

Nordural Grundartangi ehf.

Financial Statements

2019

Nordural Grundartangi ehf.

Grundartanga

301 Akranes

Id.no. 570297-2609

Nordural Grundartangi ehf.

Financial Statements

2019

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and the Shareholders of Norðurál Grundartangi ehf.

Opinion

We have audited the Financial Statements of Norðurál Grundartangi ehf. for the year ended December 31, 2019 which comprise, the Income Statement, the Balance Sheet, the Cash Flow Statement for the year then ended, and the Notes to the Financial Statements, including a summary of significant accounting policies.

In our opinion, the accompanying Financial Statements give a true and fair view of the financial position of Norðurál Grundartangi ehf. as at December 31, 2019, and its financial performance and its cash flows for the year then ended in accordance the Icelandic Financial Statement Act.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of Norðurál Grundartangi ehf. in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and we have fulfilled our ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

The Board of Directors and Managing Director are responsible for the other information. The other information comprises the Report by the Board of Directors and Managing Director, but does not include the Financial Statements and our auditor's report thereon.

Our opinion on the Financial Statements does not cover the other information and we do not express any form of assurance conclusion thereon, except the confirmation regarding Report by the Board of Directors and Managing Director as stated below.

In connection with our audit of the Financial Statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Financial Statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard. We further confirm to the best of our knowledge that the accompanying Report by the Board of Directors and Managing Director includes all information required by paragraph 2 article 104 of the Icelandic Financial Statement Act no. 3/2006.

Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director are responsible for the preparation and fair presentation of the Financial Statements in accordance with the Icelandic Financial Statement Act, and for such internal control as the Board of Directors and the Managing Director determines is necessary to enable the preparation of Financial Statements that are free from material misstatement, whether due to fraud or error.

In preparing the Financial Statements, the Board of Directors and the Managing Director are responsible for assessing Norðurál Grundartangi ehf.'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 the Board of Directors and the Managing Director either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

INDEPENDENT AUDITOR'S REPORT

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Financial Statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the Financial Statements, including the disclosures, and whether the Financial Statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board of Directors 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.

Kópavogur, April 28, 2020.

Deloitte ehf.

Jóhann Geir Harðarson

State Authorized Public Accountant

Report by the Board of Directors and Managing Director

The Financial Statements of Nordural Grundartangi ehf. are prepared in accordance with generally accepted accounting principles in Iceland.

Nordural Grundartangi ehf. operates an aluminum smelter at Grundartangi, Iceland. It is highly dependant on the price of primary aluminum, and on the cost and continuous availability of power, labor, and key raw materials, including alumina and carbon anodes. Labor, taxes, and certain other costs are denominated in Icelandic Krona. These items are all related to the entity's normal course of business. The company is expanding its production capacity and intends to continue those efforts in the coming years. Currently there are unusual conditions due to the Covid-19 virus which causes a potential uncertainty to the economic environment which could have impact on the Company. It is, however, the opinion of the Company's management that this does not effect the Company's ability to continue on a going concern basis.

Nordural Grundartangi ehf. produces high quality aluminum in a responsible, safe and efficient manner. Quality control protocols are subject to regular review in a process of continuous improvement. All staff is encouraged to participate in maintaining and improving the quality of our operations at all levels.

Nordural Grundartangi ehf. production for the year 2019 was 315,867 metric tons, around 1,500 metric tons decrease in production from previous year. Average number of employee positions in year 2019 were 547 compared to 575 in year 2018.

Approximately 85% of Nordural Grundartangi ehf. workforce is represented by five labor unions, governed by a labor agreement that establishes wages and work rules for covered employees. The current agreement is effective through December 31, 2019. The safety and health of our people is our first priority. Nordural Grundartangi ehf. is the largest workplace in the western part of Iceland and plays a pivotal social role – not only as the principal source of income for thousands of people, but also more generally for the economical, environmental and social well-being of the region as a whole. We take our responsibilities seriously, as well as our commitment to operate well within the framework set by law and regulations. In 2019 Nordural Grundartangi ehf. received formal equal pay certification in recognition of its wage structure, which fulfils the requirements of the equal pay certification standard ÍST 85:2012.

Nordural Grundartangi ehf. emphasizes employees' equal rights to careers advancement, wages and rights, regardless of gender, sexual orientation, religion or origin. Nordural conducts its operations and business with respect for human rights. Nordural practices continuous reform and complies with human rights and equality laws and regulations.

Nordural Grundartangi ehf. is certified by the Aluminium Stewardship Initiative (ASI) for responsible production, sourcing and stewardship of aluminum. The ASI Performance Standard defines environmental, social and governance principles and criteria, with the aim to address sustainability issues in the aluminium value chain.

Nordural Grundartangi ehf. has made a commitment to ethical conduct and lawful business practices. International laws and regulations prohibit corrupt practices and transactions, such as misleading or fraudulent accounting and reporting, and improper gifts or favors. Detailed policy documents establish standards and protocols to ensure compliance with legal and social requirements for the ethical conduct of an honest and reputable company.

Aluminum production inevitably leads to considerable emissions of CO₂. At Nordural Grundartangi ehf., we work hard to achieve the lowest emissions in the world. In 2019 Nordural Grundartangi ehf. announced its line of low-carbon aluminum products, with one of the lowest CO₂ footprints in the world. Natur-Al™ aluminum has CO₂ levels below one-fourth of the industry average or 4 tonnes CO₂ per tonne of aluminum. This is achieved with a combination of well-run, good methods and facilities, and electricity generated exclusively from renewable resources.

Report by the Board of Directors and Managing Director

Environmental monitoring entails research and monitoring of 109 environmental factors in and surrounding the area of Hvalfjörður. The purpose is to ensure that the operations of Nordural Grundartangi ehf. are not harmful to the environment. The environmental monitoring is conducted by independent parties and the results have unequivocally demonstrated that Nordural Grundartangi ehf. operations meet and exceed all the criteria stipulated in the operating license and regulations.

Nordural is an ISO 9001 certified company. Environmental and safety systems are certified according to ISO 14001 and ISO 45001 standards. Production processes and environmental and safety standards are under continuous review.

Nordural Grundartangi ehf. is yet to finalize establishment of measurable non-financial performance indicators to monitor how the its operations affect society, community and environment and reporting compliance with its policies concerning non-financial indicators. Nordural Grundartangi ehf. will continue its works to establish such indicators and reporting process in the year 2020.

The Board of Directors is comprised of 2 female Directors and 2 male Directors, which is in accordance with the statutory gender ratio of Boards of Directors of Public Limited Companies in Iceland, with more than 50 employees.

Nordural Grundartangi's loss for the year ended December 31, 2019 amounted to USD 32,061,650. According to the Balance Sheet the Company's assets amount to USD 575,242,146, the year's end book value of equity is USD 376,434,224 and the Company's equity ratio is 65%.

The sole shareholder of Nordural Grundartangi ehf. is Nordural ehf. like it was at the beginning of the year.

The Board of Directors refers to the shareholders meeting to take decisions on payment of dividend to the shareholder for the operational year 2019. As regards to changes in the equity of the Entity, the board refers to the Notes attached to the Financial Statements.

It is the opinion of the Board of Directors and the Managing Director of Nordural Grundartangi ehf. that these Financial Statements present all the information necessary to show the financial position of the Company as of December 31, 2019 and the operating results and cash flows for the year then ended.

The Board of Directors and Managing Director of Nordural Grundartangi ehf. hereby confirm the Financial Statements for the year 2019 with their signatures.

Reykjavik, April 28, 2020

Board of Directors

Jessy Gary

Michelle Harrison

Gunnar Guðlaugsson

Sigrún Helgadóttir

Managing Director

Gunnar Guðlaugsson

Income Statement 2019

		2019	2018
Operating revenue		628,258,562	752,297,022
Production expenses		(624,716,149)	(711,681,886)
Depreciation and amortization	7	<u>(37,840,295)</u>	<u>(39,793,489)</u>
Gross (loss) profit		<u>(34,297,883)</u>	<u>821,647</u>
Selling and administrative expenses		(2,582,386)	(2,608,809)
Operating loss		<u>(36,880,268)</u>	<u>(1,787,162)</u>
Share of loss of subsidiary	10	(96,938)	(8,086)
Interest income		419,458	902,647
Net (loss) gain on derivative contracts	15	(1,573,556)	3,638,464
Finance costs	5	(5,984,745)	(9,806,269)
Exchange rate gain		<u>4,033,727</u>	<u>12,715,088</u>
(Loss) profit before taxes		(40,082,322)	5,654,680
Income tax	6	8,020,670	(1,124,322)
(Loss) profit for the year		<u><u>(32,061,650)</u></u>	<u><u>4,530,360</u></u>

Balance Sheet at 31. December 2019

Assets		31.12.2019	31.12.2018
Non-current assets			
Property, plant and equipment	7	430,771,038	461,592,387
Derivative financial assets	15	0	4,669,173
Investment in subsidiary	10	293,861	390,799
		<u>431,064,898</u>	<u>466,652,359</u>
Current assets			
Inventories	8	99,320,923	110,546,692
Trade receivables	9	21,106,682	10,928,335
Derivative financial assets	15	2,675,495	0
Other receivables	9	5,618,146	3,832,734
Cash and cash equivalents	9	15,456,002	24,850,579
		<u>144,177,247</u>	<u>150,158,340</u>
Assets		<u>575,242,146</u>	<u>616,810,700</u>
Equity and liabilities			
Equity			
	11		
Share capital		146,988,000	146,988,000
Share premium		117,963,936	117,963,936
Other reserves		40,830,000	40,898,999
Retained earnings		68,811,070	100,803,721
Accumulated other comprehensive income		1,841,217	1,990,044
Total equity		<u>376,434,224</u>	<u>408,644,700</u>
Long-term liabilities			
Loans due to related party	12	40,738,362	69,722,561
Derivative financial liabilities	15	0	506,639
Lease liabilities	18	784,910	0
Deferred tax liabilities	13	71,776,873	79,012,874
		<u>113,300,145</u>	<u>149,242,074</u>
Current liabilities			
Trade and other payables	14	61,549,975	40,366,391
Next year payment of long term liabilities	12	12,353,874	6,346,734
Current tax liabilities	6.13	0	252,947
Current maturities of lease liabilities	18	652,576	0
Derivative financial liabilities	15	443,828	0
Other current liabilities	14	10,507,526	11,957,854
		<u>85,507,778</u>	<u>58,923,926</u>
Liabilities		<u>198,807,923</u>	<u>208,166,000</u>
Total equity and liabilities		<u>575,242,146</u>	<u>616,810,700</u>

Statement of Cash Flows 2019

	Notes	2019	2018
Operating activities			
(Loss) profit for the year		(32,061,650)	4,530,360
Adjustments to reconcile profit for the year to net cash provided by operating activities			
Depreciation and amortization	7	37,840,296	39,793,489
Income tax	6	(8,020,670)	1,124,322
Share of loss of subsidiary	10	96,938	8,086
Net finance cost		1,531,560	(3,811,466)
Net loss (gain) on derivative contracts		1,573,556	(3,638,464)
Other changes		0	382,484
		<u>960,030</u>	<u>38,388,813</u>
Changes in:			
Inventories, decrease (increase)		11,225,769	(14,413,280)
Receivables, (increase) decrease		(2,733,442)	763,512
Short term liabilities, increase (decrease)		20,857,918	(2,744,441)
Payable net to related parties, decrease		<u>(9,490,149)</u>	<u>(9,669,879)</u>
Cash provided by operating activities		<u>20,820,126</u>	<u>12,324,726</u>
Interest received			
		428,306	863,236
Interest paid			
		(5,409,976)	(9,276,333)
Derivative contracts received			
		402,011	0
Income tax paid			
		<u>(276,258)</u>	<u>(10,526,408)</u>
Net cash provided by (to) operating activities		<u>15,964,209</u>	<u>(6,614,779)</u>
Investing activities			
Investment in fixed assets	7	(5,263,502)	(10,991,307)
Proceeds from sale of fixed assets	7	0	138,012
Cash used in investing activities		<u>(5,263,502)</u>	<u>(10,853,295)</u>
Financing activities			
Related parties, payments		(19,592,602)	(37,679,517)
Lease payments		<u>(502,682)</u>	<u>0</u>
Cash used in financing activities		<u>(20,095,284)</u>	<u>(37,679,517)</u>
Net decrease in cash and cash equivalents			
		(9,394,577)	(55,147,590)
Cash and cash equivalents at the beginning of the year			
		24,850,579	79,998,169
Cash and cash equivalents at the end of the year			
		<u>15,456,002</u>	<u>24,850,579</u>

Notes

1. General information

Nordural Grundartangi ehf. ("Company" or "Nordural Grundartangi") is owned by Nordural ehf. The Company operates an aluminum smelter at Grundartangi, Iceland. Nordural ehf is ultimately owned by Century Aluminum Company, a U.S. based holding company. Financial information for Century Aluminum Company are published on its company website.

The Company has an Operating license for the production of up to 350,000 MTPY of aluminum. This license was issued by the National Planning Agency in December 2015. The license expires in December 2031.

The smelter's name plate production capacity is 260,000 metric tons per year ("MTPY"). Production in 2019 was 315,867 MT of hot metal (2018: 317,386 MT), 314,895 MT of casted metal (2018: 321,206 MT).

2. Accounting Policies

Basis of preparation

The Financial Statements of Nordural Grundartangi for the year 2019 are prepared according to generally accepted accounting principles in Iceland. Cost method is used in the Financial Statements and it is prepared according to the same accounting principles as the previous year. The Financial Statements are prepared in United States dollars, which is the Company's functional currency.

The principal accounting policies adopted are set out below.

Estimates and decisions

For the Annual Report, the Management, in accordance with laws on Financial Statements, needs to make decisions, estimates and draw conclusions which affect assets and liabilities at the reporting date, information in the notes and Income Statement. All conclusions and estimates are based on knowledge and experience and other relevant factors. Those factors make up the basis that can not be ascertained by any other means.

Risk management

As a global producer of primary aluminum, our operating results and cash flows from operations are subject to risk of fluctuations in the market prices of primary aluminum, raw materials and power. We may from time to time enter into financial contracts to manage our exposure to such risk. We value our derivative and hedging instruments using quoted market prices and other significant unobservable inputs. We recognize changes in fair value and settlements of derivative instruments in net gain (loss) on forward and derivative contracts in the Income Statement of operations as they occur.

Changes in the fair value of derivative financial instruments that are designated and effective as hedges of future cash flows are recognised directly in equity and the ineffective portion is recognised immediately in profit or loss. Profit or loss is moved from Equity to the Income Statement in the same period(s) as the probable transactions affect the Income Statement.

Revenue recognition

Revenues from production are recognized when earned as required by generally accepted accounting principles. Revenues are recognized when title and ownership of the products passes to customers in accordance with contract terms. Interest income is accrued over time, by reference to the principal amount and at the interest rate applicable.

Notes

2. Accounting Policies (continued)

Foreign currencies

Transactions in foreign currencies are initially recorded at the rates of exchange prevailing on the dates of the transactions. Monetary assets and liabilities denominated in such currencies are retranslated at the rates prevailing on the balance sheet date. Profits and losses arising from currency fluctuations are included in net profit or loss for the period.

Taxation

Income tax is calculated and recognised in the Financial Statements. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other periods and it further excludes items that are never taxable or deductible. The Company's tax rate in 2019 was 20%.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the Financial Statements and the corresponding tax basis used for calculation of taxable profit, and is accounted for using the balance sheet liability method. The difference is due to different assumptions in calculation of income tax.

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 utilized.

Property, plant and equipment

Property, plant and equipment are recognised as an asset when it is probable that future economic benefits associated with the asset will flow to the Company and the cost of the asset can be measured in a reliable manner. Property, plant and equipment which qualifies for recognition as an asset is initially measured at cost. The cost of property, plant and equipment comprises its purchase price and any directly attributable cost of bringing the asset to working condition for its intended use.

The depreciable amount of the asset is allocated on a fixed annual percentage of the historical cost over its useful life, less residual value.

The gain or loss arising from 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.

Impairment

At each balance sheet date, the Company reviews the carrying amounts of its tangible 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).

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

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment losses on cash generating units reduces first goodwill, and after that to reduce other assets. Impairment losses are recognised as an expense immediately.

Notes

2. Accounting Policies (continued)

Impairment (Continued)

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. Impairment loss on goodwill is not reversed.

Inventories

Inventories are stated at the lower of cost or net realisable value, after taking obsolete and defective goods into consideration. Cost comprises of direct materials and, where applicable, direct labor costs and those overhead expenses that have been incurred in bringing the inventories to their present location and condition. Net realisable value represents the estimated selling price less all estimated costs to completion and costs to be incurred in marketing, selling and distribution.

Trade receivables

Accounts receivable are valued at nominal value. Accounts receivable in currencies other than USD have been recorded at the exchange rate prevailing at the balance sheet date.

Loans due to related parties and borrowing costs

Loans due to related parties are initially recognised at fair value plus all related transaction costs. After initial recognition loans due to related parties are recognised at amortised cost using the effective interest method.

Trade payables

Trade payables are valued at nominal value and accounts payable in other currencies have been recorded at the exchange rates prevailing at the balance sheet date.

Provisions

Provisions are recognised when the Company has a present obligation as a result of a past event, and it is probable that the Company will be required to settle that obligation.

New financial reporting standards - IFRS 16 leases

The company has applied IFRS 16 for the financial year commencing 1 January 2019. The effect on the company financial statements is shown in note 18.

3. Salaries and other employee expenses

Salaries and salary-related expenses paid by the Company are specified as follows:

	2019	2018
Salaries	45,316,555	51,280,228
Pension fund	6,996,974	7,590,914
Salary-related expenses	4,663,096	5,130,997
Other employee expenses	530,524	710,823
	<u>57,507,148</u>	<u>64,712,962</u>
Average number of positions	547	575

Information about management salaries is included in the Notes to the Financial Statements of Nordural ehf.

Notes

4. Fees to Auditors

	2019	2018
Deloitte - audit.....	372,266	362,823
PWC - other services.....	392,732	451,197
KPMG - other services.....	4,338	90,917
	<u>769,337</u>	<u>904,937</u>

5. Finance costs

	2019	2018
Interest to related parties	5,668,878	9,571,221
Lease interest expenses	65,260	0
Other finance costs.....	206,237	235,047
	<u>5,984,745</u>	<u>9,806,268</u>

6. Income tax

	2019	2018
Current tax liabilities	0	252,947
Deferred tax (decrease) increase	(8,020,670)	871,375
	<u>(8,020,670)</u>	<u>1,124,322</u>

7. Property, plant and equipment

	Leased assets	Real estate and related rights	Machinery & equipment	Construction in progress	Total
Cost or valuation					
At beginning of the year.....	0	273,777,834	739,955,247	8,182,949	1,021,916,031
Effect of transition to IFRS 16.....	654,203	0	0	0	654,203
Reclassified.....	0	473,243	5,002,217	(5,475,460)	0
Additions.....	1,287,274	0	0	5,263,502	6,550,775
Disposals.....	0	0	(4,779,793)	0	(4,779,793)
At end of the year.....	<u>1,941,477</u>	<u>274,251,077</u>	<u>740,177,671</u>	<u>7,970,991</u>	<u>1,024,341,216</u>
Accumulated depreciation					
At beginning of the year.....	0	104,638,371	455,685,274	0	560,323,645
Charge for the year.....	526,842	7,597,944	29,901,543	0	38,026,328
Disposals.....	0	0	(4,779,793)	0	(4,779,793)
At end of the year.....	<u>526,842</u>	<u>112,236,315</u>	<u>480,807,024</u>	<u>0</u>	<u>593,570,181</u>
Carrying Amount					
At beginning of the year.....	0	169,139,463	284,269,973	8,182,949	461,592,387
At end of the year.....	<u>1,414,635</u>	<u>162,014,762</u>	<u>259,370,648</u>	<u>7,970,991</u>	<u>430,771,038</u>
Depreciation and amortization:				31.12.2019	31.12.2018
Depreciation of property, plant and equipment				38,026,328	39,979,522
Amortization of gain on forward contracts				(186,032)	(186,032)
				<u>37,840,295</u>	<u>39,793,489</u>

Notes

8. Inventories

	31.12.2019	31.12.2018
Aluminum finished goods	9,098,339	11,552,764
Aluminum in pots	8,555,581	13,514,363
Anodes	10,226,006	13,930,471
Alumina	32,893,257	35,558,517
Cathode blocks	6,550,994	5,171,359
Other materials	13,624,565	11,273,895
Operational supplies	18,372,180	19,545,322
	<u>99,320,923</u>	<u>110,546,692</u>

9. Other financial assets

Trade receivables	31.12.2019	31.12.2018
Trade receivables	954,159	6,129
Trade receivables from related party	20,152,523	10,922,206
	<u>21,106,682</u>	<u>10,928,335</u>

Other receivables	31.12.2019	31.12.2018
Value added tax	4,108,092	3,227,191
Prepaid expenses	328,871	336,483
Capital income tax	20,565	27,625
Due from related party	910,495	799
Other receivables	250,123	240,636
	<u>5,618,146</u>	<u>3,832,734</u>

Cash and cash equivalents

The Company's cash and cash equivalent consist of bank balances.

	31.12.2019	31.12.2018
Bank balances in USD	14,661,989	23,549,669
Bank balances in other currencies	794,013	1,300,910
	<u>15,456,002</u>	<u>24,850,579</u>

10. Investments in subsidiaries

	Proportion of ownership	Book value 31.12.2019	Loss	
			2019	2018
Shares in subsidiaries				
Klafi ehf, Grundartanga, Transport Company	50.00%	293,861	(96,938)	(8,086)
Balance at January 1			390,799	398,886
Loss for the year			(96,938)	(8,086)
At December 31			<u>293,861</u>	<u>390,799</u>

Notes

11. Equity

Share capital is specified as follows:

	Shares	Ratio	Amount
Total share capital at year-end	163,320,000	100.0%	163,320,000
Treasury stock at year-end	(16,332,000)	(10.0%)	(16,332,000)
	<u>146,988,000</u>	<u>90.0%</u>	<u>146,988,000</u>

Each share carries one vote.

	Share capital	Share premium	Other reserves	Retained earnings	Accumulated OCI
Equity 1.1.2018	146,988,000	117,963,936	40,907,085	96,265,275	2,138,870
Currency options, net of tax					(148,827)
Legal reserve for the share of earnings of affiliates			(8,086)	8,086	
Profit for the year				4,530,360	
Equity 1.1.2018	<u>146,988,000</u>	<u>117,963,936</u>	<u>40,898,999</u>	<u>100,803,721</u>	<u>1,990,042</u>
Currency options, net of tax					(148,827)
Legal reserve for the share of earnings of affiliates			(68,999)	68,999	
Loss for the year				(32,061,650)	
Equity 31.12.2019	<u>146,988,000</u>	<u>117,963,936</u>	<u>40,830,000</u>	<u>68,811,070</u>	<u>1,841,217</u>

Other reserves consist of Statutory reserves 40,830,000 (2018: 40,830,000) and Legal reserves for the share of earnings of affiliates 0 (2018: 68,999) which cannot be paid out as dividend to shareholders. According to the Icelandic Companies Act, 25% of nominal value share capital must be held in as Statutory reserves.

Legal reserves for the share of earnings of affiliates is required by Icelandic law since 2016. The amount of the legal reserve for the share of earnings of affiliates is reduced by dividends received from those companies.

Accumulated other comprehensive income comprise of a closed hedging activity that is being realized according to the lifetime of the underlying hedged asset.

Notes

12. Loans due from related party

	31.12.2019	31.12.2018
Loan from parent company. Fixed interest rate is 7.85%. The loan is in Icelandic kronas.	9,580,049	24,398,161
Loan from parent company. Fixed interest rate is 10.00%. The loan is in Icelandic kronas.	18,348,409	25,471,561
Loan from parent company. Fixed interest rate is 10.00%. The loan is in Icelandic kronas.	25,163,777	26,199,574
	<u>53,092,235</u>	<u>76,069,296</u>
Next year payment of long term liabilities	(12,353,874)	(6,346,734)
Total non-current loans due from related party	<u>40,738,362</u>	<u>69,722,561</u>

Loans due to parent company in the amount of USD 9,580,049 are due upon demand by written notice. Loan due to parent company in the amount of USD 18,348,409 is due in five even payments and the first payment was paid in year 2018 and the last payment is due in year 2022. Loan due to parent company in the amount of USD 25,163,777 is due in five even payments and the first payment is due in year 2020 and the last payment is due in year 2024. Interest payment is due each year.

13. Deferred tax liabilities

The changes in Deferred tax liabilities are as follows:

	2019	2018
At January 1,	79,012,873	78,236,428
Calculated tax for the year	(8,020,670)	1,124,322
Deferred tax due to currency options	(37,207)	(37,207)
Exchange rate difference	(95,044)	(57,723)
Income tax payable for next year	0	(252,947)
Other changes	916,920	0
At December 31,	<u>71,776,873</u>	<u>79,012,873</u>

The following are the major deferred tax liabilities recognised:

	31.12.2019	31.12.2018
Property, plant and equipment	70,084,067	76,231,042
Other items	1,692,805	2,781,831
	<u>71,776,873</u>	<u>79,012,873</u>

14. Other financial liabilities

Trade and other payables	31.12.2019	31.12.2018
Functional currency	41,716,512	19,327,638
Other currencies	4,789,525	5,423,689
Accruals	15,043,938	15,615,064
	<u>61,549,975</u>	<u>40,366,391</u>

Notes

14. Other financial liabilities (continued)

Other current liabilities	31.12.2019	31.12.2018
Liabilities to affiliated companies	2,783,921	3,908,583
Salaries and related expenses payable	7,723,606	8,049,271
	<u>10,507,526</u>	<u>11,957,854</u>

15. Derivatives

At December 31, 2019, the company had an open position of 3,090 tonnes related to LME forward financial sales contracts to fix the forward LME price (the "Forward Financial Sales Contracts"). These Forward Financial Sales Contracts are expected to settle between January 1, 2020 and December 31, 2020. We have also entered into financial contracts to fix the forward price and EUR exchange rate to dollar of approximately 4% of Grundartangi's total power requirements for the period January 1, 2020 through December 31, 2020 (the "power price swaps"). The power price swaps are not designated as cash flow hedges. At December 31, 2019 we had an open position of 219,600 MWh related to the power price swaps.

At December 31, 2019, we had a derivative asset and liabilities of \$2,675,495 (2018: \$4,669,173) and \$443,828 (2018: \$506,639) respectively in the balance sheets. In 2019, we recognized a net loss of \$1,573,556 (2018: net gain \$3,638,464) related to our derivative instruments, in the income statement.

16. Related parties

Related parties are those parties which have considerable influence over the Company, directly or indirectly, including parent company, owners or their families, large investors, key employees and their families and parties that are controlled or dependent on the Company, i.e. affiliates and joint ventures. Business with related parties has been done on a similar basis as business with unrelated parties.

Related parties transactions in the year 2019:	Purchases of goods/services	Sales of goods/services	Assets	Liabilities
Norðurál ehf., parent company	4,917,485	0	910,495	65,921,082
Century Aluminum Anodes BV	98,618,005	11,295,701	1,164,990	10,531,223
Century Aluminum Company, ultimate parent	3,175,317	122,462	0	2,315,770
Glencore Int., affiliated company	201,564,442	625,066,269	18,980,710	26,373,663
Klafí ehf., subsidiary	1,372,887	0	0	0
	<u>309,648,136</u>	<u>636,484,432</u>	<u>21,056,196</u>	<u>105,141,739</u>
 Related parties transactions in the year 2018:	 Purchases of goods/services	 Sales of goods/services	 Assets	 Liabilities
Norðurál ehf., parent company	6,088,911	0	0	77,724,076
Century Aluminum Anodes BV	109,727,487	13,768,975	1,285,346	9,494,989
Century Aluminum Company, ultimate parent	3,210,189	0	0	2,253,003
Glencore Int., affiliated company	238,199,656	750,919,022	6,100,215	5,994,509
Baise Haohai, affiliated company	23,973,541	0	0	2,113,398
Klafí ehf., subsidiary	1,603,238	0	0	0
	<u>382,803,022</u>	<u>764,687,997</u>	<u>7,385,561</u>	<u>97,579,975</u>

Notes

17. Insurance

Nordural Grundartangi has purchased commercial property and business interruption insurance intended to compensate for temporary breakdown of operations. The property insurance amount is USD 500 million.

18. Leases

Under the current IS GAAP, the Company is required to apply the guidance of IFRS 16 Leases from January 1, 2019. Under IFRS 16, distinctions of operating leases (off balance sheet) and finance leases (on balance sheet) are removed for lessee accounting, and replaced by a model where the right-of-use asset and a corresponding liability have to be recognized for all leases by the lessees. The nature of recognised expenses related to operating leases will change because the Company will recognise a depreciation charge for right-of-use assets and interest expense on lease liabilities. Previously, the Company recognised operating lease expense on a straight-line basis over the term of the lease.

Leased assets are factory site, warehouses and car leases. Leases are generally 24-36 months except for the factory site which is long term.

Right-of-use assets are specified as follows:

Right-of-use assets 1.1.2019	654,203
Depreciation	(526,842)
Additions to right-of-use assets	1,287,274
Right-of-use assets 31.12.2019	<u>1,414,635</u>

Effects of leases in Income statement is divided as follows:

Interest payment of lease liabilities	65,260
Depreciation	526,842

Lease liabilities are specified as follows:

Payments 2020	652,576
Payments 2021 and later	784,910
Net investment in leases 31.12.2019	<u>1,437,486</u>

Notes

19. Commitments and Contingencies

Power contracts

Nordural Grundartangi has contracts with Landsvirkjun for supply of electricity up to 1,622 GigaWatt hours ("GWH") on a yearly basis, of which 1,379 GWH is under a "take or pay" obligation. The contracts are due to expire in 2023 and 2029.

Nordural Grundartangi has contracts with Orkuveita Reykjavíkur and HS Orka for supply of electricity up to 2,558 GWH on yearly basis, of which 2,173 GWH is under a "take or pay" obligation. The contracts are due to expire in 2026 to 2028 (subject to extension). Nordural Grundartangi has a contract with Orkuveita Reykjavíkur for supply of electricity up to 416 GWH on a yearly basis, of which 354 GWH is under a "take or pay" obligation. The contracts are due to expire in 2036 (subject to extension).

Sale and Raw Material Contracts

Nordural Grundartangi has a selling contracts to be delivered through the years 2020 to 2021 with Glencore International and Concord Resources Limited for all aluminum produced each year. Under these contracts Nordural Grundartangi receives price based on the LME primary aluminum plus an applicable premium.

Nordural Grundartangi has a contract with Glencore International for alumina purchases required for its aluminum production for the years 2018 to 2021.

Nordural Grundartangi has a contract for the supply of anodes of 45,000 MTPY with Baise Hao Hai in China. The term of this contract is through December 31, 2020 (subject to extension).

Nordural Grundartangi has a contract for the supply of anodes with Century Aluminum Vlissingen B.V. The contract is effective through 2025 and can be extended. During the term of the agreement, Century Aluminum Vlissingen B.V. shall supply to Nordural the annual quantity of anodes in accordance with the written production schedule agreed to by the parties.

Other

Nordural Grundartangi ehf., entered into Guaranty, dated as of March 21, 2014 in favor of Pension Benefit Corporation, a United states government coporation, as part of settlement agreement regarding an alleged "cessation of operations" at parent company, Ravenswood facility. The remaining contributions under this agreement in end of 2019 are approximately USD 9.6 million.

Nordural Grundartangi ehf., as borrower, and Landsbankinn hf., as lender, entered into a three-year USD 50 million committed revolving credit facility agreement which expires November 2022. The company's inventory and accounts receivable are pledged as a collateral to the financial institution. As of December 31, 2019, there were no outstanding borrowings under this credit facility.

The Company, in the regular course of business, is involved in investigations and claims by various regulatory agencies none of which the Company believes will have material effect on financial results.