead to additional income tax liabilities. No deferred tax liabilities were recognised, because the Group do not plan to change the destination of its statutory reserves.

in RON '000, except per share data

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	
	2019	**2018**	**2019**	**2018**
Statutory audit expenses	1,069	1,204	741	918
Audit related services	-	981	-	981
Other assurance services	184	46	167	30
Total	**1,253**	**2,231**	**908**	**1,929**

In 2018 category Audit related services are expenses incurred for the review of the financial statements of the Group as of 31 March 2018 carried out in the context of the secondary public offering of Alro shares that took place in 2018.

35. Events after the reporting date

In February 2020, Alro signed a borrowing contract with a commercial bank in Romania. The borrowing is a RON 100,000 thousand revolving loan to be used for working capital and it has the maturity in November 2020. The facility is guaranteed 30% by cash collateral, and 70% by a guarantee from the Romanian state.

At the date when these financial statements were authorised for issue, negotiations with a bank were still ongoing in respect of the terms and conditions of a CAPEX facility for an amount of up to USD 40,000 thousand, and the maturity in 2026.

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

In March 2020, the Parent Company of the Group received from the United States International Trade Commission a notification that a petition for establishing antidumping tariffs for certain aluminium products originated from 18 countries, including Romania, was received by the US Department of Commerce. The petition is filed by the US Aluminium Association and concerns aluminium sheets between 0.2 mm and 6.3 mm made of common alloys (1xxx, 3xxx and 5xxx series). In respect of the sheets of Romanian origin, produced by Alro S.A., the requested antidumping tariff to be assessed by the US Department of Commerce, is of 56.22%, with prospective application. The Group considers the petition as unfounded and the calculations which are behind it as erroneous and it intends to vigorously defend its position in front of the American authorities involved. From the data that it has for the moment, the management of the Company is unable to asses whether the petition will be accepted or dismissed, as, from the data received from the external legal consultant, the process of investigation will be rather complex and will involve a multitude of factors. The petition does not impact past years and, from the preliminary analysis performed, it does not appear that the performance of the Company will be significantly affected in 2020 by a potential negative outcome of this petition. The Company is actively working to mitigate any adverse impact that it might face if the petition is adversely determined.

In December 2019, China announced the appearance of a new virus originally linked to a market in the city of Wuhan, China. The virus, initially called “the novel coronavirus” and later officially named “Covid-19”, affects the respiratory system of humans and is very easily transmitted, which soon led to an epidemics and spread around the world. By the date of approval of this report, over 400,000 of cases were reported worldwide, and nearly 20,000 deaths, which determined governments to take extraordinary measures such limiting the movement of persons and even restricting businesses. It is estimated that the situation might have some negative consequences due to the economic slowdown caused by the temporary closure of businesses and freezing of activities in the most affected countries. In respect of the aluminium industry, a decrease of the aluminium price was registered in 2020: from an average of 1,791 USD/t (LME cash seller in December 2019) to 1,772 USD/t in January 2020 and further to 1,686 USD/t in February 2020. However, the aluminium market has seen even lower quotations in the past, and such volatility is common to the industry, so the level of correlation between the evolution of the epidemics and the evolution of the aluminium price cannot be ascertained. Alro Group has been monitoring the situation from the very beginning of the outbreak, and it has taken all the legal and necessary measures to limit the spread of the virus through its activities. At the date of approval of this report by the Board of Directors, several countries have temporarily closed their borders causing certain disruption to the deliveries from Romania outwards and for imports of some materials from affected countries. The Primary aluminium deliveries are less affected due to major clients being established in Romania, whereas the processed products are normally exported out of the country to a greater extent. A maximum potential impact that can be estimated based on the available information at the moment is approximately 24% less turnover in the affected period, supposing the circulation restrictions remain in force. However, the Group remains alert to find the best solutions in order to keep potential slowdowns at minimum levels.

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 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, 2019, 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 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, 2019 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.

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 94.2 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 Alumininium 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.

Investments in subsidiaries are also significant to our audit because of the magnitude of the balance sheet position as at 31 December 2019 (carrying value of RON 399.96 million RON in the separate statement of financial position) The aluminium industry has suffered a cyclical downturn in the period 2013 – 2016 which had a significant effect on the carrying value of the Company’s investment in Alum as reflected by the impairment charges recorded in the prior year’s financial statements.
Additionally, in 2019 the Company recognized an impairment of RON 48.87 million in respect of its investment in Conef.

The management assessment of impairment indicators for CGUs and for investments involves consideration of various sources of information, including the economic environment factors.</td><td>Our audit procedures included, among others:

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 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.
d. we assessed the historical accuracy of management’s budgets and forecasts by comparing them to actual performance.
e. We further assessed the adequacy of Alro Group’s disclosures about impairment testing of goodwill and the Company’s disclosures about impairment of investments in subsidiaries.</td></tr>
</table>

Impairment testing of property, plant and equipment 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 are significant to our audit because of the magnitude of the balance sheet position as at 31 December 2019 (of RON 839,732 million in the statement of financial position). Under the International Financial Reporting Standards, an entity is required to assess whether impairment indicators exist and, if they exist, an impairment test is 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.	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 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 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 Company. 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's disclosures about Impairment testing of property, plant and equipment.

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 reportwe 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 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 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 (if applicable) all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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' Report, we have read the Directors' 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, 2019;
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 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, 2019, 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 29 July 2019 to audit the consolidated and separate financial statements for the financial year ended December 31, 2019. 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 seven years covering the financial periods ended December 31, 2013 until December 31, 2019.

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 23 March 2020.

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, other audit related 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 signing person: Alexandru Lupea
Registeredin the electronic Public Register under No. 273

Bucharest, Romania
26 March 2020

Statement of the Persons in Charge

Statement of the Persons in Charge

Pursuant to the legal stipulations of the Regulation no. 5/2018 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 2019;

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 2019 are audited.

Chairman of the Board of Directors
Marian Daniel Nastase

CEO
Gheorghe Dobra

CFO
Genoveva Nastase

26 March 2020

This is a free translation from the official Romanian version