Annual Report
in accordance with No.5/2018 of Regulation Romanian National Securities Commission for financial exercise of 2023

Date of the report: 31.12.2023

Name of the company: **ALUM SA TULCEA**
Headquarter address: Tulcea, 82 Isaccei Street
Telephone/fax: 0240.535.022 / 0240.535.495
Registration no. in Commerce Registry: J36/29/1991
Unique Identifier at European Level (EUID): ROONRC J36/29/1991
LEI Code (Legal Entity Identifier): 254900TPAV17KVG33J81
Fiscal Code: 2360405
Regulated market on which the issued shares are transactioned: AeRO
Social capital subscribed and paid: 488,412,907.85 RON
Class, type, number and main details about securities issued by SC ALUM SA: 82,086,203 shares at a nominal value of 5.95 lei/share.

1. Activity of the company

1.1. a) Main activity class is (as per NACE classification): Manufacture of basic precious and other non-ferrous metals (NACE code 244) and the main activity object is aluminum metallurgy (NACE code 2442).

In addition to the main activity object, there are the following secondary activities:

- Support services to forestry (NACE code 0240);
- Extraction of crude petroleum (NACE code 0610);
- Extraction of natural gas (NACE code 0620);
- Mining of other non-ferrous metal ores (NACE code 0729);
- Support activities for petroleum and natural gas extraction (NACE code 0910);
- Support activities for other mining and quarrying (NACE code 0990);
- Manufacture of other food products n.e.c. (NACE code 1089);
- Manufacture of made-up textile articles, except apparel (NACE code 1392);
- Manufacture of work wear (NACE code 1412);
- Sawmilling and planing of wood (NACE code 1610);
- Manufacture of veneer sheets and wood-based panels (NACE code 1621);
- Manufacture of assembled parquet floors (NACE code 1622);
- Manufacture of other builders' carpentry and joinery (NACE code 1623);
- Manufacture of wooden containers (NACE code 1624);
- Manufacture of other products of wood; manufacture of articles of cork, straw and plaiting materials (NACE code 1629);
- Manufacture of paper and paperboard (NACE code 1712);
- Manufacture of corrugated paper and paperboard and of containers of paper and paperboard (NACE code 1721);
- Manufacture of other articles of paper and paperboard (NACE code 1729);
- Other printing n.c.a. (NACE code 1812);

- Manufacture of coke oven products (NACE code 1910);
- Manufacture of refined petroleum products (NACE code 1920);
- Manufacture of industrial gases (NACE code 2011);
- Manufacture of other inorganic basic chemicals (NACE code 2013);
- Manufacture of other organic basic chemicals (NACE code 2014);
- Manufacture of other technical ceramic products (NACE code 2344);
- Manufacture of other non-metallic mineral products n.e.c. (NACE code 2399);
- Production of ferrous metals in primary forms and ferroalloy (NACE code 2410);
- Cold forming or folding (NACE code 2433);
- Other non-ferrous metal production (NACE code 2445);
- Casting of iron (NACE code 2451);
- Casting of steel (NACE code 2452);
- Casting of light metals (NACE code 2453);
- Manufacture of metal structures and parts of structures (NACE code 2511);
- Manufacture of doors and windows of metal (NACE code 2512);
- Treatment and coating of metals (NACE code 2561);
- Machining (NACE code 2562);
- Manufacture of tools (NACE code 2573);
- Manufacture of light metal packaging (NACE code 2592);
- Manufacture of other fabricated metal products n.e.c.(NACE code 2599);
- Manufacture of electronic components (NACE code 2611);
- Manufacture of communication equipment (NACE code 2630);
- Manufacture of instruments and appliances for measuring, testing and navigation (NACE code 2651);
- Manufacture of electric motors, generators and transformers (NACE code 2711);
- Manufacture of electricity distribution and control apparatus (NACE code 2712);
- Manufacture of wiring devices (NACE code 2733);
- Manufacture of electric lighting equipment (NACE code 2740);
- Manufacture of other electrical equipment (NACE code 2790);
- Manufacture of lifting and handling equipment (NACE code 2822);
- Manufacture of other general-purpose machinery n.e.c. (NACE code 2829);
- Manufacture of metal forming machinery (NACE code 2841);
- Manufacture of other machine tools (NACE code 2849);
- Manufacture of machinery for metallurgy (NACE code 2891);
- Manufacture of machinery for mining, quarrying and construction (NACE code 2892);
- Manufacture of other special-purpose machinery n.e.c. (NACE code 2899);
- Manufacture of railway locomotives and rolling stock (NACE code 3020);
- Manufacture of medical and dental instruments and supplies (NACE code 3250);
- Other manufacturing n.e.c. (NACE code 3299);
- Repair of fabricated metal products (NACE code 3311);
- Repair of machinery (NACE code 3312);
- Repair of electronic and optical equipment (NACE code 3313);
- Repair of electrical equipment (NACE code 3314);
- Repair and maintenance of other transport equipment. (NACE code 3317);
- Repair of other equipment (NACE code 3319);
- Installation of industrial machinery and equipment (NACE code 3320);
- Production of electricity (NACE code 3511);
- Transmission of electricity (NACE code 3512);

- Distribution of electricity (NACE code 3513);
- Trade of electricity (NACE code 3514);
- Distribution of gaseous fuels through mains (NACE code 3522);
- Trade of gas through mains (NACE code 3523);
- Steam and air conditioning supply (NACE code 3530);
- Water collection, treatment and supply (NACE code 3600);
- Sewerage (NACE code 3700);
- Collection of non-hazardous waste (NACE code 3811);
- Collection of hazardous waste (NACE code 3812);
- Treatment and disposal of non-hazardous waste (NACE code 3821);
- Treatment and disposal of hazardous waste (NACE code 3822);
- Dismantling of wrecks (NACE code 3831);
- Recovery of sorted materials (NACE code 3832);
- Remediation activities and other waste management services (NACE code 3900);
- Development of building projects (NACE code 4110);
- Construction of residential and non-residential buildings (NACE code 4120);
- Construction of roads and motorways (NACE code 4211);
- Construction of railways and underground railways (NACE code 4212);
- Construction of bridges and tunnels (NACE code 4213);
- Construction of utility projects for fluids (NACE code 4221);
- Construction of utility projects for electricity and telecommunications (NACE code 4222);
- Construction of other civil engineering projects n.e.c. NACE code 4299);
- Demolition (NACE code 4311);
- Site preparation (NACE code 4312);
- Electrical installation (NACE code 4321);
- Plumbing, heat and air-conditioning installation (NACE code 4322);
- Other construction installation (NACE code 4329);
- Joinery installation (NACE code 4332);
- Floor and wall covering (NACE code 4333);
- Painting and glazing (NACE code 4334);
- Other building completion and finishing (NACE code 4339);
- Roofing activities (NACE code 4391);
- Other specialised construction activities n.e.c. (NACE code 4399);
- Maintenance and repair of motor vehicles (NACE code 4520);
- Agents involved in the sale of fuels, ores, metals and industrial chemicals (NACE code 4612);
- Agents involved in the sale of timber and building materials (NACE code 4613);
- Agents involved in the sale of machinery, industrial equipment, ships and aircraft (NACE code 4614);
- Agents involved in the sale of a variety of goods (NACE code 4619);
- Wholesale of electrical household appliances (NACE code 4643);
- Wholesale of computers, computer peripheral equipment and software (NACE code 4651);
- Wholesale of electronic and telecommunications equipment and parts (NACE code 4652);
- Wholesale of machine tools (NACE code 4662);
- Wholesale of mining, construction and civil engineering machinery (NACE code 4663);
- Wholesale of office furniture (NACE code 4665);
- Wholesale of other office machinery and equipment (NACE code 4666);
- Wholesale of other machinery and equipment (NACE code 4669);
- Wholesale of solid, liquid and gaseous fuels and related products (NACE code 4671);

- Wholesale of metals and metal ores (NACE code 4672);
- Wholesale of wood, construction materials and sanitary equipment (NACE code 4673);
- Wholesale of hardware, plumbing and heating equipment and supplies (NACE code 4674);
- Wholesale of chemical products (NACE code 4675);
- Wholesale of other intermediate products (NACE code 4676);
- Wholesale of waste and scrap (NACE code 4677);
- Non-specialised wholesale trade (NACE code 4690);
- Carried out Retail stores, stalls and markets (NACE code 4799);
- Freight transport by road (NACE code 4941);
- Removal services (NACE code 4942);
- Transport via pipeline (NACE code 4950);
- Sea and coastal passenger water transport (NACE code 5010);
- Sea and coastal freight water transport (NACE code 5020);
- Inland passenger water transport (NACE code 5030);
- Inland freight water transport (NACE code 5040);
- Warehousing and storage (NACE code 5210);
- Service activities incidental to water transportation (NACE code 5222);
- Cargo handling (NACE code 5224);
- Other transportation support activities (NACE code 5229);
- Other food service activities (NACE code 5629);
- Book publishing (NACE code 5811);
- Publishing of directories and mailing lists (NACE code 5812);
- Publishing of newspapers (NACE code 5813);
- Publishing of journals and periodicals (NACE code 5814);
- Other publishing activities (NACE code 5819);
- Publishing of computer games (NACE code 5821);
- Other software publishing (NACE code 5829);
- Sound recording and music publishing activities (NACE code 5920);
- Radio broadcasting (NACE code 6010);
- Television programming and broadcasting activities (NACE code 6020);
- Wired telecommunications activities (NACE code 6110);
- Wireless telecommunications activities (NACE code 6120);
- Satellite telecommunications activities (NACE code 6130);
- Other telecommunications activities (NACE code 6190);
- Computer programming activities (NACE code 6201);
- Computer consultancy activities (NACE code 6202);
- Computer facilities management activities (NACE code 6203);
- Other information technology and computer service activities (NACE code 6209);
- Data processing, hosting and related activities (NACE code 6311);
- Web portals (NACE code 6312);
- Activities of holding companies (NACE code 6420);
- Buying and selling of own real estate (NACE code 6810);
- Renting and operating of own or leased real estate (NACE code 6820);
- Real estate agencies (NACE code 6831);
- Management of real estate on a fee or contract basis (NACE code 6832);
- Accounting, bookkeeping and auditing activities; tax consultancy (NACE code 6920);
- Activities of head offices (NACE code 7010);
- Public relations and communication activities (NACE code 7021);
- Business and other management consultancy activities (NACE code 7022);

- Architectural activities (NACE code 7111);
- Engineering activities and related technical consultancy (NACE code 7112);
- Technical testing and analysis (NACE code 7120);
- Research and experimental development on biotechnology (NACE code 7211);
- Other research and experimental development on natural sciences and engineering (NACE code 7219);
- Research and experimental development on social sciences and humanities (NACE code 7220);
- Market research and public opinion polling (NACE code 7320);
- Other professional, scientific and technical activities n.e.c. (NACE code 7490);
- Renting and leasing of cars and light motor vehicles (NACE code 7711);
- Renting and leasing of trucks (NACE code 7712);
- Renting and leasing of construction and civil engineering machinery and equipment (NACE code 7732);
- Renting and leasing of office machinery and equipment (including computers) (NACE code 7733);
- Renting and leasing of other machinery, equipment and tangible goods n.e.c. (NACE code 7739);
- General cleaning of buildings (NACE code 8121);
- Combined facilities support activities (NACE code 8110);
- Other building and industrial cleaning activities (NACE code 8122);
- Other cleaning activities (NACE code 8129);
- Technical and vocational secondary education (NACE code 8532);
- Sports and recreation education (NACE code 8551);
- Cultural education (NACE code 8552);
- Other education n.e.c. (NACE code 8559);
- Educational support activities (NACE code 8560);
- Other human health activities (NACE code 8690);
- Repair of computers and peripheral equipment (NACE code 9511);
- Repair of other personal and household goods (NACE code 9529).

b) The Company was set up as a Commercial Society in 1991.

c) As at December 31st, 2023 the shareholding structure is as follows:

No.	Shareholder	Number of shares	Percentage (%)
1	ALRO SA	81,595,860	99.4026
2	Other shareholders (natural persons)	470,658	0.5734
3	Other shareholders (legal persons)	19,685	0.0240
Total		**82,086,203**	**100.00**

At December 31st, 2023, the share capital of the Company is **RON 488,412,907.85** and the number of issued shares is **82,086,203** at a nominal value of **RON 5.95** per share.

d) Acquisitions or transfer (sale) of property
During 2023, the Company bought fixed assets with a gross book value of RON 1,816,274.

Total assets of the Company as of December 31, 2023 are as follows:

RON

	01.01.2023	31.12.2023	Differences
A. Non-current assets	235,123,401	79,850,211	(155,273,189)
B. Current assets	227,900,804	161,155,489	(66,745,315)
Total assets	463,024,204	241,005,700	(222,018,504)

e) Company's activity evaluation - Description of main results

Indicators that define the activity of the company in 2023 are described below:

SYNTHETIC INDICATORS	Actual 2022	Actual 2023	Difference as compared to 2022	%
	RON	RON	RON	
TURNOVER	**501,771,469**	**286,545,218**	**(215,226,251)**	**57**
TOTAL OPERATING REVENUES	**559,796,508**	**272,377,194**	**(287,419,314)**	**49**
TOTAL OPERATING EXPENSES	**543,202,667**	**389,459,045**	**(153,743,622)**	**72**
of which:- raw material and material expenses	139,714,295	2,473,870	(137,240,425)	**2**
- other expenses (non-stocked, inventory objects)	839,535	343,233	(496,301)	**41**
- energy and water expenses	213,977,286	6,403,152	(207,574,134)	**3**
- staff expenses	58,575,322	26,748,235	(31,827,087)	**46**
- depreciation expenses	23,112,666	19,088,825	(4,023,841)	**83**
- third parties services	21,128,258	19,010,720	(2,117,538)	**90**
-merchandise expenses	75,933,045	249,429,372	173,496,327	**328**
-fixed assets expenses	2,383,636	1,005,690	(1,377,946)	**42**
-value adjustments	7,538,624	64,955,947	57,417,323	-
Operating result	**16,593,841**	**(117,081,851)**	**(133,675,692)**	**(706)**
FINANCIAL REVENUES	**27,637,329**	15,190,056	(12,447,273)	**55**
FINANCIAL EXPENSES	**162,852,945**	82,916,706	(79,936,239)	**51**
Financial result	**(135,215,616)**	**(67,726,650)**	**67,488,966**	**50**
TOTAL REVENUES	**587,433,838**	287,567,250	(299,866,588)	**49**
TOTAL EXPENSES	**706,055,612**	472,375,751	(233,679,861)	**67**
GROSS PROFIT	**(118,621,774)**	**(184,808,501)**	**(66,186,727)**	**156**
PROFIT TAX	**4,856,876**	**-**	**(4,856,876)**	**-**
SPECIFIC TAX	**21,731**	**-**	**(21,731)**	**-**
NET PROFIT	**(123,500,381)**	**(184,808,501)**	**(61,308,120)**	**150**

1.1.1 Elements of general evaluation:

	RON
Profit / (loss)	(184,808,501)
Turnover	286,545,218
Cash and cash equivalents	20,306,508

1.1.2. Technical evaluation of the Company

a) In 2023 the main incomes of the Company were obtained from sales of the followings:
- calcined alumina;
- hydrate;
- scrap iron;
- utilities;
- various activities.

b) New products taken into consideration for the future financial exercise, that requires to allocate a substantial assets volume and the actual development stage of those products.

Not the case.

1.1.3. Evaluation of procurement activity

The utilities and materials necessary for the current activity were provided.

1.1.4. Sales activity evaluation

a) In the year 2023 Alum's recorded turnover was 286,545 th RON consisting in:

sales of alumina to Alro	267,002	th RON
sales of alumina to other clients	5,809	th RON
sales of hydrate	6,651	th RON
scrap sales revenues	3,611	th RON
sales of utilities	1,786	th RON
revenues from various activities	1,686	th RON

b) Alum SA is the sole calcined alumina producer in Romania, so, there are no internal competitors.

Since the market is challenging, Alum must continue its strategy of cost reducing. This can be achieved by reducing consumptions, developing new environmental friendly technologies, investing in human capital and development of new, competitive and high added value products.

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

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

c) Description of any significant dependence of the Company beside a sole client or a group of clients and whose loss could have a negative impact in relation to Company's revenues,

Not the case.

1.1.5.a) Average number of staff for 2023 was 249, with the following structure:

Management	11
Administrative staff	92
Workers	146

Trade-union rating of work force is 83.13%.

Regarding the activity carried out by ALUM in 2023, as a result of the impossibility in providing electricity and gas at prices that would make it sustainable and efficient to keep the entire production capacity of ALUM in operation (an aspect that became more acute, since 2022 when crises started), further drastic cost reduction measures were required, which mainly affected the workforce.

Thus, the company was forced to maintain the measure of suspending the production activity and applying a new staff layoff program, maintaining only a core of experienced employees, with which it could act effectively in case of the restart of the activity. The situation has remained the same until now, with the company having suspended production activity and a number of 186 active employees.
Thus, a total number of 55 employees were included in the restructuring process (of which 53 ceased activity by with the application of collective redundancies procedure). The restructuring was done in stages, and the entire process was carried out according to the provisions of the law and the Collective Labour Bargain concluded at company level. The compensatory salaries amounted to RON 1,907,220.

b) Relationship between managers and employees are of co-operation.
In 2023, the relations between the executive management of the Company and the employees represented by unions were fair, regulated by the Collective Labour Agreement and the specific legislation in force. There were no major conflicts recorded, likely to influence the normal activities or business continuity.

1.1.6. Assessing aspects of the business impact against environment

Alum S.A. main activity is the production of calcined alumina by Bayer process. The technological process assumes the existence of alkaline solutions to various degrees of dilution.
From the technological circuit for obtaining calcined alumina, are resulting gas emissions, used technological waters and a serie of wastes that are treated properly, according to the actual legislation.
Noxes resulting from the burning of natural gas are discharged into the atmosphere through the dispersion baskets from the CET section and the Calcinare plant, their impact on air being insignificant.
The noxious resulting into heavy oil/gas combustion process from boilers and furnaces calcinations are monitored continuously trough monitoring a new system commissioned in January 2022. Data monitored are on a daily basis reported to the local environmental authorities in accordance with the approved Self-Monitoring programme and the obligations imposed in the integrated environmental permit.
In 2018, Alum SA has completed the National Transition Plan measure to reduce NOx emissions so that it falls within the maximum limit of 100 mg / Nmc.
The impact generated by the resulted gas emissions on protected areas, from aria of influence of the society is insignificant. The impact on the environment factor, water, consists in discharging through the sewage system of the Company, of different categories of water: pluvial and “conventionally clean”, technological waste and household.
Before discharging in the Danube river, the wasted water is neutralized in the cleaning station, being transferred in the retention basin and then discharged, Rainwater and conventionally clean are discharged through the rainwater collector in Somova Pond and the sewage is discharged in the municipal sewage system.
Permanent monitoring of the indicator “pH” is achieved through placement of “pH” continuous measuring device, both in the offtake of pluvial water and neutralizing station and retention basin,
The impact on the environment factors, soil, consists in possible release of dust on the ground, in case of malfunction of various installations, and the solid residue resulting from processing bauxites.
Soil analyses carried out in the impact zone of society have highlighted the insignificant impact of the activity of ALUM S.A. on soil quality in the area.
Monitoring is also done at the red mud lake for: the water level in the red mud lake, state of contour dams, the system of pumping mud and water, the groundwater quality in the drillings control located in the area of red mud lake, the condition of the pluvial water offtake, the quality of environmental factors with the help of the meteo station placed near the red mud thickener, etc.

Also, the heap wetting system is constantly monitored to avoid entrainment of solid particles in air. Also in this regard, the forest curtain created along the two sides of the sludge deposit is maintained, in order to prevent the dispersion of any dust to the inhabited areas.
In September 2022, Alum SA obtained a new Authorization for the safe operation of the dam at slam dump, with a 5-year validity.
In 2019, Alum SA obtained the Environmental Agreement for the project Raising dams at the slam dump. In March 2020 began monitoring for: sedimentable dust, total suspended dust, immissions of exhaust gases specific to fuel combustion, soil and noise.
In 2018, Alum SA obtained a new integrated environmental permit, with a 10-year validity and implemented an integrated Quality-Medium-SSO-Energy system.
In April 2022, Alum SA obtained the revised integrated environmental authorization.
Through the approved environmental policy, ALUM S.A. is oriented towards business performance, achieved on a sustainable path, by targeting processes to the best available technologies, both in terms of the quality of the products and the impact on the environment.
ALUM S.A. has no disputes for violations of environment legislation.

Given that calcined alumina production has been suspended since August 2022, the impact on the environment in 2023 was insignificant.

Given the evolution of the gas and electricity market, the ALUM's Investment Program for 2024 does not require budget allocation, and only the strictly necessary works contracted in 2023 will be finalized:

- Consolidation works for two hydroseparating vessels;
- Extension of the video monitoring system – Calcination;
- Carrying out the necessary studies for the expansion of Alum’s red mud pond.

1.1.7. Research and development activity evaluation

The Innovation Development Research Department is actively engaged in the following directions:

- Identifying and satisfying the needs and expectations of its clients, as well as all stakeholders, respectively: employees, suppliers, owners, company, in order to obtain a competitive advantage in an efficient manner;
- Obtaining, maintaining and improving the overall performance and capabilities using as the main vector the commitment to achieve quality.

The purpose of setting up the Innovation Development Research Department was to support, in a technical, scientific way, the industrial sectors of Alum in order to improve the technological processes for:

- improving the quality of the products;
- continuous improvement of our activities, processes and products, as well as energy and environmental performance;
- decrease of specific consumption;
- decrease of utility consumption;
- correlating some production results with the technical and technological aspects;
- increasing the competitiveness of the products;
- training and improvement of human resources.

The necessity of setting up the Innovation Development Research Department is supported by:

- the special importance of increasing the share of value-added products;
- the need to create new products with specific niche applications in the field of alumina and aluminum hydroxide;
- the need to increase the degree of capitalization of raw materials;
- identification of new methods of processing and recovery of waste resulting from the technological flow.

The main R&D activities carried out within the Alum company consist of:

- establishing the technical/technological parameters and the technical-qualitative parameters for new product ranges possible to manufacture within the company;
- realization of the documentation for product development - advance product quality planning;
- achievement of industrial research topics received from the sectors of the company;
- producing tracking reports on the technological flow of new products and qualification batches;
- monitoring the technological flows for establishing the influences of the process parameters and finding optimization solutions;
- management of collaborative missions with highly qualified specialists in the country or abroad;
- managing visits from other companies to solve and improve technical problems;
- implementation of the programs of measures resulting from the missions of collaboration, visits and trips;
- management of the technical documentation regarding the research activity of the company.

Research projects:

1) RemovAL project: „Removing the waste streams from the primary Aluminium production and other metal sectors in Europe"

RemovAL project, 01.05.2018 – 31.04.2023, where ALUM participates together with 7 industrial partners and 20 academic and research partners, aims to remove the waste streams from the primary Aluminium production and other metal sectors in Europe was succesfully finalised. In RemovAL ALUM participated as stakeholder, providing appropriate samples of bauxite residue to be tested at lab or pilot scale under at various technological nodes of the project and participated to the feasibility studies and business plan development, especially in regards to potential technology deployment at ALUM.
Alum participated in June 2023 at the Final Meeting RemovAL, in Athens.
Conclusion: all the technologies developed within the project are valid from a technical point of view, three of them also have economic potential, the economic viability depending on: capital investment, transportation distance of the bauxite residue, the storage cost of the bauxite residue, the sale price of the final product obtained, the purchase cost of energy and the efficient use of equipment correlated with the optimization of process parameters.
Between 2018-2023, the company received non-refundable funds of EUR 161,875.

2) ReActiv project: „Industrial Residue Activation for sustainable cement production"

ReActiv project, 01.10.2020 - 31.10.2024, where ALUM is one of the industrial partners together with 6 other international companies in the alumina industry and 14 academic partners, is coordinated by Lafarge Center De Recherche by SAS.
ReActiv project aims to create a novel sustainable symbiotic value chain, linking the by-product of the alumina production industry and the cement production industry.
Bauxite residue (BR) is the main by-product of the alumina sector, obtaining approximately 7 million tonnes per year in the EU, while recycling capacities are below 200 thousand tonnes per year. The ReActiv project aims to modify the properties of bauxite residue turning it into an active material used to obtain new cements with a low CO_2 fooprint.

Alum participated online in the 5th progress meeting of the ReActiv H2020 project in April 2023.
Between 2020-2023 the company collected non-refundable funds in the amount of EUR 139,962 (out of the total of EUR 171,320).

3) REEScue project: „Integrated process for the recovery of Rare Earth Elements and Scandium from Bauxite Residues”

In the REEScue research project, 01.10.2020 - 31.03.2023, ALUM participated together with 2 other companies in the alumina industry and 2 academic partners, under the coordination of the Technical University of Athens.

The project was completed in October 2023.

The project allowed the creation of a first technological base in the field, necessary for the development of radical innovations, which will contribute to the unlocking of substantial reserves of new or currently unexploited resources in the EU. The results of the project have considerably improved the knowledge about the processing and management of bauxite residue, provided the necessary know-how to recover scandium and Rare Earth Elements and to obtain marketable products from the magnetic separation of bauxite residue.

Between 2020-2023, the company received non-refundable funds in the amount of 213,961 RON.

In 2023 the Company recognized research and development costs of RON 2,744 thousand (in 2022: RON 2,486 thousand) after the placing into operation in the beginning of 2019 of the equipments under the EU funded project for the project for the research of aluminum hydroxide technology (dry and wet). The target of these projects is to increase the level of innovation and market competitiveness of the Company, while expanding the products portfolio to include new products.

1.1.8. Assessing commercial activity on risk management (description of the Company exposure to price risk, credit, liquidity and cash flow)

Credit Risk

The credit risk represents the risk that one of the parties participating in the financial instrument will fail to fulfill an obligation, thus causing a financial loss to the other party.

Financial assets that expose the Company to the potential credit risk concentrations comprise mainly receivables from the main activity. The Company has policies to ensure that sales are to customers with appropriate references on their creditworthiness. Date of maturity of debt is carefully monitored and the overdue amounts are promptly pursued.

These are presented at the net adjusting value for uncertain receivables.

On May 17, 2019, Alum concluded a loan agreement amounting to USD 20 million with Black Sea Trade and Development Bank and a loan agreement amounting to USD 5 million with Garanti Bank Romania, respectively. The scope of these loan facilities was to finance mainly investments, and they were repaid in seven half-yearly instalments after a grace period of two years. The last loan installment was paid in May 2023 (31 December 2022: USD 3,571 thousand).

In 2023, the interest rates ranged between 7.54% și 8.70% (2022: 3.25% și 8.70%).

In February 2021, the Company signed a loan agreement with Garanti Bank Romania, for a limit of USD 3,000 thousand, to be used for working capital needs of the company both cash and non-cash. The loan was not extended and in July 2023, the Company reimbursed the drawn amount from the revolving facility of RON 13,264 thousand, i.e. the equivalent of USD 2,920 thousand. As of December 31, 2022, the balance of the loans was of RON 13,533 thousand, i.e. the equivalent of USD 2,920 thousand. The loan agreement was supplemented with a non-revolving facility in amount of USD 2,000 thousand in December 2021 to be used for financing working capital needs, and which has the maturity in December 2024. As of 31 December 2023, the balance of the loan was of USD 676 thousand (31 December 2022: USD 1,333 thousand).

According to the existing borrowing agreements, at 31 December 2023, the Company is no subject to certain restrictive covenants and at December 2022, the Company fell within the covenants in respect of its loans. These covenants require the Company, among other things, to maintain a minimum or maximum level for certain financial ratios, including: financial debt to EBITDA and current ratio. On December 31 2023, Alum met all the financial obligations assumed by the loan contracts.

Alum has entered into export factoring contracts with non-regressive factoring operations. The global factoring limit is in the amount of 1,000,000 EUR, extended until 30.09.2024, of which 49,695 EUR were used.
The factoring ceiling is of the “revolving” type, which is reconstituted as the covered receivables are collected.

The net book value of leased assets at Company level as of December 31, 2023 was RON 124,630 (31 December 2022: RON 231,355).

In 2016 the Company entered into a operating lease contract for vehicles. The operating lease expense amounted in 2023 to RON 203,858 (in 2022: RON 215,871).

Liquidity risk

The liquidity risk, also named financing risk, is the risk that a plant has difficulties in accumulating funds in order to fulfill the obligations related to the financial instruments. The liquidity risk can arise from the inability to sell quickly a financial asset at a value close to its actual value.
Prudent liquidity risk management implies maintaining sufficient cash and available credit lines, through continuous monitoring of estimated and real cash flows and matching the estimated maturities of financial assets and liabilities.
Due to the nature of the business, the Company seeks to maintain flexibility in funding opportunities, including majority shareholder support.
In terms of liquidity, in 2023 the Company repaid its liabilities and loans in accordance with the schedules as agreed in the contracts and it renegotiated revolving facilities that were due to manage liquidity risk.
Other actions put in place to manage the liquidity of the Company and assuring a satisfactory level of cash in times of more uncertainty than usually were: limiting CAPEX to strictly necessary investments, optimizing acquisitions of materials and inventory levels.

Cash flow risk

By the nature of the activity, the Company is not subject to a risk of change in the projected cash flows, both from financial instruments fluctuation and the changing interest rate.

Market risk

The Romanian economy is developping continuously, Due to the fact that almost 96% of the production of calcined alumina is sold to ALRO Slatina, the main shareholder of ALUM SA Tulcea, the management considers that the market risk is low.

1.1.9. Elements of perspective on the business company

a) Presentation and analysis of trends, items, events or factors of uncertainty that affects or could affect the liquidity of the company compared to the same period of previous year.

For this purpose the Company established the following main objectives:

- Ensuring the operational continuity by extending the lifetime of the red mud pond in compliance with the provisions of the environmental agreements to which ALUM is obligated to comply with;
- Continuation of the modernization process in order to meet the new demands regarding the economical efficiency, environmental protection and social responsibility;
- Ensuring raw materials and energy resources on long term basis;
- Increasing the energetical efficiency for the entire production process;
- Active management of contractual and market risks (financial), taking into account the evolution of the domestic and international market;
- Continuous compliance with environmental rules;
- Achieving savings in fuel consumption/primary energy prince of high efficiency cogeneration processes;
- Increasing the safety in operation of static and dynamic equipments necessary to carry out the activity of ALUM's departments;
- The continuation of the consolidation works at the precipitation vessels and at the transformer stations and the accomplishment of the documentation with the obtaining of the Approvals and Agreements necessary to start the consolidation works of the White Filtration building;

b) The financial resources for supplying are provided from company's own resource.

c) Main development directions of ALUM S.A.

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

1. Environmental projects to ensure operational continuity:
- Increasing the storage capacity of the red mud pond by elevating the dikes throughout the perimeter +51mdm;
- Extending the surface of the red mud pond and securing the red mud storage in the S + SE area;

2. Projects to ensure the operating conditions and the safe continuity of the production process:
- Energy efficiency of Alum S.A. by installing a photovoltaic park within Alum S.A.;
- Maintenance Capex;
- PPE;
- Endowments.

2. Tangible assets of the Company

2.1. Emplacement and main characteristics of productions capacities of the Company

The Alumina Plant from Tulcea was commissioned in 1973, with the destination of processing of raw material from import. The emplacement of this factory at Tulcea, on the right side of the Danube, was choosing for its transportation facilities of raw material (bauxite).
Also, the alumina process is high water consumer and such placement would cover the required quantity of water to the process.
The initial designed capacity of the factory was 400,000 MT, out of which 395,000 MT is calcined alumina and 5,000 MT as hydrate (aluminium hydroxide). This capacity was reached in 3 stages; the last stage was completed in 1980.

In 2001, the static kiln was put into function. That increased the production up to 600,000 MT of calcined alumina.
The main raw material from which alumina is extracted is the bauxite ores from import. The content of aluminium oxide is between 46 to 48%.
The others raw materials necessary to obtain alumina are: caustic soda, industrial lime, industrial flour, sulfuric acid etc, and natural gas as fuel.
The extraction of aluminium hydroxide from bauxite is based on Bayer process that is moist hydro - metallurgical process. The dissolving process is realized with caustic soda.
The bauxite is transported with ore ships to Constanta port where is transferred into barges then transported and downloaded in port of Tulcea. From there, the bauxite is transported inside the plant (Alum), at the bauxite site.
The technological process is developed inside Alum, The location of Alum's premises is on the west side of Tulcea city, 82 Isaccei Street, The productive area is of 393,215 sqm. The main operation units are:

- **The storage system of bauxite** - Bauxite managing site. This includes: downloading system (tilter, rail bridge with clamp bucket), transporting system (belt conveyors), stocking system, stocking machine, (in two large space of stocking), feeding equipment and heavy equipment (bulldozers).
- **Bauxite grinding**: through this operation, the bauxite granulation is reduced to under 100 microns; the purpose is to speed up the digestion of bauxite.

At this stage, the strong liquor is dosed properly (is added to the process). The grinding operation is done by 6 grinding mills with a capacity of 100-125MT/hr each, depending of the bauxite type.

- **The lime milk preparation**: this operation is meant to bring calcium oxide into the process. The lime milk is produced inside of 3 lime slaking drums. Discharging and storing is done at lime storage are, with a capacity of 1,000 MT, provided with gantry crane and clamp bucket bridge.
- **De-silication:** this process is done inside 12 tanks of 1,000 cubic meters each.
- **Slurry transportation** is made under pressure by 15 pumps (Duplex pump type).
- **The digestion**: this process is made inside two high pressure digesting batteries E and D and four low pressure digestion batteries, depending on the mineralogical composition of the processed bauxite. The high pressure batteries consists of 16 autoclaves and 8 expansion vessels and the low pressure ones consists of 7 autoclaves and 3 expanders. The digestion process is taken place at a temperature of 145 to 245 Celsius degrees depending on the type of bauxite processed.
- **The control filtration** is performed with four Gaudfrin vertical filters, each with a filtration area of 338 m2. Tricalcium aluminate (ATC) is used as a filtration additive, which is obtained by reacting milk of lime with part of the filtered aluminate solution.
- **The muds in the washing line** are sent to red mud pond that is located at 4.5 km far from the plant. The available storage capacity of the red mud pond is about 11 million cubic meters. The red mud is sent in the thickener installed at the red mud lake in 2010. The resulting water from settling process is pumped back to the plant and sent to treatment area - neutralization collector- where is treated with sulphuric acid, then is cleaned and pumped to the Danube. The red mud, evacuated in dense phase, having a concentration of minimum 52% solids, is stored in the red mud lake.
- **The precipitation installation** of pregnant liquor includes 37 vessels, with 2,000 cm capacity and two hydro-separators by 750 cm capacity each.
- **The filtering installation** includes 3 disc filters with a filtering area of 100 sqm and 2 automatised Bokela disk filters, having 132 sqm filtering area each, installed and commissioned in 2020 and 2021. The coarse seed of aluminium hydroxide is repulped with part of the filtered aluminate solution and pumped towards the first growth vessels of the Precipitation line.The production hydrate filtration is performed on 2 drum filters and 1 horizontal Bokela filter installed in 2012, having a filtration area of 131 sqm.

- **Evaporation installation** includes 2 evaporation batteries Kestner type, 2 super-concentrators of solution, a VN evaporation battery. The Kestner battery is a battery with multiple effects, is working in counter-current and includes 6 evaporation units, each of them including a separators and a boiling vessel, 4 pre-heaters of mixing, 4 expanders- auto-evaporators, 3 pure condensate auto-evaporators, 4 auto-evaporators for impure condense, vacuum installation, etc. **In 2022, a new industrial installation for efficiatization of soda unloading from C.F. wagons and car tanks was put into operation.**
- **The wet aluminum hydroxide storage** allows the bulk storage of a maximum quantity of 10,000t of wet aluminum hydroxide. The aluminum hydroxide is taken from the white filtration installation via the conveyor belt 701 and sent to the hydrate buffer depot, equipped with a graft bridge or is taken over by the drying-calcination installation. The aluminum hydroxide tank is equipped with a graft bridge, loading bunkers, bucket conveyor, etc. During 2020, the runway of the graft bridge was rehabilitated. Also in 2020, next to the wet hydrate warehouse, a new covered warehouse was built in order to store aluminum hydroxide packed in bag-bags with a capacity of about 1,700 t.
- **Kiln Installation** Hydrate calcination process is realized in three rotate kilns with a length of 112 m and/or one vertical kiln (calcinations in suspension) put into operation in February 2001. Alumina is cooled in kiln coolers and transported to the silos with a pneumatic transportation system. Waste burning gasses are passed through dust removal system and evacuated through funnel.
- **Alumina storage** - alumina is stored in five silos with a capacity of 2,000 MT each. The alumina production activity implies, beside technological base, utility and services sectors which mainly concerns primary materials supplying (bauxite), auxiliary materials and services (sodium hydroxide solution, heavy fuel, steam, acids, industrial water, technological air, lime, etc), workshops for repairs and maintenance, supplying of circulating means, waters evacuation systems (waste, sewage, rain water), solid residue deposits (red mud pond, solid waste deposit, etc).
- **Power plant installation** generates thermal and electrical energy for calcined alumina production. The facility structure consists in heavy fuel unloading facility (unloading and pumping heavy fuel oil station, heavy fuel tanks by 3000 MT), demineralization water facility, central heating system (one boiler by 105 to of steam/h) and power plant building (3 boilers each with 120 to of steam/h, electrical power generator CKTR 12 MW, and CSL 12 MW, 5 Sigma feeding pumps), etc.
- **Installation for cooling water** - is compounded by three cooling towers with 3000 cm/h cooling capacity, a forced circulation cooling tower installed in 2011 with a capacity of 1,300 cm/h, a forced circulation cooling tower installed in 2014 with a capacity of 250 cm/h and two pumping station, a cooling tower mounted in 2019 for cooling a water flow of 800 m3/h from a temperature of 50 degrees Celsius to 30 degrees Celsius.
- **Compressed air installation** - is designed in three parts, Centrifugal compressor hall with two centrifugal equipments K 250-61-2 manufactured VPDS, with functional parameters: V=250 cm/min, p=9ata, n=10923rot/min, The hall L100 is endowed by 5 “Resita” compressors with rate flow = 94.3 cm/min,, p ref,=8 ata, Atlass hall is equipped with 5 Atlass-Copco type compressors, p=7,5 ata and 4 Ingesol compressors p=7.5 ata.
  - **Independent installation for researching the technology for obtaining dry aluminum hydroxide**. The installation aims at drying the wet aluminum hydroxide (hydrate). The wet aluminum hydroxide looks like a fine powder with a maximum humidity of 6%. The plant is composed of a dry aluminum hydroxide drying system and a flue gas filtration system. The equipment produces a dry hydrate with a maximum humidity of 0.1%.
  - **Independent installation for researching and developing the technology of grinding and sorting of dry hydrate.** The grinding installation has the technological role of grinding the dry hydrate and sorting the milled aluminum hydroxide, with the possibility of obtaining separately 4 granulometric fractions. The technological process of grinding dry aluminum

hydroxide and sorting the granulometric fractions of different sizes and comprises the following technological phases: the grinding, sorting and recirculation at the milling phase of fractions with different granulation than required.

- **Aluminum hydroxide classification installation**. The installation for researching the classification technology of wet aluminum hydroxide allows through the hydrocyclone process to perform the operations of:
  - Separation by granulometric classes of the wet aluminum hydroxide to obtain a certain particle size distribution for the fine-primed aluminum hydroxide and for the production of aluminum hydroxide;
  - Separation of the solid substance from the recirculated solution up to a maximum value of 1 g/L.

<u>Utilities area</u>

- **Water intake facility is 66,580 mp area -** Water intake is done from Danube river into a tank fitted pocket type, positioned upstream of Tulcea city, mile no, 39 + 500m. The captation of water is made by two floating pumping station equipped with 4 Bratesh 500 type electro-pumps, Q=2400 cm/hr, H=2,5cmA, N=132 kW, n=739 rot/min. The water is repressed through two pipes into one buffer collector by 1500 cm capacity. From collector the water is pumped (step I of pumping) with two Brates 500 type electro-pumps through 3 Dn 800 pipe lines till the node ‘‘B” from where is supplied Water treatment station.
- **Water treatment station** is spread on a 27,422 sqm area, Water treatment station is positioned on industrial road which made the connection with Industrial port, half way from the plant. Water treatment station is equipped with 3 suspension decanters by 500 L/s, one underground water reservoir with 5000 cm capacity, station with sand filters, two clarified water decanters by 200 L/s, lime unload station, water pumping station (step II) to plant, etc.
- **Red mud pond** has 794,039 sqm areas. The red mud pond is positioned at about 4.5 km west of plant and Tulcea city, on the road DN 22, being made by closing a wide valley - named “Flam valley”, by building a dam, actually at a level of **+ 51.00 m** RMN. The red mud storage area is equipped with red mud discharge pipes, pipes for clear liquid taking over, pumping station, emergency collector, etc. The connection between pumping station and plant is assured by three pipe lines (red mud, clarified liquors and spare line) on concrete trestles.

2.2. Description and analysis of wear degree of company’s buildings and equipment

The company construction activities were initiated in 1969 – 1970. The first facility was put into function in 1973, and functioned continuously till present, appreciatively 47 years. Is normal that some buildings to be affected, taking into account mechanical and also chemical stress they are subject.

The installations and equipments which were considered with advanced wear degree were restored, replaced permanently to continue the production flux. The affected installations which not longer had technological interest were disaffected.
Example: bauxite step II crushing installation, evaporation VN type Oradea installation, etc, or restored: sulphuric acid unloading installation etc. Because of alkaline processes of calcined alumina production were affected especially concrete structures, reinforced and prefabricated and also bricks closing elements. The structures from steel (iron materials) resisted better at alkaline attack of aerosols.

From affected structures with a difficult restoration can be highlighted the sewerage system. Difficult functioning of sewerage because of evacuated waters chemistry conducted at an increasing of level of groundwater, process which seems to be stabilized in the last period due to

new measures for water management and to fluidization operations of some portions of sewerage system. The operation is still monitored by decisional factors.
Because the level of the groundwater increased, were identified some corrosions on some bearing structures, for which are underway consolidation works for the following buildings or affected areas: foundation of the Precipitation tanks, Crushing building, Caustification building, Laboratory building, Chemical Treatment building, White Filtration building.
To increase the degree of safety for the red mud pond dam action was taken and works were made to improve exploitation conditions by modification of discharge system and the erection of a deep settler with technology provided by Neyrtec Mineral (France) that allows to deposit thickened red mud with a concentration of minimum 52% solids and also performing red mud pond dam elevation works based on Hatch and UTCB studies.
Also, in parallel with the dam, at a distance of approx 80 m inside the red mud lake, there has been built a separation dam and a surface of 4.8 acres have been ecologized.
During 2013 the Company finalized an extensive work to capture the rainwaters from the hills around the red mud lake through a collector channel to prevent them from entering in the red mud pond. Also, starting from 2011, on the ecologized surface there have been planted over 67,313 willow trees, acacia, rosehips and thuja.
The facilities affected by chemical corrosion are: caustic unloading area, unloading sodium hydroxide unit, white filtration unit, grinding unit etc. At this buildings are intended to make rehabilitation work.

2.3. Analyzing the wear degree of our company’ s properties can be concluded that:

- Functionally point of view, technological installations are maintained, restored or replaced, eliminating at a high degree physical wear, and trying both with own forces and cooptation of new technologies in advance (implementation in calcination process the fluidized bed calcinations technology, the use of new calculation system, process calculators, etc) to minimized moral depreciation of facilities. In this purpose are foresighted aspects regarding environmental protection.
- All buildings have a good status, especially for metallic structures and there are in the process of rehabilitation and maintenance of the technological equipments. The buildings will support during the time some rehabilitation works, which is a normal process for continuing the plant activity.

From 01.08.2022 the production activity was suspended due to the high production costs influenced by the prices for natural gas and electricity. The company continues the ongoing processes: investments in environmental and energy efficiency, research, ensures scheduled maintenance and repairs in order to restart production. At the same time, descaling and cleaning of the technological lines were carried out with their own efforts in order to be able to urgently restart the production of calcined alumina in the event of an improvement in the situation on the natural gas and electricity market.

3. Company’s Stock and Shares market

3.1. Company’s shares are operated by Bucharest Stock Exchange – AeRO segment.

3.2. Description of Company’s policy regarding its dividends.

For the 2023 year, the company registered a loss.

3.3. Description of any intend of the Company to buy its own shares.

In 2023 ALUM didn’t purchase or detained its own shares.

3.4. If the company has any branch, state the number of shares and nominal value issued by the mother company and detained by the branch

Not the case.

3.5. In case that the Company has issued bonds and/or outstanding debts, should be indicated the proceeding of clearing its duties toward such securities holder.

Not the case.

4. Company's management

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

For the period 01.01.2023 – 31.12.2023 based on EGSM Decision no. 49 dated April 4, 2022 and OGSM Decision no. 53 dated August 17, 2023 the Board of Directors consisted of:

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

In 2023 the members of the Board of Directors attented to 17 meetings.

The remuneration of the members of the Board of Directors and the CEO during 2023 was in amount of RON 1,763,222.

4.1.a) Details about the members of the Board of Directors

Dobra Gheorghe (1959), President of the Board, Executive Member of the Board of Directors

Mr. Gheorghe Dobra, PhD, Executive MBA, graduated from the Bucharest Polytechnic Institute, Romania. Mr. Dobra joined Alro in 1984 and held various engineering and executive positions since then. Starting with 2005 Mr. Dobra became CEO of Alum, being currently also the president of the Board of Directors of the Company.
Mr. Dobra's main achievements in the Company are:

- The increase of the Company financial performances;
- Both technical and technological modernization;
- Increase of production quality;
- Substantial investments for environment protection that led to the improvement of the working conditions and overall greening of the Company;
- Decrease of the production costs, with a high accent on the increase of the energy efficiency.

Igor HIGER (1978), Vice-President of the Board, Non-executive Member of the Board of Directors

Mr. Non-executive Member of the Board of Directors appointed in April 2022
Mr. Higer has a wide multicultural international experience in several industries.

From 2005 up to present including, Mr. Higer was focusing on business development and strategy advise to ALRO and companies comprising Vimetco Group but acting also as managing partner for projects in the areas of manufacturing, mining and real estate in various countries worldwide, including Israel and Romania.
In 2007, Mr. Higer was appointed Chairman of the Board in Vimetco Extrusion. Starting 2009 was appointed as CEO of the company, having as main achievements:

- overall increase company's financial and economic performance;
- technological upgrade in accordance with highest international standards;
- development of new markets with emphasize on production of very high added value products;
- significant investments related to environment which have led to improved working conditions;
- cost reduction actions with focus on increasing efficiency for energy and raw material consumption;
- boost social responsibility programs for both employees and local community;
- increase company's creditworthiness on the international aluminum market.

Cilianu Marin (1965), Non-executive Member of the Board of Directors

Mr. Cilianu Marin holds a degree in Metallurgical Engineering issued by the Bucharest Polytechnic Institute, where he claimed and received his PhD in 2004. Mr. Cilianu also holds an MBA degree issued by the University of Washington and Romanian School of Business ASEBUSS.
Mr. Cilianu entered the aluminum industry in 1991 at CEPRAL Slatina where he worked until 1994. In 1994, Mr. Cilianu started his career in Alro Slatina, where he fullfilled various management positions over time.
Mr. Cilianu currently serves as Chief Operating Officer of the Primary Aluminium Division at Alro Slatina. He had and has supported scientific activity in the metallurgy of aluminum field.

Popa Ioan (1950), Non-executive Member of the Board of Directors

Mr. Popa Ioan was Director of International Economic Relations Department of the Faculty of International Economic Relations, Academy of Economic Studies Bucharest. The main tasks were to develop the curriculum of the Department of International Economic Relations, Master coordination of the Department of International Economic Relations and organization of scientific meetings.
Between 1991 and 2004, Mr. Popa was Dean of the Faculty of International Economic Relations and has made major contributions to:
- Establishment of the Faculty of International Economic Relations, Development of the curriculum of the Faculty of International Economic Relations;
- Entering and managing the following courses: international capital markets, international commodity Scholarship, risk management in international business, international business transactions, commercial negotiation, engineering operations of foreign trade, international management, international payments engineering;
- Coordination Module for Advanced Studies "international business management";
- Development and coordination of the inter-university partnership in European programs Tempus and Temper;
- Development, in partnership Tempus and Temper, of the the curricula of partner faculties by introducing new disciplines and coordinating the publication of course materials;
- Establishing and coordinating the Centre for Research in International Economic Relations, NURC accredited.
Chairman of the Editorial Board of the Journal of Economic (Romanian Economic Journal)

Founding member and President of the Foundation "REI 50" organization with educational and research purposes.
Visiting Professor at the Université de Lille I, France, 1-2 months/year.

Duralia Mihaela (1976), Executive Member of the Board of Directors

Mrs. Mihaela Duralia graduated Romanian-American University, Bucharest, Faculty of Computer Science Management, having academic skills in Investment Banking, Financial Management, Corporate Finance, Financial and Managerial Accounting, Options & Futures, Financial Risk Management, Operational Research & Statistics, Computer Science.
Mrs. Duralia is part of Alum's team since 2000 and advanced from the position of economist to the executive management of the Company. Starting with May 2005 Ms. Duralia acts as CFO of the Company and has the following main responsibilities: business development, strategy, financial planning, Corporate & Project Finance, recruitment, budgeting, supervision of financial control and reporting, investor relations and focus on financial risk management.
Mrs. Duralia is a member of the Board of Directors of Alum SA Tulcea since 2013.

4.1.b) Any agreement, understanding or family connection between administrators and other persons

Alum is administered under a unitary system and the Board of Directors members are elected in the General Shaeholders Meeting based on the vote of shareholders and in compliance with applicable legal requirements.
Therefore the Board of Directors members are not elected by a certain person or a certain shareholder and thus there are no such agreements/contracts concluded, to be detailed in this sub-section.
Also, no agreements or understandings between administrators and others due to which those persons have been appointed administrator.

4.1.c) Participation of the members of the Board of Directors to the Company share capital

At the date of this report Alum's Board of Directors members do not hold shares in the capital of the Company.

4.2. Details about Company management

4.2.a) Between 01.01.2023 – 31.12.2023 the Company's management was provided by:

Dobra Gheorghe - General Director
Iliev Sorin Gheorghe - Operational Director
Durău Nicu – HR & General Services Director
Duralia Mihaela - Financial Director
Bărbulescu Aurel - Logistics-Sales Acquisitions Director
Coteț Ioan Lucian - Technical Manager
Feodorof Mariana - HR & General Services Manager
Jugănariu Marian - Production Manager
Țiu Dorin Gabriel - Mechanical-Energetic Manager
Dadinopol Eduard Valentin - Energy Manager
Velici Eugen Valeriu – Chief of Production Technology 01.01.2023-31.01.2023

4.2.b) Participation of Alum's management to the Company share capital

At the date of this report the members of Alum's management that hold shares in the Company capital are as follows:

No.	Name and surname	Function	Number of shares
1	Țiu Dorin Gabriel	M.E. Manager	39
2	Dadinopol Eduard Valentin	Energy Manager	40

5. Financial Statement

a) Assets that are representing at least 10% of total assets and liquid assets:

	2021	2022	2023
	RON	RON	RON
Tangible assets	168,852,487	167,733,973	79,833,488
Stocks	172,280,014	182,194,225	138,017,868
Receivables	34,746,567	7,170,478	2,831,114
Cash and bank accounts	703,542	38,536,100	20,306,508

b) Profit and Loss Account

	2021	2022	2023
	RON	RON	RON
Net turnover	809,498,972	501,771,469	286,545,218
Operational revenues	845,321,890	559,796,508	272,377,194
Operational expenses	786,304,233	543,202,667	389,459,045
Financial revenues	40,257,845	27,637,329	15,190,056
Financial expenses	108,590,873	162,852,945	82,916,706
Gross result	(9,315,371)	(118,621,774)	(184,808,501)
Net result	(29,490,705)	(123,500,381)	(184,808,501)

c) Cash flow

	Year ended December 31, 2022	Year ended December 31, 2023
Cash flows from operations		
Net loss	**(118,621,774)**	**(184,808,501)**
Adjustments for:		
Amortization/depreciation of intangible and tangible assets	23,112,666	19,088,825
Adjustment for the impairment of tangible and financial assets	-	69,466,131
Adjustment for the impairment of investment in subsidiaries	128,702,336	57,649,344
Loss related to sale of investment in subsidiaries		6,525,908
Adjustments for the impairment of receivables	6,679	(324,735)
Provisions	7,499,383	(11,806,583)
Adjustments for the impairment of inventories	-	6,986,485

	Year ended December 31, 2022	Year ended December 31, 2023
(Profit)/Loss from foreign exchange differences	4,381,025	(1,044,589)
Net earning pertaining to disposals of tangible assets	7,428	4,914
Interest income	(274,979)	(198,370)
Interest expenses	3,925,160	3,211,076
Dividend income	-	-
Cash from operations before changes to working capital	**48,737,923**	**(35,250,095)**
(Increase)/decrease of inventories	(9,914,211)	37,189,872
Decrease of trade receivables and other receivables	28,111,082	4,779,616
Increase in trade payables and other payables	33,096,610	15,528,302
Cash flow from operations	**100,031,404**	**22,247,695**
Interests received	185,028	285,680
Interests paid	(2,903,743)	(1,662,121)
Income tax paid	(1,810,810)	(314,994)
Net cash from operations	**95,501,878**	**20,556,260**
Cash flow from investment activities		
Purchases of tangible and intangible assets	(21,561,148)	(9,219,417)
Proceeds from the sale of investment in subsidiaries		3,180,870
Proceeds from the sale of fixed assets	349,656	-
Net cash from investment activities	**(21,211,492)**	**(6,038,547)**
Cash flow from financing activities		
Variation of short-term loans	-	(13,264,392)
Repayment of long-term loans	(36,457,828)	(19,482,914)
Net cash from financing activities	**(36,457,828)**	**(32,747,306)**
Cash and cash equivalents at the beginning of the year	703,542	38,536,100
Variation in cash and cash equivalents	37,832,559	(18,229,592)
Cash and cash equivalents at the end of the year	**38,536,101**	**20,306,508**

General Director, **Financial Director,**

Ph.D. Eng. Dobra Gheorghe **Ec. Duralia Mihaela**

Corporate Governance Statement with the Corporate Governance Principles for AeRO Market as of December 31, 2023	Comply	Does not comply or partially comply	Explanations
Section A – Board of Directors Responsibilities			
A.1. The Issuer has an internal regulation of the Board which includes terms of reference for the Board and the key management functions of the company. The management of conflict of interests at the Board level is also presented in the Board's regulation.		Partially	The rules regarding the Board of Directors' organisation, functioning and attributions are detailed in the Company's Articles of Incorporations and in the Board of Directors' decisions.
A.2. Any Board member's other professional commitments, including executive and non-executive Board positions in companies (excluding the company's subsidiaries) and non-profit institutions, are disclosed to the Board before appointment and during his/her mandate.	Yes		
A.3. Any member of the Board submits to the Board, information on any relationship with a shareholder, who holds directly or indirectly shares representing not 3 less than 5% of all voting rights. This obligation concerns any kind of relationship which may affect the position of the member on issues decided by the Board.	Yes		
A.4. The annual report informs on whether an evaluation of the Board has taken place under the leadership of the chairman which also includes the number of its meetings.		Partially	The annual report includes the number of the meetings of the Board.
Section B - Internal Control System			
B.1. The Board adopts a policy ensuring that any transaction of the company with any of its subsidiaries 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.	Yes		
B.2. The internal audit is carried out by a separate structural division (internal audit department) within the company or through retaining an independent third-party 4 entity which should report to the Board, while within the company, it should report directly to the CEO.	Yes		

Corporate Governance Statement with the Corporate Governance Principles for AeRO Market as of December 31, 2023	Comply	Does not comply or partially comply	Explanations
Section C - Fair rewards and motivation			
C.1. The company publishes in its annual report a remuneration report including the total revenues for the Board members and the CEO for the past financial year and the total value of any bonus payments or other variable compensations and also the key assumptions and guidelines for calculating the above revenues.		Partially	The annual report includes a remuneration report as regards the total revenues for the Board members and the CEO for the past financial year.
Section D - Building value through Investors Relations			
D.1. In addition to information required by legal provisions, the Issuer's website should have a dedicated Investors Relations section, both in Romanian and English, with all relevant information of interest for investors, including: **D.1.1.** Principal corporate regulations of the Issuer, in particular the articles of association and internal regulations of its governing bodies **D.1.2.** Professional CVs of the members of the Board and of the executive body **D.1.3.** Current reports and also periodic reports **D.1.4.** Information related to general meetings of shareholders: agenda and the materials sustaining the agenda of the meeting; the resolutions of the general meetings **D.1.5.** Information on corporate events, such as payment of the dividends, or other events leading to the acquisition or limitation of rights of a shareholder, including the deadlines and principles of such operations **D.1.6** Other extraordinary information that are provided: the break down/ change/ start of cooperation with an Authorized Adviser (AA); the signing/ renewal/ termination of agreement with a Market Maker **D.1.7.** The company has an investors relations function (IR) and includes on the IR section of the company's website the name and contact data of a person who is be able to provide knowledgeable information on request	Yes		
D.2. The Issuer adopts a dividend policy of the company, as a set of directions related to the distribution of net profit that the issuer observes it. The dividend policy principles are published on the corporate website.		Partially	A description of the dividends policy is included in the annual report.

Corporate Governance Statement with the Corporate Governance Principles for AeRO Market as of December 31, 2023	Comply	Does not comply or partially comply	Explanations
D.3. The Issuer adopts a policy with respect to forecasts, whether it is distributed or not. Forecast means the quantified conclusions of studies aimed at determining the total impact of a list of factors related to a future period (so called, assumptions). The policy provides for the frequency, the period envisaged and content of forecasts. Forecasts, if published, are only part of annual, half-yearly or quarterly reports. The forecast policy is published on the Issuer's website.		Partially	Annually, the General Meeting of Shareholders approves the income and expenditure budget, which represents, in fact, a prognosis for each year regarding the evolution of the main indicators: the turnover, operational expenses, operational result, financial result, gross result, net result, net share result (Lei). The prognoses presented reflect the current vision of the Company's management on the evolution of the presented indicators, having in view the market conditions existing at the moment of their wording. There is no assurance that the indicators will evolve according to the forecast of the Company's management. The Company analyses the opportunity to adopt a distinct policy regarding forecasts.
D.4. The Issuer sets the date and place of a general meeting so as to enable the participation of the highest possible number of shareholders.	Yes		

Corporate Governance Statement with the Corporate Governance Principles for AeRO Market as of December 31, 2023	Comply	Does not comply or partially comply	Explanations
D.5. The financial reports include information in both Romanian and English as regarding the key drivers influencing the change in sales, operating profit, net profit and other relevant financial indicators.	Yes		
D.6. The Issuer organizes at least one meeting/conference call with analysts and investors each year. The information presented on these occasions is published in the IR section of the website of the Issuer at the time of the meeting/conference call.		No	The Company analyses the opportunity to organize such meetings/conference call.

Chairman of the Board of Directors
Dr. ing. Gheorghe Dobra

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RAPORTUL AUDITORULUI INDEPENDENT
INDEPENDENT AUDITOR'S REPORT

Catre actionarii Alum SA
To the Shareholders of Alum SA

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

Opinia
Opinion

Am auditat situatiile financiare individuale ale societatii ALUM SA („Societatea") cu sediul social in Tulcea, strada Isaccei nr. 82, identificata prin codul unic de inregistrare fiscala 2360405, care cuprind bilantul la data de 31 decembrie 2023, contul de profit si pierdere, situatia modificarilor capitalului propriu si situatia a fluxurilor de trezorerie pentru exercitiul financiar incheiat la aceasta data si un sumar al politicilor contabile semnificative si alte informatii explicative.
We have audited the separate financial statements of ALUM SA (the "Company") with official head office in Tulcea, Isaccei Str. nr. 82, identified by sole fiscal registration number 2360405, which comprise the balance sheet as at December 31, 2023, and the income statement, statement of changes in shareholders' equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

In opinia noastra, situatiile financiare individuale anexate ofera o imagine fidela si justa a pozitiei financiare a Societatii la data de 31 decembrie 2023, ca si a performantei financiare si a fluxurilor de trezorerie ale acesteia pentru exercitiul financiar incheiat la aceasta data, in conformitate cu Ordinul Ministrului Finantelor Publice nr. 1802/2014, cu modificarile si clarificarile ulterioare.
In our opinion, the accompanying separate financial statements give a true and fair view of the financial position of the Company as at December 31, 2023, and of its financial performance and its cash flows for the year then ended in accordance with the Order of the Minister of Public Finance no. 1802/2014 with all subsequent modifications and clarifications.

Bazele opiniei
Basis for opinion

Noi am efectuat auditul conform Standardelor Internationale de Audit (ISA). Responsabilitatile noastre conform acestor standarde sunt descrise mai detaliat in sectiunea „Responsabilitatile auditorului pentru auditul situatiilor financiare individuale" din raportul nostru. Suntem independenti fata de Societate conform Codului International de etica al profesionistilor contabili (inclusiv standardele internationale de independenta) emis de Consiliul pentru Standarde Internationale de Etica pentru Contabili (codul IESBA) si conform cerintelor etice care sunt relevante pentru auditul situatiilor financiare in Romania si ne-am indeplinit responsabilitatile etice conform acestor cerinte si conform Codului IESBA. Consideram ca probele de audit pe care le-am obtinut sunt suficiente si adecvate pentru a constitui baza pentru opinia noastra.

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the 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 financial statements in Romania, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Evidentierea unor aspecte
Emphasis of matter

Atragem atentia asupra Notei 6A la aceste situatii financiare individuale, care indica faptul ca la 31 decembrie 2023 Societatea avea active nete de 102.167 mii RON, determinate ca diferenta intre activele totale si datorii totale, care reprezinta mai putin de jumatate din capitalul social al Societatii in valoare de 488.413 mii RON la 31 decembrie 2023. In conformitate cu cerintele Legii societatilor comerciale din Romania (Legea 31/1990 si modificarile ulterioare (art. 153.24)) daca o companie are active nete mai mici de 50% din capitalul social, asa cum este cazul Societatii, administratorul si actionarii ar trebui sa ia masuri pentru a remedia situatia. Opinia noastra nu este cu rezerve in ceea ce priveste aceasta chestiune.
We draw attention to Note 6A to these separate financial statements, which indicates that as of 31 December 2023 the Company had net assets of RON 102,167 thousand, determined as a difference between its total assets and its total liabilities, that is lower than half the Company's share capital at 31 December 2023 of RON 488,413 thousand. In accordance with the requirements of Romanian Company Law (Law 31/1990 and subsequent amendments (art 153.24)) if a company has net assets less than 50% of its share capital, as the Company has, action should be taken by the administrator and shareholders to rectify the situation. Our opinion is not qualified in respect of this matter.

Aspecte cheie de audit
Key audit matters

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

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

Am indeplinit responsabilitatile descrise in sectiunea „Responsabilitatile auditorului pentru auditul situatiilor financiare individuale" din raportul nostru, inclusiv in legatura cu aceste aspecte cheie. In consecinta, auditul nostru a inclus efectuarea procedurilor proiectate sa raspunda la evaluarea noastra cu privire la riscul de erori semnificative in cadrul situatiilor financiare individuale. Rezultatele procedurilor noastre de audit, inclusiv ale procedurilor efectuate pentru a aborda aspectele de mai jos, constituie baza pentru opinia noastra de audit asupra situatiilor financiare individuale anexate.
We have fulfilled the responsibilities described in the "Auditor's responsibilities for the audit of the 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 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 separate financial statements.

Descrierea fiecarui aspect cheie de audit si a procedurilor efectuate de noi pentru a aborda respectivul aspect
Description of each key audit matter and our procedures performed to address the matter

Aspect cheie de audit	Modul in care auditul nostru a abordat aspectul-cheie de audit
Testarea pentru depreciere a imobilizarilor corporale in situatiile financiare individuale Informatiile prezentate de Alum cu privire la imobilizarile corporale, sunt incluse in nota 1.	
Imobilizarile corporale ale Alum au o importanta semnificativa pentru auditul nostru, avand in vedere marimea pozitiei bilantiere la 31 decembrie 2023 (80 milioane RON in bilant). Conform OMF 1802/2014, o entitate este obligata sa evalueze, cel putin la fiecare data de raportare, daca exista indicatori de depreciere si, daca exista, este necesar un test de depreciere. La 31 decembrie 2023, din cauza prezentei indicatorilor de depreciere interni si externi, cum ar fi cresterea preturilor si disponibilitatea limitata a utilitatilor si a altor materii prime, cu un impact negativ asupra costurilor de productie, ceea ce a condus la suspendarea temporara a productiei de alumina la Alum, a fost efectuat un test de depreciere al imobilizarilor corporale ale unitatii generatoare de numerar ("UGN") Alum, pe baza caruia s-a stabilit ca valoarea recuperabila a imobilizarilor corporale ale unitatii generatoare de numerar a scazut sub valoarea contabila neta, prin urmare a fost recunoscuta o ajustare cu deprecierea imobilizarilor corporale.	Procedurile noastre de audit au inclus, printre altele: a) am analizat si am evaluat analiza efectuata de conducere in ceea ce priveste existenta indicatorilor de depreciere; b) am implicat specialistii nostri evaluatori interni pentru a ne asista la: ➢ evaluarea ipotezelor-cheie si a metodologiilor aplicate de Societate pentru testarea de depreciere a imobilizarilor corporale (de ex. verificarea corectitudinii matematice a modelului si conformitatea acestuia cu cerintele OMF 1802/2014, ratele de actualizare folosite pentru actualizarea fluxurilor de numerar viitoare pentru societate,verificarea ipotezelor macroeconomice); ➢ evaluarea competentei, capacitatilor si obiectivitatii evaluatorului extern implicat; c) am comparat ipotezele folosite in dezvoltarea modelelor de fluxuri de numerar viitoare cu bugetele aprobate si planurile de afaceri aprobat ce au avut in vedere impactul preturilor mari actuale ale energiei asupra fluxurilor de numerar viitoare;

Evaluarea recuperabilitatii valorii contabile a imobilizarilor corporale necesita din partea conducerii sa aplice rationamente si estimari semnificative in determinarea principalelor ipoteze utilizate in testul de depreciere, cum ar fi rata de actualizare, rata de crestere si marja EBITDA. Avand in vedere incertitudinea in previzionarea si actualizarea fluxurilor de numerar viitoare, nivelul rationamentelor implicate si importanta imobilizarilor corporale ale Societatii la 31 decembrie 2023, aceasta arie a auditului reprezinta un aspect-cheie de audit.	d) am evaluat analiza de senzitivitate a valorii recuperabile ale UGN-ului la modificarile ipotezelor semnificative facute de conducere (cum ar fi rata de actualizare, rata de crestere si marja EBITDA) precum si coerenta celorlalte ipoteze incluse in testul de depreciere (cum ar fi preturi de vanzare viitoare, volumele produse/vandute in raport cu capacitatea existenta, costul materialelor si utilitatilor) cu mediul economic general si specific, informatii relevante despre piata si planurile de afaceri ale Societatii; e) am evaluat acuratetea istorica a bugetelor si prognozelor conducerii prin compararea acestora cu performanta efectiva; f) de asemenea, am evaluat caracterul adecvat al informatiilor prezentate de Societate cu privire la testarea pentru depreciere a imobilizarilor corporale.

Key audit matter	***How our audit addressed the key audit matter***
Impairment testing of property, plant and equipment in the separate financial statements *Alum's disclosure about property, plant and equipment, including the related impairment, are included in Note 1*	
The property, plant and equipment of the Company are significant to our audit because of the magnitude of the balance sheet position as of 31 December 2023 (of RON 80 million in the statement of financial position). *Under OMF 1802/2014, an entity is required to assess, at least at each reporting date, whether impairment indicators exist and, if they exist, an impairment test is required.* *At 31 December 2023 due to the presence of internal and external indications of impairment, such as increasing prices and scarce availability of energy products and other raw materials with a negative impact on the production costs which led to temporary suspension of the alumina production at Alum, an impairment test of the property, plant and equipment of the cash generating unit Alum was carried out, based on which it was determined that the recoverable value of property, plant and equipment of the cash generating unit has decreases below its carrying value, therefore an impairment charge for the property, plant and equipment has been recognized.*	*Our audit procedures included, among others:* *a) We analysed and evaluated the management's assessment of the existence of impairment indicators;* *b) we involved our internal valuation specialists to assist us* ➢ *in evaluating the key assumptions and methodologies used by the Company in 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 Order of Ministry of Finance 1802/2014, discount rates used for discounting future cash flows for the company, checked macroeconomic assumptions).* ➢ *evaluation of the competence, capabilities and objectivity of external valuator which prepared the impairment test;* *c) we compared the assumptions used within the future cash flow models to the approved budgets and business plans which considered also the impact of the current high energy prices on future cash flows;*

The assessment of the recoverability of the carrying value of property plant and equipment requires management to apply significant judgements and estimates in determining the main assumptions used in the impairment test such as discount rate, growth rate and EBITDA margin. *Due to the uncertainty of forecasting and discounting future cash flows, the level of judgements involved and the significance of the Company's property plant and equipment as at 31 December 2023, this audit area is considered a key audit matter.*	*d) we evaluated the sensitivity analysis of the recoverable amounts to changes in the significant assumptions made by management (such as discount rate, growth rate and EBITDA margin) as well as the consistency of other assumptions made in the impairment test (such as expected sales prices, production/sales volumes versus capacity, material and utilities cost) 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 Company's disclosures about Impairment testing of property, plant and equipment.*

Alte informatii
Other information

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

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

In legatura cu auditul efectuat de noi asupra situatiilor financiare individuale, responsabilitatea noastra este de a citi aceste alte informatii si, facand acest lucru, de a analiza daca acestea nu sunt in concordanta, in mod semnificativ, cu situatiile financiare individuale sau cunostintele pe care le-am obtinut in urma auditului sau daca acestea par sa includa erori semnificative. Daca, in baza activitatii desfasurate, ajungem la concluzia ca exista erori semnificative cu privire la aceste alte informatii, noi trebuie sa raportam acest lucru. Nu avem nimic de raportat in acest sens.
In connection with our audit of the 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 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, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

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

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

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

Obiectivele noastre constau in obtinerea unei asigurari rezonabile privind masura in care situatiile financiare individuale, luate in ansamblu, nu contin denaturari semnificative cauzate de eroare sau frauda si de a emite un raport de audit care sa includa opinia noastra. Asigurarea rezonabila reprezinta un nivel ridicat de asigurare, insa nu este o garantie ca un audit desfasurat in conformitate cu standardele ISA va detecta intotdeauna o denaturare semnificativa, daca aceasta exista. Denaturarile pot fi cauzate fie de frauda fie de eroare si sunt considerate semnificative daca se poate preconiza, in mod rezonabil, ca acestea, atat la nivel individual sau luate in ansamblu, vor influenta deciziile economice ale utilizatorilor luate in baza acestor situatii financiare individuale.
Our objectives are to obtain reasonable assurance about whether the 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 separate financial statements.

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

- Identificam si evaluam riscurile de denaturare semnificativa a situatiilor financiare individuale, cauzate fie de frauda fie de eroare, stabilim si efectuam proceduri de audit care sa raspunda acestor riscuri si obtinem probe de audit suficiente si adecvate pentru a constitui o baza pentru opinia noastra. Riscul de nedetectare a unei denaturari semnificative cauzate de frauda este mai ridicat decat cel de nedetectare a unei denaturari semnificative cauzate de eroare, deoarece frauda poate include complicitate, falsuri, omisiuni intentionate, declaratii false sau evitarea controlului intern.
- *Identify and assess the risks of material misstatement of the 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.*

- Intelegem controlul intern relevant pentru audit pentru a stabili procedurile de audit adecvate in circumstantele date, dar nu si in scopul exprimarii unei opinii asupra eficacitatii controlului intern al Societatii.
- *Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.*

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

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

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

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

De asemenea, prezentam persoanelor responsabile cu guvernanta o declaratie cu privire la conformitatea noastra cu cerintele etice privind independenta si le comunicam toate relatiile si alte aspecte care pot fi considerate, in mod rezonabil, ca ar putea sa ne afecteze independenta si, unde este cazul, actiunile intreprinse pentru eliminarea amenintarilor cu privire la independenta sau masurile de protectie aplicate pentru a reduce acele amenintari.
We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

Dintre aspectele pe care le comunicam persoanelor responsabile cu guvernanta, stabilim acele aspecte care au avut cea mai mare importanta in cadrul auditului asupra situatiilor financiare individuale din perioada curenta si, prin urmare, reprezinta aspecte cheie de audit.
From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the separate financial statements of the current period and are therefore the key audit matters.

Descriem aceste aspecte in raportul nostru de audit, cu exceptia cazului in care legislatia sau reglementarile impiedica prezentarea publica a aspectului respectiv sau a cazului in care, in circumstante extrem de rare, determinam ca un aspect nu ar trebui comunicat in raportul nostru deoarece se preconizeaza in mod rezonabil ca efectele negative ale acestei comunicari depasesc beneficiile interesului public al comunicarii respectivului aspect.
We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

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

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

a) in Raportul administratorilor nu am identificat informatii care sa nu fie consecvente, sub toate aspectele semnificative, cu informatiile prezentate in situatiile financiare individuale la data de 31 decembrie 2023, atasate;
b) Raportul administratorilor, identificat mai sus, include, sub toate aspectele semnificative, informatiile cerute de Ordinul Ministrului Finantelor Publice nr. 1802/2014, cu modificarile ulterioare, punctele 489-492;
c) pe baza cunostintelor noastre si a intelegerii dobandite in cursul auditului situatiilor financiare individuale intocmite la data de 31 decembrie 2023 cu privire la Societate si la mediul acesteia, nu am identificat informatii eronate semnificative prezentate in Raportul administratorilor.

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

a) in the Administrators' Report we have not identified information which is not consistent, in all material respects, with the information presented in the accompanying separate financial statements as at December 31, 2023;
b) the Administrators' Report identified above includes, in all material respects, the required information according to the provisions of the Ministry of Public Finance Order no. 1802/2014 and subsequent amendments, points 489-492;
c) based on our knowledge and understanding concerning the entity and its environment gained during our audit of the separate financial statements as at December 31, 2023, we have not identified information included in the Administrators' Report that contains a material misstatement of fact.

In numele,
On behalf of,

EY
Ernst & Young Assurance Services S.R.L.
22. MAR. 2024
Signed for identification
Semnat pentru identificare

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

Inregistrat in Registrul Public electronic cu nr. FA77
Registered in the electronic Public Register under No. FA 77

Nume Auditor / Partener: Verona Cojocaru
Name of the Auditor / Partner: Verona Cojocaru

Bucuresti, Romania
Bucharest, Romania

Inregistrat in Registrul Public electronic cu nr. AF1568
Registered in the electronic Public Register under No. AF1568

22 martie 2024
22 March 2024

ALUM S.A. TULCEA

THE SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023

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

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

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ALUM S.A. TULCEA
SEPARATE BALANCE SHEET
AS AT DECEMBER 31, 2023
(all amounts are expressed in RON, unless specified otherwise)

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

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

Code 10

No.		Row	December 31, 2022	December 31, 2023
A	**NON-CURRENT ASSETS**			
I	**Intangible assets**			
	1 Set-up expenses	**01**	-	-
	2 Development expenses	**02**	-	-
	3 Concessions rights, patents, licenses, trademarks, similar rights and values and other intangible assets	**03**	33,305	16,723
	4 Goodwill	**04**	-	-
	5 Intangible assets for exploration and evaluation of mineral resources	**05**	-	-
	6 Advances	**06**	-	-
	Total (rows 01 to 06)	**07**	**33,305**	**16,723**
II	**Property, plant and equipment**			
	1 Land and buildings	**08**	71,750,539	41,614,588
	2 Technical installations and machinery	**09**	82,065,244	24,277,986
	3 Other fixtures, plant and furniture	**10**	485,116	80,903
	4 Investment property	**11**	-	-
	5 Tangible assets in progress	**12**	13,433,074	13,860,011
	6 Investment property in progress	**13**	-	-
	7 Tangible assets for exploration and evaluation of mineral resources	**14**	-	-
	8 Biological assets	**15**	-	-
	9 Advances	**16**	-	-
	Total (rows 08 to 16)	**17**	**167,733,973**	**79,833,488**
III	**Financial assets**			
	1 Shares held in subsidiaries	**18**	67,356,122	-
	2 Loans to Group companies	**19**	-	-
	3 Shares in associates and jointly controlled entities	**20**	-	-
	4 Loans to entities based on participating interests	**21**	-	-
	5 Other non-current investments	**22**	-	-
	6 Other borrowings	**23**	-	-
	Total (rows 18 to 23)	**24**	**67,356,122**	**-**
	Total NON-CURRENT ASSETS (rows 07+17+24)	**25**	**235,123,400**	**79,850,211**

ALUM S.A. TULCEA
SEPARATE BALANCE SHEET
AS AT DECEMBER 31, 2023
(all amounts are expressed in RON, unless specified otherwise)

No.		Row	December 31, 2022	December 31, 2023
B	**CURRENT ASSETS**			
I	**Inventories**			
	1 Raw materials and consumables	**26**	84,496,555	75,500,957
	2 Work in progress	**27**	77,329,463	51,391,003
	3 Finished goods and merchandise	**28**	13,810,593	7,807,480
	4 Advances	**29**	6,557,614	318,428
	Total (rows 26 to 29)	**30**	**182,194,225**	**138,017,868**
II	**Receivables**			
	1 Trade receivables (net)	**31**	6,888,258	2,601,513
	2 Amounts receivable from related parties	**32**	-	-
	3 Amounts receivable from associates and jointly controlled entities	**33**	-	-
	4 Other receivables	**34**	282,220	229,601
	5 Capital subscribed and not paid in	**35**	-	-
	6 Receivables representing dividends distributed during the financial year	**35a**	-	
	Total (rows 31 to 35 + 35a)	**36**	**7,170,478**	**2,831,114**
III	**Short term financial investments**			
	1 Shares held in related parties	**37**	-	-
	2 Other short term investments	**38**	-	-
	Total (rows 37+38)	**39**	**-**	**-**
IV	**Petty cash and bank accounts**	**40**	**38,536,100**	**20,306,508**
	TOTAL CURRENT ASSETS (rows 30+36+39+40)	**41**	**227,900,804**	**161,155,489**
C	**PREPAID EXPENSES (rows 43+44)**	**42**	**486,906**	**300,882**
	Amounts to be reversed within 1 year	**43**	486,906	300,882
	Amounts to be reversed within a period above 1 year	**44**	-	-
D	**PAYABLES WITHIN 1 YEAR**			
	1 Debenture loans	**45**	-	-
	2 Amounts due to credit institutions	**46**	33,321,651	3,000,741
	3 Advances received from orders	**47**	39,495,154	74,327,268
	4 Trade suppliers	**48**	48,357,447	24,732,214
	5 Bills of exchange payable	**49**	-	-
	6 Amounts due to Group companies	**50**	-	-
	7 Amounts due to to associates and jointly controlled entities	**51**	-	-
	8 Other payables, including tax and social security	**52**	15,275,061	6,619,015
	Total (rows 45 to 52)	**53**	**136,449,313**	**108,679,238**
E	**NET CURRENT ASSETS/NET CURRENT LIABILITIES (rows 41+43-53-70-73-76)**	**54**	**91,559,617**	**52,398,353**

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

ALUM S.A. TULCEA
SEPARATE BALANCE SHEET
AS AT DECEMBER 31, 2023
(all amounts are expressed in RON, unless specified otherwise)

No.		Row	December 31, 2022	December 31, 2023
F	**TOTAL ASSETS MINUS CURRENT LIABILITIES (rows 25+44+54)**	**55**	**326,683,017**	**132,248,564**
G	**PAYABLES IN A PERIOD ABOVE 1 YEAR**			
	1 Debenture loans	**56**	-	-
	2 Amounts due to credit institutions	**57**	3,089,734	-
	3 Advances received from orders	**58**	-	-
	4 Trade suppliers	**59**	-	-
	5 Bills of exchange payable	**60**	-	-
	6 Amounts due to Group companies	**61**	-	-
	7 Amounts due to associates and jointly controlled entities	**62**	-	-
	8 Other payables, including tax and social security	**63**	459,091	220,010
	Total (rows 56 to 63)	**64**	**3,548,825**	**220,010**
H	**PROVISIONS**			
	1 Provisions for employees benefits	**65**	1,940,085	1,980,904
	2 Provisions for taxes	**66**	-	-
	3 Other provisions	**67**	35,766,728	24,440,187
	Total (rows 65 to 67)	**68**	**37,706,813**	**26,421,091**
I	**DEFERRED INCOME**			
	1 Subsidies for investments (rows 70+71)	**69**	4,198,145	4,198,145
	Amounts to be reversed within 1 year	**70**	378,780	378,780
	Amounts to be reversed within a period above 1 year	**71**	3,819,365	3,440,585
	2 Deferred income (rows 73+74)	**72**	-	-
	Amounts to be reversed within 1 year	**73**	-	-
	Amounts to be reversed within a period above 1 year	**74**	-	-
	3 Deferred income for assets transferred from clients (rows 76+77)	**75**	-	-
	Amounts to be reversed within 1 year	**76**	-	-
	Amounts to be reversed within a period above 1 year	**77**	-	-
	4 Negative goodwill	**78**	-	-
	TOTAL (rows 69+72+75+78)	**79**	**4,198,145**	**3,819,365**
J	**EQUITY AND RESERVES**			
I	**Equity**			
	1 Capital subscribed and paid in	**80**	488,412,908	488,412,908
	2 Capital subscribed and not paid in	**81**	-	-
	3 State regis patrimony (State-owned shares)	**82**	-	-
	4 Patrimony of national research and development institutes	**83**	-	-
	5 Other equity items	**84**	-	-
	TOTAL (rows 80 to 84)	**85**	**488,412,908**	**488,412,908**

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

ALUM S.A. TULCEA
SEPARATE BALANCE SHEET
AS AT DECEMBER 31, 2023
(all amounts are expressed in RON, unless specified otherwise)

No.		Row	December 31, 2022	December 31, 2023
II	**Share premiums**	**86**	**-**	**-**
III	**Revaluation reserves**	**87**	**18,658,976**	**16,591,359**
IV	**Reserves**			
	1 Legal reserves	**88**	20,389,951	20,389,951
	2 Statutory or contractual reserves	**89**	-	-
	4 Other reserves	**90**	53,511	53,511
	TOTAL (rows 88 to 90)	**91**	**20,443,462**	**20,443,462**
	Own shares	**92**	-	-
	Gains related to equity instruments	**93**	-	-
	Losses related to equity instruments	**94**	-	-
V	**PROFIT OR LOSS CARRIED FORWARD**			
	– C balance	**95**	-	-
	– D balance	**96**	122,406,950	238,472,350
VI	**PROFIT OR LOSS FOR THE YEAR**			
	– C balance	**97**	-	-
	– D balance	**98**	123,500,381	184,808,501
	Allocation of profit	**99**	-	-
	Total equity (rows 85+86+87+91-92+93-94+95-96+97-98-99)	**100**	**281,608,015**	**102,166,879**
	Public patrimony	**101**	-	-
	Private patrimony	**102**	-	-
	TOTAL EQUITY AND RESERVES (rows 100+101+102)	**103**	**281,608,015**	**102,166,879**

These separate financial statements were approved today, March 22, 2024.

Gheorghe Dobra
General Manager

Mihaela Duralia
Chief Financial Officer

ALUM S.A. TULCEA
SEPARATE CASH FLOW STATEMENT
AS AT DECEMBER 31, 2023
(all amounts are expressed in RON, unless specified otherwise)

Code 20 No.		Row	Year ended December 31, 2022	Year ended December 31, 2023
1	**Net turnover (rows 02+03-04+06)**	**01**	**501,771,469**	**286,545,218**
	of which, the net turnover corresponding to the predominant activity actually carried out	**01a**	418,342,722	279,461,966
	Income from production sold	**02**	420,748,067	17,986,745
	Income from sales of goods	**03**	81,023,402	268,558,473
	Commercial discounts granted	**04**	-	-
	Income from operating subsidies pertaining to net turnover	**06**	-	-
2	Income pertaining to the cost of the Work in progress			
	– C balance	**07**	2,905,124	-
	– D balance	**08**	-	26,081,039
3	Production of intangible and tangible assets	**09**	503,457	7,006
4	Income from revaluation of tangible assets	**10**	-	-
5	Income from investment property production	**11**	-	-
6	Income from operating subsidies	**12**	91,960	10,681
7	Other operating income	**13**	54,524,498	11,895,329
	out of which, income from negative goodwill	**14**	-	-
	out of which, income from subsidies for investments	**15**	378,780	378,780
	Total operating income (rows 01+07-08+09+10+11+12+13)	**16**	**559,796,508**	**272,377,194**
8	a) Raw materials and consumables	**17**	139,714,295	2,473,870
	Other material expenses	**18**	839,535	343,233
	b) Utilities expenses, out of which:	**19**	213,378,323	6,008,075
	- expenses with energy consumption (acc. 6051)	**19a**	48,624,076	5,840,990
	- expenses with natural gas consumption (acc. 6053)	**19b**	164,403,950	53,804
	c) Merchandise expenses	**20**	75,933,045	249,429,372
	Commercial discounts received	**21**	1,519	-
9	**Personnel related expenses (rows 23+24), out of which:**	**22**	**58,575,322**	**26,748,235**
	a) Salaries and wages	**23**	56,367,019	25,745,829
	b) Social security	**24**	2,208,303	1,002,406
10	**a) Adjustments for tangible and intangible assets value (rows** 26a**+26-27)**	**25**	**23,171,196**	**88,562,880**
	a.1) Operating expenses regarding depreciation of fixed assets (acc. 6811)	**26a**	23,112,666	19,088,825
	a. 2) Other expenses	**26**	58,530	69,474,055
	a. 3) Revenues	**27**	-	-
	b) Adjustments for current assets value (rows 29-30)	**28**	**6,679**	**7,303,809**

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

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

Code 20 No.		Row	Year ended December 31, 2022	Year ended December 31, 2023
	b. 1) Expenses	**29**	6,679	7,303,809
	b. 2) Revenues	**30**	-	-
11	**Other operating expenses (rows 32 to 37)**	**31**	**24.112.377**	**20.411.487**
	11.1. External services	**32**	16,539,836	15,111,838
	11.2. Expenses with royalties, management locations and rents (acc. 612), of which:	**33**	473,147	313,704
	- expenses with royalties (acc. 6121)	**33a**		
	- expenses with management locations		-	-
	(acc. 6122)	**33b**	-	-
	- rent expenses (acc. 6123)	**33c**	473,147	313,704
	11.3. Expenses related to intellectual property rights (acc. 616), of which:	**33d**	-	-
	- expenses incurred with affiliates	**33e**	-	-
	11.4. Management expenses (acc. 617), of which:	**33f**	177,607	178,272
	- expenses incurred with affiliates	**33g**	-	-
	11.5. Consulting expenses (acc. 618), of which:	**33h**	1,995,804	1,763,126
	- expenses incurred with affiliates	**33i**	-	-
	11.6. Other taxes and similar payments;expenses for transfers and contributions due based on special normative acts	**33j**	1,943,384	1,643,780
	11.7. Expenses on environmental protection	**34**	600,838	396,144
	11.8. Expenses from revaluation of tangible assets	**35**	-	-
	11.9. Expenses related to calamities and other similar events	**36**	-	-
	11.10. Other expenses	**37**	2,381,762	1,004,623
12	**Impairment adjustments (rows 40-41)**	**39**	**7,473,416**	**(11,821,918)**
	Expenses	**40**	11,847,402	122,420
	Income	**41**	4,373,986	11,944,338
	Total operating expenses (rows 17 to 20-21+22+25+28+31+39)	**42**	**543.202.667**	**389.459.045**
	Operating Result			
	- profit (rows 16-42)	**43**	16.593.841	-
	- loss (rows 42-16)	**44**	-	117.081.851
13	Income from participating interests	**45**	-	-
	- of which, income from affiliates	**46**	-	-
14	Interest income	**47**	1,408	791
	- of which, income obtained from affiliates	**48**	-	-

The accompanying notes are an integral part of these individual financial statements.

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

15	Income from operating subsidies for the interest owed	**49**	-	-
16	Other financial income	**50**	27,635,921	15,189,265
	- of which, income from other financial investments	**51**	-	-
	Total financial income (rows 45+47+49+50)	**52**	**27,637,329**	**15,190,056**
17	Adjustments for long term financial assets and financial investments held as current assets (rows 54-55)	**53**	**128,669,773**	**279,027,298**
	Expenses	**54**	128,669,773	57,649,344
	Income	**55**		336,676,642
18	Interest expenses	**56**	3,925,160	3,211,076
	- of which, expenses incurred with affiliates	**57**	-	-
	Other financial expenses	**58**	30,258,012	358,732,928
	Total financial expenses (rows 53+56+58)	**59**	**162,852,945**	**82,916,706**
	Financial loss			
	- profit (rows 52-59)	**60**	-	-
	- loss (rows 59-52)	**61**	135,215,616	(67,726,650)
	Total income (rows 16+52)	**62**	**587,433,838**	**287,567,250**
	Total expenses (rows 42+59)	**63**	**706,055,612**	**472,375,751**
19	**Gross loss**		-	-
	- profit (rows 62-63)	**64**	-	-
	- loss (rows 63-62)	**65**	118,621,774	184,808,501
20	Income tax	**66**	4,856,876	-
21	Expenses with profit tax resulting from settlements within the fiscal group (acc. 694)	**66a**	-	-
22	Income from profit tax resulting from settlements within the fiscal group (acc. 794)	**66b**	-	-
23	Income tax specific to certain activities	**67**	21,731	-
24	Other taxes not included in the captions above	**68**	-	-
	Net loss for the year		-	
	- profit (rows 64-65-66-67-68-66a+66b)	**69**	-	-
	- loss (rows 65+66+67+68-64+66a-66b)	**70**	123,500,381	184,808,501

These separate financial statements were approved today, March 22, 2024.

Gheorghe Dobra
General Manager

Mihaela Duralia
Chief Financial Officer

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

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

	Year ended December 31, 2022	Year ended December 31, 2023
Cash flows from operations		
Gross loss	**(118,621,774)**	**(184,808,501)**
Adjustments for:		
Amortization/depreciation of intangible and tangible assets	23,112,666	19,088,825
Adjustment for the impairment of tangible assets	-	69,466,131
Adjustment for the impairment of investment in subsidiaries	128,702,336	57,649,344
Loss related to sale of investment in subsidiaries	-	6,525,908
Adjustments for the impairment of receivables	6,679	(324,735)
Provisions	7,499,383	(11,806,583)
Adjustments for the impairment of inventories	-	6,986,485
(Profit)/loss from foreign exchange differences	4,381,025	(1,044,589)
Net earning pertaining to disposals of tangible assets	7,428	4,914
Interest income	(274,979)	(198,370)
Interest expenses	3,925,160	3,211,076
Dividend income	-	-
Cash from operations before changes to working capital	**48,737,923**	**(35,250,095)**
(Increase)/decrease of inventories	(9,914,211)	37,189,872
Decrease of trade receivables and other receivables	28,111,082	4,779,616
Increase in trade payables and other payables	33,096,610	15,528,302
Cash from operations	**100,031,404**	**22,247,695**
Interests received	185,028	285,680
Interests paid	(2,903,743)	(1,662,121)
Income tax paid	(1,810,810)	(314,994)
Net cash from operations	**95,501,878**	**20,556,260**
Cash flow from investment activities		
Purchases of tangible and intangible assets	(21,561,148)	(9,219,417)
Proceeds from the sale of investment in subsidiaries	-	3,180,870
Proceeds from the sale of fixed assets	349,656	-
Net cash from investment activities	**(21,211,492)**	**(6,038,547)**
Cash flow from financing activities		
Variation of short-term loans	-	(13,264,392)
Repayment of loans	(36,457,828)	(19,482,914)
Net cash from financing activities	**(36,457,828)**	**(32,747,306)**

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

	Year ended December 31, 2022	**Year ended December 31, 2023**
Cash and cash equivalents at the beginning of the year	703,542	38,536,100
Variation of cash and cash equivalents	37,832,558	(18,229,592)
Cash and cash equivalents at the end of the year	**38,536,100**	**20,306,508**

These separate financial statements were approved today, March 22, 2024.

Gheorghe Dobra
General Manager

Mihaela Duralia
Chief Financial Officer

ALUM S.A. TULCEA
SEPARATE STATMENT OF CHANGES IN SHAREHOLDERS' EQUITY
AS AT DECEMBER 31, 2023
(all amounts are expressed in RON, unless specified otherwise)

Element of equity	Balance as at January 1, 2022	Increases	out of which transfers	Decreases	out of which transfers	Balance as at December 31, 2022
Capital subscribed and paid in (Note 7)	488,412,908	-	-	-	-	488,412,908
Legal reserves	20,389,952	-	-	-	-	20,389,952
Reserves representing surplus realized from revaluation reserves	-	-	-	-	-	-
Other reserves	53,511	-	-	-	-	53,511
Revaluation reserves	20,918,937	-		2,259,962	2,259,962	18,658,975
Retained earnings	(94,468,428)	(27,230,743)	(27,230,743)	-	-	(121,699,171)
Retained earnings from the correction of accounting errors	(707,779)	-	-	-	-	(707,779)
Result for the year	(29,490,705)	(123,500,381)	-	(29,490,705)	(29,490,705)	(123,500,381)
Allocation of profit	-	-	-	-	-	-
Total	**405,108,396**	**(150,731,125)**	**(27,230,743)**	**(27,230,743)**	**(27,230,743)**	**281,608,015**

These separate financial statements were approved today, March 22, 2024.

Gheorghe Dobra
General Manager

Mihaela Duralia
Chief Financial Officer

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

Element of equity	Balance as at January 1, 2023	Increases	out of which transfers	Decreases	out of which transfers	Balance as at December 31, 2023
Capital subscribed and paid in (Note 7)	488,412,908	-	-	-	-	488,412,908
Legal reserves	20,389,952	-	-	-	-	20,389,952
Reserves representing surplus realized from revaluation reserves	-	-	-	-	-	-
Other reserves	53,511	-	-	-	-	53,511
Revaluation reserves	18,658,975	-	-	2,067,617	2,067,617	16,591,358
Retained earnings	(121,699,171)	(121,432,764)	(121,432,764)	5,367,365	-	(237,764,570)
Retained earnings from the correction of accounting errors	(707,779)	-	-	-	-	(707,779)
Result for the year	(123,500,381)	(184,808,501)	-	(123,500,381)	(123,500,381)	(184,808,501)
Allocation of profit	-	-	-	-	-	-
Total	**281,608,015**	**(306,241,265)**	**(121,432,764)**	**(116,065,399)**	**(121,432,764)**	**102,166,879**

These separate financial statements were approved today, March 22, 2024.

Gheorghe Dobra
General Manager

Mihaela Duralia
Chief Financial Officer

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

10 NON-CURRENT ASSETS

a) Property, plant and equipment

COST	Balance as at January 1, 2023	Increases	Decreases	Balance as at December 31, 2023
Land, lanscaping and buildings	99,675,913	-	1,178,795	98,497,118
Installations and machinery	441,040,998	1,365,389	3,551,816	438,854,571
Measurement, control, adjustment installations and devices	22,352,206	8,211	1,161,541	21,198,875
Vehicles	20,214,903	-	144,994	20,069,911
Other installations, tools	1,075,646	-	26,476	1,049,169
Advances and tangibles in progress	15,224,573	1,800,536	1,373,600	15,651,509
TOTAL	**599,584,237**	**3,174,136**	**7,437,219**	**595,321,154**

ACCUMULATED DEPRECIATION	Balance as at January 1, 2023	Depreciation recorded during the year	Depreciation of scrapped fixed assets	Balance as at December 31, 2023
Land, landscaping and buildings	27,752,773	5,238,788	410	32,991,152
Installations and machinery	368,503,629	11,504,609	3,551,816	376,456,421
Measurement, control, adjustment installations and devices	14,815,598	1,661,816	1,161,541	15,315,873
Vehicles	17,225,188	565,226	144,991	17,645,423
Other installations, plant	590,530	86,067	26,476	650,120
TOTAL	**428,887,718**	**19,056,505**	**4,885,234**	**443,058,989**

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

1 NON-CURRENT ASSETS (continued)

ADJUSTMENT FOR IMPAIRMENT

	Balance as at January 1, 2023	Increases	Transfers	Decreases	Balance as at December 31, 2023
Constructions	172,601	23,718,778	-		23,891,379
Installations and machinery	998,446	45,747,353	-	-	46,745,799
Tangible assets in progress	1,791,499	-	-	-	1,791,499
Total	**2,962,546**	**69,466,131**	**-**	**-**	**72,428,677**
Net value	**167,733,974**				**79,833,489**

Tangible assets in progress include improvements made to the existent fixed assets and new investments in equipment that have not been put in operation yet.

As of December 31, 2023 the net book value of tangible assets acquired through finance leasing is RON 124,630 (December 31, 2022: RON 231,355).

The gross book value of the fully depreciated fixed assets as of December 31, 2023 is in amount of RON 182,568,419 (2022: RON 151,989,098).

The gross book value of the fixed assets scrapped in 2023 is in amount of RON 4,890,149 (2022: RON 880,053).

The net book value of the idle assets as a result of temporary suspension of the calcined alumina production activity in 2022 as of December 31, 2023 is in amount of RON 86,084 thousand (2022: RON 103,319 thousand).

As of December 31, 2023 the pledged fixed assets had a net book value of RON 44,820 thousand (December 31, 2022: RON 133,199 thousand).

Impairment tests for property, plant and equipment

The Company performs its annual impairment test in the end of the financial year and when circumstances indicate that the carrying value may be impaired. As a result of the several factors, such as increasing prices and scarce availability of energy products and other raw materials with a negative impact on the production costs, which caused the Company to take a decision last year to temporary suspend the alumina production operations, a test of the property, plant and equipment of the company was carried out as at 31 December 2023 and 31 December 2022.

The results of the impairment tests performed are presented further below.

As a result of the impairment review carried out by Alum, it was determined that the recoverable value of property, plant and equipment was materially different from its carrying value, therefore an additional impairment in amount of RON 69,472 thousand was recognized as at 31 December 2023 (31 December 2022: no additional impairment was recognized for the property, plant and equipment of alumina cash-generating unit).

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

1 NON-CURRENT assets (continued)

Impairment tests for property, plant and equipment (continued)

The impairment test was based on a valuation report made by an independent valuator, which assumes only one CGU exist.

The recoverable value of the cash generating unit (CGU) Alum was determined based on a fair value of CGU less costs to sell calculation by using future cashflows extracted from the business plan for the next 5 years estimated by the management. The terminal value was determined by using a growth rate of 2% per annum. The cash flow projections are based on existing plans, which assumes the production is resumed only in 2027 and until then ALUM is continuing buying alumina from the market at lower prices than its own cost of production and reselling it to ALRO. The management estimates that the raw materials and gas prices will stabilize to a sustainable level, enabling ALUM to resume alumina production in 2027 and fulfil ALRO's requirements for this primary raw material in its electrolysis facilities. Additionally, the company's strategic roadmap includes plans to recommence production and sales of aluminium hydrate and other specialized alumina products to third-party customers.

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

	2023	2022
Discount rate	13.60%	13.80%
Growth rate, average of next five years	18.39%	5.31%
EBITDA margin, average of next five years	1.93%	4.44%
EBITDA margin, terminal value	7.34%	5.82%

The following table shows the amount up to which the key variables used would need to change individually for the estimated recoverable amount to be equal to the carrying amount:

	2023	2022
Discount rate	8.79%	13.72%
Growth rate, average of next five years	30.00%	5.91%
EBITDA margin, average of next five years	7.38%	4.50%
EBITDA margin, terminal value	10.10%	5.86%

b) Intangible assets

COST

	Balance as at January 1, 2023	Increases	Decreases	Balance as at, December 31, 2023
Development expenses	5,034,412	-	-	5,034,412
Intangible assets for the exploitation and evaluation of mineral resources	-	-	-	-
Other fixed assets	564,257	15,738	-	579,995
Total	**5,598,669**	**15,738**	**-**	**5,614,407**

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

1 NON-CURRENT ASSETS (continued)

ACCUMULATED AMORTIZATION

	Balance as at January 1, 2023	Increases	Decreases	Balance as at, December 31, 2023
Development expenses	5,034,412	-	-	5,034,412
Intangible assets for the exploitation and evaluation of mineral resources	-	-	-	-
Other fixed assets	530,953	32,320	-	563,274
Total	**5,565,365**	**32,320**	**-**	**5,597,684**
Net value	**33,305**			**16,723**

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

b) Long term financial investments

In May 2011, the Company purchased 100% of the share capital of Global Aluminium Ltd BVI, with the head office in Trinity Chambers, PO Box 4301, Road Town Tortola, British Virgin Islands, for the amount of USD 30 million, the equivalent of RON 82,581,000.

In December 2021 Alum increased the share capital of its subsidiary Global Aluminium Ltd with a amount of USD 60,200 thousand (RON 263,802 thousand) by conversion of receivables and advances for stocks from Sierra Mineral Holding 1 Ltd. Subsequentlty were recorded adjustments for the depreciation of this financial asset.

On 31 May 2023, Alum publicly announced the convening of the Extraordinary General Meeting for the approval of the sale, as sole shareholder, of 100% of the share capital of Global Aluminum Ltd. (GAL group). On 10 July 2023 in the Extraordinary General Meeting of Shareholders of Alum SA, approved the sale of GAL for a cash consideration of USD 2,000 thousand, less an amount equal to the Intercompany Debt Amount, which at that date was of USD 1,300 thousand. The disposal of Global Aluminum Ltd. was completed on 1 September 2023 and the consideration received for the net assets disposed amounted RON 3,181 thousand (USD 700 thousand equivalent).

	Year ended December 31, 2023	Year ended December 31, 2022
1 January investment	346,383,420	346,383,420
1 January depreciation	(279,027,298)	(150,357,525)
1 January net value	67,356,122	196,025,895
Outputs - sale of participation titles	346,383,420	-
Impairment loss of financial assets	(57,649,344)	(128,669,773)
Reversal of impairment of financial assets	336,676,642	-
31 December investment	**-**	**346,383,420**
31 December depreciation	**-**	**(279,027,298)**
31 December net value	**-**	**67,356,122**

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

11 PROVISIONS

	Balance as at January 1, 2023	Increases	Decreases	Balance as at December 31, 2023
Provisions for pensions and similar obligations	1,940,085	122,420	81,601	1,980,904
Provision for CO_2 certificates	11,847,402	-	11,847,402	-
Provisions for rehabilitation	23,919,326	1,694,331	1,173,471	24,440,187
Total	**37,706,813**	**1,816,751**	**13,102,474**	**26,421,091**

The provision for pensions and similar obligations has been constituted for the Company's obligation to give retirement benefits to the employees in accordance with the provisions of the collective employment contract, on the basis of an computation updated as of December 31, 2023.

The amount of RON 11,847 thousand representing a provision recognized by the Company for CO_2 certificates needed to be acquired for the year 2022 in accordance with the legal requirements, was reversed in 2023 (2022: RON 1,274 thousand). No such provision was recognised in 2023, as the Company has a surplus of certificates as at 31 December 2023 over the ones needed to be acquired for 2023.

The provision for rehabilitation is related to the premises where it is deposited the residue from production in the form of the red mud lake. According to the environmental regulations, the red mud lake must be restored until a certain date specified by specific authorisations, on which date it may be closed down or extended. The provisions are based on the estimation of expenses necessary to perform the restoration works for the time when they are expected to be incurred, discounted to their present value at December 31, 2023 and are related to the red mud lake rehabilitation in an amount of RON 24,440 thousand, (2022: RON 23,919 thousand). The Company estimates that the costs would be incurred in 5-40 years' time and calculates the provisions using the DCF method based on the following assumptions: estimated range of cost: RON 64 per square meter and a discount rate of 5.670% (2022: 7.084%). Furthermore, the timing of rehabilitation will depend on when the site cease to store at economically viable rates.

The increase in the provision for rehabilitation reflects the expense with the related interest, and the reduction represents the updating of the value of the obligation, recorded in correspondence with the fixed asset to which it refers.

3 ALLOCATION OF PROFIT

The Company recorded a loss of RON 184,808,501 for the year ended December 31, 2023 (RON 123,500,381 loss for the year ended December 31, 2022).

The result recorded for the year ended December 31, 2022 has been carried forward according to the legislation during 2023.

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

4 ANALYSIS OF THE OPERATING RESULT

	Caption	Year ended December 31, 2022	Year ended December 31, 2023
1.	**Net turnover**	**501,771,469**	**286,545,218**
2.	**Cost of goods sold and services provided (3+4+5+6)**	**485,261,950**	**316,560,862**
3.	Basic activity expenses	215,716,243	26,074,033
3.1	Raw materials and materials	129,469,991	26,074,033
3.2	Direct salary expenses	10,486,274	-
3.3	Other direct material expenses	75,759,979	-
4.	Auxiliary activity expenses	154,815,073	15,979,350
5.	Production overheads	38,797,589	25,078,107
6.	Expenses regarding the materials sold	75,933,045	249,429,372
7.	**Gross result pertaining to net turnover (1-2)**	**16,509,519**	**(30,015,644)**
8.	Marketing expenses	1,459,239	992,469
9.	General administrative expenses	35,497,709	30,371,817
10.	Other operational expenses	21,949,175	79,552,268
11.	Other operating income	58,990,444	23,850,348
12.	**Operating result (7-8-9-10+11)**	**16,593,841**	**(117,081,851)**

5 RECEIVABLES AND PAYABLES

Receivables	Balance as at December 31, 2023	Due	
		within 1 year	over 1 year
Domestic clients	4,374,397	4,374,397	-
Foreign clients	125,301	125,301	-
Adjustment for the impairment of doubtful receivables	(3,460,274)	(3,460,274)	-
Trade receivables	**1,039,425**	**1,039,425**	**-**
Non-chargeable VAT	39,643	39,643	-
Advances to personnel	36,752	36,752	-
Other receivables	1,826,714	1,826,714	-
Sundry debtors	9,265	9,265	-
Adjustments for the impairment of other receivables	(120,684)	(120,684)	-
Other receivables	**1,791,689**	**1,791,689**	**-**
Total	**2,831,114**	**2,831,114**	**-**

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

5 RECEIVABLES AND PAYABLES (continued)

Receivables	Balance as at December 31, 2022	Due within 1 year	Due over 1 year
Domestic clients	9,273,482	9,273,482	-
Foreign clients	171,243	171,243	-
Adjustment for the impairment of doubtful receivables	(3,467,684)	(3,467,684)	-
Trade receivables	**5,977,041**	**5,977,041**	**-**
Non-chargeable VAT	27,915	27,915	-
Advances to personnel	114,260	114,260	
Other receivables	1,156,701	1,156,701	-
Sundry debtors	15,245	15,245	
Adjustments for the impairment of other receivables	(120,684)	(120,684)	-
Other receivables	**1,193,437**	**1,193,437**	**-**
Total	**7,170,478**	**7,170,478**	**-**

A part of the Company's receivables, RON 240 thousand at December 31, 2023, (RON 5,036 thousand at December 31, 2022) are pledged to secure the loans obtained from banks.
The Company sells a part of trade receivables under the existing factoring facility on a non-recourse basis, so that the risks and rewards related to the receivables are substantially transferred to the factor and as a result the receivables sold are derecognised at the transfer date, and the factoring fees and related finance costs are recognised at their payment date.

Caps available under factoring agreements:

	31 December 2023	31 December 2022
Factoring cap amounts, of which:	4,974,600	4,946,900
Factoring amounts utilised	247,213	177,638

Movement in allowance for doubtful receivables is as follows:

	2022	2023
Balance at beginning of the year	3,461,005	3,467,684
Charge during the year	6,679	-
Release during the year	-	7,411
Balance at end of the year	**3,467,684**	**3,460,273**

Company's receivables from affiliates are presented in Note 10.8.

Payables	Balance as at December 31, 2023	Due within 1 year	Due over 1 year
Trade payables and similar accounts	24,732,214	24,732,214	-
Payables to clients	74,327,268	74,327,268	-
Bank loans	3,000,741	3,000,741	-
VAT payable	1,755,825	1,755,825	-
Guarantees received from suppliers	1,153,030	933,020	220,010
Dividends payable	4,534	4,534	-
Sundry creditors	2,784	2,784	-
Other payables	3,922,852	3,922,852	-
Total	**108,899,248**	**108,679,238**	**220,010**

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

5 RECEIVABLES AND PAYABLES (continued)

Payables	Balance as at December 31, 2022	Due within 1 year	Due over 1 year
Trade payables and similar accounts	48,357,447	48,357,447	-
Payables to clients	39,495,154	39,495,154	-
Bank loans	36,411,385	33,321,651	3,089,734
Other loans and similar debts	-	-	-
VAT payable	7,408,450	7,408,450	-
Guarantees received from suppliers	1,198,738	739,647	459,091
Dividends payable	4,534	4,534	-
Sundry creditors	422	422	-
Other payables	3,550,100	3,550,100	-
Income tax	3,571,907	3,571,907	-
Total	**139,998,138**	**136,449,313**	**3,548,825**

Company's payables to affiliates are presented in Note 10.8.

On May 17, 2019, Alum concluded a loan agreement amounting to USD 20 million with Black Sea Trade and Development Bank and a loan agreement amounting to USD 5 million with Garanti Bank Romania, respectively. The scope of these loan facilities was to finance mainly investments, and they were repaid in seven half-yearly instalments after a grace period of two years. The last loan installment was paid in May 2023 (31 December 2022: USD 3,571 thousand).

In February 2021, the Company signed a loan agreement with Garanti Bank Romania, for a limit of USD 3,000 thousand, to be used for working capital needs of the company both cash and non-cash. The loan was not extended and in July 2023, the Company reimbursed the drawn amount from the revolving facility of RON 13,264 thousand, i.e. the equivalent of USD 2,920 thousand. As of December 31, 2022, the balance of the loans was of RON 13,533 thousand, i.e. the equivalent of USD 2,920 thousand. The loan agreement was supplemented with a non-revolving facility in amount of USD 2,000 thousand in December 2021 to be used for financing working capital needs, and which has the maturity in December 2024. As of 31 December 2023, the balance of the loan was of USD 676 thousand (31 December 2022: USD 1,333 thousand). In 2023, the interest rates ranged between 7,54% and 8,70% (2022: 3,25% and 8,70%).

According to the existing borrowing agreements, at 31 December 2023, the Company is no subject to certain restrictive covenants and at December 2022, the Company fell within the covenants in respect of its loans. These covenants require the Company, among other things, to maintain a minimum or maximum level for certain financial ratios, including: financial debt to EBITDA and current ratio.

The Company borrowings are secured with accounts receivable amounting to RON 240 thousand (2022: RON 5,036 thousand), with current account opened with banks amounting to RON 529 thousand (2022: RON 2,717 thousand), with property, plant and equipment (land, buildings, equipment) of RON 44,820 thousand (2022: RON 133,199 thousand) and with inventories of RON 137,699 thousand (2022: RON 175,637 thousand).

In 2023, the Company paid all the deferred tax liabilities according to the Government's set of measures implemented in 2020 to support businesses during the Covid-19 pandemic, companies in Romania were allowed to postpone the payment of taxes, under certain conditions, and benefit from payment instalments, for a maximum period of 12 months.

5 RECEIVABLES AND PAYABLES (continued)

The Company adopted strategies to benefit its overall cashflow and, took the opportunity to defer the payment of the following principal tax liabilities, payable by monthly instalments until July 2023: wages and social security taxes in total amount of RON 1,701 thousand, tax on salaries in total amount of RON 301 thousand, income tax in total amount of RON 521 thousand and VAT payable in total amount of RON 3,289 thousand.

6 SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

These separate financial statements are the responsibility of the Company's management and are prepared in compliance with the Accounting Law 82/1991 (as republished) and with Order of Ministry of Public Finance no. 1802/2014 ("OMF no. 1802/2014"), with the subsequent amendments.

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

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

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

The financial statements refer only to Alum S.A.

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

The accounting records on the basis of which these financial statements were prepared are kept in lei ("RON") at historical cost, except for the situations in which the fair value was used, according to the accounting policies of the Company and according to OMF no. 1802/2014.

A. Accounting principles

Currency of presentation

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

These separate financial statements for the period ended December 31, 2023 have been prepared in accordance with the following accounting principles:

6 SIGNIFICANT ACCOUNTING POLICIES (continued)

A. Accounting principles (continued)

Going concern

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

In 2023, the Company and the group to which it belongs and the aluminum industry in general continued facing a multitude of challenges, as producers grappled with various difficulties throughout the year. One of the primary obstacles encountered by European aluminum producers was the persistent volatility in raw material prices, exacerbated by global geopolitical tensions and supply chain disruptions. The ongoing Russia-Ukraine conflict continued to impact the aluminum market, contributing to uncertainty and price fluctuations in key raw materials. This instability not only disrupted supply chains but also led to significant cost pressures, affecting the profitability and operational efficiency. Furthermore, the aluminum industry in the EU encountered challenges related to energy costs, with soaring electricity and gas prices further straining margins. As energy-intensive operations, aluminum smelters and refineries faced significant increases in production costs, posing a significant hurdle for producers in maintaining competitiveness in the global market.

In response to the above, already since 2022, ALUM and the group to which it belongs developed and implemented scenarios for operating at a minimum break-even point or reducing financial losses by suspending certain production activities and switching some production equipment to stand-by. Thus, ALRO has reduced the primary aluminum production by 60% by shutting down three electrolysis pot rooms and focused on shifting more and more to high value products. ALUM has revised its manufacturing schedule according to the level of calcined alumina required for ALRO, subsequently suspending alumina production operations starting on 1st August 2022, while retaining its key specialists. During 2023, as market conditions continued to remain challenging, the production remained suspended and ALUM:
- kept its CAPEX at a minimum level, but continued to perform maintenance works to ensure the equipment and installations are ready for restarting;
- continued the investment objectives on the environment line and compliance with ANRE recommendations and its compliance projects;
- continued the research activity in the installations within the project financed from European funds and within the projects carried out at the European level (Removal, Rescue and Reactiv);
- continued optimizing acquisitions of materials and inventory levels;

while main activity consisted of purchasing alumina from the market and selling it to ALRO to assure its production requirements. Also, in 2023, ALUM and the group to which it belongs, decided to dispose of its loss-making bauxite division, by selling its holding in Global Aluminium Ltd. (GAL group).

For the year ended 31 December 2023, the Company incurred a loss of RON 184,809 thousand, of which a significant part relates to impairment for plant, plant property and equipment amounting RON 69,466 thousand and losses recorded at disposal of bauxite division amounting RON 64,175 thousand (2022: loss of RON 123,500 thousand, mainly consisting of the impairment for bauxite division).

As a result, on 31 December 2023, the statutory net assets decreased below half of its share capital. According to the provisions of the Companies Law 31/1990, amended and supplemented by Law 441/2006 (Article 153.24), if the Company records net assets with a value less than 50% of the value of subscribed share capital, as it is the Company's situation, measures must be taken by the administrator and Company's shareholders in order to correct the situation.

6 SIGNIFICANT ACCOUNTING POLICIES (continued)

A. Accounting principles (continued)

Going concern (continued)

In terms of liquidity, in 2023 the Company repaid the majority of its loans in accordance with the schedules contracted, its remaining exposure towards banks at year end has been significantly reduced (by RON 3,001 thousand), and at as of 31 December 2023, its current assets exceed its current liabilities by RON 52,476 thousand. Its trading activity throughout the year has been supported through advances received from ALRO.

ALUM management is focused on identifying new sources of development and diversification of the activity aiming to increase the Company's revenues to overcome this challenging period.

The management has developed medium term forecasts and projections of cash-flows and liquidity needs considering the current and forecasted market conditions and reasonably possible changes in trading performance based on such conditions, as well as the climate change and decarbonisation actions impact on the operations. These forecasts considered a prudent scenario, under which production is resumed only in 2027, when the evolution of prices of energy and gas reaches sustainable long-term prices that will enable the Company to resume production at profitable levels, being fully aligned with its ALRO’s forecasts and projections.

The Company will maintain the production capacities in full operating capacity, to enable the production to be resumed in 1 month once the decision is taken. The 1-month period is required in order to build up and restore the hydrate concentration into the installations. The current state of production capacity provides the flexibility and ability to react and benefit from opportunities on the market.

The forecasts show a significant improvement of the Company results in future periods, which will return on profit once production is resumed. During this period the Company depends on its parent, ALRO, for operational and financial support, which issued a support letter dated March 19, 2024, stating its ability and intent to support ALUM for the foreseeable period.

Notwithstanding the challenges and uncertainties, the management expects that, based on the most recent forecasts, support from its shareholder and ability to adapt its cash-flows, when necessary, the Company will succeed in generating adequate cash flows to allow it to continue its operations, and has concluded that there are no material uncertainties that may cast significant doubt on their ability to continue as a going concern.

Consistency principle

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

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

Offsetting principle

The value of the items representing assets were not offset against the values of the items representing liability, i.e., revenues against expenses. Potential offsets between receivables and liabilities to the same entity performed in compliance with the legal provisions may only be recorded after entering in the books the related revenues and expenses.

6 SIGNIFICANT ACCOUNTING POLICIES (continued)

A. Accounting principles (continued)

Substance over form principle

The information disclosed in the non-consolidated financial statements reflect the economic substance of the events and transactions, not only their legal form.

Materiality principle

Any item that are material are disclosed separately in the financial statements.

Matching principle

In the preparation of these non-consolidated financial statements, all revenues and expenses for the financial year were taken into account, regardless of their date of collection or payment.

Principle of valuation of asset and liability items

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

B. Significant accounting policies

Treatment of accounting errors

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

Translation of foreign transactions

The Company's transactions expressed in a foreign currency are recorded as at the exchange rates

valid on the date of the transactions. The earnings and losses resulted from the settlement of the transactions in a foreign currency and from the translation of the monetary assets and liabilities in a foreign currency are recognized in the income statement. Such balances are translated in RON at the official exchange rate of the National Bank of Romania valid at the end of each month.

As at December 31, 2023, the official exchange rate used was USD 1 = RON 4,4958 and EUR 1 = RON 4,9746.

As at December 31, 2022, the official exchange rate used was USD 1 = RON 4,6346 and EUR 1 = RON 4,9474.

Property, plant and equipment

a. Cost

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

6 SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment (continued)

The constructions were subsequently revalued, based on revaluations carried out by qualified professionals. The revaluation difference is reflected in the revaluation reserve. The last revaluation of the constructions for financial reporting purposes was performed as at December 31, 2020 by an independent appraiser, a member of ANEVAR. The revaluation aimed to adjust the net book values of the elements included in this category to their fair value considering their physical state and market value. The revaluations of the constructions are done with sufficient regularity, so that the book value does not differ substantially from the one that would be determined using the fair value from the balance sheet date.

At December 31, 2023, based on the market evolution, the Company concluded that a new revaluation at the current balance sheet date is not required.

The maintenance and repairs to the fixed assets are charged to expenses as incurred.
Non-current assets in the form of inventory items, such as small tools, are charged to expenses when put into operation and are not included in the book value of the tangible assets.

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

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.

b. Depreciation

Depreciation is calculated at revalued cost on a straight-line basis, for all categories of fixed assets, Depreciation is calculated throughout the estimated useful life of the assets, as follows:

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

Land is not depreciated as it is assumed that it has an indefinite useful life.
The earnings and losses generated by the disposal of land and fixed assets are determined by comparison to their book value and are included in the determination of the operating profit.

Impairment of property, plant and equipment

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

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

6 SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible assets

Development expenses

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

Licenses and software

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

The expense with the purchased computer software is capitalised and amortised on a straight-line basis throughout their useful life, without exceeding a period of 5 years, Intangible assets are not revalued.
The book value of each intangible asset is verified annually and adjusted from the point of view of the permanent impairment, where necessary.

Inventories

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

Trade receivables

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

Other receivables

Receivables are recorded at a value estimated to be recovered.

Cash and cash equivalents

Cash and cash equivalents are disclosed in the non-consolidated balance sheet at cost. For the non-consolidated cash flow statement, cash and cash equivalents include petty cash, current accounts, demand deposits with banks and letters of credit.

Payables

Payables are recorded at nominal value.

Provisions

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

6 SIGNIFICANT ACCOUNTING POLICIES (continued)

Provision for decommissioning

Decommissioning costs include the dismantling and demolition of infrastructure and the removal of residual materials and remediation of disturbed areas. Decommissioning costs are provided at the present value of expected costs to settle the obligation using estimated cash flows and are recognised as part of the cost of the particular asset.

The cash flows are discounted at a current pre-tax rate that reflects the risks specific of 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.

Contributions for employees

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

Retirement and other post-retirement benefits

In the normal course of its business, the Company makes payments to several institutions of the Romanian state on account of the pensions of its employees. All the Company employees are members of the pensions plan of the Romanian State.

Starting with 01.04.2017, the Company pays a contribution to the voluntary pension fund for employees of the Company adhering to it, in amount of EUR 200/year, tax deductible, representing RON 75 per employee monthly. Starting with 01.04.2018 the monthly contribution increased to RON 100 per employee, and from 01.04.2019 the monthly contribution increased to RON 150 per employee.

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

Borrowings

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

Financial leases

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

6 SIGNIFICANT ACCOUNTING POLICIES (continued)

Grants

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

Grants related to income include all grants, other than those for assets. Grants are recognised, on a systematic basis, during the period in which the expenses corresponding to these grants were recognised.

Share capital

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

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

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

Retained earnings

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

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

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

The increases in the retained earnings representing the surplus realised from revaluation reserves were constituted by the transfer from the revaluation reserve of the amounts corresponding to the revalued assets as they were used by the company. The surplus realised from the revaluation reserves thus created is distributable, while the revaluation reserve is not distributable. The Company does not intend to distribute the surplus realised from revaluation reserves in the balance on December 31, 2023.

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

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

6 SIGNIFICANT ACCOUNTING POLICIES (continued)

Income

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

The Company uses CO2 certificates. The certificates are recognised in the financial statements based on the net exposure/emission method. According to this method, it is recognised as a liability the value of the certificates for the emission that exceeds the equivalent of the certificates granted according to GD 780/2006 issued by the National Environment Authority.

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

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

Income tax

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

Financial instruments

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

7 SHARE CAPITAL

The share capital is in amount of RON 488,412,908 representing 82,086,203 shares having a nominal value of RON 5.95 per share. The share capital subscribed and paid in as at December 31, 2023 is in amount of RON 488,412,908.

	Value
As at January 1, 2023	488,412,908
Increases	-
As at December 31, 2023	**488,412,908**

	2022		
	Number of shares	Nominal value	%
ALRO S.A.	81,595,860	485,495,367	99.4026
Individuals	472,054	2,808,721	0.5751
Legal entities	18,289	108,820	0.0223
Total	**82,086,203**	**488,412,908**	**100**

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

7 SHARE CAPITAL (continued)

	2023		
	Number of shares	Nominal value	%
ALRO S.A.	81,595,860	485,495,367	99.4026
Individuals	470,658	2,800,415	0.5734
Legal entities	19,685	117,126	0.0240
Total	**82,086,203**	**488,412,908**	**100**

8 INFORMATION REGARDING THE EMPLOYEES, ADMINISTRATORS AND DIRECTORS

	2022	2023
Average number of employees	638	251

Salaries expenses per categories of personnel in 2022 were:

	No. of employees	Salaries RON
Management	14	4,229,638
Administrative staff	136	12,958,406
Operatives	488	36,222,306
TOTAL	**638**	**53,410,350**

Salaries expenses categories of personnel in 2023 were:

	No. of employees	Salaries RON
Management	13	3,527,799
Administrative staff	92	9,332,087
Operatives	146	11,341,930
TOTAL	**251**	**24,201,816**

The suspension of production activity implied also the implementation of a staff layoff program, maintaining only a core of experienced employees, with which to act in case the market conditions will make it possible to resume production.

Thus, a total number of 55 employees were included in the restructuring process (of which 53 ceased activity by application of the collective redundancies procedure). The restructuring was carried out according to the provisions of the law and the Collective Labour Bargain concluded at company level. The compensatory salaries amounted to RON 1,907,220.

9 MAIN FINANCIAL RATIOS

Caption	**2022**	**2023**
Liquidity ratios		
Current ratio (current capital ratio)	1.67	1.49
Quick ratio (acid test)	0.34	0.22
Risk ratios		
Gearing	1.10	-
Interest cover ratio	(29. 22)	(56.55)

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

9 MAIN FINANCIAL RATIOS (continued)

Activity ratios (management ratios)		
Turnover of stocks	2.74	1.98
Days in stock	133.31	184.60
Turnover of receivables – days	14.82	6.04
Turnover of payables – days	36.31	46.55
Turnover of fixed assets	2.13	3.59
Turnover of total assets	1.08	1.19
Profitability ratios		
Return on capital employed	(0.40)	(1.78)
Earnings per share RON	(1.45)	(2.25)
Gross margin – %	3.31	(40.86)

The indicators presented above are not detailed in OMF no. 1802/2014

10 OTHER INFORMATION

10.1 Information regarding the presentation of the Company

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

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

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

The Company's shares are admitted for trading on the alternative transactional system AeRO within Bucharest Stock Exchange.In 2023, the price per share was as follows:

	RON
- minimum price	2.00
- maximum price	4.82
- average price	3.41

10.2 Turnover

	Year ended December 31, 2022	Year ended December 31, 2023
Revenues from sales of alumina	479,354,739	272,810,495
Revenues from sales of hydrate	18,682,034	6,651,471
Revenues from sales of scrap iron and waste	357,134	3,610,830
Revenues from sales of utilities	1,902,399	1,785,936
Revenues from sundry activities	1,475,164	1,686,485
Total	**501,771,469**	**286,545,218**

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

10 OTHER INFORMATION (continued)

10.2 Turnover (continued)

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

	Year ended December 31, 2022	Year ended December 31, 2023
Romania	464,635,708	276,406,105
European Union	14,334,828	2,972,780
Non-EU European countries	8,019,902	5,669,644
Other countries	14,781,032	1,496,690
Total	**501,771,469**	**286,545,218**

10.3 Other material expenses

	Year ended December 31, 2022	Year ended December 31, 2023
Packaging materials expenses	550,945	231,055
Work protection materials	219,762	86,300
Inventory items expenses	68,828	25,879
Total	**839,535**	**343,233**

10.4 External services

	Year ended December 31, 2022	Year ended December 31, 2023
Third parties repairs	3,553,256	510,101
Insurance	419,414	513,062
Transport	492,701	366,998
Audit	864,899	1,056,169
Security services	3,916,848	5,347,618
Other services	7,292,718	7,317,891
Total	**16,539,836**	**15,111,838**

10.5 Petty cash and bank accounts

	December 31, 2022	December 31, 2023
Bank accounts	2,764,516	589,411
Petty cash	4,059	3,913
Letters of credit	35,767,526	19,713,184
Total	**38,536,100**	**20,306,508**

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

10 OTHER INFORMATION (continued)

10.6 Inventories

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

	December 31, 2022	December 31, 2023
Raw materials, materials and goods	83,983,489	79,141,395
Work in progress	61,603,162	46,958,951
Materials in the form of inventory items	713,652	642,631
Semi finished products and finished goods	29,139,625	17,702,797
Packaging	196,683	240,150
Adjustments for the impairment of inventories	-	(6,986,485)
Advances for inventories	6,557,614	318,428
Total	**182,194,225**	**138,017,868**

The value of inventories pledged for securing the Company's borrowings amounts RON 137,699 thousand (31 December 2022: RON 175,637 thousand).

10.7 Indicators regarding the earnings per share

The basic earnings per share is calculated by dividing the net profit distributable to the shareholders by the weighted average number of ordinary shares in circulation during the year, less the shares redeemed by the Company during the year. There were no ordinary potentially diluted shares during the year.

	2022	2023
Net profit/(loss) for the year	(123,500,381)	(184,808,501)
Number of shares	82,086,203	82,086,203
Earnings per share, basic – RON	(1.50)	(2.25)
Average market price per share	2.40	3.41

10.8 Transactions and balances with affiliates

Affiliates are entities with direct or indirect common shareholders, directors or managers. A significant part of the Company transactions is conducted with related parties. The nature of the relations with the affiliates with which the Company conducted significant transactions or which have significant balances not settled as at the balance sheet date are detailed below.

The relations were established in the normal course of the Company’s activity.

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

10 OTHER INFORMATION (continued)

10.8 Transactions and balances with related parties (continued)

Affiliate	Affiliate type	Transaction type
Alro S.A.	Shareholder	Sales/purchases of goods/services
Sierra Minerals Holding Ltd.	Former subsidiary, deconsolidated starting with September 2023	Sales/purchases of goods/services
Vimetco Management Romania S.R.L.	Common shareholder	Purchases of goods and services
Vimetco Extrusion	Common shareholder	Sales/purchases of goods
Conef Gaz S.R.L.	Common shareholder	Purchases of goods
Centrul Rivergate	Common shareholder	Sales/purchases of goods/services
Rivergate Fire	Common shareholder	Sales/purchases of goods/services

The transactions and balances with affiliates are detailed below:

(i) Sales

	December 31, 2022	December 31, 2023
ALRO Slatina (goods, services)	456,902,244	267,053,441
CENTRUL RIVERGATE	38,287	38,413
SIERRA MINERALS HOLDING LTD.	90,360	197,579
VIMETCO EXTRUSION	1,228	-
Total	**457,032,119**	**267,289,433**

(ii) Purchases

	December 31, 2022	December 31, 2023
ALRO Slatina	49,804,632	6,451,173
CENTRUL RIVERGATE	3,997,878	5,369,396
VIMETCO MANAGEMENT ROMANIA	982,199	892,301
RIVERGATE FIRE	3,676,205	4,741,319
CONEF GAZ (natural gas)	164,414,213	-
SIERRA MINERALS HOLDING LTD. (bauxite)	23,130,619	-
Total	**246,005,747**	**17,454,189**

(iii) Receivables

	December 31, 2022	December 31, 2023
SIERRA MINERALS HOLDING LTD. – receivables, gross	6,197,965	-
CENTRUL RIVERGATE	3,806	3,829
VIMETCO POWER	3,153,001	3,153,001
ALRO Slatina	5,200,067	231,181
Total	**14,554,840**	**3,398,561**

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

10 OTHER INFORMATION (continued)

10.8 Transactions and balances with related parties (continued)

(iv) Payables

	December 31, 2022	December 31, 2023
ALRO Slatina	40,435,586	75,137,299
CENTRUL RIVERGATE	388,421	569,567
RIVERGATE FIRE	360,174	498,329
VIMETCO MANAGEMENT ROMANIA	113,432	100,793
Total	**41,297,612**	**76,305,988**

The remuneration of directors and other members of key management during 2023 was in amount of RON 2,775,627 (2022: RON 2,748,826).

10.9 Legal reserve

As at December 31, 2023, the legal reserve amounted to RON 20,389,951 (December 31, 2022: RON 20,389,951).

10.9 Information regarding the income tax

The Company records net income tax in accordance with the financial statements, in compliance with the laws in force regarding the income tax.

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

	Year ended December 31, 2022	Year ended December 31, 2023
Total income	587,433,838	287,567,250
Total expenses	(706,055,612)	(472,375,751)
Gross profit	**(118.621.774)**	**(184.808.501)**
Non-taxable income deductions	-	(11,944,338)
Elements similar to income	823,695	-
Non taxable income	(4,373,986)	(8,073,360)
Non deductible expenses	155,948,623	100,854,480
Loss previous years	-	(158,480,336)
Fiscal profit/(loss)	**33,776,558**	**(262,452,055)**
Income tax	**4,856,876**	**-**

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

10 OTHER INFORMATION (continued)

10.10 Information regarding the income tax (continued)

According to the Romanian Fiscal Code, which transposes the EU Directive no. 2016/1164, issued in 2016, the exceeding borrowing costs including interest, expenses for obtaining finance and leasing, capitalized interest and foreign exchange losses above a threshold of EUR 1,000,000 per annum are deductible only up to the level of 30% of calculated fiscal EBITDA. The Company incur borrowing costs related to loans obtained from banks for capital expenditure and development purposes. As these loans are expressed in foreign currency, due to the devaluation of RON against major currencies, these resulted in significant foreign exchange losses, which have limited deductibility for income tax purposes.

As at 31 December 2023 the Company has a balance of RON 4,214 thousand (2022: RON 8,073 thousand) of unused exceeding borrowing costs from prior years that can be carried forward indefinitely and up to 30% of yearly fiscal EBITDA be used as tax deductible expenses.

The analysis and change of the fiscal treatment of the adjustments for the depreciation of the Alum investment in Global Aluminum Ltd constituted in the previous years (respectively 2021 and 2022), as deductible elements, generated a correction of the current income tax in amount of RON 5,367 thousand in Company's financial statements for the year ended on December 31, 2023, recorded in the carried forward result based on the submitted rectification statement.

10.11 Guarantees and commitments

The Company has the following investment commitments as at December 31, 2023 for 2024:

Description	**th. USD**
Extending the surface of the red mud pond and securing the red mud storage in the S + SE area	61
Maintenance Capex	95
Endowments	6
Total	**162**

10.12 Contingencies

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

During the monitoring period of the project, certain result indicators must also be achieved, i.e., turnover (RON 605,225 thousand) and market share (1.26%). These indicators are reported annually, only to inform the Managing Authority, but their achievement / failure to achieve is verified with the appropriate consequences only at the end of the sustainability period, i.e. in 2024.

Based on the annual monitoring reports the above compliance criteria are met.

10 OTHER INFORMATION (continued)

10.12 Contingencies (continued)

Litigations

As at December 31, 2023, the Company was subject to a number of disputes in court resulted from the normal course of its business.

On 20.09.2019 we filed appeal at Tulcea Court against the Decision no. 64411/21.08.2019 issued by Ministry of European Funds - DGPEC, by which we asked for its cancellation as well as the financial corrections established in the Alum task in the amount of RON 631,300.
By Decision no. 1252/21.12.2020, the Court admitted Alum's request and ordered the annulment of Decisions and the Notes on irregularities and establishing financial corrections issued by the same defendant. An appeal was filed by the Ministry of European Funds - DGPEC, an action registered at the Constanta Court of Appeal in July 2021.The file was transferred starting from 01.01.2022 to the fiscal administrative litigation section. The court decided to suspend the trial due to the suspicion of the use of a false document in the process by the opposing party, further notifying the competent prosecutor's office to investigate these aspects.The judgement of the trial will be resumed later depending on what the prosecutor's office will order following the investigations it will carry out.

Following the fiscal inspection carried out by ANAF, DGFP Galați, through AJFP Constanța, having as objectives: the verification of the value added tax in the period 01.12.2014-31.12.2018 and the verification of the profit tax in the period 01.01.2014-31.12.2018, according to the approval of fiscal inspection no. F-CT 782/ 15.11.2019 and completed on 27.05.2021, an additional profit tax of 19,643,114 lei and VAT in the amount of 31,587 lei has been established. The amount of 19,674,701 lei was paid by Alum within the communicated legal term. The company filed appeal against the tax decision, and will use all the means provided by law to cancel it and recover the amounts paid according to the decision. Alum considers the tax decision to be unfounded and illegal. Subsequently, the Company filed a tax appeal to the National Agency for Fiscal Administration against the Fiscal Inspection Report. The appeal was rejected by the National Agency for Fiscal Administration. The Company continues to defent its position in Court and in December 2022 it was requested to carry out the judicial expertise in the specialty of accounting/taxation. It was performed a fiscal expertise by an independent expert appointed by the Court. In November 2023 the Court ruled in the Company's favor by ordering the restitution to Alum of an amount of about RON 18,213 thousand out of the total of about RON 19,675 thousand that was the subject of the tax act. The solution can be appealed by the National Agency for Fiscal Administration.

The management considers that based on the lawyers opinion these actions will not have a significant effect on the non-consolidated economic results and non-consolidated financial position of the Company.

As at December 31, 2023, the Company had in the balance the amount of RON 227,917 for doubtful or litigating receivables (other than affiliates), amount for which an impairment adjustment has been recorded (Note 5).

Taxation

The taxation system in Romania is undergoing continuous developments. Tax legislation is subject to various interpretations and constant changes, some of which may sometimes be retroactive. In some circumstances, tax authorities may treat some aspects in a different way by calculating additional taxes, interest and penalties, which can be significant.

10 OTHER INFORMATION (continued)

10.12 Contingencies (continued)

Taxation (continued)

In Romania, according to the Fiscal Procedure Code the period for which the fiscal year remains open for fiscal verification is 5 years (term that begins on July of the year following the year for which the fiscal obligation is due). For fiscal obligations before 25 December 2020, according to Government's derogatory regulations, following the Covid-19 pandemic, the fiscal year open for tax audit was changed to a period of 5 years and 253 days. The management considers that the tax liabilities included in these financial statements are adequate.

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

Until 31 December 2023 the tax losses in Romania could have been carried forward and used against future taxable profits for a period of maximum 7 years. Starting 1 January 2024, the utilization of fiscal losses carried forward from prior years, for the purpose of calculating the current fiscal year's result, is limited to a period of 5 years and only up to 70% of the taxable profits generated in the period. However, losses carried forward prior to 2024 are eligible for utilization at the same 70% rate against taxable profits, spread over a 7-year period.

Alum, being part of Vimetco Group, a multinational enterprize group is within the scope of the OECD Pillar Two model legislation, which was enacted in Romania, the jurisdiction in which Alro and subsidiaries are incorporated. Law no. 431/2023, published on 5 January 2024, transposes the provisions of Directive (EU) 2022/2523 to introduce into the Romanian legislation a complex system of rules for an effective minimum taxation of 15% for multinational enterprise groups and large-scale domestic groups with annual consolidated revenues of at least EUR 750 million in at least two of the four previous financial exercises.

The law applies in respect of financial years beginning on or after 31 December 2023, except for the UTPR, which applies in respect of financial years beginning on or after 31 December 2024.

Under the legislation, the group is liable to pay a top-up tax for the difference between their GloBE effective tax rate per jurisdiction and the 15% minimum rate. The group applies the exception to recognising and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes, as provided in the amendments to IAS 12 issued in May 2023.

The group is in the process of assessing its exposure to the Pillar Two legislation for when it comes into effect. From the preliminary analysis made, all entities within the group, which recorded profits in 2023 and 2022, have an effective tax rate that exceeds 15%, therefore the group might not be exposed to paying Pillar Two income taxes.

While the average effective tax rate currently exceeds 15%, it's important to note that the group might be exposed to paying Pillar Two income taxes in the future. This is due to the impact of specific adjustments envisaged in the Pillar Two legislation which give rise to different effective tax rates compared to those calculated in the table above. Due to the complexities in applying the legislation and calculating GloBE income, the quantitative impact of the enacted or substantively enacted legislation is not yet reasonably estimable. Consequently, even entities with an accounting effective tax rate above 15% may encounter Pillar Two tax implications.

10 OTHER INFORMATION (continued)

10.12 Contingencies (continued)

Taxation (continued)

From 2024, a minimum turnover tax (IMCA) will be applied to the profit tax. IMCA has a quota of 1% and applies, starting from 2024, to companies with a turnover of over 50 million EUR in the previous year. Specifically, IMCA is owed by firms that would normally owe less corporate tax than this minimum threshold or that would not owe corporate tax at all (because they have a tax loss).

Transfer price

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

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

Environment

In preparing the Separate Financial Statements, management has considered the impact of climate change, particularly in the context of the disclosures included in the Sustainability Report.
These considerations did not have a material impact on the financial reporting judgements and estimates, consistent with the assessment that climate change is not expected to have a significant impact on the Company’s going concern assessment as of December 31, 2023, nor the viability of the Company over the next five years.

The following specific points were considered:

Regulations regarding air pollution

The Company is impacted by the increased regulatory environment in the EU regarding air pollution. The Company, as a heavy industry participant, is affected by the cap and trade scheme for greenhouse gas emissions implemented at the level of EU, which is meant to reduce pollution within a certain time span.

On one side, the Company is allotted a certain number of emission rights per annum, in accordance with its production and deemed CO2 emissions. The accounting policies for emission rights can be found in the Accounting policies note. Any potential liability resulting from the necessity to buy emission certificates is taken into consideration in the Company's business plans and scenarios. With the prices of emission certificates being volatile, the impact from such liability on the Company's results cannot be ascertained. On the other side, the Company is indirectly impacted by the same greenhouse gas emission scheme in the sense that such costs of the electricity producers are included in the final electricity price that the Company has to pay. Due to the volatility of the certificates prices, the electricity rates might reach significantly high levels. That is why the Company monitors, anticipates and takes into consideration all the possible circumstances in order to balance its activities and reduce the quantitative impact of such liabilities, such as the recent decision to close production temporarily until the electricity and emission certificates prices return to an acceptable level, and to buy alumina from the market.

10 OTHER INFORMATION (continued)

10.12 Contingencies (continued)

Environment (continued)

Sustainable energy supply

The Alro Group has taken further steps to develop a plant of renewable energy production. In September 2023, a new company CCGT Power Isalnita SA was registered, with Complexul Energetic Oltenia holding an interest of 59.9% and Alro SA holding 40.1% of the shareholders equity. The new established company will build a 850 MW natural gas power plant which will replace two old coal-fired installations, each with the capacity of 315 MW. The plant will be prepared to consume a mix of gas/hydrogen when this is available. The total project value is estimated at EUR 506 million, out of which EUR 253 million will be financed by the Modernisation Fund, a new financing tool that contributes to the objectives of the European Green Deal by supporting a socially just transition to a green economy. This initiative may give rise to Research and development costs in future that might be capitalized on the Statement of Financial Positions, or expensed, in line with the accounting policies. The Alro Group achieves the legal target of renewable energy purchases.

10.13 Financial Auditor’s Fee

The fee for the financial audit of the annual financial statements for the year ended December 31, 2023 is in accordance with the audit service rendering agreement and is in amount of RON 146,000 (2022: RON 229,000).

10.14 Risk management

a. Foreign exchange (“FX”) risk

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

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

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

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

c. Credit risk

Credit risk is the risk that one of the parties of a financial instrument fails to meet the obligation assumed causing a financial loss to the other party. The Company is subject to a credit risk due to its trade receivables and other types of receivables. The Company has policies meant to ensure that the sales are made to clients with proper references regarding their creditworthiness.

The receivables are mainly related to Alro. The company is dependent operationally and financially on Alro.

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

10 OTHER INFORMATION (continued)

10.14 Risk management (continued)

The due date of the liabilities is carefully monitored and the amounts due after exceeding due date are promptly monitored. Trade receivables (clients) are presented net of the adjustments for doubtful receivables impairment (Note 5). The Company develops policies that limit the value of the credit exposure against any financial institution.

d. Liquidity risk

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

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

e. Fair value of the financial instruments

Fair value is the amount for which a financial instrument can be traded between willing and knowledgeable parties in an arm's length transaction. Specific recognition methods are presented in the individual policies corresponding to each element. The book values of the financial instruments as at the closing date of the balance sheet approximate their fair values, according to the mentions in the accounting policies of the Company and according to OMF no. 1802/2014 as revised.

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

10.15 Grants

	2022 th. RON	2023 th. RON
Balance as at 1 January	**4,577**	**4,198**
Increases during the year	-	-
Revenues recognized in income statement	379	189
Balance as at 31 December	**4,198**	**4,009**
Out of which:		
Short term	379	379
Long term	3,819	3,441

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

As at 31 December 2023 there are no contingent liabilities attached to these grants.

10.16 Subsequent events

There were no material subsequent events that could have a significant impact on these financial statements.

Report of the directors
and
their discharge from liabilities

- 2023 -

This is a free translation from the official Romanian version

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Report of the directors for 2023
and their discharge from liabilities

1.1 Company orientation

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

For this purpose the Company established the following main objectives, as general business conduct:

- Extending the lifetime of the red mud pond in compliance with the provisions of the environmental agreements to which ALUM is obligated to comply with;
- Ensuring raw materials and energy resources on long term basis;
- Active management of contractual and market risks (financial), taking into account the evolution of the domestic and international market;
- Continuous compliance with environmental rules;
- Achieving savings in fuel consumption/primary energy prince of high efficiency cogeneration processes;
- Increasing the safety in operation of static and dynamic equipments necessary to carry out the activity of ALUM's departments;

1.1.1. The main development directions of ALUM

ALUM 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.

In 2023, ALUM production units remained idle (no production of calcined alumina), while in 2022, before the production was suspended, it had produced 108,405 tonnes of alumina.

During 2023, Alum kept its CAPEX at a minimum level, but continued to perform maintenance work and its compliance projects, as follows:

- increasing the storage capacity of the red mud pond by elevating the dikes throughout the perimeter +51 mdm;
- purchasing land needed for extending the surface of the red mud pond and securing the red mud storage in the S + SE area;
- finalized consolidation works for the foundations of 4 precipitation vessels;
- finalized belt rehabilitation works for 2 precipitation vessels;
- finalized design works needed for the rehabilitation of transformer station's building;

In 2023, the Company and the group to which it belongs and the aluminum industry in general continued facing a multitude of challenges, as producers grappled with various difficulties throughout the year. One of the primary obstacles encountered by European aluminum producers was the persistent volatility in raw material prices, exacerbated by global geopolitical tensions and supply chain disruptions. The ongoing Russia-Ukraine conflict continued to impact the aluminum market, contributing to uncertainty and price fluctuations in key raw materials. This instability not only disrupted supply chains but also led to significant cost pressures, affecting the profitability and operational efficiency. Furthermore, the aluminum industry in the EU encountered challenges related to energy costs, with soaring electricity and gas prices further straining margins. As energy-intensive operations, aluminum smelters and refineries faced significant increases in production costs, posing a significant hurdle for producers in maintaining competitiveness in the global market.

In response to the above, already since 2022, ALUM and the group to which it belongs developed and implemented scenarios for operating at a minimum break-even point or reducing financial losses by suspending certain production activities and switching some production equipment to stand-by. Thus, ALRO has reduced the primary aluminium production by 60% by shutting down three electrolysis pot rooms and focussed on shifting more and more to high value products. ALUM has revised its manufacturing schedule according to the level of calcined alumina required for ALRO, subsequently suspending alumina production operations starting on 1st August 2022, while retaining its key specialists.

During 2023, as market conditions continued to remain challenging, the production remained suspended and ALUM:
- kept its CAPEX at a minimum level, but continued to perform maintenance works to ensure the equipment and installations are ready for restarting;
- continued the investment objectives on the environment line and compliance with ANRE recommendations and its compliance projects;
- continued the research activity in the installations within the project financed from European funds and within the projects carried out at the European level (Removal, Rescue and Reactiv);
- continued optimizing acquisitions of materials and inventory levels;

while main activity consisted of purchasing alumina from the market and selling it to ALRO to assure its production requirements. Also, in 2023, ALUM and the group to which it belongs, decided to dispose of its loss-making bauxite division, by selling its holding in Global Aluminium Ltd. (GAL group).

For the year ended 31 December 2023, the Company incurred a loss of RON 184,809 thousand, of which a significant part relates to impairment for plant, plant property and equipment amounting RON 69,466 thousand and losses recorded at disposal of bauxite division amounting RON 64,175 thousand (2022: loss of RON 123,500 thousand, mainly consisting of the impairment for bauxite division).

As a result, on 31 December 2023, the statutory net assets decreased below half of its share capital. According to the provisions of the Companies Law 31/1990, amended and supplemented by Law 441/2006 (Article 153.24), if the Company records net assets with a value less than 50% of the value of subscribed share capital, as it is the Company's situation, measures must be taken by the administrator and Company's shareholders in order to correct the situation.

Regarding the activity carried out by company ALUM in 2023, as a result of the impossibility in providing electricity and gas at prices that would make it sustainable and efficient to keep the entire production capacity of ALUM in operation (an aspect that became more acute, since 2022 when crises started), further drastic cost reduction measures were required, which mainly affected the workforce.

Thus, the company Alum was forced to maintain the measure of suspending the production activity and applying a new staff layoff program, maintaining only a core of experienced employees, with which it could act effectively in case of the restart of the activity. The situation has remained the same at December 31, 2023, with the company having suspended production activity and a number of 188 active employees.

In terms of liquidity, in 2023 the Company repaid the majority of its loans in accordance with the schedules contracted, its remaining exposure towards banks at year end has been significantly reduced (by RON 3,001 thousand), and at as of 31 December 2023, its current assets exceed its current liabilities by RON 52,476 thousand. Its trading activity throughout the year has been supported through advances received from ALRO.

ALUM management is focused on identifying new sources of development and diversification of the activity that will increase the company's revenues to overcome this challenging period.

The management has developed medium term forecasts and projections of cash-flows and liquidity needs considering the current and forecasted market conditions and reasonably possible changes in trading performance based on such conditions, as well as the climate change and decarbonisation actions impact on the operations. These forecasts considered a prudent scenario, under which production is resumed only in 2027, when the evolution of prices of energy and gas reaches sustainable long-term prices that will enable the Company to resume production at profitable levels, being fully aligned with its ALRO's forecasts and projections.

The Company will maintain the production capacities in full operating capacity, to enable the production to be resumed in 1 month once the decision is taken. The 1-month period is required in order to build up and restore the hydrate concentration into the installations. The current state of production capacity provides the flexibility and ability to react and benefit from opportunities on the market.

The forecasts show a significant improvement of the Company results in future periods, which will return on profit once production is resumed. During this period the Company depends on its parent, ALRO, for operational and financial support, which issued a support letter dated March 19, 2024, stating its ability and intent to support ALUM for the foreseeable period.

Notwithstanding the challenges and uncertainties, the management expects that, based on the most recent forecasts, support from its shareholder and ability to adapt its cash-flows, when necessary, the Company will succeed in generating adequate cash flows to allow it to continue its operations, and has concluded that there are no material uncertainties that may cast significant doubt on their ability to continue as a going concern.

In preparing the Separate Financial Statements, management has considered the impact of climate change. These considerations did not have a material impact on the financial reporting judgements and estimates, consistent with the assessment that climate change is not expected to have a significant impact on the Company's going concern assessment as of 31 December 2023, nor the viability of the Company over the next five years.

The following specific points were considered:

Regulations regarding air pollution

The Company is impacted by the increased regulatory environment in the EU regarding air pollution. The Company, as a heavy industry participant, is affected by the cap and trade scheme for greenhouse gas emissions implemented at the level of EU, which is meant to reduce pollution within a certain time span. On one side, the Company is allotted a certain number of emission rights per annum, in accordance with its production and deemed CO2 emissions. The accounting policies for emission rights can be found in the Material accounting policies note. Any potential liability resulting from the necessity to buy emission certificates is taken into consideration in the Company's business plans and scenarios. With the prices of emission certificates being volatile, the impact from such liability on the Company's results cannot be ascertained. On the other side, the Company is indirectly impacted by the same greenhouse gas emission scheme in the sense that such costs of the electricity producers are included in the final electricity price that the Company has to pay. Due to the volatility of the certificates prices, the electricity rates might reach significantly high levels.

That is why the Company monitors, anticipates and takes into consideration all the possible circumstances in order to balance its activities as an integrated Company and reduce the quantitative impact of such liabilities, such as the recent decision to close production temporarily until the electricity and emission certificates prices return to an acceptable level, and to buy alumina from the market at optimized cost in order to be profitable.

Sustainable energy supply

As main energy supplier for Alum, ALRO has taken further steps to develop a plant of renewable energy production. In September 2023, a new company CCGT Power Isalnita SA was registered, with Complexul Energetic Oltenia holding an interest of 59.9% and ALRO SA holding 40.1% of the shareholders equity. The new established company will build a 850 MW natural gas power plant which will replace two old coal-fired installations, each with the capacity of 315 MW. The plant will be prepared to consume a mix of gas/hydrogen when this is available. The total project value is estimated at EUR 506 million, out of which EUR 253 million will be financed by the Modernisation Fund, a new financing tool that contributes to the objectives of the European Green Deal by supporting a socially just transition to a green economy. This initiative may give rise to Research and development costs in future that might be capitalized on the Statement of Financial Positions, or expensed, in line with the accounting policies. The ALRO Group achieves the legal target of renewable energy purchases.

1.1.2. Branch offices of ALUM

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

1.2 Management and organizational culture

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

- **Performance**
  In Alum continues the implementation of an efficient performance management system based on establishing department goals, derived from Company's goals, quantifiable and agreed between the managers and their subordinates
- **Competence**
  Main performance competences will be identified in close relation with Company's strategic objectives, by means of real, financial, operational and behaviour indicators. The existing strong points that facilitate the implementation of this system consist in the good experience gathered in the field and in the human, financial and technical potential of the Company.
- **Rentability**, meaning the concern, on all decisional levels, for the increase of the profitability through measures that ensure the continuous improvement on technological, commercial at financial level
- **Ecological and social responsibility**, that presumes, among other things, the protection of the environment (compliance with the requirements from the Integrated Environmental Licence), the contribution to the local society development and for the general economic progress.

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

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

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

1.3 Corporate social responsibility

The concept of corporate social responsibility (CSR) refers to the involvement of the companies in solving some of the problems of the communities where it operates.
The advantages of implementing the social responsibility management system are:

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

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

- In order to maintain a close and continuous relationship with the local community in which ALUM operates, a series of internal procedures have been developed: for the development of the mechanism regarding the resolution of petitions (procedure for the resolution of petitions), the organization of hearings, as well as the procedure regarding the relationship with mass media. In this way, the Company shows its openness to listening and solving the problems of the community and/or other interested parties (citizens, employees, local authorities, collaborating companies, etc.). The society is involved in education, training and other activities of social utility.
- A procedure has also been developed regarding the granting of sponsorships that members of the local or national community can benefit from (educational units, students, talented students or students with special potential, hospital units, etc.). Sponsorships are carried out in compliance with the legislation in force.
- Questionnaires were developed and distributed regarding the way in which the Company is perceived within the community by the various interested parties with whom it comes into contact (public administration, financial-banking institutions, cultural and sports organizations, religious, educational, protection the environment, etc.). Following the feedback received from such entities, it resulted that Alum is actively involved in the life of the local community, having a determining influence.
- Considering ALUM's policy regarding staff consultation in the field of quality, environment, health, occupational safety and energy, according to procedures PS-09 "Communication, consultation, participation" and PO-134-04 "Evaluation of customer satisfaction and other ALUM stakeholders", an analysis of the degree of satisfaction of the employees was carried out in order to improve the activity, as well as the external recognition of the quality of the activities carried out. The result was satisfactory.

- Maintaining a continuous dialogue with the local community, ALUM representatives being actively involved as members of various organizations (Romanian Red Cross - Tulcea branch, County Commission for Equal Opportunities between Women and Men, Local Social Partnership Development Committee Tulcea, Advisory Council Tripartite constituted at the level of the Tulcea Territorial Labor Inspectorate, etc.), as well as voluntary activities in which employees of the company participate (charitable actions, blood donations, etc.).

Within ALUM, measures were taken to improve diversity in the Company. At the general level of the organization, in ALUM there are 37 employees with leadership position (of which 35.14% are women) and 151 employees without lidership position (of which 23.84% are women).
Particularly, the percentage of women in the company at the end of 2023 in different categories is:
- management (directors within the meaning of law 31/1990 of companies, republished) = 50% women;
- executive leadership (management) = 18.2% women;
- level 2 management (heads of various work departments) = 42.3% women;
- TESA staff without position = 52% women.

ALUM was involved in the relationship with the community and by providing material support to disadvantaged population categories.

Employees are encouraged to participate in various charitable activities, donations. Thus, at the initiative of ALUM employees, during the Easter and Christmas holidays, voluntary actions were carried out to collect material goods (clothes, sweets, books, toys, etc.) for children from disadvantaged families, as well as food for several families needy. Also, during the Easter and Christmas holidays, ALUM offered food and gifts to institutionalized children and elderly people.

Despite the current difficult situation facing the society, ALUM proves to be an active partner of the local community, getting involved in various social activities in the area, acting on several directions, through:

- Continuation of a sports-educational partnership for training the children of Alum employees in sports activities (swimming) while also supporting the organization and participation of children in sports competitions (swimming, triathlon).
- At the level of the Local Social Partnership Development Committee (CLDPS), ALUM has 2 representatives (one full member and one alternate). To support actions to support educational institutions and professional training at the local level, the company was actively involved in establishing and approving the annual activity plans in school and professional education (the previous school year, 2022-2023, as well as the school year 2023-2024);
- ALUM participated, through its representatives, as evaluators in the professional qualification certification exams of the vocational education graduates within the LTHC;
- ALUM is part of the County Commission for Equal Opportunities (COJES), having one member and one alternate. Through its members, ALUM participates in various meetings and information sessions which it later disseminates to employees;
- ALUM specialists participated in a locally organized seminar, which addressed the topic of the application of integrated solutions applicable to the digitization of HSE and HR activities. The event was organized with the support and participation of the General State Inspectorate - Labor Inspection and ITM Tulcea.
- ALUM participated in the training session with the theme "Prevention of disasters caused by human intervention" within the "CLEAN RIVER" project financed by the European Union through the Joint Operational Program Romania-Ukraine 2014-2020. The general objective of the project was the prevention and exclusion of emergency situations caused by man-made disasters in the collection systems in the border area of the Danube Delta (domain of increasing the capacity to respond to emergency situations).

ALUM also joined companies that provided humanitarian assistance by providing aid to refugees in Ukraine; thus, also until March 2023, ALUM hosted a group of refugees, providing them with accommodation in the rooms located within the Professional Development Center on the company's premises, also providing the necessary food. Alum continues to provide direct support to the needs of Ukrainian refugees, but also joins the efforts of the authorities and civil society to overcome this humanitarian crisis.

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

ALUM is part of ALRO Group and, although it does not have a legal requirement for preparing a Sustainability Report (i.e. a Non-Financial Report), for the year ending on December 31, 2023, this is met by the fact that the Parent-Company, ALRO decided to prepare a Consolidated Non-Financial Report, i.e. ALRO Group's Sustainability Report. This Report is available for the public to consult on ALUM's website.

1.4 Internal control

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

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

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

1.5 Financial risk management policies

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

Currency risk

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

In the context of the conflict between Russia and Ukraine, started on February 24, 2022, the EU, USA, UK and other countries imposed various sanctions against Russia, including financing restrictions on certain Russian banks and state-owned companies as well as personal sanctions against a number of individuals. Considering the geopolitical tensions, since February 2022, there has been an increase in financial markets volatility and exchange rate depreciation pressure.

Interest rate risk

The Company’s interest rate risk arises mainly from loans taken. Borrowings received at floating rates expose the Company to cash flow interest rate risk. The interest rates on the Company's existing credit facilities are based on the London Interbank Offered Rate ("LIBOR") and starting 1 July 2023 on the CME Term SOFR for USD borrowings. The Company borrowings are contracted at floating interest rates. The sensitivity analyses below have been determined based on the exposure to interest rates on US Dollars denominated borrowings at the balance sheet date and the stipulated change taking place at the beginning of the financial year and held constant throughout the next reporting period in the case of borrowings linked to floating rates.

If interest rates would be higher/lower by 1% and all other variables would be constant, the Entity’s result would increase/decrease by RON 30 thousand (2021: RON 362 thousand).

On 17 May 2018, ALUM concluded a loan in amounting to USD 20 million with Black Sea Trade and Development Bank and USD 5 million with Garanti Bank Romania S.A., respectively. The scope of these loan facilities was to finance mainly investments, and they were repaid in seven half-yearly instalments after a grace period of two years. The last loan installment was paid in May 2023 (31 December 2022: USD 3,571 thousand). In 2023, interest rates ranged from 7.54% to 8.70% (2022: 3.25% to 8.70%).

In February 2021, the Company signed a loan agreement with Garanti Bank Romania, for a limit of USD 3,000 thousand, to be used for working capital needs of the company both cash and non-cash. The loan was not extended and in July 2023, the Company reimbursed the drawn amount from the revolving facility of RON 13,264 thousand, i.e. the equivalent of USD 2,920 thousand. As of December 31, 2022, the balance of the loans was of RON 13,533 thousand, i.e. the equivalent of USD 2,920 thousand. The loan agreement was supplemented with a non-revolving facility in amount of USD 2,000 thousand in December 2021 to be used for financing working capital needs, and which has the maturity in December 2024. As of 31 December 2023, the balance of the loan was of USD 676 thousand (31 December 2022: USD 1,333 thousand).

According to the existing borrowing agreements, at 31 December 2023, the Company is no subject to certain restrictive covenants and at December 2022, the Company fell within the covenants in respect of its loans. These covenants required the Company, among other things, to maintain a minimum or maximum level for certain financial ratios, including: financial debt to EBITDA and current ratio.

Alum has a factoring facility for non-regressive factoring operations. The global factoring limit is in amount of 1,000,000 EUR, extended until 30.09.2024, of which as of December 31, 2023 the amount of 49,695 EUR was used. The factoring ceiling is of the “revolving” type, which is reconstituted as the covered receivables are collected.

Credit risk

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

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

Credit exposure is controlled by counterparty limits that are reviewed and approved by the Management. Ongoing credit evaluation is performed on the financial condition of accounts receivable and credit history of debtors and, where appropriate, credit risk insurance is required.

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

Liquidity risk

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

In terms of liquidity, in 2023 the Company repaid its liabilities and loans in accordance with the schedules as agreed in the contracts and it renegotiated revolving facilities that were due to manage liquidity risk. Other actions put in place to manage the liquidity of the Company and assuring a satisfactory level of cash in times of more uncertainty than usually were: limiting CAPEX to strictly necessary investments, optimizing acquisitions of materials and inventory levels.

1.6 Market

In 2023 Alum had a turnover in amount of RON 286,545 th. structured as follows:

✓ Revenues from sales of alumina	272,810	th RON
✓ Revenues from sales of hydrate	6,651	th RON
✓ Revenues from sales of scrap iron and wastes	3,611	th RON
✓ Revenues from sales of utilities	1,786	th RON
✓ Other revenues	1,686	th RON

While primarily supplying alumina to the Group, Alum also sells aluminum hydroxide and other specialty alumina products (including calcined alumina with different grain sizes, low soda alumina and alpha-alumina) to third party customers, 98% of the company's revenues consist of sales alumina and hydrate, most of them to one customer Alro (96%).

1.7 Competition

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

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

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

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

1.8 Shareholding structure and share capital

SHAREHOLDERS	Number of shares	Owned percentage (%)
ALRO SA SLATINA	81,595,860	99.4026
Other shareholders – natural persons	470,658	0.5734
Other shareholders – legal persons	19,685	0.0240
TOTAL	**82,086,203**	**100**

On 31.12.2023, the share capital is of 488,412,908 RON and the number of issued shares 82,086,203.

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

SYNTHETIC INDICATORS	Actual 2022	Budget 2023	Actual 2023	Difference as compared to Budget	%	Difference as compared to 2022	%
	RON	RON	RON	RON		RON	
TURNOVER	**501,771,469**	**319,216,914**	**286,545,218**	**(32,671,696)**	**90**	**(215,226,251)**	**57**
TOTAL OPERATING REVENUES	**559,796,508**	**299,474,612**	**272,377,194**	**(27,097,418)**	**91**	**(287,419,314)**	**49**
TOTAL OPERATING EXPENSES	**543,202,667**	**351,778,000**	**389,459,045**	**37,681,045**	**111**	**(153,743,622)**	**72**
of which: raw material and material expenses	139,714,295	3,928,816	2,473,870	(1,454,945)	63	(137,240,425)	2
- other expenses (inventory objects)	839,535	236,364	343,233	106,870	145	(496,302)	41
- energy, gas and water expenses	213,977,286	5,142,936	6,403,152	1,260,216	125	(207,574,134)	3
- staff expenses	58,575,322	25,697,113	26,748,235	1,051,122	104	(31,827,087)	46
- depreciation expenses	23,112,666	19,080,756	19,088,825	8,070	100	(4,023,841)	83
- third parties services	21,128,258	25,726,573	19,010,720	(6,715,852)	74	(2,117,538)	90
- merchandise expenses	75,933,045	271,845,445	249,429,372	(22,416,073)	92	173,496,327	328
- other expenses (penalties, disposal of fixed assets)	2,383,636	120,000	1,005,690	885,690	838	(1,377,946)	42
- value adjustments	7,538,624		64,955,947	64,955,947		57,417,323	862
Operating result	**16,593,841**	**(52,303,388)**	**(117,081,851)**	**(64,778,463)**	**224**	**(133,675,692)**	**(706)**
FINANCIAL REVENUES	27,637,329	-	15,190,056	15,190,056	**-**	(12,447,273)	55
FINANCIAL EXPENSES	162,852,945	3,718,615	82,916,706	79,198,091	2,230	(79,936,239)	51
Financial result	**(135,215,616)**	(3,718,615)	(67,726,650)	(64,008,035)	1,821	67,488,966	50
TOTAL REVENUES	587,433,838	299,474,612	287,567,250	(11,907,362)	96	(299,866,588)	49
TOTAL EXPENSES	706,055,612	355,496,615	472,375,751	116,879,136	133	(233,679,861)	67
GROSS PROFIT	**(118,621,774)**	**(56,022,003)**	**(184,808,501)**	**(128,786,498)**	**330**	**(66,186,727)**	**156**
PROFIT TAX	4,856,876	-	**-**	-		(4,856,876)	
SPECIFIC TAX	21,731	-	**-**	-		(21,731)	
NET PROFIT	**(123,500,381)**	**(56,022,003)**	**(184,808,501)**	**(128,786,498)**	**330**	**(61,308,120)**	**150**

The turnover was below the budgeted value mainly due to the lower quantities sold than the forcasted ones, the main variations being as follows:

		Value:	
turnover	**-**	**32,672**	**th RON**
The difference from forecasts was mainly determined by:			
- alumina sales	-	30,318	th RON
- hydrate sales	-	4,539	th RON
- revenues from scrap sales	+	3,523	th RON
- revenues from utilities sales	+	165	th RON
- other revenues	-	1,503	th RON
other operating revenues			
- revenues from CO2 certificates sales	+	8,997	th RON
- revenues from fixed assets	+	7	th RON
- revenues from stored production	-	2,479	th RON
- other operating revenues	-	951	th RON

In 2023 the category Other operating revenues includes an amount of RON 379 thousand representing government grants from EU funds received by the Company for purchasing of equipments for research and development activities. The grants are recognized as income linearly during the useful life of the equipments for which they were received.

In 2023, the Company sold CO2 emission certificates of RON 8,997 thousand and included them under the Income from sale of unused CO2 emission certificates, benefiting from the increase in the price of CO2 emission certificates. The Company was in the position to have a surplus of emission certificates.

Operational expenses have been higher than the budget by RON 37,681 thousand, the main variations being as follows:

			Value:
- raw materials and materials expenses	-	1,455	th RON
- raw materials expenses	+	391	th RON
- other material expenses (fuel, spare parts, auxiliary materials)	-	1,846	th RON
- energy and water expenses	+	1,206	th RON
- natural gas expenses	+	54	th RON
- merchandises expenses	-	22,416	th RON
- staff expenses	+	1,051	th RON
- value adjustments (provisions)	+	64,956	th RON
- depreciation expenses	+	8	th RON
- other expenses (penalties, ceased assets, other operating expenses)	+	993	th RON
- third parties services (commissions, insurrances, transport, processing, advertising, import – export services, etc,)	-	6,716	th RON

As a result of the impairment review carried out by Alum, it was determined that the recoverable value of property, plant and equipment was materially different from it carrying value, therefore an impairment in amount of RON 69,466 thousand was recognized as at 31 December 2023. The impairment test was based on a valuation report made by an independent appraiser.

As at December 31, 2023 the stocks of finished goods and work in progress were recognized at their net realisable value by recording an impairment in amount of RON 6,987 thousand.

The amount of RON 11,847 thousand representing a provision recognized by the Company for CO2 certificates needed to be acquired for the year 2022 in accordance with the legal requirements, was reversed in 2023.

The CO2 emission certificates resulting from the Greenhouse Gas Emission Monitoring Report for 2023 will be handed over to the authorities from the surplus of emission certificates available to the Company on December 31, 2023.

Thus, on December 31, 2023, there is no need to record a provision for CO2 certificates.

The financial revenues were excedeed by 15,190 th RON, being due to :

- ✓ revenues from exchange rate differences (unbudgeted) + 11,811 th RON
- ✓ revenues from interests + 198 th RON
- ✓ revenues from sale of investment in subsidiaries + 3,181 th RON

The financial expenses were exceded by 79,198 th RON and factorially, they were due to:

- ✓ expenses with exchange rate differences (unbudgeted) + 12,332 th RON
- ✓ expenses with sale of investment in subsidiaries + 67,356 th RON
- ✓ expenses with interests - 490 th RON

On 31 May 2023, Alum publicly announced the convening of the Extraordinary General Meeting for the approval of the sale, as sole shareholder, of 100% of the share capital of Global Aluminum Ltd. (GAL group). On 10 July 2023 in the Extraordinary General Meeting of Shareholders of Alum SA, approved the sale of GAL for a cash consideration of USD 2,000 thousand, less an amount equal to the Intercompany Debt Amount, which at that date was of USD 1,300 thousand. The disposal of Global Aluminum Ltd. was completed on 1 September 2023 and the consideration received for the net assets disposed amounted RON 3,181 thousand (USD 700 thousand equivalent).

Concluding, at the end of 2023 ALUM registered a loss of 184,809 th RON compared to the budgeted loss of 56,022 th ron.

❖ Fiscally non-deductible expenses

The fiscally non-deductible expenses amount to 100.85 million RON of which the most important are the following:
- expenses with fiscally non-deductible value adjustments in the amount of 76.58 million RON out of which:
  - RON 69.47 million depreciation of tangible assets;
  - RON 6.99 million depreciation of current assets;
- depreciation expenses for fixed assets in technological conservation in amount of 17.46 million RON;
- other fiscally non-deductible expenses (compensations, amortization of fixed assets written off, interest for the value adjustment for the estimated expenses to close the red mud lake, fines, penalties, fuel) in the amount of 2.43 million RON;
- non-deductible interest expenses in the amount of RON 4.21 million;

❖ Investments

ALUM has forecasted and approved for 2023 an investment program in amount of 1,050 th. USD.

The status for the 2023 investment achievements is as follows:

No.	Investment project	Budget (th. USD)	CAAN (th. USD)	Achieved (th. USD)	Differences (th. USD)
1	Increasing the storage capacity of the red mud pond by elevating the dikes throughout the perimeter +51mdm	50	0	0	(50)
2	Extending the surface of the red mud pond and securing the red mud storage in the S + SE area	200	0	2	(198)
3	Energy efficiency of Alum S.A. by installing a photovoltaic park within Alum S.A.	160	0	0	(160)
4	Maintenance Capex	490	20	388	(122)
5	PPE	50	0	0	(50)
6	Endowments	100	0	8	(92)
	TOTAL	**1,050**	**20**	**398**	**(672)**

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

During the monitoring period of the project, certain result indicators must also be achieved, i.e., turnover (RON 605,225 thousand) and market share (1.26%). These indicators are reported annually, only to inform the Managing Authority, but their achievement / failure to achieve is verified with the appropriate consequences only at the end of the sustainability period, i.e. in 2024.

Based on the annual monitoring reports the above compliance criteria are met.

As at 31 December 2023 there are no contingent liabilities attached to this contract.

❖ Litigations status

On 31.12.2023 ALUM is involved in some litigations as a result of its normal activity.

On 20.09.2019 we filed appeal at Tulcea Court against the Decision no. 64411/21.08.2019 issued by Ministry of European Funds - DGPEC, by which we asked for its cancellation as well as the financial corrections established in the ALUM task in the amount of RON 631,300.
By Decision no. 1252/21.12.2020, the Court admitted Alum's request and ordered the annulment of Decisions and the Notes on irregularities and establishing financial corrections issued by the same defendant. An appeal was filed by the Ministry of European Funds - DGPEC, an action registered at the Constanta Court of Appeal in July 2021.The file was transferred starting from 01.01.2022 to the fiscal administrative litigation section.

The court decided to suspend the trial due to the suspicion of the use of a false document in the process by the opposing party, further notifying the competent prosecutor's office to investigate these aspects.The judgment of the trial is to be resumed later depending on what the prosecutor's office will order following the investigations it will carry out.
Following the fiscal inspection carried out by ANAF, DGFP Galați, through AJFP Constanța, having as objectives: the verification of the value added tax in the period 01.12.2014-31.12.2018 and the verification of the profit tax in the period 01.01.2014-31.12.2018, according to the approval of fiscal inspection no.F-CT 782/ 15.11.2019 and completed on 27.05.2021, an additional profit tax of 19,643,114 RON and VAT in the amount of 31,587 RON has been established. The amount of 19,674,701 RON was paid by Alum within the communicated legal term. Subsequently, the Company filed a tax appeal to the National Agency for Fiscal Administration against the Fiscal Inspection Report. The appeal was rejected by the National Agency for Fiscal Administration. On 08.03.2022, Alum filed an appeal in court against decision no. 264/10.09.2021 and in december 2022 it was requested to carry out the judicial expertise in the specialty of accounting/taxation. It was performed a fiscal expertise by an independent expert appointed by the Court. In November 2023 the Court ruled in our favor by ordering the restitution to Alum of an amount of about RON 18,213 thousand out of the total of about RON 19,675 thousand that was the subject of the tax act. The solution can be appealed by the National Agency for Fiscal Administration.

On the basis of the legal consulting provided by the Company's lawyers, the management considers that those litigations won't have negative effects on the results or on the financial postion of the Company.
On December 31, 2023 the Company had in its balance the amount of RON 227,917 for uncertain clients or under litigation, amount for which value adjustment is registered.

2.2 Economic indicators chart

Caption	**2022**	**2023**
Liquidity ratios		
Current liquidity ratio (current capital ratio)	1.67	1.49
Quick liquidity ratio (acid test)	0.34	0.22
Risk ratios		
Gearing	1.10	1.10
Interest cover ratio	(29.22)	(56.55)
Activity ratios (management ratios)		
Turnover of inventories	2.74	1.98
Days in store	133.31	184.60
Turnover of trade receivables – days	14.82	6.04
Turnover of trade payables – days	36.31	46.55
Turnover of fixed assets	2.13	3.59
Turnover of total assets	1.08	1.19
Profitability ratios		
Profitability of capital employed	(0.40)	(1.78)
Gross margin from sales – %	3.31	(40.86)
Result per share RON	(1.45)	(2.25)

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

- the inventory turnover decreased as compared to the previous year due to the decrease of cost of sales and decrease of stocks.
- as regards the receivables recovery period, respectively the period for reimbursing the debts, ALUM collects its receivables at 6 days and pays its commercial debts at 47 days.
- regarding the fixed assets turnover, it increased due to the decrease of turnover more than the decrease of the fixed assets.
- the turnover of the total assets increased due to the decrease of the turnover and the decrease of total assets.

2.3 Profit and loss account

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

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

2.4 Discharging from liabilities of the Board of Directors for 2023

For the period 01.01.2023 – 31.12.2023 based on the Decision no. 49/08.04.2022 of the Extraordinary General Shareholders Meeting and OGSM Decision no. 53 dated August 17, 2023, the Board of Directors consisted of:

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

We propose the discharge from liabilities of the Board of Directors of ALUM SA Tulcea for 2023.

CHAIRMAN OF THE BOARD OF DIRECTORS
PhD Eng Gheorghe Dobra

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RAPORTUL AUDITORULUI INDEPENDENT
INDEPENDENT AUDITOR'S REPORT

Catre actionarii Alum SA
To the Shareholders of Alum SA

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

Opinia
Opinion

Am auditat situatiile financiare individuale ale societatii ALUM SA („Societatea") cu sediul social in Tulcea, strada Isaccei nr. 82, identificata prin codul unic de inregistrare fiscala 2360405, care cuprind situatia individuala a pozitiei financiare la data de 31 decembrie 2023, situatia individuala a rezultatului global, situatia individuala a modificarilor capitalului propriu si situatia individuala a fluxurilor de trezorerie pentru exercitiul financiar incheiat la aceasta data si note la situatiile financiare individuale, inclusiv un sumar al politicilor contabile materiale.
We have audited the separate financial statements of ALUM SA (the "Company") with official head office in Tulcea, Isaccei Str. nr. 82, identified by sole fiscal registration number 2360405, which comprise the separate statement of financial position as at December 31, 2023, and the separate statement of comprehensive income, statement of changes in shareholders' equity and separate cash flow statement for the year then ended and notes to the separate financial statements, including a summary of material accounting policies.

In opinia noastra, situatiile financiare individuale anexate ofera o imagine fidela si justa a pozitiei financiare a Societatii la data de 31 decembrie 2023, ca si a performantei financiare si a fluxurilor de trezorerie ale acesteia pentru exercitiul financiar incheiat la aceasta data, in conformitate cu Standardele Internationale de Raportare Financiara asa cum au fost adoptate de Uniunea Europeana, si cu politicile contabile descrise in notele la situatiile financiare individuale.
In our opinion, the accompanying separate financial statements give a true and fair view of the financial position of the Company as at December 31, 2023, and of its financial performance and its cash flows for the year then ended in accordance with the International Standards of Financial Reporting as adopted by the European Union and the accounting policies described in the notes to the separate financial statements.

Bazele opiniei
Basis for opinion

Noi am efectuat auditul conform Standardelor Internationale de Audit (ISA). Responsabilitatile noastre conform acestor standarde sunt descrise mai detaliat in sectiunea „Responsabilitatile auditorului pentru auditul situatiilor financiare individuale" din raportul nostru. Suntem independenti fata de Societate conform Codului International de etica al profesionistilor contabili (inclusiv standardele internationale de independenta) emis de Consiliul pentru Standarde Internationale de Etica pentru Contabili (codul IESBA) si conform cerintelor etice care sunt relevante pentru auditul situatiilor financiare in Romania si ne-am indeplinit responsabilitatile etice conform acestor cerinte si conform Codului IESBA. Consideram ca probele de audit pe care le-am obtinut sunt suficiente si adecvate pentru a constitui baza pentru opinia noastra.

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the 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 financial statements in Romania, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Aspecte cheie de audit
Key audit matters

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

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

Am indeplinit responsabilitatile descrise in sectiunea „Responsabilitatile auditorului pentru auditul situatiilor financiare individuale" din raportul nostru, inclusiv in legatura cu aceste aspecte cheie. In consecinta, auditul nostru a inclus efectuarea procedurilor proiectate sa raspunda la evaluarea noastra cu privire la riscul de erori semnificative in cadrul situatiilor financiare individuale. Rezultatele procedurilor noastre de audit, inclusiv ale procedurilor efectuate pentru a aborda aspectele de mai jos, constituie baza pentru opinia noastra de audit asupra situatiilor financiare individuale anexate.
We have fulfilled the responsibilities described in the "Auditor's responsibilities for the audit of the 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 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 separate financial statements.

Descrierea fiecarui aspect cheie de audit si a procedurilor efectuate de noi pentru a aborda respectivul aspect

Description of each key audit matter and our procedures performed to address the matter

Aspect cheie de audit	Modul in care auditul nostru a abordat aspectul-cheie de audit
Testarea pentru depreciere a imobilizarilor corporale in situatiile financiare individuale Informatiile prezentate de Alum cu privire la imobilizarile corporale, sunt incluse in nota 5.	
Imobilizarile corporale ale Alum au o importanta semnificativa pentru auditul nostru, avand in vedere marimea pozitiei bilantiere la 31 decembrie 2023 (73 milioane RON in bilant). Conform Standardelor Internationale de Raportare Financiara, o entitate este obligata sa evalueze, cel putin la fiecare data de raportare, daca exista indicatori de depreciere si, daca exista, este necesar un test de depreciere. La 31 decembrie 2023, din cauza prezentei indicatorilor de depreciere interni si externi, cum ar fi cresterea preturilor si disponibilitatea limitata a utilitatilor si a altor materii prime, cu un impact negativ asupra costurilor de productie, ceea ce a condus la suspendarea temporara a productiei de alumina la Alum, a fost efectuat un test de depreciere al imobilizarilor corporale ale unitatii generatoare de numerar Alum, pe baza caruia s-a stabilit ca valoarea recuperabila a imobilizarilor corporale ale unitatii generatoare de numerar ("UGN") a scazut sub valoarea contabila neta, prin urmare a fost recunoscuta o ajustare cu deprecierea imobilizarilor corporale. Evaluarea recuperabilitatii valorii contabile a imobilizarilor corporale necesita din partea conducerii sa aplice rationamente si estimari semnificative in determinarea principalelor ipoteze utilizate in testul de depreciere, cum ar fi rata de actualizare, rata de crestere si marja EBITDA. Avand in vedere incertitudinea in previzionarea si actualizarea fluxurilor de numerar viitoare, nivelul rationamentelor implicate si importanta imobilizarilor corporale ale Societatii la 31 decembrie 2023, aceasta arie a auditului reprezinta un aspect-cheie de audit.	Procedurile noastre de audit au inclus, printre altele: a) am analizat si am evaluat analiza efectuata de conducere in ceea ce priveste existenta indicatorilor de depreciere; b) am implicat specialistii nostri evaluatori interni pentru a ne asista la: ➢ evaluarea ipotezelor-cheie si a metodologiilor aplicate de Societate pentru testarea de depreciere a imobilizarilor corporale (de ex. verificarea corectitudinii matematice a modelului si conformitatea acestuia cu cerintele Standardelor Internationale de Raportare Financiara, ratele de actualizare folosite pentru actualizarea fluxurilor de numerar viitoare pentru societate, verificarea ipotezelor macroeconomice). ➢ evaluarea competentei, capacitatilor si obiectivitatii evaluatorului extern implicat; c) am comparat ipotezele folosite in dezvoltarea modelelor de fluxuri de numerar viitoare cu bugetele aprobate si planurile de afaceri aprobate ce au avut in vedere impactul preturilor mari actuale ale energiei asupra fluxurilor de numerar viitoare; d) am evaluat analiza de senzitivitate a valorii recuperabile ale UGN-ului la modificarile ipotezelor semnificative facute de conducere (cum ar fi rata de actualizare, rata de crestere si marja EBITDA) precum si coerenta celorlalte ipoteze incluse in testul de depreciere (cum ar fi preturi de vanzare viitoare, volumele produse/vandute in raport cu capacitatea existenta, costul materialelor si utilitatilor) cu mediul economic general si specific, informatii relevante despre piata si planurile de afaceri ale Societatii.

	e) am evaluat acuratetea istorica a bugetelor si prognozelor conducerii prin compararea acestora cu performanta efectiva. f) de asemenea, am evaluat caracterul adecvat al informatiilor prezentate de Societate cu privire la testarea pentru depreciere a imobilizarilor corporale.
Key audit matter	***How our audit addressed the key audit matter***
Impairment testing of property, plant and equipment in the separate financial statements *Alum's disclosure about property, plant and equipment, including the related impairment, are included in Note 5*	
The property, plant and equipment of the Company are significant to our audit because of the magnitude of the balance sheet position as of 31 December 2023 (of RON 73 million in the statement of financial position). *Under International Standards of Financial Reporting, an entity is required to assess, at least at each reporting date, whether impairment indicators exist and, if they exist, an impairment test is required.* *At 31 December 2023 due to the presence of internal and external indications of impairment, such as increasing prices and scarce availability of energy products and other raw materials with a negative impact on the production costs which led to temporary suspension of the alumina production at Alum, an impairment test of the property, plant and equipment of the cash generating unit ("CGU") Alum was carried out, based on which it was determined that the recoverable value of property, plant and equipment of the cash generating unit has decreases below its carrying value, therefore an impairment charge for the property, plant and equipment has been recognized.* *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 the Company in 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, checked macroeconomic assumptions).* ➢ *in evaluation of the competence, capabilities and objectivity of external valuator which prepared the impairment test;* *c) we compared the assumptions used within the future cash flow models to the approved budgets and business plans which considered also the impact of the current high energy prices on future cash flows;* *d) we evaluated the sensitivity analysis of the recoverable amounts to changes in the significant assumptions made by management (such as discount rate, growth rate and EBITDA margin) as well as the consistency of other assumptions made in the impairment test (such as expected sales prices, production/sales volumes versus capacity, material and utilities cost) with the general and industry-specific economic environment, relevant available market information and the business plans of the Company;*

Due to the uncertainty of forecasting and discounting future cash flows, the level of judgements involved and the significance of the Company's property plant and equipment as at 31 December 2023, this audit area is considered a key audit matter.	*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 Company's disclosures about Impairment testing of property, plant and equipment.*

Alte informatii
Other information

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

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

In legatura cu auditul efectuat de noi asupra situatiilor financiare individuale, responsabilitatea noastra este de a citi aceste alte informatii si, facand acest lucru, de a analiza daca acestea nu sunt in concordanta, in mod semnificativ, cu situatiile financiare individuale sau cunostintele pe care le-am obtinut in urma auditului sau daca acestea par sa includa erori semnificative. Daca, in baza activitatii desfasurate, ajungem la concluzia ca exista erori semnificative cu privire la aceste alte informatii, noi trebuie sa raportam acest lucru. Nu avem nimic de raportat in acest sens.
In connection with our audit of the 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 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, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

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

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

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

Obiectivele noastre constau in obtinerea unei asigurari rezonabile privind masura in care situatiile financiare individuale, luate in ansamblu, nu contin denaturari semnificative cauzate de eroare sau frauda si de a emite un raport de audit care sa includa opinia noastra. Asigurarea rezonabila reprezinta un nivel ridicat de asigurare, insa nu este o garantie ca un audit desfasurat in conformitate cu standardele ISA va detecta intotdeauna o denaturare semnificativa, daca aceasta exista. Denaturarile pot fi cauzate fie de frauda fie de eroare si sunt considerate semnificative daca se poate preconiza, in mod rezonabil, ca acestea, atat la nivel individual sau luate in ansamblu, vor influenta deciziile economice ale utilizatorilor luate in baza acestor situatii financiare individuale.
Our objectives are to obtain reasonable assurance about whether the 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 separate financial statements.

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

- Identificam si evaluam riscurile de denaturare semnificativa a situatiilor financiare individuale, cauzate fie de frauda fie de eroare, stabilim si efectuam proceduri de audit care sa raspunda acestor riscuri si obtinem probe de audit suficiente si adecvate pentru a constitui o baza pentru opinia noastra. Riscul de nedetectare a unei denaturari semnificative cauzate de frauda este mai ridicat decat cel de nedetectare a unei denaturari semnificative cauzate de eroare, deoarece frauda poate include complicitate, falsuri, omisiuni intentionate, declaratii false sau evitarea controlului intern.
- *Identify and assess the risks of material misstatement of the 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.*

- Intelegem controlul intern relevant pentru audit pentru a stabili procedurile de audit adecvate in circumstantele date, dar nu si in scopul exprimarii unei opinii asupra eficacitatii controlului intern al Societatii.
- *Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.*

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

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

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

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

De asemenea, prezentam persoanelor responsabile cu guvernanta o declaratie cu privire la conformitatea noastra cu cerintele etice privind independenta si le comunicam toate relatiile si alte aspecte care pot fi considerate, in mod rezonabil, ca ar putea sa ne afecteze independenta si, unde este cazul, actiunile întreprinse pentru eliminarea amenintarilor cu privire la independenta sau masurile de protectie aplicate pentru a reduce acele amenintari.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

Dintre aspectele pe care le comunicam persoanelor responsabile cu guvernanta, stabilim acele aspecte care au avut cea mai mare importanta in cadrul auditului asupra situatiilor financiare individuale din perioada curenta si, prin urmare, reprezinta aspecte cheie de audit.
From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the separate financial statements of the current period and are therefore the key audit matters.

Descriem aceste aspecte in raportul nostru de audit, cu exceptia cazului in care legislatia sau reglementarile impiedica prezentarea publica a aspectului respectiv sau a cazului in care, in circumstante extrem de rare, determinam ca un aspect nu ar trebui comunicat in raportul nostru deoarece se preconizeaza in mod rezonabil ca efectele negative ale acestei comunicari depasesc beneficiile interesului public al comunicarii respectivului aspect.
We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

In numele,
On behalf of,

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

EY
Ernst & Young Assurance Services S.R.L.
22. MAR. 2024
Signed for identification
Semnat pentru identificare

Inregistrat in Registrul Public electronic cu nr. FA77
Registered in the electronic Public Register under No. FA 77

Nume Auditor / Partener: Verona Cojocaru
Name of the Auditor / Partner: Verona Cojocaru

Bucuresti, Romania
Bucharest, Romania

Inregistrat in Registrul Public electronic cu nr. AF1568
Registered in the electronic Public Register under No. AF1568

22 martie 2024
22 March 2024

ALUM S.A.
SEPARATE FINANCIAL STATEMENTS

FOR THE YEAR ENDED
DECEMBER 31, 2023

PREPARED IN ACCORDANCE WITH
INTERNATIONAL FINANCIAL
REPORTING STANDARDS AS ADOPTED BY
THE EUROPEAN UNION

This is a free translation from the official Romanian version

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ALUM S.A.
SEPARATE STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2023
All amounts are in RON thousand, unless otherwise stated

	Note	December 31, 2023	December 31, 2022
ASSETS			
Non-current assets			
Property, plant and equipment	**5**	73,010	169,349
Intangible assets	**6**	18	34
Investments in subsidiaries	**7**	-	67,356
Deferred tax asset	**8**	4,741	5,648
Right-of-use assets	**9**	520	353
Other non-current financial assets	**10**	1,561	910
Total non-current assets		**79,850**	**243,650**
Current assets			
Inventories	**11**	137,698	175,639
Trade receivables, net	**12**	1,072	5,985
Other current financial assets	**13**	172	169
Other current non-financial assets	**14**	579	6,772
Restricted cash	**15**	19,774	35,815
Cash and cash equivalents	**16**	533	2,721
Total current assets		**159,828**	**227,101**
Total assets		**239,678**	**470,751**
SHAREHOLDER’S EQUITY AND LIABILITIES			
Shareholder’s equity			
Issued capital	**18**	488,413	488,413
Reserves	**17**	38,569	41,003
Retained earnings		(238,381)	(118,562)
Result for the period		(188,521)	(122,154)
Total equity		**100,080**	**288,700**
Non-current liabilities			
Bank and other loans	**19**	-	3,063
Leases	**19**	355	239
Retirement benefit obligation	**20**	1,981	1,940
Provisions	**21**	24,440	23,919
Grants	**22**	3,441	3,819
Other non-current financial liabilities		220	459
Total non-current liabilities		**30,437**	**33,439**

All amounts are in RON thousand, unless otherwise stated

	Note	December 31, 2023	December 31, 2022
Current liabilities			
Trade and other payables	**23**	25,665	49,099
Contract liabilities	**25**	74,327	39,496
Bank and other loans	**19**	2,987	33,249
Leases	**19**	172	118
Provisions	**21**	-	11,847
Grants	**22**	379	379
Income tax payable	**8**	-	3,572
Other current liabilities	**24**	5,631	10,852
Total current liabilities		**109,161**	**148,612**
Total liabilities		**139,598**	**182,051**
Total shareholder's equity and liabilities		**239,678**	**470,751**

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

These separate financial statements were authorised for issue by the management on March 22, 2024.

Gheorghe Dobra
General Director

Mihaela Duralia
Financial Director

ALUM S.A.
SEPARATE STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2023
All amounts are in RON thousand, unless otherwise stated

	Note	Year ended December 31, 2023	Year ended December 31, 2022
Revenue from contracts with customers	**25**	284,654	499,771
Cost of goods sold	**26**	(267,577)	(453,363)
Gross result		**17,077**	**46,408**
General and administrative expenses	**28**	(29,251)	(31,486)
Impairment of investments in subsidiary	**7**	(57,649)	(128,670)
Impairment of fixed assets	**5**	(77,546)	(59)
Other operating revenues/income	**27**	23,642	57,872
Other operating expenses	**29**	(65,086)	(56,258)
Operating result (EBIT)		**(188,812)**	**(112,193)**
Financial income		199	267
Interest expenses		(3,469)	(4,561)
Other financial expenses		(357)	(325)
Net foreign exchange losses		(523)	(2,846)
Net financial result	**30**	**(4,150)**	**(7,465)**
Result before taxes		**(192,962)**	**(119,658)**
Income tax income/ (expense)	**8**	4,441	(2,496)
Result for the year		**(188,521)**	**(122,154)**
Weighted average of the number of ordinary shares for the purpose of basic and diluted earnings per share		82,086	82,086
Basic and diluted earnings per share		**(2.30)**	**(1.49)**
Other comprehensive income, net of tax			
Items that will not be reclassified into comprehensive income/(loss) in the future			
Remeasurements of post-employment benefit obligations* (Note 20)		(118)	944
Deferred tax related to remeasurements of post-employment benefits (Note 8)		19	(151)
		(99)	793
Total comprehensive loss for the year		**(188,620)**	**(121,361)**

These separate financial statements were authorised for issue by the management on March 22, 2024.

Gheorghe Dobra
General Director

Mihaela Duralia
Financial Director

ALUM S.A.
SEPARATE STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2023
All amounts are in RON thousand, unless otherwise stated

	Share Capital	Reserves	Retained earnings	Result for the period	Total
Balance at January 1, 2022	**488,413**	**43,524**	**(77,329)**	**(44,549)**	**410,060**
Loss for the year	-	-	-	(122,154)	(122,154)
Changes in estimates on post-employment benefits	-	-	793	-	793
Total comprehensive income/(loss) for the year	**-**	**-**	**793**	**(122,154)**	**(121,361)**
Transfer of revaluation reserve	-	(2,522)	2,522	-	-
Appropriation of prior year result	-	-	(44,549)	44,549	-
Balance at December 31, 2022	**488,413**	**41,003**	**(118,562)**	**(122,154)**	**288,700**
Balance at January 1, 2023	**488,413**	**41,003**	**(118,562)**	**(122,154)**	**288,700**
Loss for the year	-	-	-	(188,521)	(188,521)
Changes in estimates on post-employment benefits	-	-	(99)	-	(99)
Total comprehensive loss	**-**	**-**	**(99)**	**(188,521)**	**(188,620)**
Transfer of revaluation reserve	-	(2,434)	2,434	-	-
Appropriation of prior year result	-	-	(122,154)	122,154	-
Balance at December 31, 2023	**488,413**	**38,569**	**(238,381)**	**(188,521)**	**100,080**

These separate financial statements were authorised for issue by the management on March 22, 2024.

Gheorghe Dobra
General Director

Mihaela Duralia
Financial Director

All amounts are in RON thousand, unless otherwise stated

	Note	Year ended December 31, 2023	Year ended December 31, 2022
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		**(192,962)**	**(119,658)**
Adjustments for:			
Foreign exchange net (gain)/loss		(1,044)	4,302
Amortisation and depreciation	**5,6,9**	19,606	23,632
Loss on disposal/retirement of property, plant and equipment	**27**	-	(19)
Movement in allowance for impairment of trade receivables	**12,28**	(33)	98
Movement in impairment of financial investments	**7**	57,649	128,670
Loss on disposal of financial investments	**7,29**	6,526	-
Movement in impairment allowance for property, plant and equipment	**5**	77,546	59
Net movement in provision	**21**	(11,847)	10,573
Net movement in allowance for inventory impairment	**11**	6,987	-
Movement in retirement benefit obligation	**20**	(235)	(2,382)
Interest income	**30**	(199)	(267)
Interest expense	**30**	3,469	4,513
Interest expense, factoring	**30**	18	49
Operating profit before working capital changes		**(34,518)**	**49,571**
Changes in working capital:			
Change in trade and other receivables		10,396	24,226
Change in inventories		30,954	(4,412)
Change in trade and other payables		15,185	30,328
Cash generated from operations		**22,017**	**99,713**
Tax paid		(298)	(1,795)
Interest paid	**19**	(1,676)	(2,994)
Interest received		287	176
Net cash flows generated from operating activities		**20,330**	**95,100**
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property, plant and equipment and intangible assets		(8,842)	(20,540)
Proceeds from sale of investments	**7**	3,181	-
Movement in restricted cash	**15**	16,041	(35,704)
Net cash flows from investing activities		**10,380**	**(56,244)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of loans	**19**	(32,747)	(36,458)
Payments for leasing liabilities	**19**	(151)	(269)
Net cash flows from financing activities		**(32,898)**	**(36,727)**

All amounts are in RON thousand, unless otherwise stated

	Note	Year ended December 31, 2023	Year ended December 31, 2022
Change in cash and cash equivalents, net		**(2,188)**	**2,129**
Cash and cash equivalents at the beginning of period	**16**	**2,721**	**592**
Cash and cash equivalents at the end of period	**16**	**533**	**2,721**

These separate financial statements were authorised for issue by the management on March 22, 2024.

Gheorghe Dobra
General Director

Mihaela Duralia
Financial Director

All amounts in RON thousand, unless otherwise stated

1. GENERAL INFORMATION

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

The major shareholder of Alum S.A. is ALRO S.A. Slatina. At 31 December 2023 and 31 December 2022, the majority shareholder of ALRO S.A. was Vimetco PLC, a private limited liability company registered under the laws of Cyprus, based in Navarinou 18, Navarinou Business Centre, Agios Andreas, 1100, Nicosia, Cyprus. The company is ultimately controlled by Maxon Limited (Bermuda).

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

The Company's administrative and managerial offices are located in Romania, with the headquarters in 82, Isaccei Street, Tulcea, Tulcea County.
Alum is listed on Bucharest Stock Exchange, AeRO segment. Its price per share could be analysed as follows:

	2023	2022
- minimum price (RON)	2.00	1.64
- maximum price (RON)	4.82	3.16
- average price (RON)	3.41	2.40

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

	2023	2022
Average number of employees, of which:	251	638
Production staff	188	519
General and administration staff	63	119

2. BASIS OF PREPARATION

Statement of compliance

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

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

The separate financial statements have been prepared on the historical cost basis.

Going concern

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

In 2023, the Company and the group to which it belongs and the aluminum industry in general continued facing a multitude of challenges, as producers grappled with various difficulties throughout the year. One of the primary obstacles encountered by European aluminum producers was the persistent volatility in raw material prices, exacerbated by global geopolitical tensions and supply chain disruptions. The ongoing Russia-Ukraine conflict continued to impact the aluminum market, contributing to uncertainty and price fluctuations in key raw materials. This instability not only disrupted supply chains but also led to significant cost pressures, affecting the profitability and operational efficiency. Furthermore, the aluminum industry in the EU encountered challenges related to energy costs, with soaring electricity and gas prices further straining margins.

2. BASIS OF PREPARATION (continued)

Going concern (continued)

As energy-intensive operations, aluminum smelters and refineries faced significant increases in production costs, posing a significant hurdle for producers in maintaining competitiveness in the global market.

In response to the above, already since 2022, ALUM and the group to which it belongs developed and implemented scenarios for operating at a minimum break-even point or reducing financial losses by suspending certain production activities and switching some production equipment to stand-by. Thus, ALRO has reduced the primary aluminium production by 60% by shutting down three electrolysis pot rooms and focussed on shifting more and more to high value products. ALUM has revised its manufacturing schedule according to the level of calcined alumina required for ALRO, subsequently suspending alumina production operations starting on 1st August 2022, while retaining its key specialists. During 2023, as market conditions continued to remain challenging, the production remained suspended and ALUM:
- kept its CAPEX at a minimum level, but continued to perform maintenance works to ensure the equipment and installations are ready for restarting;
- continued the investment objectives on the environment line and compliance with ANRE recommendations and its compliance projects;
- continued the research activity in the installations within the project financed from European funds and within the projects carried out at the European level (Removal, Rescue and Reactiv);
- continued optimizing acquisitions of materials and inventory levels;

while main activity consisted of purchasing alumina from the market and selling it to ALRO to assure its production requirements. Also, in 2023, ALUM and the group to which it belongs, decided to dispose of its loss-making bauxite division, by selling its holding in Global Aluminium Ltd. (GAL group).

For the year ended 31 December 2023, the Company incurred a loss of RON 188,521 thousand, of which a significant part relates to impairment for plant, plant property and equipment amounting RON 77,546 thousand and losses recorded at disposal of bauxite division amounting RON 64,175 thousand (2022: loss of RON 122,154 thousand, mainly consisting of the impairment for bauxite division).

As a result, on 31 December 2023, the statutory net assets decreased below half of its share capital. According to the provisions of the Companies Law 31/1990, amended and supplemented by Law 441/2006 (Article 153.24), if the Company records net assets with a value less than 50% of the value of subscribed share capital, as it is the Company's situation, measures must be taken by the administrator and Company's shareholders in order to correct the situation.

In terms of liquidity, in 2023 the Company repaid the majority of its loans in accordance with the schedules contracted, its remaining exposure towards banks at year end has been significantly reduced (by RON 2,987 thousand), and at as of 31 December 2023, its current assets exceed its current liabilities by RON 50,667 thousand. Its trading activity throughout the year has been supported through advances received from ALRO.

ALUM management is focused on identifying new sources of development and diversification of the activity aiming to increase the Company's revenues to overcome this challenging period.

The management has developed medium term forecasts and projections of cash-flows and liquidity needs considering the current and forecasted market conditions and reasonably possible changes in trading performance based on such conditions, as well as the climate change and decarbonisation actions impact on the operations. These forecasts considered a prudent scenario, under which production is resumed only in 2027, when the evolution of prices of energy and gas reaches sustainable long-term prices that will enable the Company to resume production at profitable levels, being fully aligned with its ALRO's forecasts and projections.

The Company will maintain the production capacities in full operating capacity, to enable the production to be resumed in 1 month once the decision is taken. The 1-month period is required in order to build up and restore the hydrate concentration into the installations. The current state of production capacity provides the flexibility and ability to react and benefit from opportunities on the market.

2. BASIS OF PREPARATION (continued)

Going concern (continued)

The forecasts show a significant improvement of the Company results in future periods, which will return on profit once production is resumed. During this period the Company depends on its parent, ALRO, for operational and financial support, which issued a support letter dated March 19, 2024, stating its ability and intent to support ALUM for the foreseeable period.

Notwithstanding the challenges and uncertainties, the management expects that, based on the most recent forecasts, support from its shareholder and ability to adapt its cash-flows, when necessary, the Company will succeed in generating adequate cash flows to allow it to continue its operations, and has concluded that there are no material uncertainties that may cast significant doubt on their ability to continue as a going concern.

Climate change

In preparing the Separate Financial Statements, management has considered the impact of climate change. These considerations did not have a material impact on the financial reporting judgements and estimates, consistent with the assessment that climate change is not expected to have a significant impact on the Company’s going concern assessment as of 31 December 2023, nor the viability of the Company over the next five years. The following specific points were considered:

Current Impact

The Company has a significant impact on the environment, both through the GHG Scope 1 emissions generated by the production process and through the GHG Scope 2 emissions generated by the consumption of purchased electricity from non-renewable sources.

In particular, most of the Company’s operations generate GHG emissions through combustion. The production of alumina is the most energy-intensive activity of our Company.

In 2023, the direct and indirect GHG emissions at the Group level decreased compared to 2022. This was because, to cope with challenging market conditions caused by the increase in the electricity price, the Company had to take business decisions that led to the suspension of the calcined alumina production activity.

Climate Strategy

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

The EU regulation mandating carbon neutrality by 2050 and intermediate targets by 2030 have certain impacts on Company's operations and future plans. This implies a fundamental shift towards decarbonisation, necessitating changes in production processes, energy sourcing, and emissions management. The Company is in the process to reassess its operational strategies, possibly restructuring its supply chain, optimizing energy efficiency, and implementing sustainable practices throughout its operations to align with the regulatory requirements.

Achieving the Company's carbon emissions goals will likely necessitate some long-term investments. Transitioning to cleaner energy sources, upgrading equipment and infrastructure, implementing carbon capture technologies, and investing in research and development for sustainable practices will incur significant costs. These investments are essential for the Company to adapt to the changing regulatory landscape, remain competitive, and mitigate the risks associated with non-compliance penalties and reputational damage.

2. BASIS OF PREPARATION (continued)

Climate Strategy (continued)

The Company and the group to which it belongs identified three scopes to reduce the intensity of the greenhouse gases emissions and reach the climate neutrality goal by 2050, as follows:

1. Decarbonisation of electric power – approximately over 60% of the CO2 tonnes of aluminum production emissions are generated by the electric power production consumed during the electrolysis process. Production of low carbon electric energy and implementation of the Carbon Capture Utilization and Storage (CCUS) offer the most important opportunity to reduce the emissions at nearly zero by 2050.

2. Direct emissions – emissions from fuel combustion represent approximately 15% of the emissions generated during the process. The electrification, fuel transition to green hydrogen and CCUS offer the most credible ways. The process emissions still represent approximately 70% (anode burning in the electrolysis) and require new technologies, such as inert anodes.

3. Recycling and resources optimization – increase of the recycled aluminum utilization ratio from 60% (for certain special alloys) to approximately 100%, as well as other progresses in resource efficiency by 2050, would reduce the requirement of primary aluminum, which, in its turn, would reduce the CO2 emissions, being a second measure after the decarbonisation of electric power.

As part of its commitment to reduce the environmental footprint, the Company and the group to which it belongs have already made or plan to make such investments in order to support, during a transition period, the decarbonization of existing industrial assets. Some of these investments are grouped below into two main categories, namely Energy efficiency activities and Sustainable energy supply, respectively.

Sustainable energy supply

As main energy supplier for Alum, ALRO has taken further steps to develop a plant of renewable energy production. In September 2023, a new company CCGT Power Isalnita SA was registered, with Complexul Energetic Oltenia holding an interest of 59.9% and ALRO SA holding 40.1% of the shareholders equity. The new established company will build a 850 MW natural gas power plant which will replace two old coal-fired installations, each with the capacity of 315 MW. The plant will be prepared to consume a mix of gas/hydrogen when this is available. The total project value is estimated at EUR 506 million, out of which EUR 253 million will be financed by the Modernisation Fund, a new financing tool that contributes to the objectives of the European Green Deal by supporting a socially just transition to a green economy. This initiative may give rise to Research and development costs in future that might be capitalized on the Statement of Financial Positions, or expensed, in line with the accounting policies. The ALRO Group achieves the legal target of renewable energy purchases.

In order to provide its own production of energy from sustainable sources, the ALRO Group started to analyse the possibility of installing its own sustainable energy production capacities and for this purpose, in the second semester of 2023 the Group started the procedures for the construction of a photovoltaic system consisting in the installation of a 1500 KW photovoltaic power plant and two electrical charging stations. The ALRO Group will use the entire amount of energy produced, which will contribute to the increase in the percentage of green energy used in technological processes and reduction of their carbon impact, thus promoting the production of green aluminium.

Effects of Climate-related matters in the estimation of future cash flows

The Company's future cash flow assumptions aim to align with the EU's decarbonization objectives to ensure financial viability and sustainability. This involves incorporating the costs associated with carbon reduction measures, potential regulatory compliance costs, and opportunities for revenue generation from sustainable initiatives.

2. BASIS OF PREPARATION (continued)

Climate change effects on impairment, useful life of assets and other key assumptions

The Company and the group to which it belongs carefully considers the effects of EU decarbonization regulations on impairment assessments, useful life of assets, and other key assumptions. Changes in regulatory requirements and market dynamics resulting from decarbonization efforts may impact the value and longevity of Company's assets. This necessitates periodic reviews and adjustments to impairment tests, considering factors, such as: technological advancements, regulatory compliance costs, and shifts towards sustainable products. Additionally, the Company reassesses assumptions related to depreciation schedules, maintenance costs, and asset retirement obligations to accurately reflect the evolving regulatory environment and its implications for the Company's financial performance and sustainability.
Climate considerations are also included in the impairment calculations directly by estimating the CO_2 certificates in the cash flows. Indirectly, the expected effect of climate change is included in the estimated energy prices consumed during the production process, together with the calculation of compensation income. See also the section Impairment tests for property, plant and equipment in the Note 5. Property, plant and equipment.

Regulations regarding air pollution

The Company is impacted by the increased regulatory environment in the EU regarding air pollution. The Company, as a heavy industry participant, is affected by the cap and trade scheme for greenhouse gas emissions implemented at the level of EU, which is meant to reduce pollution within a certain time span. On one side, the Company is allotted a certain number of emission rights per annum, in accordance with its production and deemed CO2 emissions. The accounting policies for emission rights can be found in the Material accounting policies note. Any potential liability resulting from the necessity to buy emission certificates is taken into consideration in the Company's business plans and scenarios. With the prices of emission certificates being volatile, the impact from such liability on the Company's results cannot be ascertained. On the other side, the Company is indirectly impacted by the same greenhouse gas emission scheme in the sense that such costs of the electricity producers are included in the final electricity price that the Company has to pay. Due to the volatility of the certificates prices, the electricity rates might reach significantly high levels.

That is why the Company monitors, anticipates and takes into consideration all the possible circumstances in order to balance its activities as an integrated Company and reduce the quantitative impact of such liabilities, such as the recent decision to close production temporarily until the electricity and emission certificates prices return to an acceptable level, and to buy alumina from the market at optimized cost in order to be profitable.

The management of the Company considers that there are no provisions to be considered in order to meet environmental compliance regulations as at 31 December 2023.

Functional and presentation currency

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

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

	December 31, 2023	**December 31, 2022**
USD exchange rate at the end of the year*	4.4958 USD/RON	4.6346 USD/RON
	2023	**2022**
USD average exchange rate**	4.5758 USD/RON	4.6923 USD/RON

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

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

3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

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

Following below are the new standards, amendments and interpretations to existing standards adopted starting January 1, 2023 and their effect in the preparation of the Company financial statements for the year ended December 31, 2023.

Standards and interpretations effective in 2023 that the Company has applied to these financial statements:

The Company has adopted the following new standards and amendments to standards, including any consequential amendments to other standards, with a date of initial application of January 1, 2023:

- IFRS 17 Insurance Contracts (issued on 18 May 2017). This is a comprehensive new accounting standard for insurance contracts, covering recognition and measurement, presentation and disclosure. IFRS 17 applies to all types of insurance contracts issued, as well as to certain guarantees and financial instruments with discretional participation contracts. The adoption of the standard had no effect on the Company.

- Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies (issued on 12 February 2021). An entity is required to disclose its material accounting policy information instead of its significant accounting policies. Amendments clarify what is a material accounting policy and give examples of when accounting policy information is likely to be material. In addition, IFRS Practice Statement 2 has been amended by adding guidance and examples to explain and demonstrate the application of the 'four-step materiality process' to accounting policy information in order to support the amendments to IAS 1. The Company revised their accounting policy information disclosures in light of these amendments and enhanced the presentation of accounting policy information disclosure by making them more company-specific and reducing the disclosure of immaterial and standardised accounting policies.

- Amendments to IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates (issued on 12 February 2021). The amendments further clarify the difference between accounting policies and accounting estimates as enforcers have identified divergent practices in this respect. The changes to IAS 8 focus entirely on accounting estimates and as a result, the definition of a change in accounting estimates is replaced with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty". Amendments clarify that a change in accounting estimate that results from new information or new developments is not the correction of an error. The effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period error and it may affect only the current period's profit or loss, or the profit or loss of both the current period and future periods. There is no impact from the application of these amendments on the financial statements.

- Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction (issued on 7 May 2021). The amendments narrowed the scope of the recognition exemption in paragraphs 15 and 24 of IAS 12 (recognition exemption) so that the exemption no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences. As a result of this amendments, on initial recognition, the companies should recognize deferred tax on temporary differences arising on right-of-use assets, lease liabilities, decommissioning, restoration and similar liabilities. The amendments had no impact on the Company's financial statements.

- IAS 12 Income taxes: International Tax Reform - Pillar Two Model Rules. The amendments are effective immediately upon issuance, but certain disclosure requirements are effective later. The Organisation for Economic Co-operation and Development's (OECD) published the Pillar Two model rules in December 2021 to ensure that large multinational companies would be subject to a minimum 15% tax rate. On 23 May 2023, the IASB issued International Tax Reform—Pillar Two Model Rules – Amendments to IAS 12. The amendments introduce a mandatory temporary exception to the accounting for deferred taxes arising from the jurisdictional implementation of the Pillar Two model rules and disclosure requirements for affected entities on the potential exposure to Pillar Two income taxes.

3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

Standards and interpretations effective in 2023 that the Company has applied to these financial statements (continued)

The Amendments require, for periods in which Pillar Two legislation is (substantively) enacted but not yet effective, disclosure of known or reasonably estimable information that helps users of financial statements understand the entity's exposure arising from Pillar Two income taxes. To comply with these requirements, an entity is required to disclose qualitative and quantitative information about its exposure to Pillar Two income taxes at the end of the reporting period. The disclosure of the current tax expense related to Pillar Two income taxes and the disclosures in relation to periods before the legislation is effective are required for annual reporting periods beginning on or after 1 January 2023, but are not required for any interim period ending on or before 31 December 2023. The impact on the financial statements of the Company are presented in Note 8.

Standards issued, but not yet effective and not early adopted

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

- Amendments to IFRS 16 Leases: Lease Liability in a Sale and Leaseback (issued on 22 September 2022). The amendments clarify how a seller-lessee subsequently measures sale and leaseback transactions that satisfy the requirements in IFRS 15 to be accounted for as a sale. A seller-lessee is required to subsequently measure lease liabilities arising from a leaseback in a way that it does not recognize any amount of the gain or loss that relates to the right of use it retains. The new requirements do not prevent a seller-lessee from recognizing in profit or loss any gain or loss relating to the partial or full termination of a lease. The amendments are effective for annual reporting periods beginning on or after 1 January 2024 and are not expected to affect financial statements as the Company has no sale and leaseback transaction.

- Amendment to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current (issued on 23 January 2020). The amendments are effective for annual reporting periods beginning on or after 1 January 1 2024, with earlier application permitted, and will need to be applied retrospectively in accordance with IAS 8. The objective of the amendments is to clarify the principles in IAS 1 for the classification of liabilities as either current or non-current.
The amendments clarify the meaning of a right to defer settlement, the requirement for this right to exist at the end of the reporting period, that management intent does not affect current or non-current classification, that options by the counterparty that could result in settlement by the transfer of the entity's own equity instruments do not affect current or non-current classification. The directors do not anticipate that the application of the standard in the future will have an impact on the Company's financial statements.

- Amendments to IAS 1 Non-current Liabilities with Covenants (issued on 31 October 2022). The amendments are effective for annual reporting periods beginning on or after 1 January 2024. The amendment clarifies how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability. The amendments to IAS 1 specify that covenants to be complied with after the reporting date do not affect the classification of debt as current or non-current at the reporting date. Instead, the amendments require a company to disclose information about these covenants in the notes to the financial statements. The directors do not anticipate that the application of the standard in the future will have an impact on the Company's financial statements as the Company's practices are already in compliance with the requirements of the amendments.

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

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

The amendments are effective for annual reporting periods beginning on or after January 1, 2024, with earlier application permitted, and will need to be applied retrospectively in accordance with IAS 8. The objective of the amendments is to clarify the principles in IAS 1 for the classification of liabilities as either current or non-current. The amendments clarify the meaning of a right to defer settlement, the requirement for this right to exist at the end of the reporting period, that management intent does not affect current or non-current classification, that options by the counterparty that could result in settlement by the transfer of the entity's own equity instruments do not affect current or non-current classification. The directors do not anticipate that the application of the standard in the future will have an impact on the Company's financial statements.

- IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments Disclosure - Supplier Finance Arrangements. The amendments are effective for annual reporting periods beginning on or after 1 January 2024, with earlier application permitted. The amendments supplement requirements already in IFRS and require an entity to disclose the terms and conditions of supplier finance arrangements. Additionally, entities are required to disclose at the beginning and end of reporting period the carrying amounts of supplier finance arrangement financial liabilities and the line items in which those liabilities are presented as well as the carrying amounts of financial liabilities and line items, for which the finance providers have already settled the corresponding trade payables. Entities should also disclose the type and effect of non-cash changes in the carrying amounts of supplier finance arrangement financial liabilities, which prevent the carrying amounts of the financial liabilities from being comparable. Furthermore, the amendments require an entity to disclose at the beginning and end of the reporting period the range of payment due dates for financial liabilities owed to the finance providers and for comparable trade payables that are not part of those arrangements. The amendments have not yet been endorsed by the EU. The amendments are not expected to have a material impact on financial statements as the Company do not use supplier finance (or reverse factoring).

- IAS 21 The Effects of Changes in Foreign Exchange Rates: Lack of Exchangeability. The amendments are effective for annual reporting periods beginning on or after 1 January 2025, with earlier application permitted. The amendments specify how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking. A currency is considered to be exchangeable into another currency when an entity is able to obtain the other currency within a time frame that allows for a normal administrative delay and through a market or exchange mechanism in which an exchange transaction would create enforceable rights and obligations. If a currency is not exchangeable into another currency, an entity is required to estimate the spot exchange rate at the measurement date. An entity's objective in estimating the spot exchange rate is to reflect the rate at which an orderly exchange transaction would take place at the measurement date between market participants under prevailing economic conditions. The amendments note that an entity can use an observable exchange rate without adjustment or another estimation technique. The amendments have not yet been endorsed by the EU. The directors do not anticipate that the application of the standard in the future will have an impact on the Company's financial statements.

4. ACCOUNTING POLICIES, JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

4.1 MATERIAL ACCOUNTING POLICIES

The material accounting policies are set out below.

Foreign currencies

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

In preparing the separate financial statements of the Company, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised 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 the differences included as net foreign exchange differences.

4.1 MATERIAL ACCOUNTING POLICIES (continued)

Foreign currencies (continued)|

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 recognised 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);

Property, plant and equipment

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

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

Properties in the course of construction for production or administrative purposes are measured at cost, less any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Company's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use.

Depreciation of these assets, on the same basis as other owned assets, commences when the assets are ready for their intended use.

Freehold land is not depreciated.

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

Buildings and other constructions	5 – 52 years
Plant and machinery	3 – 25 years
Equipment and vehicles	3 – 18 years

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

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

When significant parts of property, plant and equipment are required to be replaced at intervals, the Company recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred. The present value of the expected cost for the rehabilitation of an asset is included in the cost of the respective asset if the recognition criteria are met.

4.1 MATERIAL ACCOUNTING POLICIES (continued)

Property, plant and equipment (continued)

An item of property, plant and equipment is derecognised 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 recognised in profit or loss at the date of the derecognition.

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.

Emission rights

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

In case the Company estimates utilisation of less than the allocated emission certificates quotas any potential income from the sale of unused emission certificates is recognised on their actual sale.

Impairment of non-current assets

At the balance sheet date, the Company reviews the balances of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest of cash-generating units for which a reasonable and consistent allocation basis can be identified.

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

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

Where an impairment 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 been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

4.1 MATERIAL ACCOUNTING POLICIES (continued)

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 recognised when the Company becomes a party to the contractual provisions of the instrument.

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

Financial assets

For purposes of initial 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), which is not material for the Company.

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

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

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset 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 on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the instrument, or, where appropriate, a shorter period, up to its net carrying amount on initial recognition.

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

Cash and cash equivalents

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

Impairment of financial assets

The Company recognises an allowance for expected credit losses (ECLs) for all loans and other debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate of the asset. 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 credit loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL). For trade receivables and contract assets, the Company applies a simplified approach in calculating ECLs.

4.1 MATERIAL ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Impairment of financial assets (continued)

Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Derecognition of financial assets

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

If the Company does not retain substantially all the risks and rewards of ownership of a transferred financial asset, it continues to recognise the financial asset and also recognises 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 amount of the consideration received and/or receivable and the cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss

Financial liabilities

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

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

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

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

Other financial liabilities

Other financial liabilities (including borrowings) are subsequently measured 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 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.

4.1 MATERIAL ACCOUNTING POLICIES (continued)

Derecognition of financial liabilities

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

Inventories

Inventories are measured at the lower of cost and net realisable value.

Costs incurred in bringing each product to its present location and operating status 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 cost basis.

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

Related parties

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

Grants

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

Employee benefits

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

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

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

Defined benefit costs are categorised as follows:
- Service costs (comprising current service cost, past service cost, as well as actuarial gain and losses), included in profit or loss line item 'Cost of goods sold' or 'General and administrative expenses' within personnel costs.

- Past service costs are recognised in the profit and loss statement on the earliest of the
    - Date of the plan modification/reduction and
    - Date of costs recognition
- Net interest expense, included in profit or loss line item 'Finance result, net' within interest expenses
- Remeasurement.

4.1 MATERIAL ACCOUNTING POLICIES (continued)

Employee benefits (continued)

Remeasurement, comprising actuarial gains and losses, is reflected immediately in the statement of financial position with a charge or revenue recognised in other comprehensive income in the period in which they occur. Remeasurement recognised 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.

Labour contract termination benefits

Labour contract termination benefits are payable when employment is terminated by the Company before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits.

The Company recognises labour contract termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the balance sheet date are discounted to their present value.

Leases

The Company as lessee

The Company assesses whether a contract is or contains a lease, at inception of the contract. The Company recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee/user, 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 equipment, etc.).

For these leases, the Company recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

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

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

The lease liability is presented as a separate line in the statement of financial position. The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Company remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

4.1 MATERIAL ACCOUNTING POLICIES (continued)

Leases (continued)

-The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
-A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses. Whenever the Company incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37.

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

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

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

	2023
Buildings and special constructions	5 years
Equipment and vehicles	between 3 and 5 years

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

Provisions

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

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

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

Decommissioning and rehabilitation liability

Decommissioning costs include the dismantling and demolition of infrastructure and the removal of residual materials and remediation of disturbed areas. Decommissioning costs are provided at the present value of expected costs to settle the obligation using estimated cash flows and are recognised as part of the cost of the particular asset.

The cash flows are discounted at a current pre-tax rate that reflects the risks specific to the decommissioning liability. The discount is expensed as incurred and recognised in the statement of profit or loss as an interest expense. 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.

4.1 MATERIAL ACCOUNTING POLICIES (continued)

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services.

Sales of goods

Under IFRS 15, revenue is recognised when a customer obtains control of the goods. The Company deliver goods (mainly alumina) under contractual terms based on internationally accepted delivery conditions (INCOTERMS). The Company recognises the 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 recognised to the extent that it is probable that a significant reversal in the amount of cumulative revenue recognised will not occur. As a consequence, for those contracts for which the Company are unable to make a reasonable estimate of discounts, revenue is expected to be recognised sooner than when the return period lapses or a reasonable estimate can be made. To estimate the variable revenues to which it will be entitled, the Company applies the expected value method. At the same time, the cases of quality claims (rights of return) are isolated and historically immaterial hence no need for such adjustment considered.

Rendering of services

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

Principal versus agent considerations

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

Recognition of revenue from distinct performance obligations

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

Taxation

The current income tax is based on taxable profit for the year. Taxable profit differs from profit as reported in the statement of profit and loss because of items of income or expense that are taxable or deductible in some years and items that are never taxable or deductible. The Company’s liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

4.1 MATERIAL ACCOUNTING POLICIES (continued)

Taxation (continued)

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

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

Deferred tax assets are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. The carrying amount of deferred tax assets is reviewed at each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised, 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 Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Statutory income tax rate for the year ended December 31, 2023 was 16% (December 31, 2022: 16%).

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

Fair value measurement

The Company measures financial instruments, such as derivatives, and non-financial assets such as investment properties, 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 to by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset considers 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 Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

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

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

4.1 MATERIAL ACCOUNTING POLICIES (continued)

Fair value measurement (continued)

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

4.2 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.

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

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

i) Impairment of tangible assets

Impairment exists when the carrying value of the asset or cash generating unit (“CGU”) exceeds its recoverable amount, which is the higher of its market 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 discounted cash flow (“DCF”) model. The cash flows are derived from the budget prepared by the Company and do not include restructuring activities that the Company is not yet committed to or significant future investments that will enhance the asset's performance of the CGU being tested. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes.

The key assumptions used to determine the recoverable amount for each CGU, including a sensitivity analysis, are disclosed and further explained in Note 5.

ii) Retirement benefit obligations

Defined contribution plans

The cost regarding the defined benefit plans and the present value of the obligations regarding these plans are determined using actuarial valuations. An actuarial evaluation involves the use of assumptions that could be different from the subsequent evolution in reality. These assumptions refer to the discount rate, future salary increases, staff turnover and longevity. Due to the complex aspects considered in the evaluation and due to the long period, the obligation regarding the determined benefits is very sensitive to the modification of these assumptions. All assumptions are reviewed at each reporting date. Additional information is disclosed in Note 20.

4.2 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

iii) Taxation

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 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 Company establishes provisions, when necessary, based on reasonable estimates, for possible consequences of audits by the tax authorities. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the Company and the responsible tax authority. Such differences in interpretation may arise for a wide variety of issues depending on the conditions prevailing in that context.

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

Detailed information is disclosed in Note 8.

iv) Provision for rehabilitation.

The Company has recognised a provision for the rehabilitation of the premises where it deposits scrap from production. In order to determine the value of the provisions, estimates were made and assumptions were considered regarding the discount rate, the inflation rate, the costs with the rehabilitation and when they will have to be borne.

Detailed information is disclosed in Note 21.

5. PROPERTY, PLANT AND EQUIPMENT

Cost	Land	Buildings and special constructions	Plant and machinery	Equipment and vehicles	Investments in progress	Advances for tangible assets	Total
	RON '000	RON '000	RON '000	RON '000	RON '000	RON '000	RON '000
At January 1, 2022	**20,478**	**221,326**	**450,694**	**28,578**	**13,109**	**797**	**734,982**
Additions	13,399	-	-	-	12,612	-	26,011
Transfer between categories	-	932	9,508	53	(10,493)	-	-
Disposals	(100)	(3,176)	(552)	-	-	(797)	(4,625)
Closing balance at December 31, 2022	**33,777**	**219,082**	**459,650**	**28,631**	**15,228**	**-**	**756,368**
Additions	-	-	-	-	1,800	-	1,800
Transfer between categories	-	-	1,374	-	(1,374)	-	-
Disposals	-	(1,178)	(4,713)	(171)	-	-	(6,063)
Closing balance at December 31, 2023	**33,777**	**217,904**	**456,311**	**28,460**	**15,654**	**-**	**752,105**

5. PROPERTY, PLANT AND EQUIPMENT (continued)

Accumulated depreciation	Land	Buildings and special constructions	Plant and machinery	Equipment and vehicles	Investments in progress	Advances for tangible assets	Total
	RON '000	RON '000	RON '000	RON '000	RON '000	RON '000	RON '000
At January 1, 2022	**-**	**163,129**	**375,002**	**17,713**	**-**	**-**	**555,846**
Charge for the year	-	8,582	13,833	830	-	-	23,245
Accumulated depreciation of disposals	-	(28)	(551)	-	-	-	(579)
Closing balance at December 31, 2022	**-**	**171,683**	**388,284**	**18,543**	**-**	**-**	**578,512**
Charge for the year	-	5,603	13,166	651	-	-	19,420
Accumulated depreciation of disposals	-	-	(4,713)	(171)	-	-	(4,885)
Closing balance at December 31, 2023	**-**	**177,286**	**396,737**	**19,023**	**-**	**-**	**593,046**

5. PROPERTY, PLANT AND EQUIPMENT (continued)

Allowances for impairment	Land	Buildings and special constructions	Plant and machinery	Equipment and vehicles	Investments in progress	Advances for tangible assets	Total
	RON '000	RON '000	RON '000	RON '000	RON '000	RON '000	RON '000
At January 1, 2022	**-**	**2,577**	**3,178**	**926**	**1,792**	**-**	**8,475**
Impairment charge	-	54	4	-	-	-	58
Reversal of impairment	-	(25)	-	-	-	-	(25)
At December 31, 2022	**-**	**2,606**	**3,182**	**926**	**1,792**	**-**	**8,508**
Impairment charge	-	28,728	41,850	6,968	-	-	77,546
Reversal of impairment	-	(5)	-	-	-	-	(5)
At December 31, 2023	**-**	**31,329**	**45,032**	**7,894**	**1,792**	**-**	**86,049**
Net book value							
At December 31, 2022	**33,777**	**44,792**	**68,184**	**9,162**	**13,436**	**-**	**169,349**
At December 31, 2023	**33,777**	**9,288**	**14,542**	**1,543**	**13,862**	**-**	**73,010**

In accordance with IAS 37, the Company recorded a provision for the future cost of rehabilitating the red mud lake waste dump on a discounted basis. The change in the year decreased the value of the fixed asset as of December 31, 2023 by RON 1,173 thousand (2022: - RON 2.948 thousand) (see Note 21). The rehabilitation provision represents the present value of rehabilitation costs relating to the site, which are expected to be incurred up to 2028, which is when the storage on the site should be either closed or extended.

No borrowing costs were capitalised in 2022 and 2023.

The gross book value of the fully depreciated fixed assets in use as of December 31, 2023 is in amount of RON 179,830 thousand (2022: RON 151,989 thousand).

All amounts are in RON thousand, unless otherwise stated

5. PROPERTY, PLANT AND EQUIPMENT (continued)

As of December 31, 2023, property, plant and equipment of Alum S.A. have been pledged to secure the borrowing contracted by the Company with a carrying amount of RON 43,199 thousand (December 31, 2022: RON 140,017 thousand) (Note 19).

The net book value of the idle assets in property, plant and equipment resulting from the temporary suspension of the calcined alumina production activity in 2022 as of December 31, 2023 is in amount of RON 86,084 thousand (2022: RON 103,319 thousand).

Impairment tests for property, plant and equipment

The Company performs its annual impairment test in the end of the financial year and when circumstances indicate that the carrying value may be impaired. As a result of the several factors, such as increasing prices and scarce availability of energy products and other raw materials with a negative impact on the production costs, which caused the Company to take a decision in prior year to temporary suspend the alumina production operations, a test of impairment for the property, plant and equipment of the company was carried out as at 31 December 2023. The results of the impairment test performed are presented further below.

As a result of the impairment review carried out by Alum, it was determined that the recoverable amount of property, plant and equipment was materially different from its carrying value, therefore an additional impairment in amount of RON 77,546 thousand was recognized as at 31 December 2023 (31 December 2022: no additional impairment was recognized for the property, plant and equipment of alumina cash-generating unit). The impairment recorded was based on a valuation report made by an independent appraiser, which assumes only one CGU exist.

The recoverable value of the cash generating unit (CGU) Alum was determined based on a fair value of CGU less costs to sell calculation by using future cashflows extracted from the business plan for the next 5 years estimated by the management. The terminal value was determined by using a growth rate of 2% per annum. The cash flow projections are based on existing plans, which assumes the production is resumed only in 2027 and until then ALUM is continuing buying alumina from the market at lower prices than its own cost of production and reselling it to ALRO. The management estimates that the raw materials and gas prices will stabilize to a sustainable level, enabling ALUM to resume alumina production in 2027 and fulfil ALRO's requirements for this primary raw material in its electrolysis facilities. Additionally, the company's strategic roadmap includes plans to recommence production and sales of aluminium hydrate and other specialized alumina products to third-party customers.

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

	2023	2022
Discount rate	13.60%	13.80%
Growth rate, average of next five years	18.39%	5.31%
EBITDA margin, average of next five years	1.93%	4.44%
EBITDA margin, terminal value	7.34%	5.82%

All amounts are in RON thousand, unless otherwise stated

5. PROPERTY, PLANT AND EQUIPMENT (continued)

Impairment tests for property, plant and equipment (continued)

The following table shows the amount up to which the key variables used would need to change individually for the estimated recoverable amount to be equal to the carrying amount:

	2023	2022
Discount rate	8.79%	13.72%
Growth rate, average of next five years	30.00%	5.91%
EBITDA margin, average of next five years	7.38%	4.50%
EBITDA margin, terminal value	10.10%	5.86%

6. INTANGIBLE ASSETS

Cost	**Development expenses**	**Other intangibles**	**Advances for intangibles**	**Total intangibles**
	RON '000	**RON '000**	**RON '000**	**RON '000**
At January 1, 2022	**4,367**	**535**	**-**	**4,902**
Additions	-	31	-	31
Transfer to tangible assets.	-	-	-	-
Disposals	-	-	-	-
As at December 31, 2022	**4,367**	**566**	**-**	**4,933**
Additions	-	16	-	16
Transfer to tangible assets	-	-	-	-
Disposals	-	-	-	-
As at December 31, 2023	**4,367**	**582**	**-**	**4,949**

Accumulated amortisation	**Development expenses**	**Other intangibles**	**Advances for intangibles**	**Total intangibles**
	RON '000	**RON '000**	**RON '000**	**RON '000**
At January 1, 2022	**4,367**	**470**	**-**	**4,837**
Charge for the year	-	62	-	62
Disposals	-	-	-	-
As at December 31, 2022	**4,367**	**532**	**-**	**4,899**
Charge for the year	-	32	-	32
Disposals	-	-	-	-
As at December 31, 2023	**4,367**	**564**	**-**	**4,931**
Net book value at December 31, 2022	**-**	**34**	**-**	**34**
Net book value at December 31, 2023	**-**	**18**	**-**	**18**

Development expenses include projects and solution and efficiency studies related to the silica removal processes and technological sizing per variants, increase of the static furnace capacity, technical and technological rehabilitation, respectively, and are amortised over a period of 5 years.

All amounts are in RON thousand, unless otherwise stated

7. INVESTMENT IN SUBSIDIARY

	Year ended December 31, 2023	Year ended December 31, 2022
At January 1 investment	346,383	346,383
At January 1 impairment	(279,027)	(150,357)
Additions	-	-
Disposals	(346,383)	-
Expenses with adjustments for impairment of investments	(57,649)	(128,670)
Disposal relating to impairment of investments	336,676	-
At December 31 investment	**-**	**346,383**
At December 31 impairment	**-**	**(279,027)**
At December 31 net book value	**-**	**67,356**

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

In December 2021 Alum increased the share capital of its subsidiary Global Aluminium Ltd by a contribution in kind of USD 60,200 thousand (RON 263,802 thousand) as receivables from Sierra Mineral Holding 1 Ltd.

On 31 May 2023, Alum publicly announced the convening of the Extraordinary General Meeting for the approval of the sale, as sole shareholder, of 100% of the share capital of Global Aluminium Ltd. (GAL group). On 10 July 2023 in the Extraordinary General Meeting of Shareholders of Alum SA, approved the sale of GAL for a cash consideration of USD 2,000 thousand, less an amount equal to the Intercompany Debt Amount, which at that date was of USD 1,300 thousand. The disposal of Global Aluminium Ltd. was completed on 1 September 2023 and the consideration received for the net assets disposed amounted RON 3,181 thousand (USD 700 thousand equivalent).

The bauxite mine in Sierra Leone produced 691,469 tons in the first 8 months of activity prior to the sale on 1 September 2023 (2022: 910,344 tons). The bauxite mine provided in the past raw material for Alum S.A.

8. INCOME TAX

Income tax recognised in the profit or loss

	Year ended December 31, 2023	Year ended December 31, 2022
Current income tax expense	(5,367)	4,857
Deferred income tax expense	926	(2,361)
Total income tax expense recognised in the current year	**(4,441)**	**2,496**

All amounts are in RON thousand, unless otherwise stated

8. INCOME TAX (continued)

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

	Year ended December 31, 2023	Year ended December 31, 2022
Loss before tax	(192,962)	(119,658)
Income tax calculated at 16%	30,874	19,145
Effect of permanent differences	(2,757)	(1,054)
Current year tax losses not recognised as deferred tax assets	(16,635)	-
Deductible temporary difference not recognised as deferred tax assets	(12,408)	-
Deferred tax related to impairment adjustments for financial assets	-	(20,587)
Adjustments recognised in relation to the current tax of prior years	5,367	-
Income tax income/(expense) recognised in profit and loss	**4,441**	**(2,496)**

The analysis and change of the fiscal treatment of the adjustments for the depreciation of the Alum investment in Global Aluminium Ltd constituted in the previous years (respectively 2021 and 2022), as deductible elements, generated a correction of the current income tax in amount of RON 5,367 thousand in the Company's financial statements for the year ended on December 31, 2023.

Starting 2019, the Company was subject to fiscal audit from the National Agency for Fiscal Administration related to income tax and VAT transactions regarding the period 2014-2018. The fiscal inspection was finalized on 27 May 2021 and the tax authorities concluded a report with a net effect of RON 19,643 thousand on income tax, which the Company recognized as an expense in a first stage, in the category Current income tax expense, and paid within the legal time frame. Subsequently, the Company filed a tax appeal to the National Agency for Fiscal Administration against the Fiscal Inspection Report. The appeal was rejected by the National Agency for Fiscal Administration. The Company continues to defend its position by taking further steps to the Court of Law. It was performed a fiscal expertise by an independent expert appointed by the Court. In November 2023 the Court ruled in Company’s favour by ordering the restitution to Alum of an amount of about RON 18,213 thousand out of the total of about RON 19,675 thousand that was the subject of the tax act. The solution can be appealed by the National Agency for Fiscal Administration.

The tax rate used for the 2023 and 2022 reconciliations above is the corporate tax rate of 16% payable by corporate entities in Romania on taxable profits under tax law in that jurisdiction.

The Company's current income tax payables are the following:

	December 31, 2023	December 31, 2022
Current income tax payable	-	3,572

According to the Romanian Fiscal Code, which transposes the EU Directive no. 2016/1164, issued in 2016, the exceeding borrowing costs including interest, expenses for obtaining finance and leasing, capitalized interest and foreign exchange losses above a threshold of EUR 1,000,000 per annum are deductible only up to the level of 30% of calculated fiscal EBITDA.

All amounts are in RON thousand, unless otherwise stated

8. INCOME TAX (continued)

The Company incurs borrowing costs related to loans obtained from banks for investment and development purposes. As these loans are expressed in foreign currency, due to the devaluation of RON against major currencies in 2023, these resulted in significant foreign exchange losses, which have limited deductibility for income tax purposes.

As at 31 December 2023 the Company has a balance of RON 4.214 thousand (2022: RON 8,073 thousand) of unused exceeding borrowing costs from prior years that can be carried forward indefinitely and up to 30% of yearly fiscal EBITDA be used as tax deductible expenses. As a result, the Company recognized in 2023 an amount of RON 674 thousand (31 December 2022: RON 1,292 thousand) as deferred tax assets.

Until 31 December 2023 the tax losses in Romania could have been carried forward and used against future taxable profits for a period of maximum 7 years. Starting 1 January 2024, the utilization of fiscal losses carried forward from prior years, for the purpose of calculating the current fiscal year's result, is limited to a period of 5 years and only up to 70% of the taxable profits generated in the period. However, losses carried forward prior to 2024 are eligible for utilization at the same 70% rate against taxable profits, spread over a 7-year period.

The Company did not recognise deferred income tax assets in respect of losses in amount of RON 262,452 thousand (in 2022: RON 158,480 thousand) and tax effect and their expiration are presented in the table below:

Tax loss expiring	Gross amount	Tax effect
Within 1 year	-	-
1 - 2 years	-	-
2 - 5 years	63,587	-
5 -7 years	198,865	-
Total	**262,452**	**-**

The following is the analysis of deferred tax assets / (liabilities) presented in the statement of financial position in 2023:

	Opening balance	Recognised in profit or loss	Recognised in other comprehensive income	Recycled to profit or loss	Closing balance
Property, plant and equipment	(2,228)	403	-	-	(1,825)
Inventories	-	1,118			1,118
Trade receivables and other current assets	551	(5)	-	-	546
Long-term provisions	3,827	83	-	-	3,910
Exceeding borrowings costs	1,292	(618)	-	-	674
Short term provisions	1,896	(1,896)	-	-	-
Retirement benefits obligation	310	(12)	19	-	317
Deferred tax asset / (liability)	**5,648**	**(926)**	**19**	**-**	**4,741**

All amounts are in RON thousand, unless otherwise stated

8. INCOME TAX (continued)

The following is the analysis of deferred tax assets / (liabilities) presented in the statement of financial position in 2022:

	Opening balance	Recognised in profit or loss	Recognised in other comprehen sive income	Recycled to profit or loss	Closing balance
Property, plant and equipment	(3,095)	867	-	-	(2,228)
Inventories	-	-	-	-	-
Trade receivables and other current assets	535	16	-	-	551
Long-term provisions	4,135	(308)	-	-	3,827
Borrowings	857	435	-	-	1,292
Short term provisions	204	1.692	-	-	1,896
Retirement benefits obligation	802	(341)	(151)	-	310
Deferred tax asset / (liability)	**3,438**	**2.361**	**(151)**	**-**	**5,648**

Alum, being part of Vimetco Group, a multinational enterprize group is within the scope of the OECD Pillar Two model legislation, which was enacted in Romania, the jurisdiction in which ALRO and subsidiaries are incorporated. Law no. 431/2023, published on 5 January 2024, transposes the provisions of Directive (EU) 2022/2523 to introduce into the Romanian legislation a complex system of rules for an effective minimum taxation of 15% for multinational enterprise groups and large-scale domestic groups with annual consolidated revenues of at least EUR 750 million in at least two of the four previous financial exercises. The law applies in respect of financial years beginning on or after 31 December 2023, except for the UTPR, which applies in respect of financial years beginning on or after 31 December 2024.

Under the legislation, the group is liable to pay a top-up tax for the difference between their GloBE effective tax rate per jurisdiction and the 15% minimum rate. The group applies the exception to recognising and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes, as provided in the amendments to IAS 12 issued in May 2023.

The group to which the Company belongs is in the process of assessing its exposure to the Pillar Two legislation for when it comes into effect. From the preliminary analysis made, all entities within the group, which recorded profits in 2023 and 2022, have an effective tax rate that exceeds 15%, therefore the group might not be exposed to paying Pillar Two income taxes.

While the average effective tax rate currently exceeds 15%, it's important to note that the group might be exposed to paying Pillar Two income taxes in the future. This is due to the impact of specific adjustments envisaged in the Pillar Two legislation which give rise to different effective tax rates compared to those calculated in the table above. Due to the complexities in applying the legislation and calculating GloBE income, the quantitative impact of the enacted or substantively enacted legislation is not yet reasonably estimable. Consequently, even entities with an accounting effective tax rate above 15% may encounter Pillar Two tax implications.

9. RIGHT-OF-USE ASSETS

The Company has leasing contracts for vehicles with terms of up to 5 years. There are several lease contracts that include extension and termination options for which management is determining whether these extension and termination options are reasonably certain to be exercised. Company is restricted from assigning and subleasing the leased assets. The net book value of leased right-of-use assets as of December 31, 2023 was RON 520 thousand (December 31, 2022: RON 353 thousand).

All amounts are in RON thousand, unless otherwise stated

9. RIGHT-OF-USE ASSETS (continued)

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

Categories of right-of-use assets	*Equipment*	*Vehicles*	*Other*	*Total right-of-use assets*
Cost				
Balance at January 1, 2022	**414**	**950**	**2,184**	**3,549**
Additions	-	262	-	**262**
Disposals	-	(412)	(2,184)	**(2,596)**
Balance at December 31, 2022	**414**	**800**	**-**	**1,214**
Additions	-	320	-	**320**
Disposals	-	(319)	-	**(319)**
Balance at December 31, 2023	**414**	**801**	**-**	**1,215**
Accumulated amortisation				
Balance at January 1, 2022	**(348)**	**(675)**	**(1,311)**	**(2,334)**
Amortisation for the year	(67)	(184)	(72)	**(323)**
Cumulated on disposals of assets	-	412	1,383	**1,795**
Balance at 31 December 2022	**(414)**	**(447)**	**-**	**(861)**
Amortisation for the year	-	(153)	-	**(153)**
Cumulated on disposals of assets	-	319	-	**319**
Balance at 31 December 2023	**(414)**	**(281)**	**-**	**(695)**
Net book value				
Balance at December 31, 2022	**-**	**353**	**-**	**353**
Balance at December 31, 2023	**-**	**520**	**-**	**520**

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

	December 31, 2023	**December 31, 2022**
Amortisation expense of leased right-of-use assets	153	323
Interest on lease liabilities	14	19
Expenses related to short-term leases	117	188
Expenses related to leases of low-value assets	35	-
Total amounts recognised in profit or loss	**319**	**530**

10. OTHER NON-CURRENT FINANCIAL ASSETS

	December 31, 2023	**December 31, 2022**
Other non-current financial assets	1,561	910
Total	**1,561**	**910**

All amounts are in RON thousand, unless otherwise stated

10. OTHER NON-CURRENT FINANCIAL ASSETS (continued)

Other non-current financial assets include the cash deposits, according to the environmental regulations, on the requirement of the Environmental Fund Management, during the period of service of the waste landfills, representing the equivalent value of the costs for the closure works and after-closure monitoring of the Company's waste dump, as well as the environmental financial guarantee, attesting that the Company has enough financial resources to cover the potential costs which occur during the waste deposit activity.

11. INVENTORIES

	December 31, 2023	December 31, 2022
Raw materials	46,973	39,262
Consumables	8,792	9,249
Finished goods	8,301	13,332
Work in progress	48,763	64,108
Semi-finished goods	7,525	13,220
Other inventory	24,331	36,468
Allowance for slow moving and obsolete inventory	(6,987)	-
Total	**137,698**	**175,639**

Starting August 2022, as a result of the unstable economic environment, the levels of inflation, the increase in energy and gas prices, but also the increase in raw material costs, alumina production was suspended, the Company continuing its operations by acquisition of calcined alumina from independent entities in the purpose of reselling it to the ALRO.

Additionally, by identifying some opportunities that existed in the market, the value of Finished goods and Semi finished goods decreased at 31 December 2023 due to the sale of products from existing stocks.

The category Other inventory includes mainly the calcined alumina purchased from third parties in transit at 31 December 2023 of RON 22,473 thousand (31 December 2022: RON 35,767 thousand).

The movement in the provision for inventory is as follows:

	2023	2022
Balance at beginning of the year	-	-
Charge for the year	6,987	-
Release during the year	-	-
Balance at the end of the year	**6,987**	**-**

During 2023, an amount of RON 252,246 thousand (2022: RON 212,595 thousand) was recognised as Cost of goods sold.

The value of inventories pledged for securing the Company's borrowings amounts to a total RON 137,698 thousand (December 31, 2022: RON 175,639 thousand).

All amounts are in RON thousand, unless otherwise stated

12. TRADE RECEIVABLES

	December 31, 2023	December 31, 2022
Foreign trade receivables	125	85
Domestic trade receivables	4,374	9,360
Allowance for expected losses	(3,427)	(3,460)
Total	**1,072**	**5,985**

There are 3 customers representing individually more than 10% of the total balance of trade receivables as at December 31, 2023 (2022: 1 customer).

Movement in allowance for expected losses is as follows:

	2023	2022
Balance at beginning of the year	3,460	3,362
Charge for impairment adjustments	-	98
Reversals of impairment adjustments	(33)	-
Balance at end of the year	**3,427**	**3,460**

The Company has established a provision matrix that is based on the Company's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. In determining the recoverability of a receivable, the Company consider any change in the credit quality of the customer from the date the credit was initially granted up to the reporting date and adjusted for forward-looking factors specific to the debtors and the economic environment. Accordingly, the Company's management believes that there is no further expected credit loss allowance required other than of the allowance for impairment losses already provided for. More details are presented in Note 34.

The amount of the provisions for receivables on December 31, 2023 is RON 3,427 thousand (31 December 2022: RON 3,460 thousand), of which RON 3,153 thousand represents the provision for receivables from Vimetco Power Romania (related party, see Note 31).

A part of the Company's receivables (RON 240 thousand at December 31, 2023 and RON 5,036 thousand at December 31, 2022) are pledged to secure the loans obtained from banks.

The table below is an analysis of trade receivables according to their age as at December 31, 2023 and December 31, 2022:

	December 31, 2023	December 31, 2022
Neither past due nor impaired	704	5,439
Past due but not impaired	368	546
Past due more than 1 month*	-	2
Past due more than 3 months*	-	-
Past due more than 9 months*	3,427	3,458
Allowance for expected losses	(3,427)	(3,460)
Total	**1,072**	**5,985**

*) trade receivables impaired

All amounts are in RON thousand, unless otherwise stated

12. TRADE RECEIVABLES (continued)

Receivables matured but not impaired, for which no impairment adjustments were set, are shown below:

	December 31, 2023	December 31, 2022
Less than 3 months	332	532
3 months to 6 months	-	1
6 months to 9 months	-	-
More than 9 months	36	12
Total	**368**	**546**

Details regarding the Company transactions with the related parties are presented in Note 31.

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

Caps available under factoring agreements:

	December 31, 2023	December 31, 2022
Factoring caps amounts available, of which:	4,975	4,947
Factoring amounts utilised	247	178

13. OTHER CURRENT FINANCIAL ASSETS

	December 31, 2023	December 31, 2022
VAT recoverable	40	28
Other current financial assets	253	262
Allowance for other debtors	(121)	(121)
Total	**172**	**169**

Movement in allowance for sundry debtors is as follows:

	December 31, 2023	December 31, 2022
Balance at beginning of the year	121	121
Reversal of impairment allowances	-	-
Balance at end of the year	**121**	**121**

All amounts are in RON thousand, unless otherwise stated

14. OTHER CURRENT NON-FINANCIAL ASSETS

	December 31, 2023	December 31, 2022
Advances to suppliers	330	6,568
Prepayments	249	204
Total	**579**	**6,772**

The category Advances to suppliers contains mainly down payments to related parties of the Company for the acquisition of raw materials and utilities (at 31 December 2023: RON 168 thousand; at 31 December 2022: RON 6,275 thousand) (Note 31).

15. RESTRICTED CASH

	December 31, 2023	December 31, 2022
Restricted cash	19,774	35,815

At 31 December 2023 the restricted cash of the Company includes the amount of RON 19,713 thousand representing cash collateral at banks for issuing letters of credit for the acquisition of calcined alumina from third parties (at 31 December 2022: RON 35,768 thousand).

16. CASH AND CASH EQUIVALENTS

	December 31, 2023	December 31, 2022
Cash at banks in RON	386	1,032
Cash at banks in foreign currency	143	1,685
Cash in hand in RON	4	4
Total	**533**	**2,721**

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

Also, as of December 31, 2023 all current bank accounts opened by the Company, as well as all the amounts of money recorded or by which such bank accounts are credited at a certain moment (subject to certain exceptions) are pledged to secure the borrowings contracted by the Entity (2023: RON 529 thousand; 2022: RON 2,717 thousand).

17. RESERVES

	December 31, 2023	December 31, 2022
Legal reserve	20,390	20,390
Other reserves	18,179	20,613
Total reserve	**38,569**	**41,003**

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

Other reserves include mainly amounts that were generated by revaluation of fixed assets performed before adopting IFRS.

18. ISSUED CAPITAL

The statutory share capital as of December 31, 2023 and 2022 is in amount of RON 488,412,908 representing 82,086,203 shares having a nominal value of RON 5.95 per share.

	Statutory figures					
	December 31, 2023			December 31, 2022		
SHAREHOLDERS	Number of shares	Nominal value RON (thousand)	%	Number of shares	Nominal value RON (thousand)	%
ALRO SA	81,595,860	485,495	99.4026	81,595,860	485,495	99.4026
Individuals	470,658	2,800	0.5734	472,054	2,809	0.5751
Other companies	19,685	117	0.0240	18,289	109	0.0223
Total	**82,086,203**	**488,413**	**100%**	**82,086,203**	**488,413**	**100%**

The major shareholder of Alum S.A. is ALRO S.A. owned by Vimetco PLC.

19. LOANS AND LEASES

	December 31, 2023	December 31, 2022
Long-term loans		
Long-term bank loans	-	3,063
Long-term bank loans, total	**-**	**3,063**
Lease liabilities	355	239
Total long-term loans and lease	**355**	**3,302**
Short-term loans		
Short-term bank loans	-	13,557
Short-term portion of long-term loans	2,987	19,692
Short-term bank loans, total	**2,987**	**33,249**
Lease liabilities	172	118
Total short-term loans and leases	**3,159**	**33,367**
Total loans and leases	**3,514**	**36,669**

On May 17, 2018, Alum concluded a loan agreement amounting to USD 20 million with Black Sea Trade and Development Bank and USD 5 million with Garanti Bank Romania. The scope of these loan facilities was to finance mainly investments, and they were repaid in seven half-yearly instalments after a grace period of two years. The last loan instalment was paid in May 2023 (31 December 2022: USD 3,571 thousand).

In February 2021, the Company signed a loan agreement with Garanti Bank Romania, for a limit of USD 3,000 thousand, to be used for working capital needs of the company both cash and non-cash. The loan was not extended and in July 2023, the Company reimbursed the drawn amount from the revolving facility of RON 13,264 thousand, i.e. the equivalent of USD 2,920 thousand. As of December 31, 2022, the balance of the loans was of RON 13,533 thousand, i.e. the equivalent of USD 2,920 thousand. The loan agreement was supplemented with a non-revolving facility in amount of USD 2,000 thousand in December 2021 to be used for financing working capital needs, and which has the maturity in December 2024. As of 31 December 2023, the balance of the loan was of USD 676 thousand (31 December 2022: USD 1,333 thousand).

All amounts are in RON thousand, unless otherwise stated

19. LOANS AND LEASES (continued)

In 2023, the interest rates ranged between 7.54% and 8.7% (2022: 3.25% - 8.7%).

For the exposure of the Company's borrowings to interest rate risk, please refer to Note 34.

According to the existing borrowing agreements, at 31 December 2023, the Company is no subject to certain restrictive covenants and at December 2022, the Company met its covenants in respect of its loans. These covenants required the Company, among other things, to maintain a minimum or maximum level for certain financial ratios in 2022, including: financial debt to EBITDA and current ratio.

The Company borrowings are secured with accounts receivable amounting to RON 240 thousand (2022: RON 5,036 thousand) (see Note 12), with current account opened with banks amounting to RON 529 thousand (see Note 16) (2022: RON 2,717 thousand), with property, plant and equipment (land, buildings, equipment) with a value of RON 43,199 thousand (2022: RON 140,017 thousand) (see Note 5) and with inventories of RON 137,698 thousand (2022: RON 175,639 thousand) (see Note 11).

The Company have estimated that the fair value of the borrowings and the lease liabilities does not significantly differ from their carrying amount, mainly due to the fact that the long-term loans have variable interest and their 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. As at 31 December 2023 there are no long term loan balances.

Changes in liabilities arising from financing activities of Alum:

	Bank loans	**Lease liabilities**
Balance at January 1, 2023	**36,312**	**357**
New contracts	-	320
Cash outflows	(32,747)	(151)
Interest expense	1,603	14
Interest paid	(1,662)	(14)
Interest capitalised	-	-
Translation adjustments	(519)	1
Balance at December 31, 2023	**2,987**	**527**

	Bank loans	**Lease liabilities**
Balance at 1 January 2022	**68,068**	**1,243**
New contracts	-	262
Cash outflows	(36,458)	(269)
Interest expense	3,217	19
Interest paid	(2,975)	(19)
Interest capitalised	-	-
Translation adjustments	4,460	(879)
Balance at December 31, 2022	**36,312**	**357**

20. RETIREMENT BENEFIT OBLIGATION

Defined contribution plans

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

The Company has made payments to an optional defined contribution pension plan for the employees that have rendered service to the Company during the reporting period.

All amounts are in RON thousand, unless otherwise stated

20. RETIREMENT BENEFIT OBLIGATION (continued)

Defined contribution plans (continued)

The defined contribution plan is managed by separate entities and the contribution made by the Company was in the form of fixed amounts per employee, paid monthly. The Company recognised the liability undiscounted (accrued expense) at the reporting date after deducting any contribution already paid, and the expense incurred during the year, the Company's legal and constructive obligation being limited to the amounts that it contributes to the fund.

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

	2023	**2022**
Salaries and other staff costs	27,805	60,316

Contributions to defined contribution plans included in the salaries and other staff costs:

	December 31, 2023	**December 31, 2022**
Social insurance costs and other taxes	6,605	14,195
Other defined contribution pension plans	420	932

Defined benefit plans - post-employment benefits

According to the Collective Labour Agreement, when retiring due to age or disease, the employees benefit from a retirement bonus which is computed based on the number of years worked in the Company.

The most recent actuarial valuation of plan assets and the present value of the defined benefit obligation provision was carried out at December 31, 2023 by an independent 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 calculations were as follows:

	December 31, 2023	**December 31, 2022**
Expected rate of salary increase (%)	4.40	5.20
Discount rate (%)	6.00	8.30
Expected inflation rate (%)	2.90	4.10

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

	2023	**2022**
Current service cost	176	236
Interest on post-employment obligation	157	251
Total	**333**	**487**

The expense on current service cost for the reporting year is included in the statement of comprehensive income as Cost of goods sold (2023: nil, 2022: RON 192 thousand), Administrative expenses (2023: RON 44 thousand, 2022: RON 44 thousand) and Other operating expenses (2023: RON 132 thousand, 2022: nil), and interest cost on pension provision as Interest expense. The past service cost is recorded in the statement of profit or loss and other comprehensive income as Cost of goods sold (2023: nil, 2022: RON (1,921) thousand), Administrative expenses (2023: RON (83) thousand, 2022: RON (441) thousand) and Other operating expenses (2023: RON (246) thousand, 2022: nil).

All amounts are in RON thousand, unless otherwise stated

20. RETIREMENT BENEFIT OBLIGATION (continued)

Defined benefit plans - post-employment benefits (continued)

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

	2023	2022
Balance at January 1	**1,940**	**5,014**
Included in profit or loss:		
Current service cost	176	236
Past service cost	(329)	(2,362)
Interest expense on post-employment obligation	158	251
Included in comprehensive income:		
Actuarial changes from demographic assumptions	17	(58)
Actuarial changes from financial assumptions	341	(724)
Actuarial changes from experience adjustments	(240)	(162)
Benefits paid	(82)	(256)
Balance at December 31	**1,981**	**1,940**

Significant variables for the determination of defined benefit provision are: discount rate, estimated salary increase rate and inflation rate. The sensitivity analysis included below is showing the pension obligation value determined based on reasonably possible changes of the respective variables occurring at the end of the reporting period, while holding all other variables constant:

	2023	2022
Discount rate +1%	1,817	1,784
Discount rate -1%	2,165	2,116
Salary increase rate +1%	2,169	2,125
Salary increase rate -1%	1,811	1,773
Longevity +1 year	1,960	1,912
Longevity -1 year	2,004	1,972
Employee turnover rate +0.5%	1,964	1,925
Employee turnover rate -0.5%	1,998	1,956

The sensitivity analyses above have been performed based on a method that extrapolates the impact on net defined benefit provision as a result of reasonable changes in key variables analysed at the end of the reporting period.

The Company expects to make a payment of RON 59 thousand from the defined benefit pension provision in the next financial year (at December 31, 2022 the estimations were of RON 82 thousand).

The weighted average duration of defined benefit obligation is 14 years (in 2022: 14.4 years).

The following information relates to the maturity profile of the defined benefit obligation at December 31, 2023:

Maturity analysis of future defined benefit payments	Post-employment benefits	Death-in-service benefits	Total
Within 1 year	-	59	**59**
1 - 2 years	77	66	**143**
2 - 5 years	272	225	**497**
5 - 10 years	1,945	452	**2,397**
Over 10 years	4,773	619	**5,392**

All amounts are in RON thousand, unless otherwise stated

21. PROVISIONS

The provision for land rehabilitation was set in relation to the premises where the Company deposit residue from production, in the form of the red mud lake. According to the environment regulations, the red mud lake must be rehabilitated before a certain date specified by specific authorisations, when it will be either it may be closed down or extended. The provisions are based on the estimation of expenses necessary to perform the rehabilitation works at the time when they are expected to be incurred, discounted to their present value at 31 December 2023 and are related to the red mud lake rehabilitation in amount of RON 24,440 thousand (31 December 2022: RON 23,919 thousand). The Company estimates that the costs would be incurred in 5 - 40 years' time and calculates the provisions using the DCF method based on the following assumptions: estimated range of cost: RON 64 per square meter and discount rates of 5.67% (2022: 7.084%). Furthermore, the timing of rehabilitation is likely to depend on when the site ceases to store at economically viable rates.

The amount of RON 11,847 thousand representing a provision recognized by the Company for CO2 certificates needed to be acquired for the year 2022 in accordance with the legal requirements, was reversed in 2023 (see also Note 27 Other operating revenues/ income). No provision was recognised in 2023, as the Company has a surplus of certificates as at 31 December 2023 over the ones needed to be acquired for 2023.

	Rehabilitation	Employees remuneration	CO2 certificates	Total
At January 1, 2022	**25,842**	**-**	**1,274**	**27,116**
Increase through income statement	-	-	11,847	11,847
Reversal of provisions	(2,948)	-	-	(2,948)
Unwinding of discount	1,025	-	-	1,025
Utilisation of provisions	-	-	(1,274)	(1,274)
At December 31, 2022	**23,919**	**-**	**11,847**	**35,766**
At January 1, 2023	**23,919**	**-**	**11,847**	**35,766**
Increase through income statement	-	-	-	-
Reversal of provisions	(1,173)	-	(11,847)	(13,020)
Unwinding of discount	1,694	-	-	1,694
Utilisation of provisions	-	-	-	-
At December 31, 2023	**24,440**	**-**	**-**	**24,440**
Of which:				
Current 2023	-	-	-	-
Non-current 2023	24,440	-	-	24,440
Current 2022	-	-	11,847	11,847
Non-current 2022	23,919	-	-	23,919

22. GRANTS

	2023	2022
Balance as of January 1, 2023	**4,198**	**4,577**
Increases during the year	-	-
Income recorded during the year	(379)	(379)
Balance as of December 31, 2023	**3,820**	**4,198**
Out of which:		
Current	379	379
Non-current	3,441	3,819

Under the financing contract signed on September 8, 2016, Alum SA launched a project (SMIS 2014+) co-financed under the Competitiveness Operational Program 2014-2020 supported by the European Union.

All amounts are in RON thousand, unless otherwise stated

22. GRANTS (continued)

The equipment purchased within these investment projects were commissioned in 2019 and the grants received are recognized as income on a straight-line basis during the useful life of the equipment.

Income from grants amounting to RON 379 thousand (2022: RON 379 thousand) represents the portion of the above-mentioned grants, as well as of grants received in the previous years for equipment, recognised as income through profit and loss during the year. The income recognised during the year is included in the Other operating revenues/income category (see Note 27).

The only achievement indicator to be pursued by the end of the project, i.e., the number of staff in the R & D department that needed to be increased by 16 people by March 8, 2019, was achieved.

During the monitoring period of the project, certain result indicators must also be achieved, i.e., turnover (RON 605,225 thousand) and market share (1.26%). These indicators are reported annually, only to inform the Managing Authority, but their achievement / failure to achieve is verified with the appropriate consequences only at the end of the sustainability period, i.e. in 2024.

Based on the annual monitoring reports the above compliance criteria are met.

As at 31 December 2023 there are no contingent liabilities attached to these grants.

23. TRADE AND OTHER PAYABLES

	December 31, 2023	December 31, 2022
Foreign trade and other payables	19,916	35,961
Domestic trade and other payables	5,354	12,772
Accrued trade and other payables	395	366
Total	**25,665**	**49,099**

The Foreign trade and other payables category contains the amount of RON 19,713 thousand, which represents the purchase of imported alumina from third parties for which a letter of credit was opened on December 31, 2023 (at 31 December 2022: RON 35,768 thousand). See also Note 16 Cash and cash equivalents.

Details regarding the Company’s transactions with the related parties are presented in Note 31.

24. OTHER CURRENT LIABILITIES

	December 31, 2023	December 31, 2022
Wages and social security contributions	3,590	3,035
Tax on salaries	256	339
Other taxes and duties	-	2
VAT payable	1,756	7,408
Other current liabilities	29	68
Total	**5,631**	**10,852**

All amounts are in RON thousand, unless otherwise stated

25. REVENUE FROM CONTRACTS WITH CUSTOMERS

98% (2022: 99%) of the Company's revenues consist of sales of alumina and hydrate, most of them to one customer located in Romania (2023: 96%, 2022: 92%) (see Note 31).

	Year ended December 31, 2023	Year ended December 31, 2022
Revenues from the sale of alumina	279,463	497,443
Other revenues and provided services	5,191	2,328
Total	**284,654**	**499,771**

In 2023, revenues from sales were influenced by the temporary suspension of the alumina production starting August 2022. The Company continues to carry out certain activities in the factory such as maintenance and modernization works, R&D activities and the acquisition of calcined alumina from independent entities for the purpose of reselling it to the ALRO, in order to fulfil the internal requirement in the Primary segment.

The category Other revenues and provided services includes revenues of RON 3,611 thousand from the sale of scrap iron and revenues of RON 1,557 thousand from the sale of sieved bauxite.

Contract liabilities

In 2023, the Company recognized the amount of RON 39,496 thousand existing at 31 December 2022 under Contract liabilities as revenue from performance obligations satisfied. The balance of RON 74,327 thousand existing at 31 December 2023 under Contract liabilities will be recognized in 2024 when the performance obligations will be satisfied. See also Note 31 Related party transactions.

26. COST OF GOODS SOLD

	Year ended December 31, 2023	Year ended December 31, 2022
Energy, water and gas	1,150	202,339
Raw materials	-	132,159
Staff costs	4,711	21,552
Other staff costs	15	2,611
Consumables	178	3,634
Amortisation	4,267	10,694
Merchandise	249,429	75,931
Third party services	11	1,215
Repairs	55	2,541
Transportation costs	365	371
Others	408	315
Allowance for slow moving and obsolete Inventories (Note 11)	6,987	-
Total	**267,577**	**453,363**

The decrease in expenses with staff cost, raw materials and utilities was generated by the temporary suspension of the alumina production. In the Merchandise category were recorded the expenses related to calcined alumina purchased from third parties and sold to ALRO (2023: RON 248,687 thousand RON; 2022: RON 75,548 thousand)).

All amounts are in RON thousand, unless otherwise stated

27. OTHER OPERATING REVENUES/INCOME

	Note	Year ended December 31, 2023	Year ended December 31, 2022
Income from grants	22	379	379
Income from sale of unused CO2 emission certificates		8,997	52,178
Income from provision reversals	21	11,847	-
Gain on disposal of fixed assets		-	19
Other revenues		2,419	5,296
Total		**23,642**	**57,872**

In 2023, the Income from grants category includes an amount of RON 379 thousand (in 2022: RON 379 thousand) representing government grants from EU funds received by the Company for purchasing equipment for the research and development activities. The grants are recognized as income on a straight-line basis during the useful life of the equipment for which they were received. For further details, also see Note 22 Grants.

In 2023, the Company sold CO2 emission certificates of RON 8,997 thousand and included them under the Income from sale of unused CO2 emission certificates, benefiting from the increase in the price of CO2 emission certificates (2022: RON 52,178 thousand). The Company was in the position to have a surplus of emission certificates.

The amount of RON 11,847 thousand representing a provision recognized by the Company for CO2 certificates needed to be acquired for the year 2022 in accordance with the legal requirements, was reversed in 2023. See also Note 21 Provisions.

The Other revenues category records, mainly, revenues from the sale of electricity for town heating, demurrage for alumina loading/unloading and rent.

28. ADMINISTRATIVE EXPENSES

	Year ended December 31, 2023	Year ended December 31, 2022
Energy, water and gas	175	170
Consumables	185	440
Staff costs	7,811	11,195
Third party services	12,828	10,763
Insurance	496	402
Taxes and duties	1,123	1,470
Amortisation and depreciation	786	922
Research and development costs	2,744	2,486
Other administrative expenses	3,137	3,541
(Decrease)/increase in provisions for doubtful receivables	(33)	98
Total	**29,251**	**31,486**

All amounts are in RON thousand, unless otherwise stated

28. ADMINISTRATIVE EXPENSES (continued)

In 2023, the Company registered research and development costs of RON 2,744 thousand (in 2022: RON 2,486 thousand) after the commissioning at the beginning of 2019 of the equipment funded from EU funds related to the investments in researching the technologies for obtaining (dry and wet) aluminum hydroxide. The objectives of these projects are to increase the level of market innovation and competitiveness of the Company, while expanding the products portfolio.

Further details concerning the movements in provisions are included in Note 12.

29. OTHER OPERATING EXPENSES

	Year ended December 31, 2023	Year ended December 31, 2022
Idle plants depreciation expenses	17,829	10,220
Loss on disposal of subsidiary (Note 7)	6,526	-
Provision for CO2 emission certificates	-	11,847
Staff restructuring expenses	1,950	8,703
Costs in relation to the suspension of its production activity	12,642	6,135
Non-productive cost	23,058	15,048
Other operating expenses	3,081	4,305
Total	**65,085**	**56,258**

The category Idle plants depreciation expenses in 2023 represent the depreciation incurred by the Company on temporarily idled production facilities, mainly caused by the suspension of the alumina production starting with August 2022.

On May 2023, Alum publicly announced the convening of the Extraordinary General Meeting for the approval of the sale, as sole shareholder, of 100% of the share capital of Global Aluminium Ltd. (GAL group). The disposal of Global Aluminium Ltd. was completed on 1 September 2023 and the consideration received for the net assets disposed amounted RON 3,181 thousand (USD 700 thousand equivalent). From the sale of the GAL Group resulted a net loss of RON 6,526 thousand, after registering an additional impairment in the year of RON 57,649 thousand.

The CO2 emission certificates resulting from the Greenhouse Gas Emission Monitoring Report for 2023 will be handed over to the authorities from the surplus of emission certificates available to the Company on December 31, 2023. Thus, on December 31, 2023, there is no need to record a provision for CO2 certificates. At 31 December 2022 the Company has recorded a provision for 30,899 CO2 certificates at a quotation of 77.5 EURO / certificate (RON 11,847 thousand). More details are presented in Note 21.

The category Non-productive costs includes the costs related to production recorded by the Company after the cessation of alumina production in August 2022, that no longer qualifies as cost of sales.

Details of the costs following the suspension of production activity is presented in the table below:

	Year ended December 31, 2023	Year ended December 31, 2022
Energy, water and gas	4,318	2,285
Staff costs	15,969	11,006
Consumables expenses	1,530	991
Third party services	504	268
Repairs	270	290
Other expenses	467	208
Total	**23,058**	**15,048**

All amounts are in RON thousand, unless otherwise stated

29. OTHER OPERATING EXPENSES (continued)

The Other operating expenses category are included, mainly, penalties for noncompliance with the estimated consumption for electricity and gas, penalties charged by shipping companies for excess/shortage in idle time spent at alumina loading/unloading and expenses on electricity used for town heating (2023: RON 3,081 thousand; 2022: RON 4,305 thousand).

30. FINANCIAL RESULT, NET

	Year ended December 31, 2023	Year ended December 31, 2022
Interest income	199	267
Other financial income	-	8
Interest expense	(3,469)	(4,512)
Interest on loans (Note 19)	*(1,617)*	*(3,236)*
Interest on discounting provisions (Note 21)	*(1,694)*	*(1,025)*
Interest on post-retirement benefits (Note 20)	*(158)*	*(251)*
Bank commissions	(339)	(332)
Commissions paid for factoring agreements	(18)	(49)
Net exchange rate differences	(523)	(2,846)
Total	**(4,150)**	**(7,464)**

Although the LIBOR, EURIBOR and ROBOR benchmark interest rates were higher compared to previous year, interest expenses decreased in 2023 due to decrease of the loans balance of the Company.

For the period starting 1 July 2023 a new reference rate, namely, CME Term SOFR, was used instead of USD LIBOR (London Interbank Offered Rate) in the existing facilities of the Company. CME Term SOFR means the Term SOFR reference rate administered by CME Group Benchmark Administration Limited (or any other person which takes over the administration of that rate). The replacing of the old reference rate with the new one was made according to the interest calculation algorithm stipulated by financing contract.

Interest expense in amount of RON 1,617 thousand (in 2022: RON 3,236 thousand) represented transaction costs on loans, which are recognized during the period as interest expense based on the effective interest rate method. The cash effectively paid as transaction costs in 2023 for loans was of RON 1,676 thousand and it is included in the Statement of cash flow under Interest paid (in 2022: RON 2,994 thousand).

The category Bank commissions includes the commissions paid by the Company for issuing letters of credit for the acquisition of calcined alumina from third parties. (2023: RON 307 thousand; 2022: RON 202 thousand).

31. RELATED PARTY TRANSACTIONS

The major shareholder of Alum S.A. is ALRO S.A. owned by Vimetco PLC, Cyprus. The Company's ultimate controlling entity is Maxon Limited (Bermuda).

The transactions between the related parties are based on bilateral agreements and are not secured.

The main related parties the Company has recorded transactions with in 2023 and 2022 are: ALRO S.A., Vimetco Extrusion S.R.L., Conef Gaz S.R.L., Vimetco Management S.R.L. Romania, Centrul Rivergate S.R.L., Rivergate Fire S.R.L, Sierra Minerals Holding Ltd. (up to the date of disposal). Details of transactions between the Company and its related parties are disclosed below.

All amounts are in RON thousand, unless otherwise stated

31. RELATED PARTY TRANSACTIONS (continued)

Related party	Related party type	Transaction type
ALRO S.A.	Shareholder	Sales/purchases of goods/services
Sierra Minerals Holding Ltd.	Former subsidiary, deconsolidated since September 2023*	Sales/purchases of goods/services
Vimetco Management Romania S.R.L.	Common control	Purchases of goods/services
Vimetco Extrusion	Common control	Sales/purchases of goods
Conef Gaz S.R.L.	Common control	Purchases of goods
Centrul Rivergate	Common control	Sales/purchases of goods/services
Rivergate Fire	Common control	Sales/purchases of goods/services

*This former subsidiary of the Alum Group was deconsolidated as at 30 September 2023, following the sale of the shares held by the Company Alum in Global Aluminium Ltd, BVI (see Note 7 for more details).

	Year ended December 31, 2023	Year ended December 31, 2022
Sales of goods and services		
ALRO S.A. (goods, services)	267,053	456,902
Centrul Rivergate	38	38
Sierra Minerals Holding Ltd.	198	90
Vimetco Extrusion	1	1
Total	**267,289**	**457,032**

Purchases of goods and services	Year ended December 31, 2023	Year ended December 31, 2022
ALRO S.A. (goods, services)	6,451	49,805
Centrul Rivergate	5,369	3,998
Rivergate Fire	4,741	3,676
Conef Gaz S.R.L. (natural gas)	-	164,414
Vimetco Management Romania S.R.L. (goods, services)	892	982
Sierra Minerals Holding Ltd. (bauxite)	-	23,131
Total	**17,454**	**246,006**

	Year ended December 31, 2023	Year ended December 31, 2022
Trade and other receivables, gross		
Sierra Minerals Holding Ltd. - receivables	-	87
Sierra Minerals Holding Ltd. - advances	-	6,111
Vimetco Management Romania S.R.L. - advances	11	-
Centrul Rivergate	4	4
Vimetco Power	3,153	3,153
ALRO S.A. - receivables	74	5,036
ALRO S.A. - advances	157	164
Total	**3,399**	**14,555**

31. RELATED PARTY TRANSACTIONS (continued)

The Company recorded a provision in amount of RON 3,153 thousand for receivables from Vimetco Power Romania (see Note 12 and 34).
The amounts outstanding are unsecured and will be settled in cash. No type of guarantees has been given or received.

	December 31, 2023	December 31, 2022
Trade and other payables		
ALRO S.A. – current trade payables	1,038	976
ALRO S.A. – advances (Note 25)	74,099	39,460
Centrul Rivergate	570	388
Rivergate Fire	498	360
Vimetco Management Romania S.R.L.	101	113
Total	**76,306**	**41,298**

Remuneration of key personnel
The remuneration of directors and of other members of key management personnel during the year was in amount of RON 2,776 thousand (2022: RON 2,749 thousand).

32. EARNINGS PER SHARE

	Year ended December 31, 2023	Year ended December 31, 2022
Net loss attributable to shareholders	(188,521)	(122,154)
Weighted average number of ordinary shares (‘000)	82,086	82,086
Basic and diluted losses per share (RON/share)	(2.30)	(1.49)
Dividends per share in the current year (RON/share)	-	-

33. SEGMENT INFORMATION

The Company only has one operating segment, the production and sale of alumina. The alumina segment processes bauxite to produce alumina, which is the main raw material for aluminium smelting. All its operating assets are located in Romania.

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

	Year ended December 31, 2023	Year ended December 31, 2022
Romania	274,514	462,635
European Union	2,973	14,335
Non-EU European countries	5,670	8,020
Other countries	1,497	14,781
Total	**284,654**	**499,771**

The increase of energy and gas prices on domestic market, resulted in significant rise of the costs of production of alumina at Alum. The management has decided starting August 2022 to temporary suspend the alumina production, the Company continuing its operations by acquisition of calcined alumina from independent entities, at an optimized cost.

All amounts are in RON thousand, unless otherwise stated

34. FINANCIAL RISKS MANAGEMENT

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

Capital risk management

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

The capital structure of the Company consists of debt, which includes the loans disclosed in Note 19, net of Cash and cash equivalents as disclosed in Note 16 and shareholders' equity.

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

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

	2023	**2022**
Total loans (Note 19)	3,514	36,669
Less: cash and cash equivalents (Note 16)	(533)	(2,721)
Net debt	**2,981**	**33,948**
Total shareholders' equity	**100,080**	**288,700**
Total capital	**103,061**	**322,648**
Gearing ratio	3%	11%

As it appears from the table above, the gearing ratio has decreased from 11% to 3% at Company level due to the reduction of the loans simultaneously with a decrease of the capital.

The Company’s activities expose it primarily to the foreign currency exchange rates risk, interest rates risk and credit risk.

Foreign currency risk management

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

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

The Company’s foreign currency exposure results from:

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

34. FINANCIAL RISKS MANAGEMENT (continued)

Foreign currency risk management (continued)

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

	December 31, 2023		December 31, 2022	
	EUR	**USD**	**EUR**	**USD**
	RON ' 000	**RON '000**	**RON ' 000**	**RON '000**
Total current assets	59	19,911	1,543	36,073
Total non-current assets	-	-	-	-
Total assets	**59**	**19,911**	**1,543**	**36,073**
Total short-term liabilities	349	22,740	286	69,040
Total long-term liabilities	355	-	239	3,063
Total liabilities	**704**	**22,740**	**525**	**72,103**

Foreign currency sensitivity analysis

The Company is mainly exposed to the fluctuation of RON/USD and RON/EUR exchange rates. The following table details 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 monetary assets and liabilities on balance, denominated in foreign currencies, and adjusts their translation at the reporting period end for a 10% increase/ (decrease) in foreign currency exchange rate. The sensitivity analysis includes loans denominated in a currency other than the functional currency.

An appreciation / (depreciation) by 10% of the RON against EUR and USD as indicated below at 31 December would increase / (decrease) profit or loss and equity by the amounts shown below (excluding the impact on income tax).

	December 31, 2023		December 31, 2022	
	EUR	**USD**	**EUR**	**USD**
	RON '000	**RON '000**	**RON '000**	**RON '000**
Profit or loss	64	283	(102)	3,603
Other equity	54	238	(86)	3,027

Interest rate risk management

The Company's interest rate risk arises mainly from loans taken. Borrowings received at floating rates expose the Company to cash flow interest rate risk. The interest rates on the Company's existing credit facilities are based on the London Interbank Offered Rate ("LIBOR") and starting 1 July 2023 on the CME Term SOFR for USD borrowings. The Company borrowings are contracted at floating interest rates.

Interest rate sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rate fluctuations for USD denominated loans received having floating interest rates, on balance at the reporting date, assuming they remain constant during the year.

If interest rates had been 100 basis points higher/lower and all other variables were held constant, the Company's result for 2023 would increase/decrease by RON 330 thousand (2022: RON 362 thousand, excluding the impact on income tax.

All amounts are in RON thousand, unless otherwise stated

34. FINANCIAL RISKS MANAGEMENT (continued)

Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. The Company is exposed to credit risk from its operating activities, primarily trade receivables (see also Notes 12 and 31) and from its financing activities.

Trade receivables consist of a number of customers, spread across diverse industries and geographical areas. In order for the Company to minimize the credit risk, the Company sells a part of its receivables to financial institutions through non-recourse factoring transactions. For other receivables, which are not covered by factoring contracts, the financial quality of the debtors is permanently monitored, and the Company has a credit exposure spread amongst agreed counterparties. The Company has adopted a policy of only dealing with trustworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. Credit risk exposure is controlled by limits related to each debtor that are reviewed and approved by the Management. The Company constantly assesses their credit risk, considering their financial performance, payment history and, where applicable, it requires insurance in case of default.

The credit risk profile of trade receivables is presented based on their past due status in terms of the provision matrix. This provision matrix is initially based on the Company's historical default rates observed, adjusted for forward-looking factors specific to the debtors and the economic environment, if any. Trade receivables are non-interest bearing and are generally on 30 - 90 days terms. As the Company has trade receivables with term payments due within a relatively short time, the determination of forward-looking economic scenarios may be less significant given that over the credit risk exposure period a significant change in economic conditions may be unlikely, and historical loss rates might be an appropriate basis for the estimate of expected future losses.

The methodology used by the Company to measure expected credit losses for trade receivables could be described as follows:
- determine an appropriate period over which to observe the historical loss rates are appropriate. The Company selected for this purpose the 5 previous periods ending December 31, 2022, September 30, 2022, June 30, 2022, March 31, 2022 and December 31, 2021 for capturing data;
- collect data on trade receivables and group them by their past due status at each of the period under analysis;
- analyse the evolution of these balances after a period of 9 months and determine what amounts from each group outstanding is still unpaid in order to determine the proportion of balances in each past-due category that was ultimately not collected;
- determine the weighted average loss rate (%) per past due status for all the 5 periods under analysis;
- this rate will be applied to determine the impairment loss on gross trade receivables as at 31 December 2023.

The following table details the risk profile of trade receivables based on the Company's provision matrix. As the Company's historical credit loss experience do not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished between the Company's different customer segments.

Receivables			**December 31, 2023**
Terms	**Balances**	**Adjustment**	**Expected loss rate (%)**
Current (not past due)	691	-	0.00%
1-30 days	270	-	0.04%
31-60 days	-	-	0.17%
61-90 days	-	-	0.00%
91-180 days	-	-	0.43%
More than 180 days	307	(274)	89.39%
Individually assessed receivables (Note 31)	3,153	(3,153)	-
Individually assessed receivables	78	-	-
Total	**4,499**	**(3,427)**	

All amounts are in RON thousand, unless otherwise stated

34. FINANCIAL RISKS MANAGEMENT (continued)

Credit risk management (continued)

Receivables			December 31, 2022
Terms	**Balances**	**Adjustment**	**Expected loss rate (%)**
Current (not past due)	428	-	0.00%
1-30 days	421	(2)	0.45%
31-60 days	-	-	0.10%
61-90 days	-	-	1.07%
91-180 days	1	-	0.69%
More than 180 days	315	(305)	96.89%
Individually assessed receivables (Note 31)	3,153	(3,153)	-
Individually assessed receivables	5,127	-	-
Total	**9,445**	**(3,460)**	

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

At 31 December 2023 the maximum credit risk exposure was in amount of RON 21,379 thousand (31 December 2022: RON 44,521 thousand).

Liquidity risk

The Company manage their liquidity risk by maintaining adequate reserves, bank facilities and credit facilities, monitoring continuously the cash flows for which provisions were set and simultaneously following up the maturities of financial assets and financial liabilities.

The following tables detail the Company's financial liabilities by contractual maturity. The amounts relate to undiscounted cash flows from financial liabilities based on the earliest date on which the Company should make the payments.

Year ended December 31, 2023	On demand	< 1 year	1-5 years	> 5 years	Total
Loans	-	3,126	-	-	3,126
Lease liabilities	-	187	369	-	556
Trade payables	449	25,216	-	-	25,665
Total	**449**	**28,529**	**369**	**-**	**29,347**

Year ended December 31, 2022	On demand	< 1 year	1-5 years	> 5 years	Total
Loans	-	35,159	3,187	-	38,346
Lease liabilities	-	128	250	-	378
Trade payables	7,435	41,664	-	-	49,099
Total	**7,435**	**76,951**	**3,437**	**-**	**87,823**

All amounts are in RON thousand, unless otherwise stated

34. FINANCIAL RISK MANAGEMENT (continued)

Fair value hierarchy

Level 1: includes financial instruments measured at fair value by applying quoted unadjusted prices from active markets on which identical assets or liabilities are traded.

Level 2: includes financial instruments measured at fair value by using valuation techniques containing variables other than the quoted prices specified in Level 1 of the hierarchy, variables which are available and identifiable in the market for the respective assets or liabilities, either directly (such as prices) or indirectly (i.e. derived from prices).

Level 3: includes financial instruments measured at fair value by using valuation techniques containing variables for the respective assets or liabilities that are not based on identifiable data, available on the market.

The Company's management consider that the fair value of financial assets and financial liabilities recognised at amortised cost in the financial statements approximates their net carrying amounts largely due to the short term maturities, the low transaction costs related to the transactions as of the financial position date and, for the long-term borrowings, especially due to the fact that they have a floating interest rate and the bank margins are similar to those for the recently contracted bank loans.

Financial assets and liabilities

	December 31, 2023	Level 1	Level 2	Level 3
Financial assets				
Trade receivables	1,072	-	-	1,072
Cash and cash equivalents	20,307	20,307	-	-
TOTAL FINANCIAL ASSETS	**21,379**	**20,307**	**-**	**1,072**
Financial liabilities				
Long-term loans and lease liabilities	355	-	-	355
Trade payables	25,665	-	-	25,665
Short-term loans and lease liabilities	3,159	-	-	3,159
TOTAL FINANCIAL LIABILITIES	**29,179**	**-**	**-**	**29,179**

	December 31, 2022	Level 1	Level 2	Level 3
Financial assets				
Trade receivables	5,985	-	-	5,985
Cash and cash equivalents	38,536	38,536	-	-
TOTAL FINANCIAL ASSETS	**44,521**	**38,536**	**-**	**5,985**
Financial liabilities				
Long-term loans and lease liabilities	3,302	-	-	3,302
Trade payables	49,099	-	-	49,099
Short-term loans and lease liabilities	33,367	-	-	33,367
TOTAL FINANCIAL LIABILITIES	**85,768**	**-**	**-**	**85,768**

35. COMMITMENTS AND CONTINGENCIES

Commitments

ALUM S.A. has investment commitments for acquisition of fixed assets for 2024 in amount of RON 728 thousand (2023: RON 1,173 thousand).

The Company has various contracts concluded as of December 31, 2023 for the acquisition in 2024 of electricity and other materials in the amount of USD 24,084 thousand and RON 2,454 thousand, respectively (December 31, 2022: USD 33,624 thousand and RON 5,121 thousand, respectively).

Under financing contract signed on September 8, 2016, Alum SA launched a project (SMIS 2014+) co-financed under the Competitiveness Operational Program 2014-2020 supported by the European Union.

The only achievement indicator to be pursued by the end of the project, i.e., the number of staff in the R & D department that needed to be increased by 16 people by March 8, 2019, was achieved. Result indicators, i.e. turnover and market share, are reported annually after the project activities have been completed, only to inform the Managing Authority, but their achievement / failure to achieve is verified with the appropriate consequences only at the end of the sustainability period, i.e. in 2024. More details are presented in Note 22.

Contingencies

Legal cases

As at December 31, 2023 the Company was involved in a number of lawsuits resulting from the normal course of the business. The Management believes that these lawsuits will not have a negative impact on the financial performance and financial position of the Company.

Taxation

The taxation systems in Romania and in the countries where the Company operates are undergoing continuous developments. Tax legislation is subject to various interpretations and constant changes, some of which may sometimes be retroactive. In some circumstances, tax authorities may treat some aspects in a different way by calculating additional taxes, interest and penalties, which can be significant.

In Romania, according to the Fiscal Procedure Code the period for which the fiscal year remains open for fiscal verification is 5 years (term that begins on July of the year following the year for which the fiscal obligation is due). For fiscal obligations before 25 December 2020, according to Government's derogatory regulations, following the Covid-19 pandemic, the fiscal year open for tax audit was changed to a period of 5 years and 253 days. The management considers that the tax liabilities included in these financial statements are adequate.

Starting 2019, the Company was subject to fiscal audit from the National Agency for Fiscal Administration related to income tax and VAT transactions regarding the period 2014-2018. The fiscal inspection was finalized on 27 May 2021 and the tax authorities concluded a report with a net effect of RON 19,643 thousand on income tax and RON 32 thousand on VAT, which the Company recognized as an expense in a first stage, in the category Current income tax expense, and paid within the legal time frame. Subsequently, the Company filed a tax appeal to the National Agency for Fiscal Administration against the Fiscal Inspection Report. The appeal was rejected by the National Agency for Fiscal Administration, and the Company continues to defend its position through in Court of Law. It was performed a fiscal expertise by an independent expert appointed by the Court. In November 2023 the Court ruled in Company's favour by ordering the restitution to Alum of an amount of about RON 18,213 thousand out of the total of about RON 19,675 thousand that was the subject of the tax act. The solution can be appealed by the National Agency for Fiscal Administration.

All amounts are in RON thousand, unless otherwise stated

36. AUDITOR'S FEE

This note shows the total remuneration payable by the Company, excluding VAT, to our principal auditors, Ernst & Young Assurance Services SRL for the financial years mentioned below.

	December 31, 2023	December 31, 2022
Audit fee	146	229
Non-audit services	-	-
Total	**146**	**229**

37. SUBSEQUENT EVENTS

There were no material subsequent events that could have a significant impact on these financial statements.

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Building a better working world

RAPORTUL AUDITORULUI INDEPENDENT
INDEPENDENT AUDITOR'S REPORT

Catre actionarii Alum SA
To the Shareholders of Alum SA

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

Opinia
Opinion

Am auditat situatiile financiare consolidate ale societatii ALUM SA („Societatea") si ale filialelor sale (impreuna denumite "Grupul") cu sediul social in Tulcea, strada Isaccei nr. 82, identificata prin codul unic de inregistrare fiscala 2360405, care cuprind situatia consolidata a pozitiei financiare la data de 31 decembrie 2023, situatia consolidata a rezultatului global, situatia consolidata a modificarilor capitalului propriu si situatia consolidata a fluxurilor de trezorerie pentru exercitiul financiar incheiat la aceasta data si note la situatiile financiare consolidate, inclusiv un sumar al politicilor contabile materiale.
We have audited the consolidated financial statements of ALUM SA (the Company) and its subsidiaries (together referred to as "the Group") with official head office in Tulcea, Isaccei Str. nr. 82, identified by sole fiscal registration number 2360405, which comprise the consolidated statement of financial position as at December 31, 2023, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of material accounting policy information.

In opinia noastra, situatiile financiare consolidate anexate ofera o imagine fidela si justa a pozitiei financiare consolidate a Grupului la data de 31 decembrie 2023, ca si a performantei financiare consolidate si a fluxurilor de trezorerie consolidate ale acesteia pentru exercitiul financiar incheiat la aceasta data, in conformitate cu Standardele Internationale de Raportare Financiara adoptate de Uniunea Europeana si cu politicile contabile descrise in notele la situatiile financiare consolidate.
In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the International Standards of Financial Reporting as adopted by the European Union and the accounting policies described in the notes to the consolidated financial statements.

Bazele opiniei
Basis for opinion

Noi am efectuat auditul conform Standardelor Internationale de Audit (ISA). Responsabilitatile noastre conform acestor standarde sunt descrise mai detaliat in sectiunea „Responsabilitatile auditorului pentru auditul situatiilor financiare consolidate" din raportul nostru. Suntem independenti fata de Societate conform Codului International de etica al profesionistilor contabili (inclusiv standardele internationale de independenta) emis de Consiliul pentru Standarde Internationale de Etica pentru Contabili (codul IESBA) si conform cerintelor etice care sunt relevante pentru auditul situatiilor financiare consolidate in Romania si ne-am indeplinit responsabilitatile etice conform acestor cerinte si conform Codului IESBA.

Consideram ca probele de audit pe care le-am obtinut sunt suficiente si adecvate pentru a constitui baza pentru opinia noastra.
We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) as issued by the International Ethics Standards Board for Accountants (IESBA Code) together with the ethical requirements that are relevant to the audit of the consolidated financial statements in Romania, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Aspecte cheie de audit
Key audit matters

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

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

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

Descrierea fiecarui aspect cheie de audit si a procedurilor efectuate de noi pentru a aborda respectivul aspect

Description of each key audit matter and our procedures performed to address the matter

Aspect cheie de audit	Modul in care auditul nostru a abordat aspectul-cheie de audit
Testarea pentru depreciere a imobilizarilor corporale in situatiile financiare consolidate Informatiile prezentate de Alum cu privire la imobilizarile corporale, sunt incluse in nota 6.	
Imobilizarile corporale ale Alum au o importanta semnificativa pentru auditul nostru, avand in vedere marimea pozitiei bilantiere la 31 decembrie 2023 (73 milioane RON in bilant). Conform Standardelor Internationale de Raportare Financiara, o entitate este obligata sa evalueze, cel putin la fiecare data de raportare, daca exista indicatori de depreciere si, daca exista, este necesar un test de depreciere. La 31 decembrie 2023, din cauza prezentei indicatorilor de depreciere interni si externi, cum ar fi cresterea preturilor si disponibilitatea limitata a utilitatilor si a altor materii prime, cu un impact negativ asupra costurilor de productie, ceea ce a condus la suspendarea temporara a productiei de alumina la Alum, a fost efectuat un test de depreciere al imobilizarilor corporale ale unitatii generatoare de numerar ("UGN") Alum, pe baza caruia s-a stabilit ca valoarea recuperabila a imobilizarilor corporale ale unitatii generatoare de numerar a scazut sub valoarea contabila neta, prin urmare a fost recunoscuta o ajustare cu deprecierea imobilizarilor corporale. Evaluarea recuperabilitatii valorii contabile a imobilizarilor corporale necesita din partea conducerii sa aplice rationamente si estimari semnificative in determinarea principalelor ipoteze utilizate in testul de depreciere, cum ar fi rata de actualizare, rata de crestere si marja EBITDA. Avand in vedere incertitudinea in previzionarea si actualizarea fluxurilor de numerar viitoare, nivelul rationamentelor implicate si importanta imobilizarilor corporale ale Grupului la 31 decembrie 2023, aceasta arie a auditului reprezinta un aspect-cheie de audit.	Procedurile noastre de audit au inclus, printre altele: a) am analizat si am evaluat analiza efectuata de conducere in ceea ce priveste existenta indicatorilor de depreciere; b) am implicat specialistii nostri evaluatori interni pentru a ne asista la: ➢ evaluarea ipotezelor-cheie si a metodologiilor aplicate de Societate pentru testarea de depreciere a imobilizarilor corporale (de ex. verificarea corectitudinii matematice a modelului si conformitatea acestuia cu cerintele Standardelor Internationale de Raportare Financiara, ratele de actualizare folosite pentru actualizarea fluxurilor de numerar viitoare pentru societate, verificarea ipotezelor macroeconomice); ➢ evaluarea competentei, capacitatilor si obiectivitatii evaluatorului extern implicat; c) am comparat ipotezele folosite in dezvoltarea modelelor de fluxuri de numerar viitoare cu bugetele aprobate si planurile de afaceri aprobate ce au avut in vedere impactul preturilor mari actuale ale energiei asupra fluxurilor de numerar viitoare; d) am evaluat analiza de senzitivitate a valorii recuperabile ale UGN-ului la modificarile ipotezelor semnificative facute de conducere (cum ar fi rata de actualizare, rata de crestere si marja EBITDA) precum si coerenta celorlalte ipoteze incluse in testul de depreciere (cum ar fi preturi de vanzare viitoare, volumele produse/vandute in raport cu capacitatea existenta, costul materialelor si utilitatilor) cu mediul economic general si specific, informatii relevante despre piata si planurile de afaceri ale Societatii;

	e) am evaluat acuratetea istorica a bugetelor si prognozelor conducerii prin compararea acestora cu performanta efectiva; f) de asemenea, am evaluat caracterul adecvat al informatiilor prezentate de Societate cu privire la testarea pentru depreciere a imobilizarilor corporale.
Key audit matter	***How our audit addressed the key audit matter***
Impairment testing of property, plant and equipment in the consolidated financial statements *Alum's disclosure about property, plant and equipment, including the related impairment, are included in Note 6*	
The property, plant and equipment of the Group are significant to our audit because of the magnitude of the balance sheet position as of 31 December 2023 (of RON 73 million in the statement of financial position). *Under International Standards of Financial Reporting, an entity is required to assess, at least at each reporting date, whether impairment indicators exist and, if they exist, an impairment test is required.* *At 31 December 2023 due to the presence of internal and external indications of impairment, such as increasing prices and scarce availability of energy products and other raw materials with a negative impact on the production costs which led to temporary suspension of the alumina production at Alum, an impairment test of the property, plant and equipment of the cash generating unit Alum (CGU") was carried out, based on which it was determined that the recoverable value of property, plant and equipment of the cash generating unit has decreases below its carrying value, therefore an impairment charge for the property, plant and equipment has been recognized.* *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 the Group in 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 Group, checked macroeconomic assumptions);* ➢ *in evaluation of the competence, capabilities and objectivity of external valuator which prepared the impairment test;* *c) we compared the assumptions used within the future cash flow models to the approved budgets and business plans which considered also the impact of the current high energy prices on future cash flows;* *d) we evaluated the sensitivity analysis of the recoverable amounts to changes in the significant assumptions made by management (such as discount rate, growth rate and EBITDA margin) as well as the consistency of other assumptions made in the impairment test (such as expected sales prices, production/sales volumes versus capacity, material and utilities cost) with the general and industry-specific economic environment, relevant available market information and the business plans of the Group;*

Due to the uncertainty of forecasting and discounting future cash flows, the level of judgements involved and the significance of the Group's property plant and equipment as at 31 December 2023, this audit area is considered a key audit matter.	*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 Group's disclosures about Impairment testing of property, plant and equipment.*

Alte informatii
Other information

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

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

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

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

Conducerea Grupului are responsabilitatea intocmirii si prezentarii fidele a situatiilor financiare consolidate in conformitate cu Standardele Internationale de Raportare Financiara adoptate de Uniunea Europeana cu modificarile si clarificarile ulterioare, si pentru acel control intern pe care conducerea il considera necesar pentru a permite intocmirea de situatii financiare consolidate care sunt lipsite de denaturari semnificative, cauzate fie de frauda, fie de eroare.

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Standards of Financial Reporting as adopted by European Union with all subsequent modifications and clarifications, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

La intocmirea situatiilor financiare consolidate, conducerea este responsabila sa evalueze abilitatea Grupului de a-si desfasura activitatea conform principiului continuitatii activitatii si sa prezinte, daca este cazul, aspectele referitoare la continuitatea activitatii si folosirea principiului continuitatii activitatii, mai putin in cazul in care conducerea intentioneaza sa lichideze Grupul sau sa ii inceteze activitatea sau nu are nicio alternativa reala decat sa procedeze astfel.
In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

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

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

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

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

- Identificam si evaluam riscurile de denaturare semnificativa a situatiilor financiare consolidate, cauzate fie de frauda fie de eroare, stabilim si efectuam proceduri de audit care sa raspunda acestor riscuri si obtinem probe de audit suficiente si adecvate pentru a constitui o baza pentru opinia noastra. Riscul de nedetectare a unei denaturari semnificative cauzate de frauda este mai ridicat decat cel de nedetectare a unei denaturari semnificative cauzate de eroare, deoarece frauda poate include complicitate, falsuri, omisiuni intentionate, declaratii false sau evitarea controlului intern.

- *Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.*

- Intelegem controlul intern relevant pentru audit pentru a stabili procedurile de audit adecvate in circumstantele date, dar nu si in scopul exprimarii unei opinii asupra eficacitatii controlului intern al Grupului.
- *Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.*

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

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

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

- Obtinem suficiente probe de audit adecvate cu privire la informatiile financiare consolidate ale entitatilor sau activitatilor din cadrul Grupului pentru a exprima o opinie asupra situatiilor financiare consolidate. Suntem responsabili pentru indrumarea, supravegherea si efectuarea auditului la nivelul grupului. Suntem singurii responsabili pentru opinia noastra de audit.

- *Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.*

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

De asemenea, prezentam persoanelor responsabile cu guvernanta o declaratie cu privire la conformitatea noastra cu cerintele etice privind independenta si le comunicam toate relatiile si alte aspecte care pot fi considerate, in mod rezonabil, ca ar putea sa ne afecteze independenta si, unde este cazul, actiunile întreprinse pentru eliminarea amenintarilor cu privire la independenta sau masurile de protectie aplicate pentru a reduce acele amenintari.
We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

Dintre aspectele pe care le comunicam persoanelor responsabile cu guvernanta, stabilim acele aspecte care au avut cea mai mare importanta in cadrul auditului asupra situatiilor financiare consolidate din perioada curenta si, prin urmare, reprezinta aspecte cheie de audit.
From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters.

Descriem aceste aspecte in raportul nostru de audit, cu exceptia cazului in care legislatia sau reglementarile impiedica prezentarea publica a aspectului respectiv sau a cazului in care, in circumstante extrem de rare, determinam ca un aspect nu ar trebui comunicat in raportul nostru deoarece se preconizeaza in mod rezonabil ca efectele negative ale acestei comunicari depasesc beneficiile interesului public al comunicarii respectivului aspect.
We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

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

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

a) in Raportul consolidat al administratorilor nu am identificat informatii care sa nu fie consecvente, sub toate aspectele semnificative, cu informatiile prezentate in situatiile financiare consolidate la data de 31 decembrie 2023, atasate;
b) Raportul consolidat al administratorilor, identificat mai sus, include, sub toate aspectele semnificative, informatiile cerute de Ordinul Ministrului Finantelor Publice nr. 1802/2014, cu modificarile ulterioare, punctele 489-492 si 554-556;
c) pe baza cunostintelor noastre si a intelegerii dobandite in cursul auditului situatiilor financiare consolidate intocmite la data de 31 decembrie 2023 cu privire la Societate si la mediul acesteia, nu am identificat informatii eronate semnificative prezentate in Raportul consolidat al administratorilor.

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

a) in the Consolidated Administrators' Report we have not identified information which is not consistent, in all material respects, with the information presented in the accompanying consolidated financial statements as at December 31, 2023;
b) the Consolidated Administrators' Report identified above includes, in all material respects, the required information according to the provisions of the Ministry of Public Finance Order no. 1802/2014 and subsequent amendments, points 489-492 and 554-556;
c) based on our knowledge and understanding concerning the entity and its environment gained during our audit of the consolidated financial statements as at December 31, 2023, we have not identified information included in the Consolidated Administrators' Report that contains a material misstatement of fact.

In numele,
On behalf of,

EY
Ernst & Young Assurance Services S.R.L.
22. MAR. 2024
Signed for identification
Semnat pentru identificare

Ernst & Young Assurance Services SRL
Bd. Ion Mihalache 15-17, etaj 21, Bucuresti, Romania
15-17, Ion Mihalache Blvd., floor 21, Bucharest, Romania
Inregistrat in Registrul Public electronic cu nr. FA77
Registered in the electronic Public Register under No. FA 77

Nume Auditor / Partener: Verona Cojocaru
Name of the Auditor / Partner: Verona Cojocaru
Inregistrat in Registrul Public electronic cu nr. AF1568
Registered in the electronic Public Register under No. AF1568

Bucuresti, Romania
Bucharest, Romania
22 martie 2024
22 March 2024

ALUM S.A. AND SUBSIDIARIES

**CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED
DECEMBER 31, 2023
PREPARED IN ACCORDANCE WITH
INTERNATIONAL FINANCIAL
REPORTING STANDARDS
AS ADOPTED BY THE EUROPEAN UNION**

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ALUM S.A. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2023
All amounts are in RON thousand, unless otherwise stated

	Note	December 31, 2023	December 31, 2022
ASSETS			
Non-current assets			
Property, plant and equipment	**6**	73,010	243,229
Intangible assets	**7**	18	108
Goodwill	**8**	-	64,017
Deferred tax assets	**9**	4,741	5,648
Right-of use assets	**10**	520	353
Other non-current financial assets	**11**	1,561	910
Total non-current assets		**79,850**	**314,265**
Current assets			
Inventories	**12**	137,698	215,865
Trade receivable, net	**13**	1,072	7,529
Other current financial assets	**14**	172	1,225
Other current non-financial assets	**15**	579	14,853
Current income tax receivables	**9**	-	1,673
Restricted cash	**16**	19,774	35,815
Cash and cash equivalents	**17**	533	3,027
Total current assets		**159,828**	**279,987**
Total assets		**239,678**	**594,252**
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity			
Share capital	**18**	488,413	488,413
Reserves	**19**	38,569	41,003
Retained earnings		(178,964)	(101,365)
Result for the period		(247,942)	(98,697)
Equity attributable to Company equity holders		**100,076**	**329,354**
Total equity		**100,076**	**329,354**
Non-current liabilities			
Bank and other loans	**20**	-	3,063
Leases	**20**	355	239
Retirement benefit liabilities	**21**	1,981	4,711
Provisions	**22**	24,440	40,469
Grants	**23**	3,441	3,819
Other non-current financial liabilities		220	459
Total non-current liabilities		**30,437**	**52,760**

All amounts are in RON thousand, unless otherwise stated

	Note	December 31, 2023	December 31, 2022
Current liabilities			
Trade and other payables	**24**	25,665	84,510
Contract liabilities	**26**	74,327	39,496
Bank and other loans	**20**	2,987	34,992
Lease liabilities	**20**	172	118
Income tax liability	**9**	-	3,572
Provisions	**22**	-	14,442
Subsidies	**23**	379	379
Other current liabilities	**25**	5,635	34,629
Total current liabilities		**109,165**	**212,138**
Total liabilities		**139,602**	**264,898**
Total shareholders' equity and liabilities		**239,678**	**594,252**

These consolidated financial statements were authorised for issue by management on March 22, 2024.

Gheorghe Dobra
General Director

Mihaela Duralia
Chief Financial Officer

All amounts are in RON thousand, unless otherwise stated

	Note	Year ended December 31, 2023	Year ended December 31, 2022*
Continuing operations			
Revenues from contracts with customers	**26**	284,654	499,770
Cost of goods sold	**27**	(267,578)	(443,877)
Gross profit		**17,076**	**55,893**
Other operating revenues/income	**28**	23,642	57,873
Impairment of fixed assets	**6**	(77,546)	(58)
General and administrative expenses	**29**	(29,245)	(30,769)
Other operating expenses	**30**	(58,563)	(56,977)
Operating result (EBIT)		**(124,636)**	**25,962**
Financial income	**31**	1	1
Interest expenses	**31**	(3,469)	(4,512)
Other financial expenses	**31**	(357)	(373)
Net foreign exchange differences	**31**	(20,579)	(2,580)
Financial result, net	**31**	(24,404)	(7,464)
Result before income taxes		**(149,040)**	**18,498**
Income tax	**9**	4,441	(2,496)
Result for the period from continuing operations		**(144,599)**	**16,002**
Discontinued operations			
Result after tax for the period from discontinued operations	**5**	(103,343)	(114,699)
Result for the period		**(247,942)**	**(98,697)**
Result attributable to:			
Owners of the Company		(247,942)	(98,697)
Weighted average number of ordinary shares for the purpose of basics and diluted earnings per share		82,086	82,086
Basic and diluted losses per share	**32**	**(3.02)**	**(1.20)**
Basic and diluted (losses)/earnings per share for continuing operations	**32**	**(1.76)**	**0.19**
Other comprehensive income, net of tax			
Exchange differences on translating operations in foreign currencies		18,163	14,232
Remeasurement gains on defined benefit plans		482	686
Income tax effect		18	(151)
Other comprehensive income, net of tax		**18,663**	**14,767**
Total comprehensive loss for the year		**(229,279)**	**(83,930)**

* Prior year figures of the consolidated statement of profit or loss have been re-presented to show the discontinued operations separately from continuing operations (see Note 5 for details).

These consolidated financial statements were authorised for issue by management on March 22, 2024.

Gheorghe Dobra
General Director

Mihaela Duralia
Chief Financial Officer

All amounts are in RON thousand, unless otherwise stated

	Attributable to equity holders of the entity						
	Share capital	**Reserves**	**Foreign currency translation reserve**	**Result for the period**	**Retained earnings**	**Attributable to the owners of the entity**	**Total Equity**
Balance at January 1, 2022	**488,413**	**43,525**	**(32,331)**	**(38,850)**	**(47,472)**	**413,285**	**413,285**
Loss for the year	-	-	-	(98,697)	-	(98,697)	(98,697)
Changes in estimates on post-employment benefits	-	-	-	-	686	686	686
Deferred tax on post-employment benefits	-	-	-	-	(151)	(151)	(151)
Translation adjustment	-	-	14,249	-	(17)	14,232	14,232
Total comprehensive income/(loss) for the year	**-**	**-**	**14,249**	**(98,697)**	**518**	**(83,930)**	**(83,930)**
Transfer of realized revaluation reserve	-	(2,522)	-	-	2,522	-	-
Appropriation of prior year result	-	-	-	38,850	(38,850)	-	-
Balance at December 31, 2022	**488,413**	**41,003**	**(18,082)**	**(98,697)**	**(83,282)**	**329,354**	**329,354**
Balance at January 1, 2023	**488,413**	**41,003**	**(18,082)**	**(98,697)**	**(83,282)**	**329,354**	**329,354**
Loss for the year	-	-	-	(247,942)	-	(247,942)	(247,942)
Changes in estimates on post-employment benefits	-	-	-	-	482	482	482
Deferred tax on post-employment benefits	-	-	-	-	18	18	18
Translation adjustment	-	-	18,082	-	81	18,163	18,163
Total comprehensive income/(loss) for the year	**-**	**-**	**18,082**	**(247,942)**	**581**	**(229,279)**	**(229,279)**
Transfer to realized revaluation reserve	-	(2,434)	-	-	2,434	-	-
Appropriation of prior year result	-	-	-	98,697	(98,697)	-	-
Balance at December 31, 2023	**488,413**	**38,569**	**-**	**(247,942)**	**(178,964)**	**100,076**	**100,076**

These consolidated financial statements were authorised for issue by management on March 22, 2024.

Gheorghe Dobra
General Director

Mihaela Duralia
Chief Financial Officer

(All amounts are in RON thousand, unless otherwise stated)

	Note	Year ended December 31, 2023	Year ended December 31, 2022
Cash flows from operating activities			
Loss before tax		**(252,383)**	**(79,295)**
Adjustments for:			
Depreciation and amortization of non-current assets and right-of-use assets		36,678	44,890
Impairment of property, plant and equipment	**6**	85,668	5,319
Net loss/(gain) on sale of property, plant and equipment	**29**	1,203	(19)
Impairment of goodwill	**8**	63,206	21,580
Allowances for doubtful debts	**13**	(33)	131
Allowances for slow moving and obsolete inventory	**12**	26,546	5,964
Change in retirement benefit obligation	**21**	(637)	(1,436)
Net movement in provisions for employee compensation and other provisions	**22**	(11,847)	13,201
Loss on disposal of investments		529	-
Foreign exchange differences on loans		20,833	8,052
Interest income	**31**	(1)	(1)
Interest expense	**31**	4,699	6,164
Interest and commissions in relation with factoring agreements	**31**	18	49
		(35,521)	**24,599**
Movements in working capital:			
Change in receivables and other receivables		(4,462)	22,053
Change in inventories		30,002	(23,928)
Change in trade payables and other liabilities		32,278	76,963
Cash generated from operations		**22,297**	**99,687**
Tax paid		(298)	(1,795)
Interest paid		(2,257)	(3,712)
Net cash generated from operating activities		**19,742**	**94,179**
Cash flows from investing activities			
Purchase of property, plant and equipment and intangibles assets		(10,981)	(23,749)
Proceeds from sale of property, plant and equipment		9	-
Proceeds from sale of investments	**5**	3,125	-
Change in restricted cash	**16**	16,041	(35,704)
Interest received		1	1
Net cash from investing activities		**8,195**	**(59,452)**
Cash flow from financing activities			
Proceeds from borrowing	**20**	29,359	1,764
Repayment of borrowings	**20**	(59,639)	(36,458)
Leasing payments	**20**	(151)	(269)
Net cash from financing activities		**(30,431)**	**(34,963)**

(All amounts are in RON thousand, unless otherwise stated)

	Note	Year ended December 31, 2023	Year ended December 31, 2022
Net variation in cash and cash equivalents		**(2,494)**	**(236)**
Cash and cash equivalents at beginning of the year	**17**	**3,027**	**3,263**
Cash and cash equivalents at end of the year	**17**	**533**	**3,027**

These consolidated financial statements were authorised for issue by management on March 22, 2024.

Gheorghe Dobra
General Director

Mihaela Duralia
Chief Financial Officer

(All amounts in RON thousand, unless otherwise stated)

1 GENERAL INFORMATION

a) Parent Company

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

The major shareholder of Alum S.A. is ALRO S.A. Slatina. At 31 December 2023 and 31 December 2022, the majority shareholder of ALRO S.A. was Vimetco PLC, a private limited liability company registered under the laws of Cyprus, based in Navarinou 18, Navarinou Business Centre, Agios Andreas, 1100, Nicosia, Cyprus. The company is ultimately controlled by Maxon Limited (Bermuda).

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

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

The Company's administrative and managerial offices are located in Romania, with the headquarters in 82, Isaccei Street, Tulcea, Tulcea County.

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

	2023	2022
- minimum price	2.00	1.64
- maximum price	4.82	3.16
- average price	3.41	2.40

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

	2023	2022
Average number of employees, of which:	251	638
Production staff	188	519
General and administration staff	63	119

b) Subsidiaries

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

Bought by Vimetco N.V. in 2008, the bauxite mine in Sierra Leone, produced 691,469 tons in the first 8 months of activity prior to the sale on 1 September 2023 (2022: 910,344 tons). The bauxite mine provided raw material for Alum S.A..

On 31 May 2023, Alum publicly announced the convening of the Extraordinary General Meeting for the approval of the sale, as sole shareholder, of 100% of the share capital of Global Aluminium Ltd. (GAL group). On 10 July 2023 in the Extraordinary General Meeting of Shareholders of Alum SA, approved the sale of GAL for a cash consideration of USD 2,000 thousand, less an amount equal to the Intercompany Debt Amount, which at that date was of USD 1,300 thousand. The disposal of Global Aluminium Ltd. was completed on 1 September 2023 and the consideration received for the net assets disposed amounted RON 3,181 thousand (USD 700 thousand equivalent).

(All amounts in RON thousand, unless otherwise stated)

1 GENERAL INFORMATION (continued)

b) Subsidiaries (continued)

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

	2023*	2022
Average number of employees, of which:	404	454
Production staff	306	348
General and administration staff	98	106

*Represents 8 months of activity prior to the sale on 1 September 2023

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

2 BASIS OF PREPARATION

Statement of compliance

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

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

The consolidated financial statements have been prepared on the historical cost basis.

Going concern

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

In 2023, the Company and the group to which it belongs and the aluminum industry in general continued facing a multitude of challenges, as producers grappled with various difficulties throughout the year. One of the primary obstacles encountered by European aluminum producers was the persistent volatility in raw material prices, exacerbated by global geopolitical tensions and supply chain disruptions. The ongoing Russia-Ukraine conflict continued to impact the aluminum market, contributing to uncertainty and price fluctuations in key raw materials. This instability not only disrupted supply chains but also led to significant cost pressures, affecting the profitability and operational efficiency. Furthermore, the aluminum industry in the EU encountered challenges related to energy costs, with soaring electricity and gas prices further straining margins. As energy-intensive operations, aluminum smelters and refineries faced significant increases in production costs, posing a significant hurdle for producers in maintaining competitiveness in the global market.

In response to the above, already since 2022, ALUM and the group to which it belongs developed and implemented scenarios for operating at a minimum break-even point or reducing financial losses by suspending certain production activities and switching some production equipment to stand-by. Thus, ALRO has reduced the primary aluminium production by 60% by shutting down three electrolysis pot rooms and focussed on shifting more and more to high value products. ALUM has revised its manufacturing schedule according to the level of calcined alumina required for ALRO, subsequently suspending alumina production operations starting on 1st August 2022, while retaining its key specialists.

During 2023, as market conditions continued to remain challenging, the production remained suspended and ALUM:
- kept its CAPEX at a minimum level, but continued to perform maintenance works to ensure the equipment and installations are ready for restarting;
- continued the investment objectives on the environment line and compliance with ANRE recommendations and its compliance projects;

2 BASIS OF PREPARATION (continued)

Going concern (continued)

- continued the research activity in the installations within the project financed from European funds and within the projects carried out at the European level (Removal, Rescue and Reactiv);
- continued optimizing acquisitions of materials and inventory levels;

while main activity consisted of purchasing alumina from the market and selling it to ALRO to assure its production requirements. Also, in 2023, the Group decided to dispose of its loss-making bauxite division, by selling its holding in Global Aluminium Ltd. (GAL group).

For the year ended 31 December 2023, the Group incurred a loss of RON 247,942 thousand, of which a significant part relates to impairment for plant, plant property and equipment amounting RON 77,546 thousand and losses recorded by the bauxite division amounting RON 103,343 thousand (2022: loss of RON 98,697 thousand, consisting of the loss recorded by the bauxite division in amount of RON 114,699 thousand).

As result, on 31 December 2023, the statutory net assets decreased below half of its share capital. According to the provisions of the Companies Law 31/1990, amended and supplemented by Law 441/2006 (Article 153.24), if the Company records net assets with a value less 50% of the value of subscribed share capital, as it is the Company’s situation, measures must be taken by the administrator and Company’s shareholders in order to correct the situation.

In terms of liquidity, in 2023 the Group repaid the majority of its loans in accordance with the schedules contracted, its remaining exposure toward banks at year end being significantly reduced (RON 2,987 thousand), and at as of 31 December 2023, its current assets exceed its current liabilities by RO 50,653 thousand. Its trading activity throughout the year has been supported through advanced received from ALRO.

ALUM management is focused on identifying new sources of development and diversification of the activity aiming to increase the company's revenues to overcome this challenging period.

The management has developed medium term forecasts and projections of cash-flows and liquidity needs considering the current and forecasted market conditions and reasonably possible changes in trading performance based on such conditions, as well as the climate change and decarbonisation actions impact on the operations. These forecasts considered a prudent scenario, under which production is resumed only in 2027, when the evolution of prices of energy and gas reaches sustainable long-term prices that will enable the Company to resume production at profitable levels, being fully aligned with its ALRO’s forecasts and projections.

The Company will maintain the production capacities in full operating capacity, to enable the production to be resumed in 1 month once the decision is taken. The 1-month period is required in order to build up and restore the hydrate concentration into the installations. The current state of production capacity provides the flexibility and ability to react and benefit from opportunities on the market.

The forecasts show a significant improvement of the company results in future periods, which will return on profit once production is resumed. During this period the Company depends on its parent, ALRO, for operational and financial support, which issued a support letter dated March 19, 2024, stating its ability and intent to support ALUM for the foreseeable period.

Notwithstanding the challenges and uncertainties, the management expects that, based on the most recent forecasts, support from its shareholder and ability to adapt its cash-flows, when necessary, the Company will succeed in generating adequate cash flows to allow it to continue its operations, and has concluded that there are no material uncertainties that may cast significant doubt on their ability to continue as a going concern.

2 BASIS OF PREPARATION (continued)

Climate change

In preparing the Consolidated Financial Statements, management has considered the impact of climate change. These considerations did not have a material impact on the financial reporting judgements and estimates, consistent with the assessment that climate change is not expected to have a significant impact on the Group's going concern assessment as of 31 December 2023, nor the viability of the Group over the next five years. The following specific points were considered:

Current Impact

The Group has a significant impact on the environment, both through the GHG Scope 1 emissions generated by the production process and through the GHG Scope 2 emissions generated by the consumption of purchased electricity from non-renewable sources.

In particular, most of the Group's operations generate GHG emissions through combustion. The production of alumina is the most energy-intensive activity of the Group.

In 2023, the direct and indirect GHG emissions at the Group level decreased compared to 2022. This was because, to cope with challenging market conditions caused by the increase in the electricity price, the Group had to take business decisions that led to the suspension of the calcined alumina production activity.

Climate Strategy

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

The EU regulation mandating carbon neutrality by 2050 and intermediate targets by 2030 have certain impacts on Group's operations and future plans. This implies a fundamental shift towards decarbonisation, necessitating changes in production processes, energy sourcing, and emissions management. The Group is in the process to reassess its operational strategies, possibly restructuring its supply chain, optimizing energy efficiency, and implementing sustainable practices throughout its operations to align with the regulatory requirements.

Achieving the Group's carbon emissions goals will likely necessitate some long-term investments. Transitioning to cleaner energy sources, upgrading equipment and infrastructure, implementing carbon capture technologies, and investing in research and development for sustainable practices will incur significant costs. These investments are essential for the Group to adapt to the changing regulatory landscape, remain competitive, and mitigate the risks associated with non-compliance penalties and reputational damage.

The Company and the group to which it belongs identified three scopes to reduce the intensity of the greenhouse gases emissions and reach the climate neutrality goal by 2050, as follows:

1. Decarbonisation of electric power – approximately over 60% of the CO2 tonnes of aluminum production emissions are generated by the electric power production consumed during the electrolysis process. Production of low carbon electric energy and implementation of the Carbon Capture Utilization and Storage (CCUS) offer the most important opportunity to reduce the emissions at nearly zero by 2050.

2. Direct emissions – emissions from fuel combustion represent approximately 15% of the emissions generated during the process. The electrification, fuel transition to green hydrogen and CCUS offer the most credible ways. The process emissions still represent approximately 70% (anode burning in the electrolysis) and require new technologies, such as inert anodes.

2. BASIS OF PREPARATION (continued)

Climate Strategy (continued)

3. Recycling and resources optimization – increase of the recycled aluminum utilization ratio from 60% (for certain special alloys) to approximately 100%, as well as other progresses in resource efficiency by 2050, would reduce the requirement of primary aluminum, which, in its turn, would reduce the CO2 emissions, being a second measure after the decarbonisation of electric power.

As part of its commitment to reduce the environmental footprint, the Company and the group to which it belongs have already made or plan to make such investments in order to support, during a transition period, the decarbonization of existing industrial assets. Some of these investments are grouped below into two main categories, namely Energy efficiency activities and Sustainable energy supply, respectively.

Sustainable energy supply

As main energy supplier for the Group, ALRO has taken further steps to develop a plant of renewable energy production. In September 2023, a new company CCGT Power Isalnita SA was registered, with Complexul Energetic Oltenia holding an interest of 59.9% and ALRO SA holding 40.1% of the shareholders equity. The new established company will build a 850 MW natural gas power plant which will replace two old coal-fired installations, each with the capacity of 315 MW. The plant will be prepared to consume a mix of gas/hydrogen when this is available. The total project value is estimated at EUR 506 million, out of which EUR 253 million will be financed by the Modernisation Fund, a new financing tool that contributes to the objectives of the European Green Deal by supporting a socially just transition to a green economy. This initiative may give rise to Research and development costs in future that might be capitalized on the Statement of Financial Positions, or expensed, in line with the accounting policies. The ALRO Group achieves the legal target of renewable energy purchases.

In order to provide its own production of energy from sustainable sources, the ALRO Group started to analyse the possibility of installing its own sustainable energy production capacities and for this purpose, in the second semester of 2023 the Group started the procedures for the construction of a photovoltaic system consisting in the installation of a 1500 KW photovoltaic power plant and two electrical charging stations. The ALRO Group will use the entire amount of energy produced, which will contribute to the increase in the percentage of green energy used in technological processes and reduction of their carbon impact, thus promoting the production of green aluminium.

Effects of Climate-related matters in the estimation of future cash flows

The Group's future cash flow assumptions aims to align with the EU's decarbonization objectives to ensure financial viability and sustainability. This involves incorporating the costs associated with carbon reduction measures, potential regulatory compliance costs, and opportunities for revenue generation from sustainable initiatives.

Climate change effects on impairment, useful life of assets and other key assumptions

The Company and the group to which it belongs carefully considers the effects of EU decarbonization regulations on impairment assessments, useful life of assets, and other key assumptions. Changes in regulatory requirements and market dynamics resulting from decarbonization efforts may impact the value and longevity of ALRO's assets. This necessitates periodic reviews and adjustments to impairment tests, considering factors, such as: technological advancements, regulatory compliance costs, and shifts towards sustainable products. Additionally, ALRO reassesses assumptions related to depreciation schedules, maintenance costs, and asset retirement obligations to accurately reflect the evolving regulatory environment and its implications for the company's financial performance and sustainability.
Climate considerations are also included in the impairment calculations directly by estimating the CO_2 certificates in the cash flows. Indirectly, the expected effect of climate change is included in the estimated energy prices consumed during the production process, together with the calculation of compensation income. See also the section Impairment tests for property, plant and equipment in the Note 5. Property, plant and equipment.

2. BASIS OF PREPARATION (continued)

Regulations regarding air pollution

The Group is impacted by the increased regulatory environment in the EU regarding air pollution. The Group, as a heavy industry participant, is affected by the cap and trade scheme for greenhouse gas emissions implemented at the level of EU, which is meant to reduce pollution within a certain time span. On one side, the Group is allotted a certain number of emission rights per annum, in accordance with its production and deemed CO2 emissions. The accounting policies for emission rights can be found in the Accounting policies note. Any potential liability resulting from the necessity to buy emission certificates is taken into consideration in the Group's business plans and scenarios. With the prices of emission certificates being volatile, the impact from such liability on the Group's results cannot be ascertained. On the other side, the Group is indirectly impacted by the same greenhouse gas emission scheme in the sense that such costs of the electricity producers are included in the final electricity price that the Group has to pay. Due to the volatility of the certificates prices, the electricity rates might reach significantly high levels.

That is why the Group monitors, anticipates and takes into consideration all the possible circumstances in order to balance its activities as an integrated Group and reduce the quantitative impact of such liabilities, such as the recent decision to close production temporarily until the electricity and emission certificates prices return to an acceptable level, and to buy alumina from the market at optimized cost in order to be profitable.

The management of the Group considers that there are no provisions to be considered in order to meet environmental compliance regulations as at 31 December 2023.

Functional and presentation currency

The functional currency of the parent of the Group 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:

	December 31, 2023	**December 31, 2022**
USD exchange rate at the end of the year*	4.4958 USD/RON	4.6346 USD/RON
	2023	**2022**
USD average exchange rate**	4.5758 USD/RON	4.6923 USD/RON

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

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

3 APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

Following below are the new standards, amendments and interpretations to existing standards adopted starting January 1, 2023 and their effect in the preparation of the Group financial statements for the year ended December 31, 2023.

Standards and interpretations effective in 2023 that the Group has applied to these financial statements

The Group has adopted the following new standards and amendments to standards, including any consequential amendments to other standards, with a date of initial application of January 1, 2023:

- IFRS 17 Insurance Contracts (issued on 18 May 2017). This is a comprehensive new accounting standard for insurance contracts, covering recognition and measurement, presentation and disclosure. IFRS 17 applies to all types of insurance contracts issued, as well as to certain guarantees and financial instruments with discretional participation contracts. The adoption of the standard had no effect on the Group.

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

Standards and interpretations effective in 2023 that the Group has applied to these financial statements (continued)

- Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies (issued on 12 February 2021). An entity is required to disclose its material accounting policy information instead of its significant accounting policies. Amendments clarify what is a material accounting policy and give examples of when accounting policy information is likely to be material. In addition, IFRS Practice Statement 2 has been amended by adding guidance and examples to explain and demonstrate the application of the ‘four-step materiality process’ to accounting policy information in order to support the amendments to IAS 1. The Group revisited their accounting policy information disclosures in light of these amendments and enhanced the presentation of accounting policy information disclosure by making them more company-specific and reducing the disclosure of immaterial and standardised accounting policies.

- Amendments to IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates (issued on 12 February 2021). The amendments further clarify the difference between accounting policies and accounting estimates as enforcers have identified divergent practices in this respect. The changes to IAS 8 focus entirely on accounting estimates and as a result, the definition of a change in accounting estimates is replaced with a definition of accounting estimates. Under the new definition, accounting estimates are “monetary amounts in financial statements that are subject to measurement uncertainty”. Amendments clarify that a change in accounting estimate that results from new information or new developments is not the correction of an error. The effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period error and it may affect only the current period’s profit or loss, or the profit or loss of both the current period and future periods. There is no impact from the application of these amendments on the financial statements.

- Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction (issued on 7 May 2021). The amendments narrowed the scope of the recognition exemption in paragraphs 15 and 24 of IAS 12 (recognition exemption) so that the exemption no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences. As a result of this amendments, on initial recognition, the companies should recognize deferred tax on temporary differences arising on right-of-use assets, lease liabilities, decommissioning, restoration and similar liabilities. The amendments had no impact on the Group financial statements.

- IAS 12 Income taxes: International Tax Reform - Pillar Two Model Rules. The amendments are effective immediately upon issuance, but certain disclosure requirements are effective later. The Organisation for Economic Co-operation and Development’s (OECD) published the Pillar Two model rules in December 2021 to ensure that large multinational companies would be subject to a minimum 15% tax rate. On 23 May 2023, the IASB issued International Tax Reform—Pillar Two Model Rules – Amendments to IAS 12. The amendments introduce a mandatory temporary exception to the accounting for deferred taxes arising from the jurisdictional implementation of the Pillar Two model rules and disclosure requirements for affected entities on the potential exposure to Pillar Two income taxes. The Amendments require, for periods in which Pillar Two legislation is (substantively) enacted but not yet effective, disclosure of known or reasonably estimable information that helps users of financial statements understand the entity’s exposure arising from Pillar Two income taxes. To comply with these requirements, an entity is required to disclose qualitative and quantitative information about its exposure to Pillar Two income taxes at the end of the reporting period. The disclosure of the current tax expense related to Pillar Two income taxes and the disclosures in relation to periods before the legislation is effective are required for annual reporting periods beginning on or after 1 January 2023, but are not required for any interim period ending on or before 31 December 2023. The impact on the financial statements of the Group are presented in Note 9.

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

Standards issued, but not yet effective and not early adopted

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

- Amendments to IFRS 16 Leases: Lease Liability in a Sale and Leaseback (issued on 22 September 2022). The amendments clarify how a seller-lessee subsequently measures sale and leaseback transactions that satisfy the requirements in IFRS 15 to be accounted for as a sale. A seller-lessee is required to subsequently measure lease liabilities arising from a leaseback in a way that it does not recognize any amount of the gain or loss that relates to the right of use it retains. The new requirements do not prevent a seller-lessee from recognizing in profit or loss any gain or loss relating to the partial or full termination of a lease. The amendments are effective for annual reporting periods beginning on or after 1 January 2024 and are not expected to affect financial statements as the Group has no sale and leaseback transaction.

- Amendment to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current (issued on 23 January 2020). The amendments are effective for annual reporting periods beginning on or after 1 January 1 2024, with earlier application permitted, and will need to be applied retrospectively in accordance with IAS 8. The objective of the amendments is to clarify the principles in IAS 1 for the classification of liabilities as either current or non-current. The amendments clarify the meaning of a right to defer settlement, the requirement for this right to exist at the end of the reporting period, that management intent does not affect current or non-current classification, that options by the counterparty that could result in settlement by the transfer of the entity’s own equity instruments do not affect current or non-current classification. The directors do not anticipate that the application of the standard in the future will have an impact on the Group’s financial statements.

- Amendments to IAS 1 Non-current Liabilities with Covenants (issued on 31 October 2022). The amendments are effective for annual reporting periods beginning on or after 1 January 2024. The amendment clarifies how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability. The amendments to IAS 1 specify that covenants to be complied with after the reporting date do not affect the classification of debt as current or non-current at the reporting date. Instead, the amendments require a company to disclose information about these covenants in the notes to the financial statements. The directors do not anticipate that the application of the standard in the future will have an impact on the Group’s financial statements as the Group's practices are already in compliance with the requirements of the amendments.

The amendments clarify the meaning of a right to defer settlement, the requirement for this right to exist at the end of the reporting period, that management intent does not affect current or non-current classification, that options by the counterparty that could result in settlement by the transfer of the entity’s own equity instruments do not affect current or non-current classification. The directors do not anticipate that the application of the standard in the future will have an impact on the Group's financial statements.

- IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments Disclosure - Supplier Finance Arrangements. The amendments are effective for annual reporting periods beginning on or after 1 January 2024, with earlier application permitted. The amendments supplement requirements already in IFRS and require an entity to disclose the terms and conditions of supplier finance arrangements. Additionally, entities are required to disclose at the beginning and end of reporting period the carrying amounts of supplier finance arrangement financial liabilities and the line items in which those liabilities are presented as well as the carrying amounts of financial liabilities and line items, for which the finance providers have already settled the corresponding trade payables.

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

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

Entities should also disclose the type and effect of non-cash changes in the carrying amounts of supplier finance arrangement financial liabilities, which prevent the carrying amounts of the financial liabilities from being comparable. Furthermore, the amendments require an entity to disclose at the beginning and end of the reporting period the range of payment due dates for financial liabilities owed to the finance providers and for comparable trade payables that are not part of those arrangements. The amendments have not yet been endorsed by the EU. The amendments are not expected to have a material impact on financial statements as the Group do not use supplier finance (or reverse factoring).

- IAS 21 The Effects of Changes in Foreign Exchange Rates: Lack of Exchangeability. The amendments are effective for annual reporting periods beginning on or after 1 January 2025, with earlier application permitted. The amendments specify how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking. A currency is considered to be exchangeable into another currency when an entity is able to obtain the other currency within a time frame that allows for a normal administrative delay and through a market or exchange mechanism in which an exchange transaction would create enforceable rights and obligations. If a currency is not exchangeable into another currency, an entity is required to estimate the spot exchange rate at the measurement date. An entity's objective in estimating the spot exchange rate is to reflect the rate at which an orderly exchange transaction would take place at the measurement date between market participants under prevailing economic conditions. The amendments note that an entity can use an observable exchange rate without adjustment or another estimation technique. The amendments have not yet been endorsed by the EU. The directors do not anticipate that the application of the standard in the future will have an impact on the Group's financial statements.

4 ACCOUNTING POLICIES, JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

4.1 MATERIAL 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.

4.1 MATERIAL ACCOUNTING POLICIES (continued)

Basis of consolidation (continued)

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 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 recognised 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 measured at revalued amounts and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised 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 at the date when control is lost as an initial recognition for subsequent accounting under IFRS 9 or, when applicable, the cost on initial recognition of an investment in an associate or a jointly controlled entity.

Business combinations

Acquisitions of companies 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 recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except when:
- deferred tax assets and related liabilities related to employee benefit commitments are recognised 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 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 at acquisition date 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, it is recognised in profit or loss as a bargain purchase gain.

Non-controlling interests that are 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 recognised amounts of the acquirer'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 other IFRSs.

4.1 MATERIAL ACCOUNTING POLICIES (continued)

Business combinations (continued)

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

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified.

Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with IFRS 9 or IAS 37 Provisions, Contingent Liabilities and Contingent Assets, as appropriate, with the corresponding gain or loss being recognised 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 recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss, with such treatment being similar 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 recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised 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 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 for goodwill is recognised directly in profit or loss in the consolidated statement of comprehensive income. An impairment recognised 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.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions.

4.1 MATERIAL ACCOUNTING POLICIES (continued)

Foreign currencies (continued)

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognised 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 monetary assets and liabilities of the Group 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.

When consolidating subsidiaries (operations abroad) that have a functional currency other than lei (the presentation currency of these financial statements), assets and liabilities are translated at exchange rates in effect at the end of the reporting period. Income and expense items are translated at average exchange rates for the presented periods. Equity items are translated at historical exchange rates. Exchange differences arising on the subsidiaries' translation are recognised in comprehensive income and accumulated in equity.

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.

Property, plant and equipment

Land and buildings used 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 accumulated depreciation and accumulated impairment losses.

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

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

Freehold land is not depreciated.

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

Buildings and special constructions	5 - 52 years
Plant and machinery	3 - 25 years
Equipment and vehicles	3 - 18 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.

4.1 MATERIAL ACCOUNTING POLICIES (continued)

Property, plant and equipment (continued)

An item of property, plant and equipment is derecognised 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 recognised in consolidated profit or loss upon derecognition.

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 Company 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 Company's plans to operate them in the future.

Emission rights

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

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

In case the Group estimates utilisation of less than the allocated emission certificates quotas any potential income from the sale of unused emission certificates is recognised on their actual sale.

Impairment of non-current 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 estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

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

The recoverable amount of an asset or cash-generating unit 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 is recognised immediately in profit or loss.

Where an impairment 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 been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment is recognised immediately in profit or loss.

4.1 MATERIAL ACCOUNTING POLICIES (continued)

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 recognised when the Group becomes a party to the contractual provisions of the instrument.

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

Financial assets

For purposes of subsequent measurement financial assets are classified into the following specified categories: amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss (FVTPL), which are not material for the Group.

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

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

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset 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 on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the instrument, or, where appropriate, a shorter period, up to its net carrying amount on initial recognition. Income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL.

Cash and cash equivalents

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

Impairment of financial assets

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

ECLs are 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 the credit exposures for which there has been a significant increase in credit risk since initial recognition, a credit loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL). For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs.

4.1 MATERIAL ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

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

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when they transfer the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continue to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group does not retain substantially all the risks and rewards of ownership of a transferred financial asset, it continues to recognise the financial asset and also recognises 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 amount of the consideration received and/or receivable and the cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Financial liabilities

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

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 manage together and has a history of short-term profit-taking; or
- it is a derivative that is not designated and as a hedging instrument or it is not effective.

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, the performance of which is managed and evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
-it forms part of a contract containing one or more embedded derivatives, and IFRS 9 Financial Instruments: Recognition and Measurement permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial liabilities at FVTPL are measured at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability and is included in the ‘Gains /(losses) from derivative financial instruments, net' or ’Other financial gains/(losses), net’ in profit or loss. Fair value is determined in the manner described in Note 36.

4.1 MATERIAL ACCOUNTING POLICIES (continued)

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.

Derecognition of financial liabilities

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

Inventories

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

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

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

Related parties

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

Grants

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

Employee benefits

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

The Group awards its employees with some retirement benefits according to the Collective Labour Agreement. For these defined benefits retirement plans, the cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at each reporting period.

4.1 MATERIAL ACCOUNTING POLICIES (continued)

Employee benefits (continued)

Remeasurement, comprising actuarial gains and losses, is reflected in the statement of financial position for the same period, with a charge or credit recognised in other comprehensive income in the period in which they occur. Remeasurement recognised in other comprehensive income is reflected in accumulated result and will not be reclassified to profit or loss. Net interest is calculated by applying the discount rate on the balance at the beginning of the period to the net defined benefit provision.

Defined benefit costs are categorised as follows:
- Service costs (comprising current service cost, past service cost, as well as actuarial gain and losses), included in profit or loss line item ‘Cost of goods sold’ or ‘General and administrative expenses’ within personnel costs.

- Past service costs are recognised in the profit and loss statement on the earliest of the
  - Date of the plan modification/reduction and
  - Date of costs recognition
- Net interest expense, included in profit or loss line item ‘Finance result, net’ within interest expenses
- Remeasurement.

Labour contract termination benefits

Labour contract termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits.

The Group recognises labour contract termination benefits when it is 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 at reporting date.

Leases

The Group as lessee

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee/user, 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 equipment, etc.). For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

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

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

4.1 MATERIAL ACCOUNTING POLICIES (continued)

Leases (continued)

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

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses. Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37.

To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset value, 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 lessee transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects 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:

	2023
Buildings and special constructions	5 years
Equipment and vehicles	between 3 and 5 years

The right-of-use assets are presented as Other non-current assets in the statement of financial position.
The Group applies IAS 36 Impairment of assets to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the ‘Property, Plant and Equipment’ policy.

Provisions

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

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

When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

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

4.1 MATERIAL ACCOUNTING POLICIES (continued)

Decommissioning and rehabilitation liability

Decommissioning costs include the dismantling and demolition of infrastructure and the removal of residual materials and remediation of disturbed areas. Decommissioning costs are provided at the present value of expected costs to settle the obligation using estimated cash flows and are recognised as part of the cost of the particular asset.

The cash flows are discounted at a current pre-tax rate that reflects the risks specific to the decommissioning liability. The discount is expensed as incurred and recognised in the statement of profit or loss as a financing cost. The estimated future costs of decommissioning are reviewed annually and adjusted as appropriate. Changes in the estimated future costs are added to or deducted from the cost of the asset.

Revenue from contracts with customers

Sales of goods

Under IFRS 15, revenue is recognised when a customer obtains control of the goods. The Group delivers goods (mainly calcined alumina, aluminium hydroxide, bauxite) under contractual terms based on internationally accepted delivery conditions (INCOTERMS). The Group recognises 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 recognised to the extent that it is probable that a significant reversal in the amount of cumulative revenue recognised will not occur. As a consequence, for those contracts for which the Company are unable to make a reasonable estimate of discounts, revenue is expected to be recognised sooner than when the return period lapses or a reasonable estimate can be made. To estimate the variable revenues to which it will be entitled, the Company applied the expected value method. At the same time, the cases of quality claims (rights of return) are isolated and historically immaterial hence no need for such adjustment considered.

Principal versus agent considerations

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

Recognition of revenue from distinct performance obligations

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

Rendering of services

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

4.1 MATERIAL ACCOUNTING POLICIES (continued)

Taxation

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 some years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates (for Romanian Group companies 16%, for Sierra Leone 30%) that have been enacted or substantively enacted at the end of the reporting period.

Deferred tax is recognised based 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 recognised 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 recognised 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.

Deferred tax assets are generally recognised 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 utilised. Deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition of 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 (fiscal loss) at transaction date.

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

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

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

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

Fair value measurement

The Group measures financial instruments, such as derivatives, and non-financial assets such as investment properties, 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 to by the Group.

4.1 MATERIAL ACCOUNTING POLICIES (continued)

Fair value measurement (continued)

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 considers a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.
The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, 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 determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

4.2 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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

Adjustments for impairment of tangible assets

Impairment exists when the carrying value of an asset or cash generating unit (“CGU”) exceeds its recoverable amount, which is the higher of its market 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 discounted cash flow (“DCF”) model. The cash flows are derived from the budget prepared by the Company and do not include restructuring activities that the Company is not yet committed to or significant future investments that will enhance the asset's performance of the CGU being tested. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes. The key assumptions used to determine the recoverable amount for the tangible and intangible assets are disclosed and further explained in Note 6 and in Note 7.

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 of the Group 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 established provisions, when necessary, for possible consequences of audits by the tax authorities. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the Group and the responsible tax authority. Such differences in interpretation may arise for a wide variety of issues depending on the conditions prevailing in that context.

(All amounts in RON thousand, unless otherwise stated)

4.2 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Taxes (continued)

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies. Detailed information is disclosed in Note 9.

Benefit plans

The present value of the pension benefit obligation is determined using actuarial valuations based on several presumptions. Presumptions used to determine the net cost (income) for pensions include the discount rate. Any changes in these assumptions will have an impact on the carrying amounts of the pension obligations. Detailed information is disclosed in Note 21.

Provision for rehabilitation

The Group has recognised a provision for the rehabilitation of the premises where it deposits scrap from production. In determining the amount of the provision, assumptions and estimates are made in relation to discount rates, inflation rates, rehabilitation costs and the expected timing of these costs. Detailed information is disclosed in Note 22.

5 DISCONTINUED OPERATIONS

On 31 May 2023, company Alum publicly announced the convening of the Extraordinary General Meeting for the approval of the sale, as sole shareholder, of 100% of the share capital of Global Aluminium Ltd. (GAL group). On 10 July 2023 the Extraordinary General Meeting of Shareholders of Alum SA, approved the sale of GAL for a cash consideration of USD 2,000 thousand, less an amount equal to the Intercompany Debt Amount, which at that date was of USD 1,300 thousand. The disposal of Global Aluminium Ltd. was completed on 1 September 2023 and the consideration received for the net assets disposed amounted RON 3,181 thousand (USD 700 thousand equivalent), which resulted in a net loss of RON 529 thousand recognized on the sale of disposal group.

With GAL group being classified as discontinued operations, the Bauxite segment is no longer presented in the segment note. The result of GAL group for the period are disclosed below:

		GAL Group
	2023*	**2022**
Revenue from contracts with customers	113,810	166,562
Expenses	(144,432)	(239,387)
Other operating income	1,162	901
Impairment loss	(71,328)	(26,840)
Finance costs, net	(2,026)	971
Result before tax from discontinued operations	**(102,814)**	**(97,793)**
Income tax	-	(16,906)
Result after tax for the period from discontinued operations	**(102,814)**	**(114,699)**
Loss on sale of the discontinued operations	(529)	-
Net result after tax for the period from discontinued operations	**(103,343)**	**(114,699)**

*Represents 8 months of activity prior to the sale on 1 September 2023

The net cash flows incurred by GAL group are, as follows:

	2023*	**2022**
Operating	(583)	(1,100)
Investing	(2,132)	(3,219)
Financing	2,467	1,764
Net cash (outflow) / inflow	**(248)**	**(2,555)**

(All amounts in RON thousand, unless otherwise stated)

5 DISCONTINUED OPERATIONS (continued)

The details of assets and liabilities of Global Aluminium Limited Group disposed are summarised in the table below:

	2023
Assets	
Property, plant and equipment	55,215
Intangible assets	47
Inventories, net	26,534
Trade receivables and other assets	33,944
Cash and cash equivalents	56
Assets disposed	**115,796**
Liabilities	
Long-term provisions	17,260
Post-employment benefit obligations	2,531
Bank and other loans, current	5,413
Short-term provisions	2,624
Trade payables and other current liabilities	84,258
Liabilities disposed	**112,086**
Net assets disposed	**3,710**
Cash received from sale of the discontinued operations	9,088
Intercompany Debt Amount	(5,907)
Cash sold as a part of discontinued operations	(56)
Net cash inflow on date of disposal	**3,125**

(All amounts in RON thousand, unless otherwise stated)

6 PROPERTY, PLANT AND EQUIPMENT

Cost	Land	Buildings and special constructions	Plant and machinery	Equipment and vehicles	Assets in progress	Advances for tangible assets	Total
At January 1, 2022	**20,479**	**291,505**	**511,940**	**147,009**	**25,827**	**1,370**	**998,129**
Additions	13,399	14	19	-	16,389	-	29,821
Transfers	-	2,617	18,203	1,418	(22,214)	(23)	-
Disposals and write off	(100)	(3,190)	(571)	-	-	(797)	(4,657)
Translation adjustment	-	4,209	3,581	7,124	866	35	15,814
At December 31, 2022	**33,778**	**295,154**	**533,171**	**155,552**	**20,867**	**584**	**1,039,106**
Additions	-	-	-	-	3,941	-	3,941
Transfers	-	-	1,392	-	(1,392)	-	-
Disposals and write off	-	(1,178)	(4,713)	(16,768)	-	-	(22,660)
Disposal of subsidiaries	-	(74,974)	(72,435)	(108,556)	(7,692)	(577)	(264,233)
Translation adjustment	-	(963)	(931)	(1,608)	(72)	(7)	(3,581)
At December 31, 2023	**33,778**	**218,038**	**456,485**	**155,552**	**15,653**	**-**	**752,574**

(All amounts in RON thousand, unless otherwise stated)

6 PROPERTY, PLANT AND EQUIPMENT (continued)

Accumulated depreciation and impairment

Accumulated depreciation	Land	Buildings and special constructions	Plant and machinery	Equipment and vehicles	Assets in progress	Advances for tangible assets	Total
At January 1, 2022	**-**	**208,920**	**429,925**	**88,210**	**-**	**-**	**727,056**
Depreciation expenses	-	16,230	17,572	11,885	-	-	45,688
Accumulated depreciation of disposals and write off of assets	-	(32)	(570)	-	-	-	(602)
Translation adjustment	-	2,663	3,260	4,111	-	-	10,034
At December 31, 2022	**-**	**227,781**	**450,187**	**104,206**	**-**	**-**	**782,175**
Depreciation expenses	-	8,879	15,198	7,181	-	-	31,258
Accumulated depreciation of disposals and write off of assets	-	-	(4,713)	(15,555)	-	-	(20,269)
Disposal of subsidiaries	-	(58,529)	(62,977)	(75,565)			(197,071)
Translation adjustment	-	(710)	(783)	(1,084)	-	-	(2,577)
At December 31, 2023	**-**	**227,781**	**396,912**	**19,182**	**-**	**-**	**593,515**

(All amounts in RON thousand, unless otherwise stated)

6 PROPERTY, PLANT AND EQUIPMENT (continued)

Accumulated depreciation and impairment (continued)

Allowance for impairment	Land	Buildings and special constructions	Plant and machinery	Equipment and vehicles	Assets in progress	Advances for tangible assets	Total
At January 1, 2022	**-**	**2,574**	**3,182**	**926**	**1,792**	**-**	**8,475**
Impairment losses recognised in profit or loss	-	54	4	-	5,260	-	5,318
Disposals and write off	-	(25)	-	-	-	-	(25)
Translation adjustment	-	-	-	-	(65)	-	(65)
At December 31, 2022	**-**	**2,603**	**3,186**	**926**	**6,987**	**-**	**13,703**
Impairment losses recognised in profit or loss	-	28,728	41,850	12,528	2,562	-	85,668
Disposals and write off	-	(5)	-	-	-	-	(5)
Disposal of subsidiaries	-	-	-	(5,560)	(7,692)		(13,252)
Translation adjustment	-	-	-	-	(66)	-	(66)
At December 31, 2023	**-**	**31,327**	**3,186**	**7,894**	**1,792**	**-**	**86,048**
Net book value							
At December 31, 2022	**33,778**	**64,769**	**79,798**	**50,420**	**13,880**	**584**	**243,229**
At December 31, 2023	**33,778**	**9,290**	**14,538**	**1,544**	**13,861**	**-**	**73,010**

All amounts are in RON thousand, unless otherwise stated

6 PROPERTY, PLANT AND EQUIPMENT (continued)

In 2022 the Group purchased land in amount of RON 13,399 thousand to support the increase of the storage capacity of the red mud dump.

The Company Alum recorded a provision for the future cost of rehabilitating the red mud lake waste dump on a discounted basis. The change in the year decreased the value of the fixed asset as of December 31, 2023 by RON 1,173 thousand (2022: decreased by RON 2,948 thousand) (see Note 22). The rehabilitation provision represents the present value of rehabilitation costs relating to the site, which are expected to be incurred up to 2028, which is when the storage on the site should be either closed or extended.

No borrowing costs were capitalized in 2022 and 2023.

As of December 31, 2023, property, plant and equipment of the Group have been pledged to secure the contracted borrowings with a carrying amount of RON 43,199 thousand (December 31, 2022: RON 161,424 thousand) (Note 20).

The gross book value of the fully amortized fixed assets as of December 31, 2023 is in amount of RON 179,830 thousand (2022: RON 260,976 thousand).

The net book value of the idle assets as of December 31, 2023 is in amount of RON 86,084 thousand (2022: RON 103,319 thousand). This includes the net book value of idle assets resulting from the temporary suspension of the calcined alumina production activity in 2022.

Impairment tests for property, plant and equipment

The Group performs its annual impairment test in the end of the financial year and when circumstances indicate that the carrying value may be impaired. As a result of the several factors, such as increasing prices and scarce availability of energy products and other raw materials with a negative impact on the production costs, which caused the Group to take a decision in prior year to temporary suspend the alumina production operations, a test of impairment for the property, plant and equipment of the company Alum was carried out as at 31 December 2023. The results of the impairment tests performed are presented further below.

Alum

As a result of the impairment review carried out by Alum, it was determined that the recoverable amount of property, plant and equipment was materially different from its carrying value, therefore an additional impairment in amount of RON 77,546 thousand was recognized as at 31 December 2023 (31 December 2022: no additional impairment was recognized for the property, plant and equipment of alumina cash-generating unit). The impairment recorded was based on a valuation report made by an independent appraiser, which assumes only one CGU exist.

The recoverable value of the cash generating unit (CGU) Alum was determined based on a fair value of CGU less costs to sell calculation by using future cashflows extracted from the business plan for the next 5 years estimated by the management. The terminal value was determined by using a growth rate of 2% per annum. The cash flow projections are based on existing plans, which assumes the production is resumed only in 2027 and until then ALUM is continuing buying alumina from the market at lower prices than its own cost of production and reselling it to Alro. The management estimates that the raw materials and gas prices will stabilize to a sustainable level, enabling ALUM to resume alumina production in 2027 and fulfil Alro's requirements for this primary raw material in its electrolysis facilities. Additionally, the company's strategic roadmap includes plans to recommence production and sales of aluminium hydrate and other specialized alumina products to third-party customers.

The key variables for the cash-generating unit Alum calculation are:

	2023	2022
Discount rate	13.60%	13.80%
Growth rate, average of next five years	18.39%	5.31%
EBITDA margin, average of next five years	1.93%	4.44%
EBITDA margin, terminal value	7.34%	5.82%

All amounts are in RON thousand, unless otherwise stated

6 PROPERTY, PLANT AND EQUIPMENT (continued)

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:

	2023	2022
Discount rate	8.79%	13.72%
Growth rate, average of next five years	30.00%	5.91%
EBITDA margin, average of next five years	7.38%	4.50%
EBITDA margin, terminal value	10.10%	5.86%

Impairment tests for discontinued operations

Following the reclassification of the GAL group as discontinued operations preceding its disposal on 1 September 2023 (refer to Note 5 for details), the Group assessed the fair value of net assets of GAL at 30 June 2023. The outcome of this assessment revealed a significant decrease in fair value compared to the last estimation performed at 31 December 2022 for the purpose of the annual impairment review. As a result, an impairment charge of RON 8,122 thousand was recognized on the property, plant, and equipment of SMHL. The deterioration in the financial position of the GAL group during the six-month period of 2023 primarily stemmed from the absence of sales contracts covering the entire production capacity of the mine for the period. This was attributed to the reduced interest of market participants in purchasing bauxite from this source and the accelerated depletion of high-quality bauxite reserves, leading to a gradual decline in the quality of the bauxite delivered.

7 INTANGIBLE ASSETS

Cost	Development expenses	Other intangibles	Total
At January 1, 2022	**4,367**	**4,664**	**9,031**
Additions	-	31	31
Translation adjustment	-	249	249
At December 31, 2022	**4,367**	**4,944**	**9,311**
Additions	-	16	16
Disposal of subsidiaries	-	(4,324)	(4,324)
Translation adjustment	-	(56)	(56)
At December 31, 2023	**4,367**	**580**	**4,947**

Accumulated amortization	Development expenses	Other intangibles	Total
At January 1, 2022	**4,367**	**4,507**	**8,874**
Amortization expense	-	85	85
Translation adjustment	-	244	244
At December 31, 2022	**4,367**	**4,836**	**9,203**
Amortization expense	-	59	59
Disposal of subsidiaries	-	(4,278)	(4,278)
Translation adjustment	-	(55)	(55)
At December 31, 2023	**4,367**	**562**	**4,929**
Net book value			
At December 31, 2022	**-**	**108**	**108**
Net book value			
At December 31, 2023	**-**	**18**	**18**

All amounts are in RON thousand, unless otherwise stated

8 GOODWILL

COST	2023	2022
Balance at beginning of year	116,602	109,962
Disposal of subsidiaries	(115,123)	-
Translation adjustment	(1,479)	6,632
Balance at end of year	**-**	**116,602**

ACCUMULATED IMPAIRMENT LOSSES	December 31, 2023	December 31, 2022
Balance at beginning of year	(52,584)	(29,488)
Impairment	(63,206)	(21,580)
Impairment charge recognized for the discontinued operations (Note 5)	115,123	-
Translation adjustment	668	(1,516)
Balance at end of year	**-**	**(52,584)**

CARRYING AMOUNT		
Balance at beginning of year	**64,017**	**80,474**
Balance at end of year	**-**	**64,017**

The goodwill is allocated to the cash-generating units at 31 December 2023 and 2022 as follows (after translation adjustments and impairment):

	December 31, 2023	December 31, 2022
Romania	-	64,017
Total	**-**	**64,017**

Goodwill is tested for impairment annually (as at 31 December) and when circumstances indicate the carrying value may be impaired.

Impairment of goodwill

Romania

In 2023, the recoverable amount of cash-generating unit operating in Romania was determined based on fair value less costs of disposal, estimated using discounted cash-flow techniques and applying a market-based measurement. This method requires eliminating all owner specific synergies from the cash-flow projections other than those synergies that any market participant would be able to realize. The fair value measurement was categorized as a Level 3 fair value measurement based on the inputs in the valuation technique used.

The cash flow projections were based on the business plan estimated by the directors covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated growth rates stated below. The key assumptions used in the estimation of the recoverable amount are set out in the following table. The values assigned to key assumptions and estimates used to measure the recoverable amount of the CGU operating in Romania reflect past experience, are consistent with external sources of information and are based on management’s expectations of market development.

All amounts are in RON thousand, unless otherwise stated

8 GOODWILL (continued)

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.

The key assumptions for the cash-generating unit operating Romania are:

Key assumptions	2023	2022
Discount rate, after-tax	12.0%	12.5%
Growth rate (average of next five years)	12.7%	10.5%
EBITDA margin (average of next five years)	16.1%	15.9%

The discount rate is the weighted-average of the cost of equity of the CGU, i.e. 13% (in 2022: 13.7%), calculated based on the average unlevered betas of comparable companies within the industry and of a cost of debt after tax of 6.5% (in 2022: 3.4%), using the CGU's debt leverage of 15.8% (in 2022: 11.3%).

Growth rates during the next five years are based on published industry research, directors' future expectations of economic and market conditions, the result of capital investments and anticipated efficiency improvements. The growth rate beyond the five-year period was assumed in line with the forecasted inflation, namely 2.0% (at December 31, 2022: 2.0%).

The most sensitive key assumptions used in impairment test of CGU operating in Romania are the discount rate and EBITDA margin. An increase of the discount rate to 25.1% and a decrease of EBITDA margin to 10.0% applicated separately, would cause the estimated recoverable amount to be equal to the carrying amount (31 December 2022: increase to 20.5% and decrease to 11.9% respectively). Another significant key estimates used by management in the impairment assessment are represented by LME quotations used in the forecasts of sales revenues and the amount of income from government compensation for indirect emission costs. A 38% reduction in the forecasted LME quotations in combination with a 38% decrease in the forecasted income from compensation for indirect emission at Group level, would result in the recoverable amount to be equal to the carrying amount (2022: a 9.5% reduction in the forecasted LME quotations in combination with a 9.5% decrease in the forecasted income from compensation).

Impairment tests for discontinued operations

Following the reclassification of the GAL group as discontinued operations preceding its disposal on 1 September 2023 (refer to Note 5 for details), the Group assessed the fair value of net assets of GAL at 30 June 2023. As a result, a full impairment of RON 63,206 thousand was recognised on the remaining goodwill resulted on the initial acquisition of GAL group.

9 INCOME TAXES

Income tax recognised in consolidated income statement:

	Year ended December 31, 2023	Year ended December 31, 2022
Current tax		
Current tax expense for the year	(5,367)	4,829
	(5,367)	**4,829**
Deferred tax		
Origination and reversal of temporary differences	(11,482)	(2,001)
Reversal of previously recognised tax losses	12,408	(332)
	926	**(2,333)**
Total income tax (income)/expense recognised in the period	**(4,441)**	**2,496**

All amounts are in RON thousand, unless otherwise stated

9 INCOME TAXES (continued)

Starting 2019, the Company Alum was subject to fiscal audit from the National Agency for Fiscal Administration related to income tax and VAT transactions regarding the period 2014-2018. The fiscal inspection was finalized on 27 May 2021 and the tax authorities concluded a report with a net effect of RON 19,643 thousand on income tax, which the Company Alum recognized as an expense in a first stage, in the category Current income tax expense, and paid within the legal time frame. Subsequently, the Company Alum filed a tax appeal to the National Agency for Fiscal Administration against the Fiscal Inspection Report. The appeal was rejected by the National Agency for Fiscal Administration. The Company Alum continues to defend its position by taking further steps to the Court of Law. It was performed a fiscal expertise by an independent expert appointed by the Court. In November 2023 the Court ruled in Company's favour by ordering the restitution to Alum of an amount of about RON 18,213 thousand out of the total of about RON 19,675 thousand that was the subject of the tax act. The solution can be appealed by the National Agency for Fiscal Administration after drafting and communication.

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

	Opening balance	**Recognised in profit or loss**	**Recognised in other comprehensive income**	**Translation adjustment**	**Closing balance**
Property, plant and equipment	(7,173)	5,348	-	-	(1,825)
Inventories	-	1,118	-	-	1,118
Trade receivables and other current assets	551	(5)	-	-	546
Provisions	9,839	(5,929)	-	-	3,910
Loans	1,292	(618)	-	-	674
Retirement benefits obligations	1,140	(842)	19	-	317
Tax losses	-	-	-	-	-
Deferred tax assets/(liabilities)	**5,648**	**(926)**	**19**	**-**	**4,741**

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

	Year ended December 31, 2023	**Year ended December 31, 2022**
Result before tax	**(149,040)**	**18,498**
Weighted average tax rate applicable to the Group	-16.00%	-16.00%
Income tax calculated with the weighted average tax rate	23,846	2,960
Effect of expenses that are not deductible	4,270	-
Deductible temporary difference not recognised as deferred tax assets	(12,408)	(463)
Current year tax losses not recognised as deferred tax assets	(16,635)	-
Adjustments recognised in relation to the current tax of prior years	5,367	-
Income tax (credit)/expense reported in the statement of profit or loss	**4,441**	**2,496**

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.

All amounts are in RON thousand, unless otherwise stated

9 INCOME TAXES (continued)

According to the Romanian Fiscal Code, which transposes the EU Directive no. 2016/1164, issued in 2016, the exceeding borrowing costs including interest, expenses for obtaining finance and leasing, capitalized interest and foreign exchange losses above a threshold of EUR 1,000,000 per annum are deductible only up to the level of 30% of calculated fiscal EBITDA. The Company Alum incur borrowing costs related to loans obtained from banks for capital expenditure and development purposes. As these loans are expressed in foreign currency, due to the devaluation of RON against major currencies, these resulted in significant foreign exchange losses, which have limited deductibility for income tax purposes. As at 31 December 2023 the Company Alum has a balance of RON 4,214 thousand (2022: RON 8,073 thousand) of unused exceeding borrowing costs from prior years that can be carried forward indefinitely and up to 30% of yearly fiscal EBITDA be used as tax deductible expenses. As a result, the Company Alum recognized an amount of RON 674 thousand (31 December 2022: RON 1,292 thousand) as deferred tax assets.

The tax losses for which the deferred tax asset has not been recognized and their expiration periods are as follows:

	Year ended December 31, 2023		Year ended December 31, 2022	
Tax loss expiring	**Gross amount**	**Tax**	**Gross amount**	**Tax**
Within 1 year	-	-	85,916	-
1 - 2 years	-	-	35,195	-
2 - 5 years	63,587	-	-	-
10 years	198,865	-	59,601	-
Total	**262,452**	**-**	**180,712**	**-**

At 31 December 2022 the amount of fiscal losses carried forward from previous years amounted to RON 181,364 thousand, all originating from Sierra Mineral Holdings I, Ltd. In 2022, due to the loss-making position of the subsidiary and low probability that future tax profits will be available to use those tax losses, no deferred tax was recognized.

Until 31 December 2023 the tax losses in Romania could have been carried forward and used against future taxable profits for a period of maximum 7 years. Starting 1 January 2024, the utilization of fiscal losses carried forward from prior years, for the purpose of calculating the current fiscal year's result, is limited to a period of 5 years and only up to 70% of the taxable profits generated in the period. However, losses carried forward prior to 2024 are eligible for utilization at the same 70% rate against taxable profits, spread over a 7-year period.

Alum and its subsidiaries, being part of Vimetco Group, a multinational enterprise group is within the scope of the OECD Pillar Two model legislation, which was enacted in Romania, the jurisdiction in which Alum, ALRO and subsidiaries are incorporated. Law no. 431/2023, published on 5 January 2024, transposes the provisions of Directive (EU) 2022/2523 to introduce into the Romanian legislation a complex system of rules for an effective minimum taxation of 15% for multinational enterprise groups and large-scale domestic groups with annual consolidated revenues of at least EUR 750 million in at least two of the four previous financial exercises. The law applies in respect of financial years beginning on or after 31 December 2023, except for the UTPR, which applies in respect of financial years beginning on or after 31 December 2024.

Under the legislation, the group is liable to pay a top-up tax for the difference between their GloBE effective tax rate per jurisdiction and the 15% minimum rate. The group applies the exception to recognising and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes, as provided in the amendments to IAS 12 issued in May 2023.

The group is in the process of assessing its exposure to the Pillar Two legislation for when it comes into effect. From the preliminary analysis made, all entities within the group, which recorded profits in 2023 and 2022, have an effective tax rate that exceeds 15%, therefore the group might not be exposed to paying Pillar Two income taxes.

All amounts are in RON thousand, unless otherwise stated

9 INCOME TAXES (continued)

The Group's current income taxes assets and liabilities are the following:

	December 31, 2023	December 31, 2022
Income tax assets	-	1,673
Income taxes liabilities	-	3,572

10 RIGHT-OF-USE ASSETS

The Group has leasing contracts mainly for vehicles with terms of up to 5 years. There are several lease contracts that include extension and termination options for which management is determining whether these extension and termination options are reasonably certain to be exercised. The Group is restricted from assigning and subleasing the leased assets. The carrying value of the right of use assets at 31 December 2023 was RON 520 thousand (31 December 2022: RON 353 thousand). More details in Note 20.

Below are presented the carrying amounts of right-of-use assets recognised and the movements during the period:

Categories of right-of-use assets	*Equipment*	*Vehicles*	*Other*	*Total right-of-use assets*
Cost				
Balance at January 1, 2022	**414**	**950**	**2,184**	**3,548**
Additions	-	262	-	**135**
Disposals	-	(412)	(2,184)	**(2,596)**
Balance at December 31, 2022	**414**	**800**	**-**	**1,214**
Additions	-	320	-	**320**
Disposals	-	(319)	-	**(319)**
Balance at December 31, 2023	**414**	**801**	**-**	**1,215**
Accumulated amortisation				
Balance at January 1, 2022	**(348)**	**(675)**	**(1,311)**	**(2,334)**
Amortisation for the year	(67)	(184)	(72)	**(323)**
Accumulated amortisation of disposals of assets	-	412	1,383	**1,795**
Balance at December 31, 2022	**(414)**	**(675)**	**-**	**(861)**
Amortisation for the year	-	(153)	-	**(153)**
Accumulated amortisation of disposals of assets	-	319	-	**319**
Balance at December 31, 2023	**(414)**	**(281)**	**-**	**(695)**
Net book value				
Balance at December 31, 2022	**-**	**353**	**-**	**353**
Balance at December 31, 2023	**-**	**520**	**-**	**520**

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

	Year ended December 31, 2023	Year ended December 31, 2022
Amortisation expense of right-of-use assets	153	323
Interest on lease liabilities	14	19
Expenses related to short-term leases	117	188
Expenses related to leases of low-value assets	35	-
Total amounts recognised in profit or loss	**319**	**530**

All amounts are in RON thousand, unless otherwise stated

11 OTHER NON-CURRENT FINANCIAL ASSETS

	December 31, 2023	December 31, 2022
Other non-current financial assets	1,561	910
Total	**1,561**	**910**

Other non-current assets include the cash deposits, according to the environmental regulations, on the requirement of the Environmental Fund Management, during the period of service of the waste landfills, representing the equivalent value of the costs for the closure works and after-closure monitoring of the Alum Company's waste dump, as well as the environmental financial guarantee, attesting that the Company Alum has enough financial resources to cover the potential costs which occur during the waste deposit activity.

12 INVENTORIES

	December 31, 2023	December 31, 2022
Raw materials	46,973	39,255
Consumables	8,792	45,051
Finished goods	8,301	28,483
Work in progress	48,763	64,108
Semi-finished goods	7,525	20,876
Other inventory	24,331	36,468
Allowance for consumables	(6,987)	(18,376)
Total	**137,698**	**215,865**

Starting August 2022, as a result of the unstable economic environment, the record levels of inflation, the increase in energy and gas prices, but also the increase in raw material costs, alumina production was suspended, the Company Alum continuing its operations by acquisition of calcined alumina from independent entities in the purpose of reselling it to the ALRO.

Additionally, by identifying some opportunities that existed in the market, the value of Finished goods and Semi finished goods decreased at 31 December 2023 due to the sale of products from existing stocks.

The category Other inventory includes mainly the calcined alumina purchased from third parties in transit at 31 December 2023 of RON 22,473 thousand (31 December 2022: RON 35,767 thousand).

The movement in the allowance for slow-moving and obsolete inventories is presented below:

	2023	2022
Balance at beginning of the year	18,376	11,775
Change during the year	6,987	5,964
(Charge) to cost of goods sold from disposed operations	9,559	-
Reversal as a result of disposal of subsidiaries	(27,702)	-
Translation adjustment	(233)	638
Balance at end of the year	**6,987**	**18,376**

The value of the expensed inventories in 2023 is of RON 252,246 thousand (2022: RON 246,026 thousand). The value of inventories pledged for securing the Group's borrowings amounts to a total RON 137,698 thousand (December 31, 2022: RON 175,639 thousand).

All amounts are in RON thousand, unless otherwise stated

13 TRADE RECEIVABLES

	December 31, 2023	December 31, 2022
Foreign trade receivables	125	1,665
Domestic trade receivables	4,374	9,366
Allowance for receivables impairment	(3,427)	(3,502)
Total receivables	**1,072**	**7,529**

There are 3 customers representing individually more than 10% of the total balance of trade receivables as at December 31, 2023 (December 31, 2022: 1 customer).

Movement in the allowance for impairment of trade receivables is as follows:

	December 31, 2023	December 31, 2022
Balance at beginning of the year	3,502	3,371
Charge in the current year	-	131
Release in the current year	(33)	-
Reversal as a result of disposal of subsidiaries	(41)	-
Translation adjustment	(1)	-
Balance at end of the year	**3,427**	**3,502**

The amount of the provisions for receivables on December 31, 2023 is RON 3,427 thousand (31 December 2022: RON 3,502 thousand), of which RON 3,153 thousand represents the provision for receivables from Vimetco Power Romania (related party, see Note 33).

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

In the table below is an analysis of the trade receivables as at December 31, 2023 and December 31, 2022:

	December 31, 2023	December 31, 2022
Not past due and not impaired	704	5,410
Past due but not impaired	368	2,119
Past due more than 1 month and impaired	-	33
Past due more than 3 months and impaired	-	9
Past due more than 9 months and impaired	3,427	3,458
Less: Allowance for doubtful receivables	(3,427)	(3,502)
Total	**1,072**	**7,529**

Receivables matured, for which impairment adjustments at reporting date were set, are shown below:

	December 31, 2023	December 31, 2022
Less than 3 months	332	475
3 months to 6 months	-	1,632
6 months to 9 months	-	-
More than 9 months	36	12
Total trade receivables past due but not impaired	**368**	**2,119**

All amounts are in RON thousand, unless otherwise stated

13 TRADE RECEIVABLES (continued)

These relate to a number of independent customers or affiliates, for which there is no recent history of default. Refer also to Note 36 for further details.

A part of the Group's receivables (RON 240 thousand at December 31, 2023 (RON 5,036 thousand at December 31, 2022) are pledged to secure the loans obtained from banks.

The Group sell a part of trade receivables under the existing factoring agreement on a non-recourse basis, so that the risks and rewards related to the receivables are substantially transferred to the factor and as a result the receivables sold are derecognised at the transfer date, and the factoring fees and related finance costs are recognised at their payment date.

Caps available under factoring agreements:

	December 31, 2023	December 31, 2022
Factoring caps amounts available, of which:	4,975	4,947
Factoring amounts utilised	247	178

14 OTHER CURRENT ASSETS

	December 31, 2023	December 31, 2022
VAT recoverable	40	28
Other debtors	253	1,317
Impairment allowance for doubtful receivables	(121)	(121)
Total other current assets	**172**	**1,224**

There was no movement during the year for the allowance for doubtful receivables.

15 OTHER CURRENT NON-FINANCIAL ASSETS

	December 31, 2023	December 31, 2022
Advances to suppliers	330	874
Prepayments	249	1,611
Other debtors	-	12,369
Total other current assets	**579**	**14,854**

The category Advances to suppliers contains mainly down payments to related parties of the Group for the acquisition of raw materials and utilities (at 31 December 2023: RON 168 thousand RON; at 31 December 2022: RON 164 thousand).

In 2022, the category Other debtors includes input goods and services tax regarding acquisitions of goods and services from local suppliers recorded by SMHL.

16 RESTRICTED CASH

	December 31, 2023	December 31, 2022
Restricted cash	19,774	35,815

At 31 December 2023 the restricted cash of the Group includes the amount of RON 19,713 thousand representing cash collateral at banks for issuing letters of credit by the Company Alum for the acquisition of calcined alumina from third parties (at 31 December 2022: RON 35,768 thousand).

17 CASH AND CASH EQUIVALENTS

Cash and cash equivalents can be analysed as follows:

	December 31, 2023	December 31, 2022
Bank accounts in RON	386	1,032
Bank accounts in foreign currency	143	1,977
Cash on hand in RON	4	13
Cash equivalents	-	5
Total cash and cash equivalents	**533**	**3,027**

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

Also, as of December 31, 2023 all current bank accounts opened by the Company Alum, as well as all the amounts of money in their credit or by which such bank accounts are credited at a certain moment (subject to certain exceptions) are pledged to secure the borrowings contracted by the Entity (at 31 December 2023: RON 529 thousand RON; at 31 December 2022: RON 2,717 thousand).

18 ISSUED CAPITAL

The statutory share capital as of December 31, 2023 and December 31, 2022 is in amount of RON 488,412,908 representing 82,086,203 shares having a nominal value of RON 5.95 per share.

	Statutory figures					
	December 31, 2023			**December 31, 2022**		
SHAREHOLDERS	**Number of shares**	**Nominal value RON (thousand)**	**%**	**Number of shares**	**Nominal value RON (thousand)**	**%**
ALRO SA	81,595,860	485,495	99.4026	81,595,860	485,495	99.4026
Individuals	470,658	2,800	0.5734	472,054	2,809	0.5751
Companies	19,685	117	0.0240	18,289	109	0.0223
Total	**82,086,203**	**488,413**	**100%**	**82,086,203**	**488,413**	**100%**

The major shareholder of Alum S.A. is ALRO S.A. owned by Vimetco PLC, Cyprus. The Company's ultimate controlling entity is Maxon Limited (Bermuda).

All amounts are in RON thousand, unless otherwise stated

19 RESERVES

	December 31, 2023	December 31, 2022
Legal reserve	20,390	20,390
Other reserves	18,179	20,613
Total reserves	**38,569**	**41,003**

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

Other reserves include mainly amounts that were generated by statutory revaluation of fixed assets of Alum before adopting IFRS.

20 LOANS AND LEASES

	December 31, 2023	December 31, 2022
Long-term loans		
Long-term loans (see also Note 31)	-	3,063
Total loans, non-current	**-**	**3,063**
Lease liabilities	355	239
Total long-term loans and leases	**355**	**3,302**
Short-term loans		
Short-term loans	-	15,300
Short-term portion of long-term loans	2,987	19,692
Short-term loans, total	**2,987**	**34,992**
Lease liabilities	172	118
Total short-term loans and leases	**3,159**	**35,110**
Total loans and leases	**3,514**	**38,412**

On 17 May 2018, Alum concluded a loan in amounting to USD 20 million with Black Sea Trade and Development Bank and USD 5 million with Garanti Bank Romania S.A., respectively. The scope of these loan facilities was to finance mainly investments, and they were repaid in seven half-yearly instalments after a grace period of two years. The last loan instalment was paid in May 2023 (31 December 2022: USD 3,571 thousand).

In 2023, the interest rates ranged between 7.54% and 8.7% (2022: 3.25% - 8.7%).
For the exposure of the Group's borrowings to interest rate, please refer to Note 36.

According to the existing borrowing agreements, at 31 December 2023, the Group is no subject to certain restrictive covenants and at December 2022, the Group met its covenants in respect of its loans. These covenants required the Group, among other things, to maintain a minimum or maximum level for certain financial ratios in 2022, including: financial debt to EBITDA and current ratio.

In February 2021, the Company Alum signed a loan agreement with Garanti Bank Romania, for a limit of USD 3,000 thousand, to be used for working capital needs of the company both cash and non-cash. The loan was not extended and in July 2023, the Company Alum reimbursed the drawn amount from the revolving facility of RON 13,264 thousand, i.e. the equivalent of USD 2,920 thousand. As of December 31, 2022, the balance of the loans was of RON 13,533 thousand, i.e. the equivalent of USD 2,920 thousand. The loan agreement was supplemented with a non-revolving facility in amount of USD 2,000 thousand in December 2021 to be used for financing working capital needs, and which has the maturity in December 2024. As of 31 December 2023, the balance of the loan was of USD 676 thousand (31 December 2022: USD 1,333 thousand).

All amounts are in RON thousand, unless otherwise stated

20 LOANS AND LEASES (continued)

The Company borrowings are secured with accounts receivable amounting to RON 240 thousand (2022: RON 5,036 thousand) (see Note 13), with current account opened with the banks amounting to RON 529 thousand (see Note 17) (2022: RON 2,717 thousand), with property, plant and equipment (land, buildings, equipment) with a net book value of RON 43,199 thousand (2022: RON 140,017 thousand) (see Note 6) and with inventories of RON 137,698 thousand (2022: RON 175,639 thousand) (see Note 12).

The Group has 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. As at 31 December 2023 there are no long-term loan balances.

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

	December 31, 2023	December 31, 2022
USD	2,987	36,312
SLL	-	1,743
Total	**2,987**	**38,055**

Changes in liabilities arising from financing activities of the Group:

	Bank loans	Finance leases
Balance at January 1, 2023	**38,055**	**357**
New contracts	29,359	320
Cash outflows	(59,639)	(151)
Interest expense	2,184	14
Interest paid	(2,243)	(14)
Interest capitalised	-	-
Disposal of subsidiaries	(5,285)	-
Translation adjustments and exchange rate differences	556	1
Balance at December 31, 2023	**2,987**	**527**

	Bank loans	Finance leases
Balance at January 1, 2022	**68,068**	**1,243**
New contracts	1,764	262
Cash outflows	(36,458)	(269)
Interest expense	3,935	19
Interest paid	(3,693)	(19)
Interest capitalised	-	-
Translation adjustments and exchange rate differences	4,439	(879)
Balance at December 31, 2022	**38,055**	**357**

21 RETIREMENT BENEFIT OBLIGATION

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

	2023	2022
Salaries and other staff costs	40,544	91,759

All amounts are in RON thousand, unless otherwise stated

21 RETIREMENT BENEFIT OBLIGATION (continued)

Defined contribution plans

The employees of the Group are members of the state-managed retirement benefit plans in the countries where the Group is operating and in Romania they can subscribe also to private pension funds. The Group contribute a specified percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit plan is to make the specified contributions during the period of employment of the respective employees.

The only obligation of the Group with respect to the retirement benefit plan is to make the specific contributions during the period of employment of the respective employees.

The Group has an arrangement in place to make payments to an optional defined contribution plan for the post-employment benefit of its employees that have rendered service to the Group during the period. The defined contribution plan is managed by a separate entity and the contribution made by the Group was in the form of fixed amounts per employee, paid monthly.

The Group recognized the liability undiscounted (accrued expense) at the reporting date after deducting any contribution already paid, and the expense incurred during the year, the Group's legal and constructive obligation being limited to the amounts that it contributes to the fund.

Contributions to defined contributions plans

	December 31, 2023	**December 31, 2022**
Social insurance costs	-	389
Other defined contributions pension plans	420	932

Defined benefits plans

According to the Collective Labour Agreement of the Company, when retiring due to age or disease, the employees benefit from a retirement bonus which is computed based on the number of years worked in the Group.

The most recent actuarial valuation of the present value of the defined benefit obligation were carried out at December 31, 2023 by an independent 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.

For Alum, the principal assumptions used for the purposes of the actuarial valuations were as follows:

	December 31, 2023	**December 31, 2022**
Expected rate of salary increase (%)	4.40	5.20
Discount rate (%)	6.00	8.30
Expected inflation rate (%)	2.90	4.10

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

	2023	**2022**
Current service cost	176	532
Interest on post-employment obligation	295	434
Total	**471**	**966**

The expense on current service cost for the reporting year is included in the statement of comprehensive income as Cost of goods sold (2023: nil, 2022: RON 192 thousand), Administrative expenses (2023: RON 44 thousand, 2022: RON 44 thousand) and Other operating expenses (2023: RON 132 thousand, 2022: nil), and interest cost on pension provision as Interest expense. The past service cost is recorded in the statement of profit or loss and other comprehensive income as Cost of goods sold (2023: nil, 2022: RON (1,619) thousand), Administrative expenses (2023: RON (83) thousand, 2022: RON (349) thousand) and Other operating expenses (2023: RON (246) thousand, 2022: nil).

All amounts are in RON thousand, unless otherwise stated

21 RETIREMENT BENEFIT OBLIGATION (continued)

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

	2023	2022
Balance at January 1	**4,711**	**7,899**
Included in profit or loss:		
Current service cost	176	532
Past service cost	(329)	(1,968)
Interest on post-employment obligation	295	434
Disposal of subsidiaries	(2,266)	-
Included in comprehensive income:		
Actuarial changes from demographic assumptions	17	(72)
Actuarial changes from financial assumptions	341	(732)
Actuarial changes from experience adjustments	(240)	120
Disposal of subsidiaries	(607)	-
Benefits paid	(82)	(552)
Translation adjustment	(35)	(949)
Balance at December 31	**1,981**	**4,711**

Significant variables for the determination of defined benefit provision are: discount rate, estimated salary increase rate and inflation rate. The sensitivity analysis included below is showing the pension obligation value determined based on reasonably possible changes of the respective variables occurring at the end of the reporting period, while holding all other variables constant:

Post-employment benefit obligation change

	2023	2022
Discount rate +1%	1,817	4,365
Discount rate -1%	2,165	5,185
Estimated salary increase rate +1%	2,169	5,213
Estimated salary increase rate -1%	1,811	4,335
Longevity +1 year	1,960	4,723
Longevity -1 year	2,004	4,773
Employee turnover rate +0.5%	1,964	4,722
Employee turnover rate -0.5%	1,998	7,776

The sensitivity analyses above have been performed based on methods that extrapolate the impact on net defined benefit provision as a result of reasonable changes in key variables analysed at the end of the reporting period.

The Group expects to make a payment of RON 59 thousand from the defined benefit obligation in the next financial year (at December 31, 2022 the estimations were of RON 364 thousand). The weighted average duration of defined benefit obligation is 14 years for Alum (in 2022: 14.4 years for Alum and 17.9 years for Sierra Mineral Holdings 1, Ltd).

The following information relates to the maturity profile of the defined benefit obligation at December 31, 2023:

Maturity analysis of future defined benefit payments	Post-employment benefits	Death-in-service benefits	Total
Within 1 year	-	59	**59**
1 - 2 years	77	66	**143**
2 - 5 years	272	225	**497**
5 - 10 years	1,945	452	**2,397**
Over 10 years	4,773	619	**5,392**

22 PROVISIONS

The provision recorded as of December 31, 2023 and December 31, 2022 relates to the expected site restoration expenses in respect of the bauxite mine operated by Sierra Mineral Holdings I Ltd and Alum's waste dump (red mud lake) closing expenses.

All amounts are in RON thousand, unless otherwise stated

22 PROVISIONS (continued)

Provision for land restoration of RON 16,853 thousand and other provisions in amount of RON 2,562 thousand related to SMHL were reversed on the disposal of GAL Group in 2023 (category Disposal of subsidiaries). See also Note 5 for details.

Alum S.A. makes full provision for the future cost of decommissioning and rehabilitating the storage facilities for residual product (red mud) on a discounted basis. The rehabilitation provision represents the present value of rehabilitation costs relating to the site, which are expected to be incurred up to 2028, which is when the storage on the site should be either closed or significantly extended.

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 2023 and are related to the red mud lake in Alum in amount of RON 24,440 thousand (31 December 2022: the red mud lake in Alum: RON 23,919 thousand, the rehabilitation of the premises of the bauxite mine in Sierra Leone: RON 16,550 thousand).

The Group estimates that the costs would be incurred in 5 - 40 years' time (31 December 2022: 5 - 40 years' time) and calculates the provisions using the DCF method based on the following assumptions: estimated range of cost: RON 64 per square meter for the location in Romania and discount rates of 5.67% for Romania (31 December 2022: RON 64 per square meter in Romania, USD 6 per square meter in Sierra Leone, and discount rates of 7.08% for Romania and 4.7% for Sierra Leone).

The amount of RON 11,847 thousand representing a provision recognized by the Company Alum for CO2 certificates needed to be acquired for the year 2022 in accordance with the legal requirements, was reversed in 2023 (see also Note 28 Other operating revenues/ income). No such amounts were recognised in 2023, as the Company Alum has a surplus of certificates as at 31 December 2023 over the ones needed to be acquired for 2023.

	January 1, 2022	Additional provisions recognised	Utilisation of provision	Reversal of provision	Interest expense	Disposal of subsidiary	Translation adjustments	December 31, 2022
Land restoration	14,908	-	-	-	751	-	891	16,550
Alum waste dump rehabilitation	25,842	-	-	(2,948)	1,025	-	-	23,919
CO2 emission certificates	1,274	11,847	(1,274)	-	-	-	-	11,847
Fines and penalties	-	2,628	-	-	-	-	(33)	2,595
Total provisions	**42,024**	**14,475**	**(1,274)**	**(2,948)**	**1,776**	**-**	**858**	**54,911**
Total long-term provision	40,750	-	-	(2,948)	1,776	-	891	40,469
Short-term provision	1,274	14,475	(1,274)	-	-	-	(33)	14,442

	January 1, 2023	Additional provisions recognised	Utilisation of provision	Reversal of provision	Interest expense	Disposal of subsidiary	Translation adjustments	December 31, 2023
Land restoration	16,550	-	-	-	512	(16,853)	(209)	-
Alum waste dump rehabilitation	23,919	-	-	(1,173)	1,694	-	-	24,440
CO2 emission certificates	11,847	-	-	(11,847)	-	-	-	-
Fines and penalties	2,595	-	-	-	-	(2,562)	(33)	-
Total provisions	**54,911**	**-**	**-**	**(13,020)**	**2,206**	**-**	**(242)**	**24,440**
Total long-term provision	40,469	-	-	(1,173)	2,206	(16,853)	(209)	24,440
Short-term provision	14,442	-	-	(11,847)	-	(2,562)	(33)	-

All amounts are in RON thousand, unless otherwise stated

23 GRANTS

	2023	2022
Balance as of January 1	**4,198**	**4,577**
Increases during the year	-	-
Income recorded during the year in the statement of comprehensive income	(379)	(379)
Balance as of December 31	**3,820**	**4,198**
Out of which:		
Current	379	379
Non-current	3,441	3,819

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

The equipment purchased within these investment projects were put into operation in 2019 and the grants received are recognised as income on a straight-line basis during the useful life of the equipment.

Income from grants amounting to RON 379 thousand (2022: RON 379 thousand) represents the portion of the above-mentioned subsidies, as well as of grants received in the previous years for equipment, recognised as income through profit and loss during the year. The income recognised during the year in the Statement of profit or loss of the Group is included in the category Other operating income (refer to Note 28).

The only achievement indicator to be pursued by the end of the project, i.e., the number of staff in the R & D department that needed to be increased by 16 people by March 8, 2019, was achieved.

During the monitoring period of the project, certain result indicators must also be achieved, i.e., turnover (RON 605,225 thousand) and market share (1.26%). These indicators are reported annually, only to inform the Managing Authority, but their achievement / failure to achieve is verified with the appropriate consequences only at the end of the sustainability period, i.e. in 2024.

Based on the annual monitoring reports the above compliance criteria are met.

As at December 31, 2023 there are no contingent liabilities attached to these subsidies.

24 TRADE AND OTHER PAYABLES

	December 31, 2023	December 31, 2022
Foreign trade and other payables	19,916	38,204
Domestic trade and other payables	5,354	44,911
Accrued trade and other payables	395	1,395
Total	**25,665**	**84,510**

Details regarding the Group transactions with the related parties are presented in Note 33.

The Foreign and other trade payables category contains the amount of RON 19,713 thousand, which represents the purchase of imported alumina from third parties for which a letter of credit was opened on December 31, 2023 (at 31 December 2022: RON 35,768 thousand). See also Note 16 Restricted cash.

All amounts are in RON thousand, unless otherwise stated

25 OTHER CURRENT LIABILITIES

	December 31, 2023	December 31, 2022
Wages and social security taxes	3,594	7,540
Tax on salaries	256	339
Other taxes and duties	-	19,151
Dividends payable	5	5
VAT payable	1,756	7,408
Other	24	186
Total	**5,635**	**34,629**

At December 31, 2022, the category Other taxes and duties includes the taxes that the Sierra Mineral Holding subsidiary owes, respectively input goods and services tax regarding acquisitions of goods and services from local suppliers in the amount of RON 11,123 thousand, the Royalty tax (3% of turnover) in amount of RON 5,677 thousand and customs duties in the amount of RON 2,345 thousand.

26 REVENUES FROM CONTRACTS WITH CUSTOMERS

	Year ended December 31, 2023	Year ended December 31, 2022
Revenues from sales of alumina and hydrate	279,048	497,443
Other revenues	5,606	2,328
Total	**284,654**	**499,770**

In 2023, revenues from sale of alumina were influenced by the temporary suspension of alumina production starting in August 2022. The Company Alum continues to carry out certain activities such as maintenance and upgrading works, R&D activities and it still generates revenue as it purchases alumina from the market at an optimized cost and sells it to ALRO, in order to fulfil the internal requirement in the Primary Aluminium segment.

The category Other revenues and services performed includes revenues of RON 3,611 thousand from the sale of scrap iron and revenues of RON 1,557 thousand RON from the sale of sieved bauxite.

Contract liabilities

In 2023, the Company Alum recognized the amount of RON 39,496 thousand existing at 31 December 2022 under Contract liabilities as revenue from performance obligations satisfied. The balance of RON 74,327 thousand existing at 31 December 2023 under Contract liabilities will be recognized in 2024 when the performance obligations will be satisfied. See also Note 33 Related party transactions.

All amounts are in RON thousand, unless otherwise stated

27 COST OF SALES

	Year ended December 31, 2023	Year ended December 31, 2022
Energy, water and gas	1,150	202,339
Raw materials	-	122,673
Staff costs	4,711	21,552
Other staff costs	16	2,611
Consumables	178	3,633
Amortisation and depreciation	4,267	10,693
Third party services	11	1,218
Repairs	56	2,541
Transportation costs	365	371
Packing	214	213
Merchandises	249,429	75,931
Other	194	102
Increase in allowances for slow moving and obsolete inventories (Note 12)	6,987	-
Total	**267,578**	**443,877**

The decrease in expenses with staff cost, raw materials and utilities was generated by the temporary suspension of alumina production. In the category Merchandise were recorded the expenses related to calcined alumina purchased from third parties and sold to ALRO (2023: RON 248.687 thousand RON; 2022: RON 75,548 thousand)).

28 OTHER OPERATING REVENUES / INCOME

	Note	Year ended December 31, 2023	Year ended December 31, 2022
Income from grants	**23**	379	379
Income from sale of unused CO2 emission certificates		8,997	52,178
Income from provision reversals	**22**	11,847	-
Gain on disposal of fixed assets		-	19
Other income		2,419	5,297
Total		**23,642**	**57,873**

In 2023, the Income from grants category includes an amount of RON 379 thousand (in 2022: RON 379 thousand) representing government grants from EU funds received by the Group for purchasing equipment for the research and development activities. The grants are recognized as income on a straight-line basis during the useful life of the equipment for which they were received. For further details, also see Note 23 Grants.

In 2023, the Group sold CO2 emission certificates of RON 8,997 thousand and included them under the Income from sale of unused CO2 emission certificates, benefiting from the increase in the price of CO2 emission certificates (2022: RON 52,178 thousand). The Group was in the position to have a surplus of emission certificates.

The amount of RON 11,847 thousand representing a provision recognized by the Company Alum for CO2 certificates needed to be acquired for the year 2022 in accordance with the legal requirements, was reversed in 2023. See also Note 22 Provisions.

The Other income category records, mainly, revenues from the sale of electricity for town heating, demurrage for bauxite loading/unloading and rent.

All amounts are in RON thousand, unless otherwise stated

29 GENERAL AND ADMINISTRATIVE EXPENSES

	Year ended December 31, 2023	Year ended December 31, 2022
Energy, water and gas	175	170
Consumables expenses	180	341
Staff costs	7,811	11,195
Consulting	1,874	2,382
Third party services	10,955	7,790
Amortisation and depreciation	786	923
Research and development costs	2,744	2,486
Taxes and duties	1,123	1,470
Other staff costs	905	1,553
Insurance premiums	496	402
Commissions and fees	937	589
Other	1,291	1,371
Change in allowance for doubtful receivables	(33)	98
Total	**29,245**	**30,769**

In 2023 the Company Alum recognized research and development costs of RON 2,744 thousand (in 2022: RON 2,486 thousand) after the placing into operation in the beginning of 2019 of the equipments under the EU funded project for the project for the research of aluminum hydroxide technology (dry and wet). The target of these projects is to increase the level of innovation and market competitiveness of the Company, while expanding the products portfolio to include new products.

For more details regarding the movement in allowance, see Note 13.

30 OTHER OPERATING EXPENSES

	Year ended December 31, 2023	Year ended December 31, 2022
Idle plants depreciation expenses	17,829	10,220
Provision for CO2 emission certificates	-	11,847
Staff restructuring expenses	1,950	8,703
Costs in relation to the suspension of its production activity	12,642	6,135
Costs following the suspension of the production activity	23,058	15,048
Other operating expenses	3,084	5,024
Total	**58,563**	**56,977**

In 2023, in the category Idle plants depreciation expenses is included the depreciation incurred by the Company on temporarily idled production facilities, mainly caused by the suspension of the alumina production starting with August 2022.

The CO2 emission certificates resulting from the Greenhouse Gas Emission Monitoring Report for 2023 will be handed over to the authorities from the surplus of emission certificates available to the Company on December 31, 2023. Thus, on December 31, 2023, there is no need to establish a provision for CO2 certificates. At 31 December 2022 the Group has established a provision of 30,899 CO2 certificates at a quotation of 77.5 EURO / certificate (RON 11,847 thousand). More details are presented in Note 22.

All amounts are in RON thousand, unless otherwise stated

30 OTHER OPERATING EXPENSES (continued)

Details of the costs following the suspension of production activity is presented in the table below:

	Year ended December 31, 2023	Year ended December 31, 2022
Energy, water and gas	4,318	2,285
Staff costs	15,969	11,006
Consumables expenses	1,530	991
Third party services	504	268
Repairs	270	290
Other cost	467	208
Total	**23,058**	**15,048**

In the Other operating expenses category are included, mainly, penalties for noncompliance with the estimated consumption for electricity and gas, penalties charged by shipping companies for excess/shortage in idle time spent at alumina loading/unloading and expenses on electricity used for town heating (2023: RON 3,084 thousand; 2022: RON 5,024 thousand).

31 FINANCIAL RESULTS, NET

	Year ended December 31, 2023	Year ended December 31, 2022
Interest income	1	1
Other financial income	-	8
Interest expense	(3,469)	(4,512)
Interest on loans (Note 20)	(1,617)	(3,236)
Interest from discounting provisions (Note 22)	(1,694)	(1,025)
Interest on post-retirement benefits (Note 21)	(158)	(251)
Bank commissions	(339)	(332)
Commission expenses in relation with factoring agreements	(18)	(49)
Exchange rate differences, net	(20,579)	(2,580)
Total	**(24,404)**	**(7,464)**

Interest expenses from discontinued operations, not included in the table above, were in 2023 in amount of RON 1,427 thousand (in 2022: RON 1,915 thousand).

For the period starting 1 July 2023 a new reference rate, namely, CME Term SOFR, was used instead of USD LIBOR (London Interbank Offered Rate) in the existing facilities of the Group. CME Term SOFR means the Term SOFR reference rate administered by CME Group Benchmark Administration Limited (or any other person which takes over the administration of that rate). The replacing of the old reference rate with the new one was made according to the interest calculation algorithm stipulated by financing contract.

The category Bank commissions includes the commissions paid by the Company Alum for issuing letters of credit for the acquisition of calcined alumina from third parties (2023: RON 307 thousand; 2022: RON 307 thousand).

32 EARNINGS PER SHARE

Basic earnings per share are calculated by dividing the profit attributable to the owners of the Group by the weighted average number of outstanding ordinary shares during the year.

All amounts are in RON thousand, unless otherwise stated

32 EARNINGS PER SHARE (continued)

	Year ended December 31, 2023	Year ended December 31, 2022
Loss attributable to the owners of the Group	(247,942)	(98,697)
Continuing operations	(144,599)	16,002
Discontinued operations	(103,343)	(114,699)
Weighted average number of ordinary shares	82,086	82,086
Average losses per share (RON/share)	(3.02)	(1.20)
Continuing operations	(1.76)	0.19
Discontinued operations	(1.26)	(1.40)

There are no equity instruments or share options in place as at December 31, 2023 and as at December 31, 2022 that could potentially dilute the basic earnings per share.

33 RELATED PARTY TRANSACTIONS

Details of transactions between the Group and other related parties are disclosed below.

The main related parties the Group has recorded transactions with in 2023 and 2022 are: ALRO S.A., Conef Gaz S.R.L., Vimetco Management Romania S.R.L, Centru Rivergate S.R.L., Rivergate Fire S.R.L, Vimetco Extrusion. These related party entities have the same ultimate shareholder as the companies of the Group.

Related party	Related party type	Transaction type
ALRO S.A.	Shareholder	Sales/purchases of goods/services
Vimetco Management Romania S.R.L.	Joint control	Purchases of goods/services
Vimetco Extrusion	Joint control	Sales/purchases of goods
Conef Gaz S.R.L.	Joint control	Purchases of goods
Centru Rivergate	Joint control	Sales/purchases of goods/services
Rivergate Fire	Joint control	Sales/purchases of goods/services

Purchases of goods and services	Year ended December 31, 2023	Year ended December 31, 2022
Vimetco Management Romania SRL	892	1,618
ALRO SA (goods, services)	6,451	49,848
Conef Gaz SRL (natural gas)	-	164,414
Centrul Rivergate SRL	5,369	3,998
Rivergate Fire SRL	4,741	3,676
Total	**17,454**	**223,554**

Sales of goods and services	Year ended December 31, 2023	Year ended December 31, 2022
Vimetco Extrusion	-	1
ALRO SA (goods, services)	267,053	456,902
Centru Rivergate SRL	38	38
Total	**267,092**	**456,942**

Trade and other receivables	December 31, 2023	December 31, 2022
Vimetco Power Romania SRL	3,153	3,153
ALRO SA - receivables	74	5,036
ALRO SA - advances	157	164
Vimetco Management Romania S.R.L. - advances	11	-
Centru Rivergate SRL	4	4
Total	**3,399**	**8,357**

All amounts are in RON thousand, unless otherwise stated

33 RELATED PARTY TRANSACTIONS (continued)

The Company recorded a provision in amount of RON 3,153 thousand for receivables from Vimetco Power Romania (see Note 13 and 36).

Trade and other payables	December 31, 2023	December 31, 2022
ALRO S.A. - payables	1,038	976
ALRO SA – advances (Note 26)	74,099	39,460
Vimetco Management Romania SRL	101	135
Centru Rivergate SRL	570	388
Rivergate Fire SRL	498	360
Total	**76,306**	**41,319**

Remuneration of directors

The remuneration (including social security contributions) of directors and other members of management personnel during the year was in amount of RON 2,776 thousand (2022: RON 14,917 thousand).

34 SEGMENT INFORMATION

For management purposes, the Group, until the disposal of GAL, was organized on a vertically integrated basis into two segments: bauxite and alumina. For the purpose of resource allocation and assessment of segment performance the segments are the basis on which the Group reports its segment information to the chief operating decision maker. The alumina segment located in Tulcea, Romania, used bauxite to produce alumina, which is the principal raw material for aluminium smelting. The alumina production has been temporarily suspended since August 2022 and replaced with alumina purchased from the market for the ALRO Group needs. The bauxite segment was entirely disposed of in September 2023.

Segment revenues and results for the year ended December 31, 2023 were as follows:

2023	Alumina	Elimination of inter-segment transactions and others	Consolidated
External sales	284,654	-	284,654
Inter-segment sales	-	-	-
Total segment revenues (external sales +intersegment sales)	284,654	-	284,654
Cost of revenues	(267,578)	-	(267,578)
Segment result (gross profit)	**17,076**	**-**	**17,076**
Administrative expenses	(29,245)	-	(29,245)
Other operating income & expenses, net	(112,467)	-	(112,467)
Operating result (EBIT)	**(124,636)**	**-**	**(124,636)**
Total depreciation, amortization and impairment	102,052	-	102,052
Impairment of goodwill	-	-	-
EBITDA	**(22,584)**	**-**	**(22,584)**
Financial expenses			(3,826)
Financial revenues			1
Net foreign exchange gains/(losses)			(20,579)
Income tax			4,441
Loss			**(144,599)**

All amounts are in RON thousand, unless otherwise stated

34 SEGMENT INFORMATION (continued)

Segment revenues and results for the year ended December 31, 2022 were as follows:

2022	Alumina	Elimination of inter-segment transactions and others	Consolidated
External sales	499,770	-	499,770
Inter-segment sales	-		-
Total segment revenues (external sales +intersegment sales)	499,770		499,770
Cost of revenues	(453,363)	9,486	(443,877)
Segment result (gross profit)	**46,407**	**9,486**	**55,893**
Administrative expenses	(30,769)	-	(30,769)
Other operating income & expenses, net	(127,832)	128,670	838
Operating result (EBIT)	**(112,194)**	**138,156**	**25,962**
Total depreciation, amortization and impairment	152,269	(128,670)	23,599
EBITDA	**40,075**	**9,486**	**49,561**
Financial expenses			(4,885)
Financial revenues			1
Net foreign exchange gains/(losses)			(2,580)
Income tax			(2,496)
Profit			**16,002**

The amount of RON 9,486 thousand, representing inter-segment transactions, is now included in the category "Inter-segment transactions and others ", and eliminated in the category "Cost of revenues".

Segment revenue and expense

All segment revenues and expenses are directly attributable to the segments. Joint expenses are allocated to the business segments on the reasonable basis.

Inter-segment transfers

Segment revenue, segment expenses and segment result include transfers between business segments. Such transfers are accounted for at the complete cost of related operations. Those transfers are eliminated from consolidation.

Segment assets and liabilities

Segment assets and liabilities: segment assets include all operating assets used by a segment and consist principally of operating cash, receivables, inventories and property, plant and equipment, net. While most such assets can be directly attributed to individual segments, the net amount of these 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 and other payables, wages, current taxes and estimated liabilities.
Segment assets and liabilities do not include deferred income taxes, borrowings and financial liabilities.

All amounts are in RON thousand, unless otherwise stated

34 SEGMENT INFORMATION (continued)

Segment assets and liabilities as at December 31, 2023 were as follows:

	December 31, 2023	December 31, 2022
Segment assets		
Bauxite	-	179,760
Alumina	212,007	353,948
Unallocated assets, out of which:	27,671	66,747
Property, plant and equipment	300	3,471
Inventories	11	18
Deferred tax assets	4,741	5,648
Other short-term assets	21,058	56,592
Other long-term assets	1,561	1,018
Elimination of inter-segment assets	-	(6,204)
Total consolidated assets	**239,678**	**594,252**
Segment liabilities		
Bauxite	-	89,264
Alumina	135,562	174,199
Unallocated liabilities, out of which:	4,040	7,850
Other financial liabilities	4,040	4,278
Current tax liabilities	-	3,572
Provisions	-	-
Elimination of inter-segment liabilities	-	(6,414)
Total consolidated liabilities	**139,602**	**264,898**

31 December 2023	Bauxite	Alumina	Total
Capital expenditure (other than deferred tax receivables and financial assets)	-	1,816	1,816
Impairment of property, plant and equipment, balance	-	(86,049)	(86,049)

31 December 2022	Bauxite	Alumina	Total
Capital expenditure (other than deferred tax receivables and financial assets)	4,607	25,245	29,852
Impairment of property, plant and equipment, balance	(5,195)	(8,508)	(13,703)

The bauxite segment is disposed (see Note 5).

Geographical segments - Sales by market

The following table shows the distribution of the Group's consolidated sales by geographical market, regardless of where the goods were produced:

	Year ended December 31, 2023	Year ended December 31, 2022
Romania	274,514	462,635
European Union	2,973	14,335
Non-EU European countries	5,670	8,020
Other countries	1,497	14,780
Total	**284,654**	**499,770**

All amounts are in RON thousand, unless otherwise stated

35 SUBSIDIARIES

Alum Group held until 2023 investments in GAL Group, which included Global Aluminium Ltd and its 100% shareholding in a bauxite mine in Sierra Leone, Sierra Mineral Holdings I, Ltd., and 100% shareholding in Bauxite Marketing Ltd, see further details below.

On May 1, 2011 Alum acquired from Vimetco N.V. 100% of the company Global Aluminium Ltd.

The bauxite mine supplied a significant part of the necessary raw material for the alumina refinery Alum S.A.

On 31 May 2023, the Company Alum publicly announced the convening of the Extraordinary General Meeting for the approval of the sale, as sole shareholder, of 100% of the share capital of Global Aluminium Ltd. (GAL group). On 10 July 2023 in the Extraordinary General Meeting of Shareholders of Alum SA, approved the sale of GAL and the disposal of Global Aluminium Ltd. was completed on 1 September 2023.

The companies in Alum Group at December 31, 2022 were as follows:

	December 31, 2022	
Subsidiary	**Shareholding**	**Votes**
Global Aluminium Ltd.	100.00%	100.00%
Bauxite Marketing Ltd.	100.00%	100.00%
Sierra Mineral Holdings I, Ltd.	100.00%	100.00%

36 FINANCIAL RISKS MANAGEMENT

The Group’s activities expose it to a variety of financial risks: market risk (including currency risk), credit risk, and liquidity risk. The Group’s overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group’s financial performance. The Group does not use derivatives to cover the certain risk exposures.

Risk management is carried out by the Group Treasury under policies approved by the Board of Directors. The Treasury identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

Capital risk management

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

The capital structure of the Group consists of debt, which includes the loans disclosed in Note 20, net of Cash and cash equivalents as disclosed in Note 17 and shareholders' equity.

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

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total loans (including short-term and long-term loans as shown in the consolidated statement of financial position) less cash and cash equivalents. Total capital is calculated as ‘equity’ as per the consolidated statement of financial position plus net debt.

36 FINANCIAL RISKS MANAGEMENT (continued)

Capital risk management (continued)

	December 31, 2023	December 31, 2022
Total loans (Note 20)	3,514	38,412
Less: cash and cash equivalents (Note 17)	(533)	(3,027)
Net debt	**2,981**	**35,585**
Total equity	100,076	329,354
Total capital	**103,057**	**364,739**
Gearing ratio	**2.89%**	**9.70%**

As it appears from the table above, the gearing ratio has decreased from 9.70% to 2.89% at Group level due to the reduction of the loans simultaneously with the decrease of the capital.

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

Foreign currency risk management

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

The Group's foreign currency exposure results from:

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

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

The carrying amount of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date is as follows:

	December 31, 2023		December 31, 2022	
	EUR	USD	EUR	USD
	RON thousand	RON thousand	RON thousand	RON thousand
Total current assets	59	19,911	1,617	34,795
Total non-current assets	-	-	-	-
Total assets	**59**	**19,911**	**1,617**	**34,795**
Total short-term liabilities	349	22,740	1,292	119,740
Total long-term liabilities	355	-	239	3,063
Total liabilities	**704**	**22,740**	**1,531**	**122,803**

36 FINANCIAL RISKS MANAGEMENT (continued)

Foreign currency sensitivity

The Group is mainly exposed to the fluctuation of RON/USD and RON/EUR exchange rates. The following table details the Group's sensitivity as an impact of a 10% increase/ (decrease) in these currencies against the corresponding functional currency. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% increase/ (decrease) in foreign currency rate. The sensitivity analysis includes external loans where the denomination of the loan is in a currency other than the functional currency.

An appreciation / (depreciation) by 10% of the RON against EUR and USD as indicated below at 31 December would increase / (decrease) profit or loss and equity by the amounts shown below (excluding the impact on income tax).

	December 31, 2023		December 31, 2022	
	EUR	**USD**	**EUR**	**USD**
	RON thousand	**RON thousand**	**RON thousand**	**RON thousand**
Profit or loss	64	283	(9)	8,801
Capital (net of tax)	54	238	(7)	7,393

Interest rate risk management

As the Group has no significant interest-bearing assets, the Group's income and operating cash flows are substantially independent of changes in market interest rates.

The Group's interest rate risk arises mainly from loans taken. Borrowings received at floating rates expose the Group to cash flow interest rate risk. The interest rates on the Group's existing credit facilities are based on the London Interbank Offered Rate ("LIBOR") and starting 1 July 2023 on the CME Term SOFR for USD borrowings. The Group borrowings are contracted at floating interest rates.

Interest rate sensitivity

The sensitivity analysis below has been determined based on the exposure to interest rates for USD denominated loans received 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 2023 would increase/decrease by RON 330 thousand (2022: RON 379 thousand, excluding the impact on income tax. This is mainly attributable to the Group's exposure o interest rates on its variable interest rate for USD.

Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group is exposed to credit risk from its operating activities (primarily trade receivables (see also Notes 13 and 33) and from its financing activities.

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

All amounts are in RON thousand, unless otherwise stated

36 FINANCIAL RISKS MANAGEMENT (continued)

Credit risk management (continued)

The credit risk profile of trade receivables is presented based on their past due status in terms of the provision matrix. This provision matrix is initially based on the Group's historical observed default rates, adjusted for forward-looking factors specific to the debtors and the economic environment, if any. Trade receivables are non-interest bearing and are generally on terms of 30 to 90 days. As the Group has trade receivables with term payments due within a relatively short time, the determination of forward-looking economic scenarios may be less significant given that over the credit risk exposure period a significant change in economic conditions may be unlikely, and historical loss rates might be an appropriate basis for the estimate of expected future losses.

The methodology used by the Group to measuring expected credit losses for trade receivables could be described as follows:
- determine the period over which the observed historical loss rates are appropriate. The Group selected for this purpose the 5 previous periods ending December 31, 2022, September 30, 2022, June 30, 2022, March 31, 2022 and December 31, 2021 for capturing data;
- collect data on trade receivables and group them by their past due status at each of the period under analysis;
- analyse the evolution of these balances after a period of 9 months and determine what amounts from each group outstanding is still unpaid in order to determine the proportion of balances in each past-due category that was ultimately not collected;
- determine the weighted average loss rate (%) per past due status for all the 5 periods under analysis;
- this rate will be applied to determine the impairment loss on gross trade receivables as at December 31, 2023.

The following table details the risk profile of trade receivables based on the Group's provision matrix. As the Group's historical credit loss experience do not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished between the Group's different customer segments.

Receivables			**December 31, 2023**
Terms	**Balances**	**Adjustment**	**Expected loss rate (%)**
Current (not past due)	691	-	-
1-30 days	270	-	0.04%
31-60 days	-	-	0.17%
61-90 days	-	-	-
91-180 days	-	-	0.43%
More than 180 days	307	(274)	89.39%
Individually assessed receivables (Note 33)	3,153	(3,153)	-
Individually assessed receivables	78	-	-
Total	**4,499**	**(3,427)**	

Receivables			**December 31, 2022**
Terms	**Balances**	**Adjustment**	**Expected loss rate (%)**
Current (not past due)	428	-	-
1-30 days	421	(2)	0.45%
31-60 days	-	-	0.10%
61-90 days	-	-	1.07%
91-180 days	1,674	(42)	0.69%
More than 180 days	315	(305)	96.89%
Individually assessed receivables (Note 33)	3,153	(3,153)	-
Individually assessed receivables	5,040	-	-
Total	**11,031**	**(3,502)**	

All amounts are in RON thousand, unless otherwise stated

36 FINANCIAL RISKS MANAGEMENT (continued)

Credit risk management (continued)

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

At 31 December 2023 the maximum credit risk exposure was in amount of RON 21,379 thousand (31 December 2022: RON 47,596 thousand).

Liquidity risk

The Group 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.

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

Year ended December 31, 2023

	Due	< 1 year	2-5 years	> 5 years	Total
Loans and borrowings	-	3,126	-	-	3,126
Leasing liabilities	-	187	369	-	556
Trade payables	449	25,126	-	-	25,665
Total	**449**	**28,529**	**369**	**-**	**29,347**

Year ended December 31, 2022

	Due	< 1 year	2-5 years	> 5 years	Total
Loans and borrowings	-	37,736	3,187	-	40,923
Leasing liabilities	-	128	250	-	378
Trade payables	39,652	44,858	-	-	84,510
Total	**39,652**	**82,722**	**3,437**	**-**	**125,811**

Fair value hierarchy

• Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities trading.
• 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 assets or liabilities, 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 assets or liabilities that are not based on observable market data (unobservable inputs).

The Management consider that the fair values of financial assets and financial liabilities recognised at amortised cost in the financial statements approximate their carrying amounts largely due to the short-term maturities, low transaction costs of these instruments as of financial position date, and for the long-term borrowings due to the fact that they have variable interest and the bank margins are similar with those for the recently contracted bank loans.

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

All amounts are in RON thousand, unless otherwise stated

36 FINANCIAL RISKS MANAGEMENT (continued)

Financial assets and liabilities

	December 31, 2023	Level 1	Level 2	Level 3
Financial assets				
Trade receivables	1,072	-	-	1,072
Cash and cash equivalents	20,307	20,307	-	-
TOTAL FINANCIAL ASSETS	**21,379**	**20,307**	**-**	**1,072**
Financial liabilities				
Borrowings, long term and lease liabilities	355	-	-	355
Trade payables	25,665	-	-	25,665
Borrowings, short term and lease liabilities	3,159	-	-	3,159
TOTAL FINANCIAL LIABILITIES	**29,179**	**-**	**-**	**29,179**

	December 31, 2022	Level 1	Level 2	Level 3
Financial assets				
Trade receivables	8,754	-	-	8,754
Cash and cash equivalents	38,842	38,842	-	-
TOTAL FINANCIAL ASSETS	**47,596**	**38,842**	**-**	**8,754**
Financial liabilities				
Borrowings, long term and lease liabilities	3,302	-	-	3,302
Trade payables	84,510	-	-	84,510
Borrowings, short term and lease liabilities	35,110	-	-	35,110
TOTAL FINANCIAL LIABILITIES	**122,922**	**-**	**-**	**122,922**

37 CONTINGENCIES AND COMMITMENTS

Legal cases

As at 31 December 2023 the Group was subject to a number of lawsuits resulting from the normal course of the business. The Management believes that these actions will not have a significant impact on the financial performance and financial position of the Group.

Taxation

The taxation system in Romania is undergoing a continuous development phase and is subject to various interpretations and constant changes which may sometimes be retroactive.

In some circumstances, the fiscal authorities may treat some aspects in a different way by calculating additional taxes, interest and penalties, which can be significant.

In Romania, according to the Fiscal Procedure Code the period for which the fiscal year remains open for fiscal verification is 5 years (term that begins on July of the year following the year for which the fiscal obligation is due). For fiscal obligations before 25 December 2020, according to Government's derogatory regulations, following the Covid-19 pandemic, the fiscal year open for tax audit was changed to a period of 5 years and 253 days. The management considers that the tax liabilities included in these financial statements are adequate.

All amounts are in RON thousand, unless otherwise stated

37 CONTINGENCIES AND COMMITMENTS (continued)

Taxation (continued)

Starting 2019, the Company Alum was subject to fiscal audit from the National Agency for Fiscal Administration related to income tax and VAT transactions regarding the period 2014-2018. The fiscal inspection was finalized on 27 May 2021 and the tax authorities concluded a report with a net effect of RON 19,643 thousand on income tax and RON 32 thousand on VAT, which the Company Alum recognized as an expense in a first stage, in the category Current income tax expense, and paid within the legal time frame. Subsequently, the Company Alum filed a tax appeal to the National Agency for Fiscal Administration against the Fiscal Inspection Report. The appeal was rejected by the National Agency for Fiscal Administration, and the Company Alum continues to defend its position through in Court of Law. It was performed a fiscal expertise by an independent expert appointed by the Court. In November 2023 the Court ruled in Company's favour by ordering the restitution to Alum of an amount of about RON 18,213 thousand out of the total of about RON 19,675 thousand that was the subject of the tax act. The solution can be appealed by the National Agency for Fiscal Administration.

Commitments

As of December 31, 2023, the Group has investment commitments for 2024 in amount of RON 728 thousand (December 31, 2022: RON 2,295 thousand).

The Group has various contracts concluded as of December 31, 2023 for the acquisition in 2024 of electricity and other materials in the amount of USD 24,084 thousand and RON 2,454 thousand, respectively (December 31, 2022: USD 33,624 thousand and RON 5,121 thousand, respectively).

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

The only achievement indicator to be pursued by the end of the project, i.e., the number of staff in the R & D department that needed to grow by 16 people by March 8, 2019, was achieved. Result indicators, i.e. turnover and market share, are reported annually after the project activities have been completed, only to inform the Managing Authority, but their achievement / failure to achieve is verified with the appropriate consequences only at the end of the sustainability period, i.e. in 2024. More details are presented in Note 23.

38 AUDITOR'S FEE

This note shows the total remuneration payable by the Group, excluding VAT, to our principal auditors, Ernst & Young Assurance Services SRL for the financial years mentioned below.

	December 31, 2023	December 31, 2022
Audit	146	229
Non-audit services	-	-
Total	**146**	**229**

39 SUBSEQUENT EVENTS

There were no material subsequent events that could have a significant impact on these financial statements.

ALUM GROUP

Directors' Consolidated Report

- 2023 -

This is a free translation from the official Romanian version

SUMMARY

1.1. ALUM GROUP strategy
1.2. Management and organizational culture
1.3. Corporate social responsibility
1.4. Risk management
1.5. Market
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1.8. Contingencies and Commitments

2.1. Consolidated Balance Sheet for year ending 2023
2.2. Consolidated Profit and Loss Account for 2023
2.3. Discontinued operations

Directors' Consolidated Report for 2023

Introduction

Alum Group held until 2023 investments in GAL Group, which included Global Aluminium Ltd and its 100% shareholding in a bauxite mine in Sierra Leone, Sierra Mineral Holdings I, Ltd., and 100% shareholding in Bauxite Marketing Ltd.

On 31 May 2023, the Company Alum publicly announced the convening of the Extraordinary General Meeting for the approval of the sale, as sole shareholder, of 100% of the share capital of Global Aluminium Ltd. (GAL group). In September 2023, the Group completed the sale of the shares held in Global Aluminum Ltd, BVI.

The ALUM GROUP component entities and the respective shareholding as at 31.12.2022 are presented in the table below:

No.	Company	Parent company	Shareholding
1.	Alro SA Slatina	-	-
2.	Alum SA Tulcea	ALRO SA Slatina	99.40 %
3.	Global Aluminium Ltd.	ALUM SA Tulcea	100 %
4.	Bauxite Marketing Ltd.	Global Aluminium Ltd.	100 %
5.	Sierra Mineral Holdings 1, Ltd.	Global Aluminium Ltd.	100 %

1.1. ALUM GROUP orientation

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

For this purpose ALUM GROUP established the following main objectives:

- Extending the lifetime of the red mud pond in compliance with the provisions of the environmental agreements to which ALUM is obligated to comply with;
- Ensuring raw materials and energy resources on long term basis;
- Active management of contractual and market risks (financial), taking into account the evolution of the domestic and international market;
- Continuous compliance with environmental rules;
- Achieving savings in fuel consumption / primary energy prince of high efficiency cogeneration processes;
- Increasing the safety in operation of static and dynamic equipments necessary to carry out the activity of ALUM's departments.

Financial Highlights

Consolidated Financial Statements		2023	2022
Sales	RON million	285	500
EBITDA[1]	RON million	(23)	50
EBITDA margin	RON million	(7.9)	9.9
Total assets	RON million	240	594
Shareholder's equity	RON million	100	329
Net debt[2]	RON million	3	35
Earning per share for continuing operations	RON	(1.76)	0.19
Equity per share	RON	1.22	4.01

Financial Highlights (continued)

Production			
Alumina production	metric tonnes	-	108,405
Bauxite production	metric tonnes	691,469	910,344
Average number of employees		655	1,071

[1]EBITDA: profit before tax, net finance items, other gains and losses, depreciation, amortization and impairement
[2]Net debt: total of short and long-term loans, loans from related parties and lease obligations less cash and cash equivalents

Main development directions of ALUM GROUP

ALUM

ALUM 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.

In 2023, ALUM production units remained idle (no production of calcined alumina), while in 2022, before the production was suspended, it had produced 108,405 tonnes of alumina. Alum, on a stand - alone basis, achieved a turnover of RON 284,654 thousand in 2023 (almost entirely from Alro) and RON 499,770 thousand in 2022 (91% from Alro and 9% from sales of alumina and hydrate to other clients).

During 2023, Alum kept its CAPEX at a minimum level, but continued to perform maintenance work and its compliance projects, as follows:

- increasing the storage capacity of the red mud pond by elevating the dikes throughout the perimeter +51 mdm;
- purchasing land needed for extending the surface of the red mud pond and securing the red mud storage in the S + SE area;
- finalized consolidation works for the foundations of 4 precipitation vessels;
- finalized belt rehabilitation works for 2 precipitation vessels;
- finalized design works needed for the rehabilitation of transformer station's building;

In 2023, the Company and the group to which it belongs and the aluminum industry in general continued facing a multitude of challenges, as producers grappled with various difficulties throughout the year. One of the primary obstacles encountered by European aluminum producers was the persistent volatility in raw material prices, exacerbated by global geopolitical tensions and supply chain disruptions. The ongoing Russia-Ukraine conflict continued to impact the aluminum market, contributing to uncertainty and price fluctuations in key raw materials. This instability not only disrupted supply chains but also led to significant cost pressures, affecting the profitability and operational efficiency. Furthermore, the aluminum industry in the EU encountered challenges related to energy costs, with soaring electricity and gas prices further straining margins. As energy-intensive operations, aluminum smelters and refineries faced significant increases in production costs, posing a significant hurdle for producers in maintaining competitiveness in the global market.

In response to the above, already since 2022, ALUM and the group to which it belongs developed and implemented scenarios for operating at a minimum break-even point or reducing financial losses by suspending certain production activities and switching some production equipment to stand-by. Thus, ALRO has reduced the primary aluminium production by 60% by shutting down three electrolysis pot rooms and focussed on shifting more and more to high value products. ALUM has revised its manufacturing schedule according to the level of calcined alumina required for ALRO, subsequently suspending alumina production operations starting on 1st August 2022, while retaining its key specialists.

During 2023, as market conditions continued to remain challenging, the production remained suspended and ALUM:
- kept its CAPEX at a minimum level, but continued to perform maintenance works to ensure the equipment and installations are ready for restarting;
- continued the investment objectives on the environment line and compliance with ANRE recommendations and its compliance projects;
- continued the research activity in the installations within the project financed from European funds and within the projects carried out at the European level (Removal, Rescue and Reactiv);
- continued optimizing acquisitions of materials and inventory levels;
while main activity consisted of purchasing alumina from the market and selling it to ALRO to assure its production requirements. Also, in 2023, the Group decided to dispose of its loss-making bauxite division, by selling its holding in Global Aluminium Ltd. (GAL group).

1.1. ALUM GROUP orientation (continued)

Main development directions of ALUM GROUP (continued)

For the year ended 31 December 2023, the Group incurred a loss of RON 247,942 thousand, of which a significant part relates to impairment for plant, plant property and equipment amounting RON 77,546 thousand and losses recorded by the bauxite division amounting RON 103,343 thousand (2022: loss of RON 98,697 thousand, consisting of the loss recorded by the bauxite division in amount of RON 114,699 thousand).

As result, on 31 December 2023, the statutory net assets decreased below half of its share capital. According to the provisions of the Companies Law 31/1990, amended and supplemented by Law 441/2006 (Article 153.24), if the Company records net assets with a value less 50% of the value of subscribed share capital, as it is the Company's situation, measures must be taken by the administrator and Company's shareholders in order to correct the situation.

In terms of liquidity, in 2023 the Group repaid the majority of its loans in accordance with the schedules contracted, its remaining exposure toward banks at year end being significantly reduced (RON 2,987 thousand), and at as of 31 December 2023, its current assets exceed its current liabilities by RO 50,653 thousand. Its trading activity throughout the year has been supported through advanced received from ALRO.

ALUM management is focused on identifying new sources of development and diversification of the activity aiming to increase the company's revenues to overcome this challenging period.

The management has developed medium term forecasts and projections of cash-flows and liquidity needs considering the current and forecasted market conditions and reasonably possible changes in trading performance based on such conditions, as well as the climate change and decarbonisation actions impact on the operations. These forecasts considered a prudent scenario, under which production is resumed only in 2027, when the evolution of prices of energy and gas reaches sustainable long-term prices that will enable the Company to resume production at profitable levels, being fully aligned with its ALRO's forecasts and projections.

The Company will maintain the production capacities in full operating capacity, to enable the production to be resumed in 1 month once the decision is taken. The 1-month period is required in order to build up and restore the hydrate concentration into the installations. The current state of production capacity provides the flexibility and ability to react and benefit from opportunities on the market.

The forecasts show a significant improvement of the company results in future periods, which will return on profit once production is resumed. During this period the Company depends on its parent, ALRO, for operational and financial support, which issued a support letter dated March 19, 2024, stating its ability and intent to support ALUM for the foreseeable period.

Notwithstanding the challenges and uncertainties, the management expects that, based on the most recent forecasts, support from its shareholder and ability to adapt its cash-flows, when necessary, the Company will succeed in generating adequate cash flows to allow it to continue its operations, and has concluded that there are no material uncertainties that may cast significant doubt on their ability to continue as a going concern.

On 3 May 2011 Alum acquired from Vimetco N,V, 100% of an investment company Global Aluminium Ltd (GAL), Global Aluminium assets included 100% shareholding in a bauxite mine in Sierra Leone, Sierra Mineral Holdings 1, Ltd., and 100% shareholding in Bauxite Marketing Ltd.

GAL

Before being disposed of, GAL's main subsidiary Sierra Mineral Holdings 1, Ltd. (SMHL), was responsible for the Group's mining operations and operated bauxite mines located in the Southern province of the Republic of Sierra Leone. In 2023, SMHL produced 691,469 tonnes of bauxite, which it sold only to external clients (in 2022 it produced 910,344 tonnes) having in view the closure of Company Alum production.

1.1. ALUM GROUP orientation (continued)

Main development directions of ALUM GROUP (continued)

GAL (continued)

In July 2023 the Extraordinary General Meeting of Shareholders of Alum SA, approved the sale of GAL for a cash consideration of USD 2,000 thousand, less an amount equal to the Intercompany Debt Amount, which at that date was of USD 1,300 thousand. The disposal of Global Aluminium Ltd. was completed on 1 September 2023 and the consideration received for the net assets disposed amounted RON 3,181 thousand (USD 700 thousand equivalent.

At 31 December 2023, the discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the statement of profit or loss. Prior year figures of the consolidated statement of profit or loss has been re-presented to show the discontinued operations separately from continuing operations, while amounts in the statements of financial position for prior periods were not re-presented.

The loss from discontinued operations incurred by GAL segment before the disposal, and reflected in Alum Group financial statements for the 2023 is of RON 103,343 thousand, whereas for 2022 comparatively it was of RON 114,699 thousand (further details are provided below under item 2.3).

Climate change

In preparing the Consolidated Financial Statements, management has considered the impact of climate change. These considerations did not have a material impact on the financial reporting judgements and estimates, consistent with the assessment that climate change is not expected to have a significant impact on the Group’s going concern assessment as of 31 December 2023, nor the viability of the Group over the next five years. The following specific points were considered:

Regulations regarding air pollution

The Group is impacted by the increased regulatory environment in the EU regarding air pollution. The Group, as a heavy industry participant, is affected by the cap and trade scheme for greenhouse gas emissions implemented at the level of EU, which is meant to reduce pollution within a certain time span. On one side, the Group is allotted a certain number of emission rights per annum, in accordance with its production and deemed CO2 emissions. The accounting policies for emission rights can be found in the Accounting policies note. Any potential liability resulting from the necessity to buy emission certificates is taken into consideration in the Group's business plans and scenarios. With the prices of emission certificates being volatile, the impact from such liability on the Group's results cannot be ascertained. On the other side, the Group is indirectly impacted by the same greenhouse gas emission scheme in the sense that such costs of the electricity producers are included in the final electricity price that the Group has to pay. Due to the volatility of the certificates prices, the electricity rates might reach significantly high levels.

That is why the Group monitors, anticipates and takes into consideration all the possible circumstances in order to balance its activities as an integrated Group and reduce the quantitative impact of such liabilities, such as the recent decision to close production temporarily until the electricity and emission certificates prices return to an acceptable level, and to buy alumina from the market at optimized cost in order to be profitable.

Sustainable energy supply

As main energy supplier for the Group, ALRO has taken further steps to develop a plant of renewable energy production. In September 2023, a new company CCGT Power Isalnita SA was registered, with Complexul Energetic Oltenia holding an interest of 59.9% and ALRO SA holding 40.1% of the shareholders equity. The new established company will build a 850 MW natural gas power plant which will replace two old coal-fired installations, each with the capacity of 315 MW. The plant will be prepared to consume a mix of gas/hydrogen when this is available. The total project value is estimated at EUR 506 million, out of which EUR 253 million will be financed by the Modernisation Fund, a new financing tool that contributes to the objectives of the European Green Deal by supporting a socially just transition to a green economy. This initiative may give rise to Research and development costs in future that might be capitalized on the Statement of Financial Positions, or expensed, in line with the accounting policies. The ALRO Group achieves the legal target of renewable energy purchases.

1.1. ALUM GROUP orientation (continued)

Main development directions of ALUM GROUP (continued)

Sustainable energy supply (continued)

In order to provide its own production of energy from sustainable sources, the ALRO Group started to analyse the possibility of installing its own sustainable energy production capacities and for this purpose, in the second semester of 2023 the Group started the procedures for the construction of a photovoltaic system consisting in the installation of a 1500 KW photovoltaic power plant and two electrical charging stations. The ALRO Group will use the entire amount of energy produced, which will contribute to the increase in the percentage of green energy used in technological processes and reduction of their carbon impact, thus promoting the production of green aluminium.

1.2. Management and organizational culture

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

- **Performance**
  In Alum continues the implementation of an efficient performance management system based on establishing department goals, derived from Company's goals, quantifiable and agreed between the managers and their subordinates
- **Competence**
  Main performance competences will be identified in close relation with Company's strategic objectives, by means of real, financial, operational and behaviour indicators. The existing strong points that facilitate the implementation of this system consist in the good experience gathered in the field and in the human, financial and technical potential of the Company.
- **Rentability**, meaning the concern, on all decisional levels, for the increase of the profitability through measures that ensure the continuous improvement on technological, commercial ad financial level
- **Ecological and social responsibility**, that presumes, among other things, the protection of the environment (compliance with the requirements from the Integrated Environmental Licence), the contribution to the local society development and for the general economic progress.

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

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

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

In 2022, ALUM received the acceptance from the Environment Fund Administration, considering the provisions of Ordinance no. 2/2021 on waste storage under art. 14 and 40 lit. b), for:
• the updated technical project for the closure and postclosure monitoring of the non-hazardous industrial waste dump;
• the quarterly chart with the explanation/detail of the amounts regarding the fund replenishment up to the value established by the updated technical project for monitoring closure and post-closure.

1.3. Corporate social responsibility

The Corporate Social Responsibility represents the management commitment materialized in several processes, policies, procedures, actions, and initiatives that represent an integrated part of the Group's business strategy. The business contributes to developing a sustainable and performing society in every area. The concept of corporate social responsibility also refers to the companies' involvement in solving some of the communities' problems where it operates. Annual Report 2023 30 Directors' Consolidated Report.

1.3 Corporate social responsibility (continued)

The benefits of implementing the social responsibility management system are:

- it demonstrates commitment to business ethics and social responsibility;
- Protects the corporate brand; • It enhances reputation as a responsible corporation;
- Consumers' confidence and positive perception by investors;
- Better employee morale;
- A proper working environment, safe and fair; it promotes the principles of professional ethics;
- Improved working conditions;
- Commercial risk management mitigation;
- Differentiation from other global competitors

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

- The Company developed procedures for media relations as well as for the development of the grievance mechanism (petitions settlement procedure) and the organization of audiences. In this way the Company expresses its openness to listening and solving the community problems (employees, citizens, local authorities, companies collaborating, etc) and involvement in education and other activities of social utility;
- Were developed and distributed questionnaires about how the Company is perceived in various community organizations with which it comes into contact (public administration, financial and banking institutions, cultural organizations and sports, religious, educational, environment protection, etc). In the feed-back received from collaborating organizations showed that Alum is actively involved in the local community life, with a positive and important influence;
- Considering ALUM's policy regarding staff consultation in the field of quality, environment, health, occupational safety and energy, according to procedures PS-09 "Communication, consultation, participation" and PO-134-04 "Evaluation of customer satisfaction and other ALUM stakeholders", an analysis of the degree of satisfaction of the employees was carried out in order to improve the activity, as well as the external recognition of the quality of the activities carried out. The result was satisfactory;
- Maintaining a continuous dialogue with the local community, ALUM representatives being actively involved as members of various organizations (The Red Cross in Romania, the County Commission for Equal Opportunities for Women and Men, the Local Development Committee of the Tulcea Social Partnership, the Tripartite Consultative Council set up at Tulcea County Labour Inspectorate etc.).

ALUM has been involved in the relationship with the community by providing material support to disadvantaged groups.

Despite the current difficult situation facing the society, ALUM proves to be an active partner of the local community, getting involved in various social activities in the area, acting on several directions, through:

- Continuation of a sports-educational partnership for training the children of Alum employees in sports activities (swimming) while also supporting the organization and participation of children in sports competitions (swimming, triathlon).
- At the level of the Local Social Partnership Development Committee (CLDPS), ALUM has 2 representatives (one full member and one alternate). To support actions to support educational institutions and professional training at the local level, the company was actively involved in establishing and approving the annual activity plans in school and professional education (the previous school year, 2022-2023, as well as the school year 2023-2024);
- ALUM participated, through its representatives, as evaluators in the professional qualification certification exams of the vocational education graduates within the LTHC;
- ALUM is part of the County Commission for Equal Opportunities (COJES), having one member and one alternate. Through its members, ALUM participates in various meetings and information sessions which it later disseminates to employees;
- ALUM specialists participated in a locally organized seminar, which addressed the topic of the application of integrated solutions applicable to the digitization of HSE and HR activities. The event was organized with the support and participation of the General State Inspectorate - Labor Inspection and ITM Tulcea.

1.3. Corporate social responsibility (continued)

- ALUM participated in the training session with the theme "Prevention of disasters caused by human intervention" within the "CLEAN RIVER" project financed by the European Union through the Joint Operational Program Romania-Ukraine 2014-2020. The general objective of the project was the prevention and exclusion of emergency situations caused by man-made disasters in the collection systems in the border area of the Danube Delta (domain of increasing the capacity to respond to emergency situations).

ALUM also joined companies that provided humanitarian assistance by providing aid to refugees in Ukraine; thus, also until March 2023, ALUM hosted a group of refugees, providing them with accommodation in the rooms located within the Professional Development Center on the company's premises, also providing the necessary food. Alum continues to provide direct support to the needs of Ukrainian refugees, but also joins the efforts of the authorities and civil society to overcome this humanitarian crisis.

Starting 2017, ALRO Group published, 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 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, and Sustainability Reports Subsection.

ALUM is part of ALRO Group and, although it does not have a legal requirement for preparing a Sustainability Report (i.e. a Non-Financial Report), this is met by the fact that the Parent-Company, ALRO, decided to prepare a Consolidated Non-Financial Report, i.e. ALRO Group Sustainability Report.

This Report is available for the public to consult on ALUM's website.

1.4. Risk management

Taxation

Income tax expense represents the sum of current and deferred income tax.

The 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.

In 2023, the Alum Group did not recognise deferred income tax assets in respect of losses amounting to RON 262,452 thousand, all originating from the Alum Company, because there are no other tax planning opportunities or other evidence of recoverability in the near future.

At 31 December 2022 the amount of fiscal losses carried forward from previous years amounted to RON 180,712 thousand, all originating from Sierra Mineral Holdings I, Ltd. In 2022, due to the loss-making position of the subsidiary and low probability that future tax profits will be available to use those tax losses, no deferred tax was recognized.

Until 31 December 2023 the tax losses in Romania could have been carried forward and used against future taxable profits for a period of maximum 7 years. Starting 1 January 2024, the utilization of fiscal losses carried forward from prior years, for the purpose of calculating the current fiscal year's result, is limited to a period of 5 years and only up to 70% of the taxable profits generated in the period. However, losses carried forward prior to 2024 are eligible for utilization at the same 70% rate against taxable profits, spread over a 7-year period.

1.4. Risk management (continued)

Taxation (continued)

Alum and its subsidiaries, being part of Vimetco Group, a multinational enterprise group is within the scope of the OECD Pillar Two model legislation, which was enacted in Romania, the jurisdiction in which Alum, Alro and subsidiaries are incorporated. Law no. 431/2023, published on 5 January 2024, transposes the provisions of Directive (EU) 2022/2523 to introduce into the Romanian legislation a complex system of rules for an effective minimum taxation of 15% for multinational enterprise groups and large-scale domestic groups with annual consolidated revenues of at least EUR 750 million in at least two of the four previous financial exercises. The law applies in respect of financial years beginning on or after 31 December 2023, except for the UTPR, which applies in respect of financial years beginning on or after 31 December 2024.

Under the legislation, the group is liable to pay a top-up tax for the difference between their GloBE effective tax rate per jurisdiction and the 15% minimum rate. The group applies the exception to recognising and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes, as provided in the amendments to IAS 12 issued in May 2023.

The group is in the process of assessing its exposure to the Pillar Two legislation for when it comes into effect. From the preliminary analysis made, all entities within the group, which recorded profits in 2023 and 2022, have an effective tax rate that exceeds 15%, therefore the group might not be exposed to paying Pillar Two income taxes.

Financial risk management

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

Risk management is carried out by the Group Treasury under policies approved by the Board of Directors. The Treasury identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The capital structure of the Group consists of debt, which includes the borrowings, net of Cash and cash equivalents and shareholders' equity. The Group's management reviews the capital structure on a regular basis. As a part of this review, management considers the cost of capital and the risks associated with each class of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends to be paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including current and non-current borrowings as shown in the balance sheet) less cash and cash equivalents. Total capital is calculated as 'equity' as per the balance sheet plus net debt.

	Year ended December 31, 2023	**Year ended December 31, 2022**
Total borrowings	3,514	38,412
Less: cash and cash equivalents	(533)	(3,027)
Net debt	**2,981**	**35,385**
Total equity	100,076	329,354
Total capital	**103,057**	**364,739**
Gearing ratio	**2.89%**	**9.70%**

1.4. Risk management (continued)

Capital risk management (continued)

As it appears from the table above, the gearing ratio has decreased from 9.70% to 2.89% at Group level due to the reduction of the loans simultaneously with the decrease of the capital.

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

Foreign currency risk management

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

The Group's foreign currency exposure results from:

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

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

The carrying amount of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date is as follows:

	December 31, 2023		December 31, 2022	
	EUR	USD	EUR	USD
	' 000 RON	'000 RON	' 000 RON	'000 RON
Total current assets	59	19,911	1,617	34,795
Total non-current assets	-	-	-	-
Total assets	**59**	**19,911**	**1,617**	**34,795**
Total short-term liabilities	349	22,740	1,292	119,740
Total long-term liabilities	355	-	239	3,063
Total liabilities	**704**	**22,740**	**1,531**	**122,803**

The Group is mainly exposed to the fluctuation of RON/USD and RON/EUR exchange rates. The following table details the Group's sensitivity as an impact of a 10% increase/ (decrease) in these currencies against the corresponding functional currency. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% increase/ (decrease) in foreign currency rate. The sensitivity analysis includes external loans where the denomination of the loan is in a currency other than the functional currency.

An appreciation / (depreciation) by 10% of the RON against EUR and USD as indicated below at 31 December would increase / (decrease) profit or loss and equity by the amounts shown below (excluding the impact on income tax).

	December 31, 2023		December 31, 2022	
	EUR	USD	EUR	USD
	RON thousand	RON thousand	RON thousand	RON thousand
Profit or loss	64	283	(9)	8,801
Capital (net of tax)	54	238	(7)	7,393

1.4. Risk management (continued)

Interest rate risk management

As the Group has no significant interest-bearing assets, the Group's income and operating cash flows are substantially independent of changes in market interest rates.

The Group's interest rate risk arises mainly from loans taken. Borrowings received at floating rates expose the Group to cash flow interest rate risk. The interest rates on the Group's existing credit facilities are based on the London Interbank Offered Rate ("LIBOR") and starting 1 July 2023 on the CME Term SOFR for USD borrowings. The Group borrowings are contracted at floating interest rates.

Interest rate sensitivity

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

If interest rates had been 100 basis points higher/lower and all other variables were held constant, the Group's result for 2023 would increase/decrease by RON 330 thousand (2022: RON 379 thousand, excluding the impact on income tax. This is mainly attributable to the Group's exposure o interest rates on its variable interest rate for USD.

Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group is exposed to credit risk from its operating activities (primarily trade receivables and from its financing activities.

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

Credit risk from transactions with banks and financial institutions is managed by the Treasury department. Investment of surplus funds is done only with approved counterparties and within credit limits assigned to each counterparty. The limits are set to 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.

At 31 December 2023 the maximum credit risk exposure was in amount of RON 21,379 thousand (31 December 2022: RON 47,596 thousand).

Liquidity risk

The Group 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.

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

1.4. Risk management (continued)

Liquidity risk (continued)

Year ended 31 December 2023

	On demand	< 1 year	2-5 years	> 5 years	Total
Interest-bearing loans and borrowings	-	3,126	-	-	3,126
Leasing liabilities	-	187	369	-	556
Accounts payable and accrued liabilities	449	25,126	-	-	25,665
Total	**449**	**28,529**	**369**	**-**	**29,347**

Year ended 31 December 2022

	On demand	< 1 year	2-5 years	> 5 years	Total
Interest-bearing loans and borrowings	-	37,736	3,187	-	40,923
Leasing liabilities	-	128	250	-	378
Accounts payable and accrued liabilities	39,652	44,858	-	-	84,510
Total	**39,652**	**82,722**	**3,437**	**-**	**125,811**

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.

	December 31, 2022	Level 1	Level 2	Level 3
Financial assets				
Trade receivables	1,072	-	-	1,072
Cash and cash equivalents	20,307	20,307	-	-
TOTAL FINANCIAL ASSETS	**21,379**	**20,307**	**-**	**1,072**
Financial liabilities				
Borrowings, long term	355	-	-	355
Trade and other payables	25,665	-	-	25,665
Borrowings, short term	3,159	-	-	3,159
TOTAL FINANCIAL LIABILITIES	**29,179**	**-**	**-**	**29,179**

	December 31, 2021	Level 1	Level 2	Level 3
Financial assets				
Trade receivables	8,754	-	-	8,754
Cash and cash equivalents	38,842	38,842	-	-
TOTAL FINANCIAL ASSETS	**47,596**	**38,842**	**-**	**8,754**
Financial liabilities				
Borrowings, long term	3,302	-	-	3,302
Trade and other payables	84,510	-	-	84,510
Borrowings, short term	35,110	-	-	35,110
TOTAL FINANCIAL LIABILITIES	**122,922**	**-**	**-**	**122,922**

1.4. Risk management (continued)

Internal control system

The Group's internal control system aims to ensure conformity with the laws in force, a good operation of the Group's internal activity in accordance with the decisions made by the management and also contributes to the effectiveness of the Group's operations, the efficient use of the resources, prevention and control of the risk of failing to reach the objectives set. Internal control is applicable throughout the operations conducted by the Group prior to and during the performance of the operations and after their completion.

Internal control is performed by accounting and financial internal control, according to the accounting policies manual, the procedures regarding the application of the manual, monitoring through the periodical control program the compliance with these accounting procedures and policies, the conformity with the accounting rules, the knowing and observance of the financial-accounting laws, ensuring the fairness and completeness of the accounting records, monitoring the obtaining and presenting in the annual financial statements of quality information to the satisfaction of the users' needs.

1.5. Market

In 2023 Alum and subsidiaries recorded in the Financial Statements a turnover in amount of RON 284,654 th, structured as follows:

✓ Revenues from sales of alumina	272,811	th RON
✓ Revenues from sales of hydrate	6,652	th RON
✓ Revenues from sales of scrap iron and wastes	3,611	th RON
✓ Other revenues	1,580	th RON

The following table shows the distribution of the Group's consolidated sales of alumina, hydrate and bauxite by geographical market, regardless of where the goods were produced:

	Year ended December 31, 2022	**Year ended December 31, 2021**
Romania	274,514	462,635
European Union	2,973	14,335
Non-European Countries	5,670	8,020
Other	1,497	14,780
Total	**284,654**	**499,700**

1.6. Competition

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

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

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

The Group will continue to give a special attention to monitoring the activity and evolution of bauxite, alumina and aluminum prices on the international markets, so that the management could receive timely and relevant information in order to make the most beneficial decisions for the Group's activity.

1.7. The shareholding structure and the Registered share capital

At December 31, 2023 the shareholding structure of ALUM is as follows:

	Statutory figures					
	December 31, 2023			December 31, 2022		
	Number of shares	Nominal Value RON (thousand)	%	Number of shares	Nominal Value RON (thousand)	%
ALRO SA	81,595,860	485,495	99.4026	81,595,860	485,495	99,4026
Individuals	470,658	2,800	0.5734	472,054	2,809	0,5751
Companies	19,685	117	0.0240	18,289	109	0,0223
Total	**82,086,203**	**488,413**	**100%**	**82,086,203**	**488,413**	**100%**

Alum Group held until 2023 investments in GAL Group, which included Global Aluminium Ltd and its 100% shareholding in a bauxite mine in Sierra Leone, Sierra Mineral Holdings I, Ltd., and 100% shareholding in Bauxite Marketing Ltd, see further details below.

On May 1, 2011 Alum acquired from Vimetco N.V. 100% of the company Global Aluminium Ltd. The bauxite mine supplied a significant part of the necessary raw material for the alumina refinery Alum S.A.

On 31 May 2023, the Company Alum publicly announced the convening of the Extraordinary General Meeting for the approval of the sale, as sole shareholder, of 100% of the share capital of Global Aluminium Ltd. (GAL group). On 10 July 2023 in the Extraordinary General Meeting of Shareholders of Alum SA, approved the sale of GAL and the disposal of Global Aluminium Ltd. was completed on 1 September 2023.

1.8. Contingencies and Commitments

Contingencies

As at 31 December 2023 the Group was subject to a number of lawsuits resulting from the normal course of the business. The Management believes that these actions will not have a significant impact on the financial performance and financial position of the Group.

Taxation

The taxation system in Romania is undergoing a continuous development phase and is subject to various interpretations and constant changes which may sometimes be retroactive.
In some circumstances, the fiscal authorities may treat some aspects in a different way by calculating additional taxes, interest and penalties, which can be significant.

In Romania, according to the Fiscal Procedure Code the period for which the fiscal year remains open for fiscal verification is 5 years (term that begins on July of the year following the year for which the fiscal obligation is due). For fiscal obligations before 25 December 2020, according to Government's derogatory regulations, following the Covid-19 pandemic, the fiscal year open for tax audit was changed to a period of 5 years and 253 days. The management considers that the tax liabilities included in these financial statements are adequate.

Starting 2019, the Company Alum was subject to fiscal audit from the National Agency for Fiscal Administration related to income tax and VAT transactions regarding the period 2014-2018. The fiscal inspection was finalized on 27 May 2021 and the tax authorities concluded a report with a net effect of RON 19,643 thousand on income tax and RON 32 thousand on VAT, which the Company Alum recognized as an expense in a first stage, in the category Current income tax expense, and paid within the legal time frame. Subsequently, the Company Alum filed a tax appeal to the National Agency for Fiscal Administration against the Fiscal Inspection Report. The appeal was rejected by the National Agency for Fiscal Administration, and the Company Alum continues to defend its position through in Court of Law. It was performed a fiscal expertise by an independent expert appointed by the Court. In November 2023 the Court ruled in our favour by ordering the restitution to Alum of an amount of about RON 18,213 thousand out of the total of about RON 19,675 thousand that was the subject of the tax act. The solution can be appealed by the National Agency for Fiscal Administration after drafting and communication.

1.8. Contingencies and Commitments (continued)

Commitments

As of December 31, 2023, the Group has investment commitments for 2024 in amount of RON 728 thousand (December 31, 2022: RON 2,295 thousand).

The Group has various contracts concluded as of December 31, 2023 for the acquisition in 2024 of electricity and other materials in the amount of USD 24,084 thousand and RON 2,454 thousand, respectively (December 31, 2022: USD 33,624 thousand and RON 5,121 thousand, respectively).

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

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

During the monitoring period of the project, certain result indicators must also be achieved, i.e., turnover (RON 605,225 thousand) and market share (1.26%). These indicators are reported annually, only to inform the Managing Authority, but their achievement / failure to achieve is verified with the appropriate consequences only at the end of the sustainability period, i.e. in 2024.

Based on the annual monitoring reports the above compliance criteria are met.

As at December 31, 2023 there are no contingent liabilities attached to this contract.

2.1. Consolidated Balance Sheet for year ending 2023

	December 31, 2023	December 31, 2022	Variance 2023/2022
ASSETS			
Non-current assets			
Property, plant and equipment	73,010	243,229	(170,219)
Intangible assets	18	108	(90)
Goodwill	-	64,017	(64,017)
Right-of-use assets	520	353	167
Deferred tax assets	4,741	5,648	(907)
Other non-current financial assets	1,561	910	651
Total non-current assets	**79,850**	**314,265**	**(234,415)**
Current assets			
Inventories	137,698	215,865	(78,167)
Trade receivables, net	1,072	7,529	(6,457)
Other current financial assets	172	1,225	(1,053)
Other current non-financial assets	579	14,853	(14,274)
Current income tax receivable	-	1,673	(1,673)
Restricted cash	19,774	35,815	(16,041)
Cash and cash equivalents	533	3,027	(2,494)
Total current assets	**159,828**	**249,010**	**(120,159)**
Total assets	**239,678**	**612,667**	**(354,574)**
Shareholders' Equity and Liabilities			
Shareholders' equity			
Issued capital	488,413	488,413	-
Reserves	38,569	41,003	(2,434)
Retained earnings	(178,964)	(101,365)	(77,599)
Result for the period	(247,942)	(98,697)	(149,245)
Total shareholders' equity	**100,076**	**329,354**	**(229,278)**
Total equity	**100,076**	**329,354**	**(229,278)**
Non-current liabilities			
Bank and other loans	-	3,063	(3,063)
Leases	355	239	116
Retirement benefit obligation	1,981	4,711	(2,730)
Provisions	24,440	40,469	(16,029)
Grants	3,441	3,819	(378)
Other non-current financial liabilities	220	459	(239)
Total non-current liabilities	**30,437**	**52,760**	**(22,323)**
Current liabilities			
Trade and other payables	25,665	84,510	(58,845)
Contract liabilities	74,327	39,496	34,831
Bank and other loans	2,987	34,992	(32,005)
Lease liabilities	172	118	54
Current income tax liability	-	3,572	(3,572)
Provisions	-	14,442	(14,442)
Grants	379	379	-
Other current liabilities	5,635	34,629	(28,994)
Total current liabilities	**109,165**	**212,138**	**(102,973)**
Total liabilities	**139,602**	**264,898**	**(125,296)**
Total shareholders' equity and liabilities	**239,678**	**594,252**	**(354,574)**

2.2. Consolidated Statement of Comprehensive Income for year ending 2023

At the end of 2023, Alum Group recorded a loss in amount of RON 247,942 th.

	2023	2022	Variance 2023/2022
Revenue from contracts with customer	284,654	499,770	(215,116)
Cost of goods sold	(267,578)	(443,877)	176,299
Gross profit	**17,076**	**55,893**	**(38,817)**
Other operating income	23,642	57,873	(34,231)
Impairment of fixed assets	(77,546)	(58)	(77,488)
General and administrative expenses	(29,245)	(30,769)	1,524
Other operating expenses	(58,563)	(56,977)	(1,586)
Operational Result	**(124,636)**	**25,962**	**(150,598)**
Financial income	1	1	-
Interest expenses	(3,469)	(4,512)	1,043
Other financial costs	(357)	(373)	16
Net foreign exchange gains / (losses)	(20,579)	(2,580)	(17,999)
Finance cost, net	(24,404)	(7,464)	(16,940)
Result before income taxes	**(149,040)**	**18,498**	**(167,538)**
Income tax	4,441	(2,496)	6,937
Result for the period from continuing operations	**(144,599)**	**16,002**	**(160,601)**
Discontinued operations			
Result after tax for the period from discontinued operations	(103,343)	(114,699)	11,356
Result for the period	**(247,942)**	**(98,697)**	**(149,245)**
Earnings per share			
Basic and diluted earnings per share	**(3.02)**	**(1.20)**	**(1.82)**
Basic and diluted earnings for continuing operations	**(1.76)**	**0.19**	**(1.96)**

2.3. Discontinued operations

On 31 May 2023, company Alum publicly announced the convening of the Extraordinary General Meeting for the approval of the sale, as sole shareholder, of 100% of the share capital of Global Aluminium Ltd. (GAL group). On 10 July 2023 the Extraordinary General Meeting of Shareholders of Alum SA, approved the sale of GAL for a cash consideration of USD 2,000 thousand, less an amount equal to the Intercompany Debt Amount, which at that date was of USD 1,300 thousand. The disposal of Global Aluminium Ltd. was completed on 1 September 2023 and the consideration received for the net assets disposed amounted RON 3,181 thousand (USD 700 thousand equivalent.

The results of GAL group for the period are disclosed below:

	2023*	2022
Revenue from contracts with customers	113,810	166,562
Expenses	(144,432)	(239,387)
Other operating income	1,162	901
Impairment loss	(71,328)	(26,840)
Finance costs, net	(2,026)	971
Result before tax from discontinued operations	**(102,814)**	**(97,793)**
Income tax	-	(16,906)
Result after tax for the period from discontinued operations	**(102,814)**	**(114,699)**
Loss on sale of the discontinued operations	(529)	-
Net result after tax for the period from discontinued operations	**(103,343)**	**(114,699)**

*Represents 8 months of activity prior to the sale on 1 September 2023

President of the Board of Directors
D. Sc eng. Dobra Gheorghe

General Director
D. Sc eng. Dobra Gheorghe

Finance Director
Ec. Duralia Mihaela