

Quarterly Report 30 September 2019

CONTENTS

ALRO GROUP

CONSOLIDATED QUARTERLY REPORT FOR THE THIRD QUARTER OF 2019	4
INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2019 (UNAUDITED)	15
INTERIM CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	16
INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION	17
INTERIM CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY	18
INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS	20
NOTES	21
RATIOS IN ACCORDANCE WITH APPENDIX 13A FROM REGULATION 5/2018 ISSUED BY FSA	41

ALRO GROUP

CONSOLIDATED QUARTERLY REPORT FOR THE THIRD QUARTER OF 2019

Consolidated Financial Results for the Third Quarter of 2019 (Q3 2019) as Compared to the Third Quarter of 2018 (Q3 2018) (unaudited)

ALRO Group

The companies part of ALRO Group are: Alro S.A. – manufacturer of aluminium, Alum S.A. – producer of alumina, Sierra Mineral Holdings I, Ltd. – bauxite mining, Vimetco Extrusion S.R.L. – extrusion business line, Conef S.A. – holding and management company, Global Aluminium Ltd. – holding company and Bauxite Marketing Ltd - marketing. Having this structure, the Group created an integrated production chain, assuring the raw materials for ALRO.

Alro Group

Consolidated quarterly report for Q3 2019

Highlights of the nine months ended 30 September 2019 (Q1-Q3 2019)

- Consolidated turnover of RON 2,162 million during Q1-Q3 2019, by 6% lower than in Q1-Q3 2018;
- Higher sales of processed aluminium products during the 9 months of 2019 compared to the same period in 2018, and also in Q3 2019 versus Q3 2018, both in money and quantity terms;
- Positive cashflow from operations, which generated RON 98 million during Q1-Q3 2019 (during Q1-Q3 2018: RON 303 million);
- CAPEX of RON 85 million; among the investments done is the continuation of Alro smelter programme for increasing the energy efficiency, whereby Alro put in operation several electrolysis pots based on AP12 LE technology (Aluminium Pechiney Low Energy), which are expected to have an impact on the quantity of energy consumed;
- The aluminium industry continued to be marked by lower levels of LME during Q3 2019 compared to the same period of 2018, consequently affecting the Group's turnover.

ALRO GROUP

Indicator	Q3 2019	Q3 2018	Q1-Q3 2019	Q1-Q3 2018
Primary aluminium production (tonnes)	72,173	68,742	214,840	213,704
Processed aluminium production (tonnes)	24,589	21,483	79,164	77,322
Alumina production (tonnes)	130,607	150,398	357,286	423,633
Bauxite production (tonnes)	410,448	439,079	1,527,688	1,570,687
Sales (thousand RON)	656,135	732,758	2,162,353	2,296,368
EBITDA ¹ (thousand RON)	-1,454	126,546	233,663	401,757
EBITDA margin (%)	-0.2%	17.3%	10.8%	17.5%
Adjusted net result ² (thousand RON)	-95,115	66,380	-18,688	233,097
Net result (thousand RON)	-102,429	69,384	-22,721	223,535

ALRO S.A.

Indicator	Q3 2019	Q3 2018	Q1-Q3 2019	Q1-Q3 2018
Primary aluminium production (tonnes)	72,173	68,742	214,840	213,704
Processed aluminium production (tonnes)	19,027	15,364	62,938	59,175
Primary aluminium sales (tonnes)	38,253	37,032	116,400	118,481
Processed aluminium sales (tonnes)	19,284	16,656	63,053	60,176
Sales (thousand RON)	600,389	608,417	1,931,172	1,985,271
EBITDA ¹ (thousand RON)	-27,546	77,562	78,707	294,662
EBITDA margin (%)	-4.6%	12.7%	4.1%	14.8%
Adjusted net result ² (thousand RON)	-101,026	38,811	-57,274	213,024
Net result (thousand RON)	-108,481	41,691	-109,962	202,860
Adjusted net result ² per share (RON)	-0.142	0.054	-0.080	0.298
Net result per share (RON)	-0.152	0.058	-0.154	0.284

¹ EBITDA earnings before interest, taxes, depreciation, amortization and impairment;

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

Two global macro-themes and one peculiarity of the Romanian energy market explain the evolution of the Group in 2019 in correlation with the aluminium price, which reported a steady slide throughout 2019, now down 16% YTD. International politics such as the US tariffs on imports, the Chinese retaliation, the Brexit negotiations, all these left room for uncertainties in the industry and reflected into a prudent behaviour of the aluminium clients. The activity in key use sectors worldwide (property, transport, infrastructure, machinery) weakened on deteriorating economic conditions. The international quotations of aluminium (specifically the LME) lost 350 USD per tonne on an average in the 9 months ended 30 September 2019 in comparison to the same period of 2018.

The gradual resuming of output from Norsk Hydro' Alunorte alumina refinery caused a surplus that had an impact on the alumina market, in such a way that the lower alumina selling price determined the Group to deliver less of it outside the Group than in the prior year. The alumina spot price (Australia FOB) has fallen 30% YTD to 277 USD/t as Alunorte's spare 50% capacity was gradually resumed (extra 3 million tpa or 2% of global supply) and Rusal was cleared of US sanctions.

A third important driver for the aluminium business is the electricity supply, whose price has increased locally by 50% in three years (H1 2019 compared to H1 2016), exceeding the energy prices from Germany, Austria, Poland, France, Netherland, Denmark, etc. and being above the average level of electrical energy prices in the whole European Union (as per Eurostat statistics).

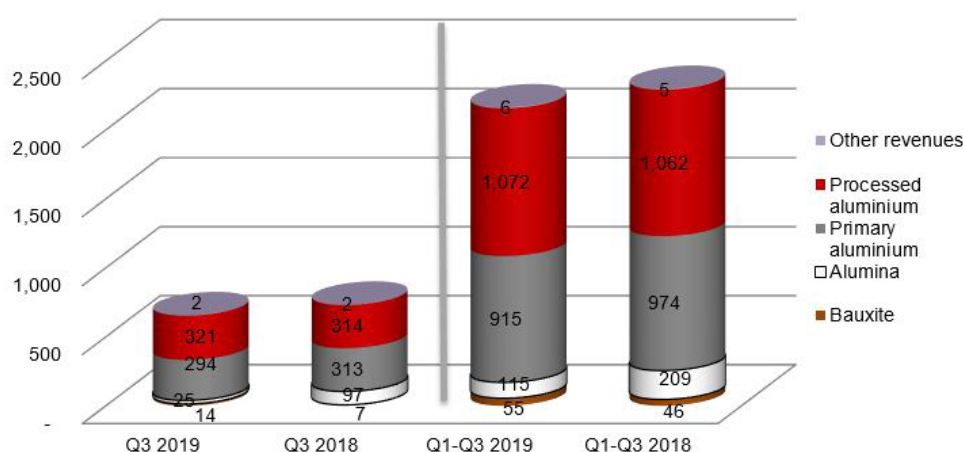
Sales

Alro S.A. and its subsidiaries ("Alro Group" or "the Group") is one of the largest vertically integrated aluminium producers in Europe measured by production capacity. Alro Group's consolidated sales for the 9-month period ended 30 September 2019 were of RON 2,162,353 thousand, which is a 5.8% decrease compared to the level reported in the same period of 2018 (RON 2,296,368 thousand). Even in a challenging environment, the Group is pursuing its objective of increasing the proportion of high and very high value added products in its total deliveries, which are dedicated to specialized industries such as aerospace and automotive. During the reporting period it managed to sell by 2% more flat rolled products than in the comparative reporting period of 2018, i.e. by 1,200 more tonnes.

The aluminum average price for 9 months ended 30 September 2019 (LME) was of 1,804 USD/tonne, compared to the aluminium LME average price recorded during the 9 months ended 30 September 2018 of 2,157 USD/tonne. Under these circumstances, in spite of the Group's efforts to better respond to market demands and of higher deliveries of processed products, the 350 USD/tonne drop in LME quotations limited the revenues in terms of value.

Revenues from contracts with customers	Q3 2019	Q3 2018	Q1-Q3 2019	Q1-Q3 2018
Revenues from bauxite segment	14,022	6,864	54,810	46,231
Revenues from alumina segment	24,896	97,260	114,839	209,059
Revenues from primary aluminium segment	293,749	312,950	914,867	973,987
Revenues from processed aluminium segment	321,087	313,693	1,072,210	1,062,059
Other	2,381	1,991	5,627	5,032
Total	656,135	732,758	2,162,353	2,296,368

Sales (RON million)

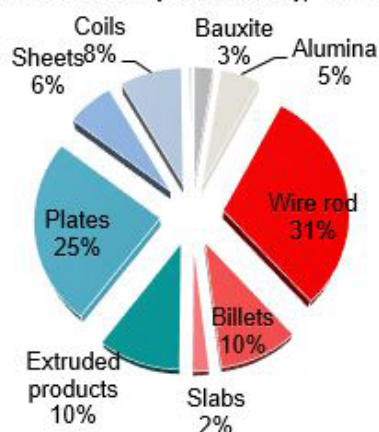


Compared to the third quarter of 2018, the Group achieved in Q3 2019 an increase of sales quantity for both primary and processed segments. The 10% increase of the processed deliveries was sustained by a 2% increase in money terms, as well. This growth of the processed aluminium division sales referred to the plates, which were by 997 tonnes higher in Q3 2019 than in Q3 2018, and to the sheets, higher by 1,537 tonnes in the same reporting period. Thus, the investments performed during the latest years on the Group's production infrastructure, including the modernization and upgrade program for one of its rolling mills started in 2018, are yielding results proved by the increase of the sales on the targeted product segments.

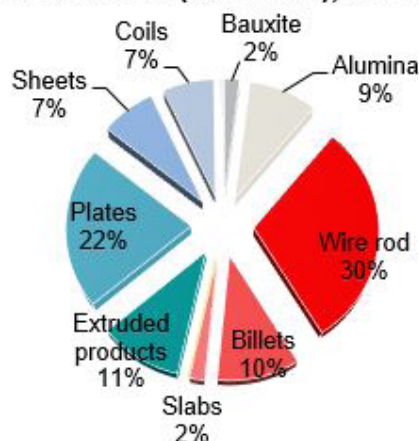
Sales of wire rod in the Primary Aluminium segment increased slightly in the 9 months of 2019 compared to the 9 months of 2018, of which by more than 1,500 tonnes in Q3 2019 itself, as compared to Q3 2018. The Group thus balanced to some extent the decrease in billets sales in the periods compared, which occurred due to the instability of the extrusion market starting November 2018. The demand for billets in Q1 2019 was lower since most of the end-users consumed from the accumulated stocks, and it somewhat recovered in Q2 2019, but for a short while.

In terms of sales structure, the sales of the Primary Aluminium segment to external customers were 42% of the Group's total revenues in Q1-Q3 2019 (in Q1-Q3 2018: 42%), whereas the revenues from the Processed aluminium segment accounted for 50% of the turnover in the 9 months to 30 September 2019, compared to 46% in the 9 months to 30 September 2018.

Sales structure (RON '000), Q1-Q3 2019



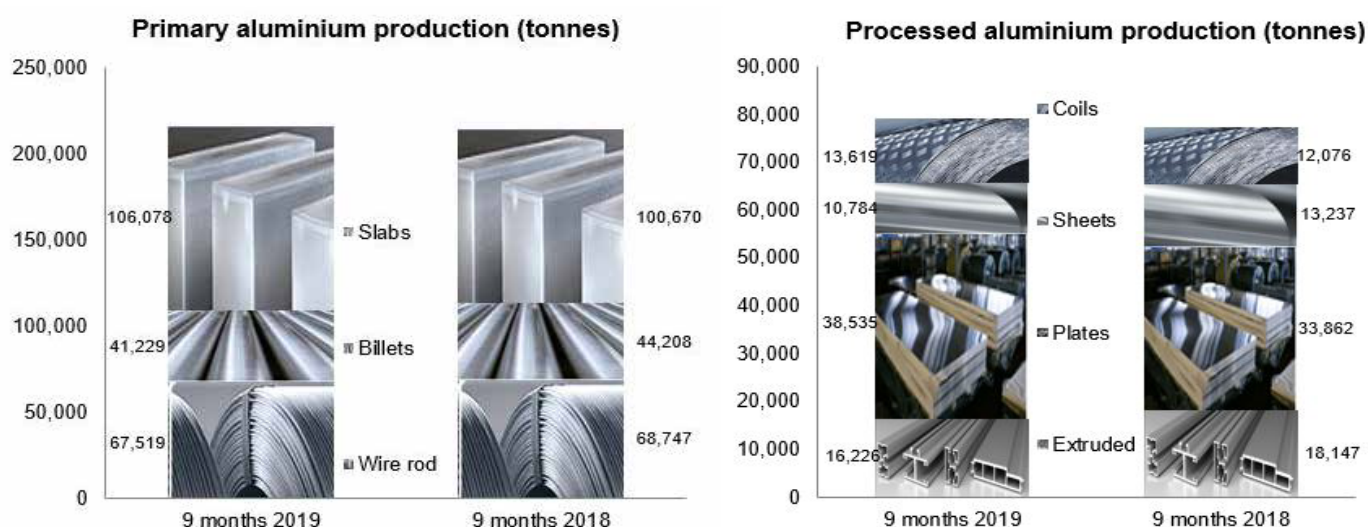
Sales structure (RON '000), Q1-Q3 2018



The alumina sales outside the Group registered a 45% decrease during the first 9 months of 2019 compared to the same period of the previous year. An important factor was the announcement of Alunorte (a major alumina refinery located in South America) that it resumed its operations targeting to reach from 50% to full capacity by the end of the year (about 6 million tonnes), thus the international indexes for alumina prices registered a decrease in 2019 compared to the previous year. Therefore, the Group continues its focus on the increase of the production quality and on cost reduction, by implementing new technologies for the research and production of dry aluminium hydroxide, for the grinding and sorting of dry aluminium hydroxide, and for the classification of wet aluminium hydroxide.

Production

During the first 9 months of 2019, the Group reported a total production of primary and processed products higher than in the comparative period of 2018. The same trend was noticed at the quarter level, with the organisation producing primary aluminium of 72,173 tonnes in Q3 2019 (Q3 2018: 68,742 tonnes) and processed aluminium of 24,590 tonnes in Q3 2019 (Q3 2018: 21,483 tonnes), in support of its strategy for increasing the sales of high value added products (HVAPs) and very high value added products (VHVAPs). In this respect, specific projects were under implementation, such as: the revamping of the Cold Mill no. 2, an Advanced Production Planning System and a marking and traceability system for flat rolled production. Meanwhile, research is carried on for improving the production technology (quenching, ageing, stress removal) of the high value added products with the help of the new equipments for research acquired with EU grants and placed into operation in 2019.



One of the most important focus of Alro Group is the reduction of the raw materials and utilities cost, especially of the energy consumption. On this purpose, in the end of 2018 the Group started to invest in the implementation of a new pot replacement methodology in the electrolysis sector of the primary aluminium division. After the achievements in the first part of 2019, the Group succeeded to use exclusively the new AP12LE ("Aluminium Pechiney Low Energy") technology in the process of pot replacement in Q3 2019.

The Group's **cost of goods sold** increased by 12% in Q3 2019 to RON 620,619 thousand, compared to Q3 2018, when it was of RON 552,748 thousand. This increase was determined mainly by the growth of the purchase prices of utilities (electricity and gas), in line with the prices from OPCOM's platforms.

The **gross profit** obtained by the Group in Q3 2019 was of RON 35,516 thousand compared to RON 180,010 thousand in Q3 2018, being affected by lower revenues in an unfavorable international market context in conjunction with higher utilities prices.

The **general and administrative expenses** were lower in Q3 2019 by 12% than in Q3 2018, as in Q3 2019 no provision for remuneration of staff and management was booked in comparison to Q3 2018 (please refer to notes 7 and 8 as well).

The **interest expenses** increased in Q3 2019 compared to the similar period of 2018 due to the new facilities contracted by the Group in Q2 2018 and Q1 2019, and the increase of interbank rates (i.e. ROBOR and LIBOR) on financial markets.

The **foreign exchange loss** in Q1-Q3 2019 resulted mainly from the revaluation of the USD-denominated borrowings and other liabilities as at 30 September 2019, as the depreciation of the RON versus the American currency continued in 2019 (4.3488 USD/RON at 30 September 2019 versus 4.0736 USD/RON at 31 December 2018 and 4.0210 USD/RON at 30 September 2018 versus 3.8915 USD/RON at 31 December 2017).

The **result before income taxes** of the Group for the third quarter of 2019 was a loss of RON 106,213 thousand, compared to the profit obtained in Q3 2018 of RON 86,622 thousand, much of it generated by a lower LME than in Q3 2018 (by 300 USD/t quarter on quarter)

that lead to low sales prices, by lower alumina prices and by higher energy prices. Out of the Losses from derivative financial instruments of RON 6,160 thousand reflected in the 9 months of 2019, an amount of RON 4,910 thousand is unrealized, being the fair value of the outstanding FX options concluded by the Group that have settlement dates in Q4 2019 (please see also Note 15 of the Condensed Consolidated Interim Financial Statements for the 9 months ended 30 September 2019).

The **net result** of Alro Group in the third quarter of 2019 was a loss of RON 102,429 RON thousand, being influenced by the same factors mentioned above; in Q3 2018 a RON 69,384 thousand profit was reported. The loss incurred in Q3 2019 offsets the profits obtained in Q1 and Q2 2019, and thus the overall 9-month 2019 loss is RON 22,721 thousand, compared to a profit of RON 223,535 thousand for 9 months 2018.

The reconciliation between the net result and the adjusted net result for Q1-Q3 2019 and Q1-Q3 2018 is detailed below:

Adjusted net result	Q3 2019	Q3 2018	Q1-Q3 2019	Q1-Q3 2018
NET RESULT (RON '000)	-102,429	69,384	-22,721	223,535
Plus/(minus) charge/ (reversal) of non-current assets impairment expense/(income)	-	1	-4,790	-1,261
Plus/(minus) the loss/(gain) from derivative financial instruments for which hedge accounting was not applied	6,870	-10,248	6,160	-26,940
Plus/(minus) deferred tax expense/ (income)	444	7,243	2,663	37,763
ADJUSTED NET RESULT	-95,115	66,380	-18,688	233,097

in RON '000,
except per share data

Q3 2019	Q3 2018		Nine months ended 30 September 2019	Nine months ended 30 September 2018
656,135	732,758	Revenue from contracts with customers	2,162,353	2,296,368
-620,619	-552,748	Cost of goods sold	-1,963,138	-1,760,088
35,516	180,010	Gross profit	199,215	536,280
-71,398	-81,528	General, administrative and selling expenses	-208,776	-227,769
3,867	1,622	Other operating income	148,534	6,662
-8,315	-2,992	Other operating expenses	-12,945	-6,915
-40,330	97,112	Operating result (EBIT)	126,028	308,258
-19,057	-13,217	Interest expenses	-57,687	-34,427
-6,870	10,248	Gains (losses) from derivative financial instruments, net	-6,160	26,940
-3,686	-3,931	Other financial costs, net	-12,933	-11,089
-36,270	-3,590	Net foreign exchange gains / (losses)	-50,660	-12,312
-106,213	86,622	Result before income taxes	-1,412	277,370
3,784	-17,238	Income tax	-21,309	-53,835
-102,429	69,384	Result for the period	-22,721	223,535
		Other comprehensive income / (expense), net of tax:		
		<i>Items that will not be reclassified subsequently to profit or loss</i>		
-9	2	Remeasurements of post-employment benefit obligations	-11	14
		<i>Items that may be reclassified subsequently to profit or loss:</i>		
4,209	-1,458	Translation adjustment	-890	11,651
4,200	-1,456	Other comprehensive income / (expense) for the period, net of tax	-901	11,665
-98,229	67,928	Total comprehensive income / (expense) for the period	-23,622	235,200
		Result attributable to:		
-102,469	69,218	Shareholders of Alro S.A.	-23,235	223,192
40	166	Non-controlling interest	514	343
-102,429	69,384		-22,721	223,535
		Total comprehensive income / (expense) attributable to:		
-98,294	67,770	Shareholders of Alro S.A.	-24,132	234,784
65	158	Non-controlling interest	510	416
-98,229	67,928		-23,622	235,200
		Earnings per share		
-0.144	0.097	Basic and diluted (RON)	-0.033	0.313

Alro Group Quarterly Report Q3 2019

Interim consolidated statement of financial position - unaudited

in RON '000

	30 September 2019	31 December 2018
Assets		
Non-current assets		
Property, plant and equipment	1,161,777	1,190,373
Intangible assets	6,965	6,934
Goodwill	95,904	90,837
Deferred tax asset	49,996	50,354
Other non-current assets	62,921	52,634
Total non-current assets	1,377,563	1,391,132
Current assets		
Inventories	846,315	835,029
Trade receivables, net	70,083	70,126
Current income tax receivable	5,964	-
Other current assets	111,152	431,178
Restricted cash	9,410	8,370
Cash and cash equivalents	211,175	203,609
Total current assets	1,254,099	1,548,312
Total assets	2,631,662	2,939,444
Shareholders' Equity and Liabilities		
Shareholders' equity		
Share capital	370,037	370,037
Share premium	86,351	86,351
Other reserves	347,660	344,333
Retained earnings	39,540	135,358
Result for the period	-23,235	235,006
Equity attributable to shareholders of Alro S.A.	820,353	1,171,085
Non-controlling interest	2,235	1,739
Total shareholders' equity	822,588	1,172,824
Non-current liabilities		
Bank and other loans, non-current	1,130,317	870,781
Lease liabilities, non-current	6,930	3,550
Provisions, non-current	34,795	32,854
Post-employment benefit obligations	43,075	42,610
Government grants, non-current portion	49,038	49,956
Other non-current liabilities	1,469	3,601
Total non-current liabilities	1,265,624	1,003,352
Current liabilities		
Bank and other loans, current	208,901	73,563
Lease liabilities, current	4,393	2,500
Provisions, current	3,934	31,233
Trade and other payables	210,834	210,750
Derivative financial instruments liability, current	4,910	-
Current income taxes payable	2,259	14,300
Government grants, current portion	4,267	1,914
Other current liabilities	103,952	429,008
Total current liabilities	543,450	763,268
Total liabilities	1,809,074	1,766,620
Total shareholders' equity and liabilities	2,631,662	2,939,444

	Share capital	Share premium	Other reserves
Balance at 1 January 2018	356,091	86,351	364,519
Result for the period	-	-	-
Other comprehensive income / (expense)			
Translation adjustment	-	-	-
Remeasurements of post-employment benefits	-	-	-
Other comprehensive income / (expense)	-	-	-
Total comprehensive income / (expense) for the period	-	-	-
Transactions with owners of the company recognized directly in equity			
Distributions to owners of the company			
Appropriation of prior year result	-	-	2,574
Dividends distribution	-	-	-
Balance at 30 September 2018	356,091	86,351	367,093
Balance at 1 January 2019	370,037	86,351	367,834
Result of the period	-	-	-
Other comprehensive income / (expense)			
Translation adjustment	-	-	-
Remeasurements of post-employment benefits	-	-	-
Other comprehensive income / (expense)	-	-	-
Total comprehensive income / (expense) for the period	-	-	-
Transactions with owners of the company recognized directly in equity			
Distributions to owners of the company			
Appropriation of prior year result	-	-	4,213
Dividends distribution	-	-	-
Balance at 30 September 2019	370,037	86,351	372,047

in RON '000

Translation reserve	Total other reserves	Retained earnings	Result for the period	Attributable to shareholders of Alro SA	Non-controlling interests	Total shareholders' equity
-32,977	331,542	49,409	390,581	1,213,974	1,374	1,215,348
-	-	-	223,192	223,192	343	223,535
11,578	11,578	-	-	11,578	73	11,651
-	-	14	-	14	-	14
11,578	11,578	14	-	11,592	73	11,665
11,578	11,578	14	223,192	234,784	416	235,200
-	2,574	388,007	-390,581	-	-	-
-	-	-367,637	-	-367,637	-11	-367,648
-21,399	345,694	69,793	223,192	1,081,121	1,779	1,082,900
-23,501	344,333	135,358	235,006	1,171,085	1,739	1,172,824
-	-	-	-23,235	-23,235	514	-22,721
-886	-886	-	-	-886	-4	-890
-	-	-11	-	-11	-	-11
-886	-886	-11	-	-897	-4	-901
-886	-886	-11	-23,235	-24,132	510	-23,622
-	4,213	230,793	-235,006	-	-	-
-	-	-326,600	-	-326,600	-14	-326,614
-24,387	347,660	39,540	-23,235	820,353	2,235	822,588

Q3 2019	Q3 2018		Nine months ended 30 September 2019	Nine months ended 30 September 2018
		Cash flow from operating activities		
-106,213	86,622	Result before income taxes	-1,412	277,370
		<i>Adjustments for:</i>		
38,877	29,432	Depreciation and amortisation	112,426	94,760
-	1	Impairment of property, plant and equipment	-4,790	-1,261
-	1,170	Movement in provisions	-27,299	4,325
-1,489	4,779	Change in allowance for impairment of inventory	13,818	10,377
-241	58	Change in allowance for impairment of doubtful receivables	-193	1,025
5,257	1,212	Loss on disposal of property, plant and equipment	5,943	2,822
37,524	1,282	Net foreign exchange losses on loans revaluation	46,489	26,389
-1,037	-2,007	Interest income	-4,046	-6,330
19,057	13,217	Interest expense	57,687	34,427
-	-1	Dividend income	-	-1
6,870	-10,248	Effect of derivative financial instruments	6,160	-26,940
		<i>Changes in working capital:</i>		
-21,513	-67,784	Change in inventories	-21,646	-98,389
-18,121	-3,442	Change in trade receivables and other assets	-16,507	-31,339
-22,104	-10,665	Change in trade and other payables	15,560	48,068
-16,962	-2,412	Income taxes paid	-36,703	-11,823
-15,413	-6,016	Interest paid	-55,828	-27,593
-211	8,058	Cash receipts/ (payments) from derivatives, net	8,151	7,157
-95,719	43,256	Net cash generated by / (used in) operating activities	97,810	303,044
		Cash flow from investing activities		
-31,251	-60,655	Purchase of property, plant and equipment and intangible assets, net	-112,822	-245,042
-	20,999	Government grants received	4,895	24,312
354	296	Proceeds from sale of property, plant and equipment	942	1,646
169	-4	Change in restricted cash	-1,040	60,152
-	1,301	Loans to related parties	-	42,501
1,023	1,672	Interest received	3,704	4,210
-29,705	-36,391	Net cash used in investing activities	-104,321	-112,221
		Cash flow from financing activities		
756	592	Proceeds from loans and leasing	373,409	61,765
-1,581	-7,456	Repayment of loans	-34,806	-41,192
-87,325	-95	Dividends paid	-324,649	-329,267
-88,150	-6,959	Net cash provided by/(used in) financing activities	13,954	-308,694
-213,574	-94	Net change in cash and cash equivalents	7,443	-117,871
424,658	203,067	Cash and cash equivalents at beginning of period	203,609	320,828
91	45	Effect of exchange rate differences on cash and cash equivalents	123	61
211,175	203,018	Cash and cash equivalents at end of period	211,175	203,018

ALRO GROUP

**Interim condensed consolidated financial statements for
the nine months ended 30 September 2019 (unaudited)**

Interim consolidated statement of profit or loss and other comprehensive income for the nine months ended 30 September 2019 - unaudited

in RON '000,
except per share data

	Note	Nine months ended 30 September 2019	Nine months ended 30 September 2018
Revenue from contracts with customers	5	2,162,353	2,296,368
Cost of goods sold		-1,963,138	-1,760,088
Gross profit		199,215	536,280
General, administrative and selling expenses	7	-208,776	-227,769
Other operating income	8	148,534	6,662
Other operating expenses		-12,945	-6,915
Operating result (EBIT)		126,028	308,258
Interest expenses	9	-57,687	-34,427
Gains (losses) from derivative financial instruments, net	15	-6,160	26,940
Other financial gains / (losses), net		-12,933	-11,089
Net foreign exchange gains / (losses)		-50,660	-12,312
Result before income taxes		-1,412	277,370
Income tax	10	-21,309	-53,835
Result for the period		-22,721	223,535
Other comprehensive income / (expense), net of tax:			
<i>Items that will not be reclassified subsequently to profit or loss</i>			
Remeasurements of post-employment benefit obligations		-11	14
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Translation adjustment		-890	11,651
Other comprehensive income / (expense) for the period, net of tax		-901	11,665
Total comprehensive income / (expense) for the period		-23,622	235,200
Result attributable to:			
Shareholders of Alro SA		-23,235	223,192
Non-controlling interest		514	343
		-22,721	223,535
Total comprehensive income / (expense) attributable to:			
Shareholders of Alro S.A.		-24,132	234,784
Non-controlling interest		510	416
		-23,622	235,200
Earnings per share			
Basic and diluted (RON)	11	-0.033	0.313

Dr. Ing Gheorghe DOBRA
Chief Executive Officer

Ec. Genoveva NĂSTASE
Chief Financial Officer

The accompanying notes are an integral part of these interim condensed consolidated financial statements.

These financial statements were authorized for issue by the management on 13 November 2019.

Interim consolidated statement of financial position as at 30 September 2019 - unaudited

in RON '000

	Note	30 September 2019	31 December 2018
Assets			
Non-current assets			
Property, plant and equipment	12	1,161,777	1,190,373
Intangible assets		6,965	6,934
Goodwill		95,904	90,837
Deferred tax asset	10	49,996	50,354
Other non-current assets	13	62,921	52,634
Total non-current assets		1,377,563	1,391,132
Current assets			
Inventories	16	846,315	835,029
Trade receivables, net		70,083	70,126
Current income tax receivable		5,964	-
Other current assets	17	111,152	431,178
Restricted cash	18	9,410	8,370
Cash and cash equivalents	18	211,175	203,609
Total current assets		1,254,099	1,548,312
Total assets		2,631,662	2,939,444
Shareholders' Equity and Liabilities			
Shareholders' equity			
Share capital		370,037	370,037
Share premium		86,351	86,351
Other reserves		347,660	344,333
Retained earnings		39,540	135,358
Result for the period		-23,235	235,006
Equity attributable to shareholders of Alro S.A.		820,353	1,171,085
Non-controlling interest		2,235	1,739
Total shareholders' equity		822,588	1,172,824
Non-current liabilities			
Bank and other loans, non-current	19	1,130,317	870,781
Lease liabilities, non-current	19	6,930	3,550
Provisions, non-current		34,795	32,854
Post-employment benefit obligations		43,075	42,610
Government grants, non-current portion		49,038	49,956
Other non-current liabilities		1,469	3,601
Total non-current liabilities		1,265,624	1,003,352
Current liabilities			
Bank and other loans, current	19	208,901	73,563
Lease liabilities, current	19	4,393	2,500
Provisions, current	8	3,934	31,233
Trade and other payables		210,834	210,750
Derivative financial instruments liability, current	15	4,910	-
Current income taxes payable		2,259	14,300
Government grants, current portion		4,267	1,914
Other current liabilities	20	103,952	429,008
Total current liabilities		543,450	763,268
Total liabilities		1,809,074	1,766,620
Total shareholders' equity and liabilities		2,631,662	2,939,444

Dr. Ing Gheorghe DOBRA
Chief Executive Officer

Ec. Genoveva NĂSTASE
Chief Financial Officer

The accompanying notes are an integral part of these interim condensed consolidated financial statements.

These financial statements were authorized for issue by the management on 13 November 2019.

Interim consolidated statement of changes in shareholders' equity for the nine months ended 30 September 2019 - unaudited

	Share capital	Share premium	Other reserves
Balance at 1 January 2018	356,091	86,351	364,519
Result for the period	-	-	-
Other comprehensive income / (expense)			
Translation adjustment	-	-	-
Remeasurements of post-employment benefits	-	-	-
Other comprehensive income / (expense)	-	-	-
Total comprehensive income / (expense) for the period	-	-	-
Transactions with owners of the company recognized directly in equity			
Distributions to owners of the company			
Appropriation of prior year result	-	-	2,574
Dividends distribution	-	-	-
Balance at 30 September 2018	356,091	86,351	367,093
Balance at 1 January 2019	370,037	86,351	367,834
Result for the period	-	-	-
Other comprehensive income / (expense)			
Translation adjustment	-	-	-
Remeasurements of post-employment benefits	-	-	-
Other comprehensive income / (expense)	-	-	-
Total comprehensive income / (expense) for the period	-	-	-
Transactions with owners of the company recognized directly in equity			
Distributions to owners of the company:			
Appropriation of prior year result	-	-	4,213
Dividends distribution	-	-	-
Balance at 30 September 2019	370,037	86,351	372,047

Translation reserve	Total other reserves	Retained earnings	Result for the period	Attributable to shareholders of Alro SA	Non-controlling interests	Total shareholders' equity
-32,977	331,542	49,409	390,581	1,213,974	1,374	1,215,348
-	-	-	223,192	223,192	343	223,535
11,578	11,578	-	-	11,578	73	11,651
-	-	14	-	14	-	14
11,578	11,578	14	-	11,592	73	11,665
11,578	11,578	14	223,192	234,784	416	235,200
-	2,574	388,007	-390,581	-	-	-
-	-	-367,637	-	-367,637	-11	-367,648
-21,399	345,694	69,793	223,192	1,081,121	1,779	1,082,900
-23,501	344,333	135,358	235,006	1,171,085	1,739	1,172,824
-	-	-	-23,235	-23,235	514	-22,721
-886	-886	-	-	-886	-4	-890
-	-	-11	-	-11	-	-11
-886	-886	-11	-	-897	-4	-901
-886	-886	-11	-23,235	-24,132	510	-23,622
-	4,213	230,793	-235,006	-	-	-
-	-	-326,600	-	-326,600	-14	-326,614
-24,387	347,660	39,540	-23,235	820,353	2,235	822,588

Dr. Ing Gheorghe DOBRA
Chief Executive Officer

Ec. Genoveva NĂSTASE
Chief Financial Officer.

The accompanying notes are an integral part of these interim condensed consolidated financial statements.

These financial statements were authorized for issue by the management on 13 November 2019.

Interim consolidated statement of cash flows for the nine months ended 30 September 2019 - unaudited

in RON '000

	Note	Nine months ended 30 September 2019	Nine months ended 30 September 2018
Cash flow from operating activities			
Result before income taxes		-1,412	277,370
<i>Adjustments for:</i>			
Depreciation and amortisation		112,426	94,760
Impairment of property, plant and equipment		-4,790	-1,261
Movement in provisions	8	-27,299	4,325
Change in allowance for impairment of inventory	16	13,818	10,377
Change in allowance for impairment of doubtful receivables	7	-193	1,025
Loss on disposal of property, plant and equipment		5,943	2,822
Net foreign exchange differences on loans revaluation		46,489	26,389
Interest income		-4,046	-6,330
Interest expense	9	57,687	34,427
Dividend income		-	-1
Effect of derivative financial instruments	15	6,160	-26,940
<i>Changes in working capital:</i>			
Change in inventories		-21,646	-98,389
Change in trade receivables and other assets		-16,507	-31,339
Change in trade and other payables		15,560	48,068
Income taxes paid		-36,703	-11,823
Interest paid		-55,828	-27,593
Cash receipts from derivatives, net		8,151	7,157
Net cash generated by / (used in) operating activities		97,810	303,044
Cash flow from investing activities			
Purchase of property, plant and equipment and intangible assets, net		-112,822	-245,042
Government grants received		4,895	24,312
Proceeds from sale of property, plant and equipment		942	1,646
Change in restricted cash		-1,040	60,152
Loans to related parties		-	42,501
Interest received		3,704	4,210
Net cash used in investing activities		-104,321	-112,221
Cash flow from financing activities			
Proceeds from loans and leasing		373,409	61,765
Repayment of loans		-34,806	-41,192
Dividends paid	11	-324,649	-329,267
Net cash provided by/(used in) financing activities		13,954	-308,694
Net change in cash and cash equivalents		7,443	-117,871
Cash and cash equivalents at beginning of period		203,609	320,828
Effect of exchange rate differences on cash and cash equivalents		123	61
Cash and cash equivalents at end of period	18	211,175	203,018

Dr. Ing Gheorghe DOBRA
Chief Executive Officer

Ec. Genoveva NĂSTASE
Chief Financial Officer

The accompanying notes are an integral part of these interim condensed consolidated financial statements.

These financial statements were authorized for issue by the management on 13 November 2019.

Notes to the interim condensed consolidated financial statements - unaudited

in RON '000, except per share data

1. Organisation and nature of business

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

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

Vimetco N.V. (the Netherlands) is the major shareholder of Alro S.A., holding 54.19% of the Company's share capital at 30 September 2019. Vimetco N.V. is a privately held company and its registered office is at Strawinskylaan 403, World Trade Center, A Tower, 4th floor, 1077 XX Amsterdam, The Netherlands. The Company's ultimate controlling entity is Maxon Limited (Bermuda).

Alro S.A. and its subsidiaries (collectively referred to as *the Group*) form a vertically integrated producer of primary and processed aluminium products: in Sierra Leone the bauxite is extracted, which is used to produce alumina in the Alum refinery at Tulcea; this is further used by Alro at its smelter in Slatina to produce aluminium. Alro casts aluminium into primary products that are sold or processed as higher value added products (flat rolled or extruded) at Alro and at Vimetco Extrusion facilities. The Group has its customers primarily in Central and Eastern Europe.

These interim condensed consolidated financial statements were authorised for issue by the Management on 13 November 2019.

2. Basis of preparation

Statement of compliance

These interim condensed consolidated financial statements of Alro and its subsidiaries (further named *Condensed financial statements*) for the 9 months ended 30 September 2019 are unaudited and have been prepared in accordance with *IAS 34 Interim financial reporting* as adopted by the European Union (EU). The accounting policies are in accordance with the Ministry of Public Finance Order no. 2844/2016, with subsequent amendments, which is in accordance with the International Financial Reporting Standards (IFRS) adopted by the European Union (EU)*.

Selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the last annual consolidated financial statements as at and for the year ended 31 December 2018. These interim condensed consolidated financial statements do not include all the information required for full annual financial statements and should be read in conjunction with the annual financial statements of the Group for the year ended 31 December 2018.

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

Going concern

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

*The Ministry of Public Finance Order no. 2844/2016, with subsequent amendments, is in accordance with the International Financial Reporting Standards (IFRS) adopted by the European Union (EU), except for IAS 21 *The effects of changes in foreign exchange rates regarding functional currency*, except for the provisions of IAS 20 *Accounting for Government Grants* regarding the recognition of revenue from green certificates, except for the provisions of IFRS 15 *Revenue from contracts with customers* regarding the revenue from taxes of connection to the distribution grid and except for the accounting treatment of interim dividends, which, according to the Ministry of Public Finance Order no. 3067/2018, are recorded in the consolidated statement of financial position at 31 December 2018 as receivables on the position '*Other current assets*' and, the unpaid balance, as liabilities on the position '*Other current liabilities*'. These exceptions do not affect the compliance of the financial statements of the Group with IFRS.

Functional and presentation currency

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

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

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

	30 September 2019	31 December 2018
USD exchange rate at the end of the period**	4.3488 USD/RON	4.0736 USD/RON
	30 September 2019	30 September 2018
USD average exchange rate***	4.2168 USD/RON	3.8961 USD/RON

** as communicated by National Bank of Romania

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

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

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2018, except for the adoption of new standards effective as of 1 January 2019. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The Group applies, for the first time, *IFRS 16 Leases* that requires restatement of previous financial statements. As required by IAS 34, the nature and effect of these changes are disclosed below.

IFRS 16 Leases

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

a) Nature of the effect of adoption of IFRS 16

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

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

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

Leases previously classified as finance leases

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

Leases previously accounted for as operating leases

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

In adopting IFRS 16, at 1 January 2019 right-of-use assets of RON 14,669 thousand were recognised (out of which RON 7,309 thousand represent reclassification of financial lease contracts and RON 7,360 thousand represent additional right-of-use assets recognised for operating lease contracts), being presented in the statement of financial position in *Other non-current assets*. At 1 January 2019, additional lease liabilities of RON 7,360 thousand were recognised by the Group.

b) Summary of new accounting policies in adopting IFRS 16

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

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

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

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

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

Other standards or amendments adopted by the Group are as follows:

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

- **Amendments to IAS 19: Plan Amendment, Curtailment or Settlement**, issued on 7 February 2018. The amendments are effective for annual periods beginning on or after 1 January 2019 with earlier application permitted. The amendments require entities to use updated actuarial assumptions to determine current service cost and net interest for the remainder of the annual reporting period after

a plan amendment, curtailment or settlement has occurred. The amendments also clarify how the accounting for a plan amendment, curtailment or settlement affects applying the asset ceiling requirements.

- **Amendments to IAS 28: Long-term interests in associates and joint ventures** (issued on 12 October 2018). The Amendments are effective for annual reporting periods beginning on or after 1 January 2019 with earlier application permitted. The Amendments relate to whether the measurement, in particular impairment requirements, of long term interests in associates and joint ventures that, in substance, form part of the 'net investment' in the associate or joint venture should be governed by IFRS 9, IAS 28 or a combination of both. The Amendments clarify that an entity applies IFRS 9 Financial Instruments, before it applies IAS 28, to such long-term interests for which the equity method is not applied. In applying IFRS 9, the entity does not take account of any adjustments to the carrying amount of long-term interests that arise from applying IAS 28. These amendments are not applicable to the Group.

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

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

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

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

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

Standards issued, but not yet effective and not early adopted

Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)

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

4. Estimates

The preparation of condensed financial statements requires the Management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. The actual results may differ from these estimates.

In preparing these condensed interim financial statements, the significant judgements made by the management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the financial statements for the year ended 31 December 2018, except for the changes disclosed in Note 3.

5. Revenue from contracts with customers

Set out below is the disaggregation of the Group's revenue from contract with customers:

	Nine months ended 30 September 2019				
	Bauxite	Alumina	Primary aluminium	Processed aluminium	Others
Segments					
Type of good or service					
Sale of bauxite	218,255	-	-	-	-
Sale of alumina	-	603,554	-	-	-
Sale of primary aluminium	-	-	1,633,868	-	-
Sale of processed aluminium	-	-	-	1,073,376	-
Other revenues and services performed	18,613	819	-	-	28,000
Total revenue from contracts with customers	236,868	604,373	1,633,868	1,073,376	28,000

	Nine months ended 30 September 2018				
	Bauxite	Alumina	Primary aluminium	Processed aluminium	Others
Segments					
Type of good or service					
Sale of bauxite	218,655	-	-	-	-
Sale of alumina	-	633,169	-	-	-
Sale of primary aluminium	-	-	1,737,722	-	-
Sale of processed aluminium	-	-	-	1,062,420	-
Other revenues and services performed	21,203	332	-	964	31,377
Total revenue from contracts with customers	239,858	633,501	1,737,722	1,063,384	31,377

The lower LME quotations on the international market in the period of 9 months of the year 2019 compared with the same period of the last year has determined a decrease of the sales revenues at the level of the Group. However, the Group continued the efforts to increase the sales of products with high and very high value added and the results are reflected into an increase in revenues on the processed aluminum segment.

Set out below is the reconciliation of the revenue from contracts with customers with the amounts disclosed in the segment information:

	Nine months ended 30 September 2019				
	Bauxite	Alumina	Primary aluminium	Processed aluminium	Others
Revenue					
Revenue from contracts with customers	236,868	604,373	1,633,868	1,073,375	28,001
Inter-segment transactions	-182,058	-489,534	-719,001	-1,165	-22,374
Total Group revenue (note 6)	54,810	114,839	914,867	1,072,210	5,627

	Nine months ended 30 September 2018				
	Bauxite	Alumina	Primary aluminium	Processed aluminium	Others
Revenue					
Revenue from contracts with customers	239,858	633,501	1,737,722	1,063,384	31,377
Inter-segment transactions	-193,627	-424,442	-763,735	-1,325	-26,345
Total Group revenue (note 6)	46,231	209,059	973,987	1,062,059	5,032

Transactions between operating segments are based on transfer prices that are set on an arm's length basis in a manner similar to transactions with third parties. For the way the Group monitors the performance of its segments, please see note 6.

6. Segment information

For management purposes, the Group is organized on a vertically integrated basis into divisions: bauxite, alumina, primary aluminium and processed aluminium. For the purpose of resource allocation and assessment of segment performance the divisions are the basis on which the Group reports its segment information to the chief operating decision maker. The bauxite segment is located in Sierra Leone. The alumina segment located in Tulcea, Romania, uses bauxite to produce alumina, which is the main raw material for aluminium smelting. The Primary aluminium division manufactures primary aluminium products like wire rod, slabs, billets and ingots and the Processed aluminium segment develops and sells flat rolled products, such as sheets, plates and coils, and extruded products. Both the Primary and Processed aluminium divisions are located in Slatina, Romania. No operating segments have been aggregated to form the above reportable operating segments.

Segment revenues and expenses are directly attributable to the segments; joint expenses are allocated to the business segments on a reasonable basis. The income, expenses and result per segments include the transfers between business segments.

In order to have a better visibility on the operational and financial performance of the Group segments, to be able to benefit from its synergies as an integrated group, the Management now monitors the segment results whereby the inter-segment transactions are reported at their cost. For the purpose of this note, the inter-segment transfers of the bauxite and alumina segments, represented by deliveries of raw material, and also the transfers of the aluminium segments, consisting of slabs transferred by Alro to its own processing division and billets transferred to the Vimetco Extrusion extruding plant, are reflected at their complete cost, regardless of the fact whether they are within the same entity or not.

The management monitors interest income and expense on a net basis.

Alro Group revenues and results for the nine months ended 30 September 2019 and 2018 by segment, were as follows:

	Bauxite	Alumina	Primary aluminium	Processed aluminium	Others	Inter-segment operations	Total
Nine months ended 30 September 2019							
Sales to external customers	54,810	114,839	914,867	1,072,210	5,627	-	2,162,353
Inter-segment sales	163,517	471,142	839,240	1,165	22,373	-1,497,437	-
Total sales	218,327	585,981	1,754,107	1,073,375	28,000	-1,497,437	2,162,353
Segment results (gross profit)	46,252	57,712	50,488	48,516	7,299	-11,052	199,215
Other operating income & expenses, net	-33,718	-25,828	-70,724	-54,706	112,815	-1,026	-73,187
Operating result (EBIT)	12,534	31,884	-19,910	-6,516	120,114	-12,078	126,028
Total depreciation, amortisation and impairment	16,171	16,252	49,895	25,993	-	-674	107,637
EBITDA	28,705	48,136	29,985	19,477	120,114	-12,752	233,665
Interest and other finance costs, net							-76,780
Net foreign exchange gains / (losses)							-50,660
Result before income taxes							-1,412
Nine months ended 30 September 2018							
Sales to external customers	46,231	209,059	973,987	1,062,059	5,032	-	2,296,368
Inter-segment sales	173,806	402,498	698,900	1,325	26,345	-1,302,874	-
Total sales	220,037	611,557	1,672,887	1,063,384	31,377	-1,302,874	2,296,368
Segment results (gross profit)	41,060	73,271	222,003	202,901	6,111	-9,066	536,280
Other operating income & expenses, net	-32,848	-22,652	-97,696	-64,652	-10,174	-	-228,022
Operating result (EBIT)	8,212	50,619	124,307	138,249	-4,063	-9,066	308,258
Total depreciation, amortisation and impairment	14,256	12,884	45,636	20,723	-	-	93,499
EBITDA	22,468	63,503	169,943	158,972	-4,063	-9,066	401,757
Interest and other finance costs, net							-18,576
Net foreign exchange gains / (losses)							-12,312
Result before income taxes							277,370

Other operations include services to related entities and external customers, and, for 9 months 2019, sale of CO₂ emission certificates.

For bauxite, the sales to 3rd parties increased in 2019, as the segment could take advantage of market opportunities after assuring the Group needs. The profit of this segment is higher reflecting the improvements in cost efficiency after investments made during the latest years. In respect of alumina, due to a declining trend of the specific prices in the international market, Alum decreased its sales to third parties. During the 9 months of the year 2019, the aluminium segments were affected by higher costs and utilities used in production, which were driven by their specific market trends. The Primary and Processed aluminium segments incurred losses as their costs were higher than the aluminium prices that declined by almost 350 USD/t during the reporting period. The decrease in the operating profit for the Processed aluminium is more present with the extruded products, where the extrusion markets showed a slowdown in 2019. Other operating income and expenses in 2019 include mainly revenues from the sale of emission certificates in Alum (RON 62,294 thousand) and Alro (RON 45,404 thousand), which the Group had at its disposition to sell when the specific market would become favourable. The two companies benefited from emission rights certificates for their lower emission of carbon dioxide following investments made by the group in energy efficiency during the years.

Segment assets include all operating assets used by a segment and consist principally of operating cash, receivables, inventories, property, plant and equipment and intangible assets, net of allowances for impairment. While most of such assets can be directly attributed to individual segments, the carrying amount of certain assets used jointly by two or more segments is allocated to the segments on a reasonable basis. Segment liabilities include all operating liabilities and consist principally of trade payables, wages and taxes payable and accrued liabilities. Segment assets and liabilities do not include deferred income taxes, borrowings, financial liabilities and other un-allocatable items.

Segment assets and liabilities at 30 September 2019 and 31 December 2018, respectively, were as follows:

Alro Group	Bauxite	Alumina	Primary aluminium	Processed aluminium	Others	Inter-segment balances	Total
30 September 2019							
Total assets	178,500	615,624	966,717	693,580	843,943	-666,702	2,631,662
Total liabilities	303,582	237,404	179,218	165,634	1,247,143	-323,907	1,809,074
31 December 2018							
Total assets	158,466	540,823	1,146,583	687,906	1,220,738	-815,072	2,939,444
Total liabilities	299,867	233,352	178,735	172,808	1,477,558	-595,700	1,766,620

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

Total liabilities representing *Others* include mainly borrowings, provisions and dividends.

Inter-segment balances and Others include intercompany eliminations and non-allocatable items.

7. General, administrative and selling expenses

	Nine months ended 30 September 2019	Nine months ended 30 September 2018
Staff costs	-92,901	-111,082
Third party services	-47,484	-44,544
Consulting and audit	-18,941	-22,766
Consumables	-8,467	-11,187
Taxes other than income taxes	-6,765	-7,594
Depreciation and amortisation	-6,519	-6,011
Insurance	-6,494	-5,576
Marketing and public relations	-3,635	-9,141
Travelling	-3,721	-3,637
Research and development costs	-8,562	-
Other	-5,480	-5,206
Change in allowance for doubtful debts	193	-1,025
Total	-208,776	-227,769

During the 9 months ended 30 September 2018, the category "Staff costs" included an amount of RON 18,807 thousand representing a provision in line with the Collective Labour Contract and with GSM decisions regarding the Management remuneration. For the 9 months ended 30 September 2019, the Group analyzed the preliminary results for the period and decided not to book a provision for this period (see also note 8 Other operating income).

During the 9 months ended 30 September 2019, the Group recognized research and development costs of RON 8,562 thousand (during the 9 months ended 30 September 2018: 0) after the placing into operation in the beginning of 2019 of the equipments under the EU funded project for the research infrastructure for the aluminium alloy heat treated plates with high qualification industrial applications at Alro and also the project for the research of aluminum hydroxide technology (dry and wet) at Alum. The target of these projects is to establish new technologies to obtain plates for industrial application and to increase the level of innovation and market competitiveness of the Group, while expanding the products portfolio to include new products.

In the first 9 months of 2018, the category *Consulting and audit* included an amount of RON 4,633 thousand, the *Taxes other than income taxes* included an amount of RON 975 thousand and the *Marketing and public relations* included an amount of RON 4,909 thousand representing some projects in which the Group was involved to improve its operational performance and the market corporate image by increasing its visibility.

8. Other operating income

	Nine months ended 30 September 2019	Nine months ended 30 September 2018
Other operating income		
Rental income	1,331	985
Income from sale of emission certificates	107,698	-
Income from unused provision reversal	15,228	-
Income from claims and penalties	6,671	1,239
Reversal of impairment of property, plant and equipment	4,790	1,261
Other income	12,816	3,177
Total other operating income	148,534	6,662

During the 9 months ended 30 September 2019, the Group sold CO₂ emission certificates of RON 107,698 thousand and included them under Income from sale of emission certificates (during the 9 months ended 30 September 2018: nil), benefiting from the increase in the price of CO₂ emission certificates. The Group was in the position to have a surplus of emission certificates as it made numerous efforts to invest in energy efficiency in the latest years.

During the 9 months ended 30 September 2019, the Group analyzed the preliminary results for the period and decided to adjust the amounts that would be paid as remuneration to its employees and management out of the provisions booked at 31 December 2018,

thus reversing the amount of RON 15,228 thousand, included above under Income from unused provision reversal. Apart from this, an amount of RON 10,532 thousand, from the total short-term provision of RON 31,233 thousand recorded at 31 December 2018, were utilized during the period 9 months ended 30 September 2019 (during the 9 months ended 30 September 2018: RON 13,672 thousand).

An amount of RON 2,993 thousand is included in the category Income from claims and penalties during the 9 months ended 30 September 2019 (during the 9 months ended 30 September 2018: nil), representing an insurance indemnity received for a piece of equipment which was damaged during a fire incident that took place in 2018 at the Processing mill premises, but also for the economic losses caused by the interruption of the activity determined by this incident. Another amount of RON 2,765 thousand (during the 9 months ended 30 September 2018: nil) included in the same category represents income from penalties received from one of the suppliers that failed to perform its contractual obligations related to energy supply in 2017.

In the 9-month period ended 30 September 2019 an amount of RON 6,540 thousand (during the 9 months ended 30 September 2018: nil) is included in Other income, representing an adjustment of the alumina stock following the capital repairs that were made to the one of the alumina silos in the Primary aluminium division.

In addition, during the 9 months ended 30 September 2019 the category Other income includes an amount of RON 2,977 thousand (during the 9 months ended 30 September 2018: RON 1,194 thousand) representing government grants from EU funds received in the period 2013 - 2019 for the investment in equipment intended for the production activity, as well as for purchasing of equipments for research and development activities within the Group. The subsidies are recognized as income linearly during the useful life of the equipments for which they were received.

9. Interest expenses

	Nine months ended 30 September 2019	Nine months ended 30 September 2018
Interest expense	-57,687	-34,427
Total	-57,687	-34,427

Interest expense increased during the period of 9 months ended 30 September 2019 compared to the same period of the previous year, mainly as a result of additional loans taken by Alro in January 2019 in the form of supplements to existing loans (a new non-revolving facility of USD 20,000 thousand and a USD 50,000 thousand CAPEX facility), of Alum's drawdown of the remaining USD 10,000 thousand from its loan contracted in May 2018, and also due to the increase in the LIBOR and ROBOR benchmark interest rates. For further details, see also *Note 19 Borrowings and lease liabilities*.

Interest expense includes the amount of RON 9,427 thousand (during the period of 9 months ended 30 September 2018: RON 6,415 thousand) representing transaction costs on loans, which are recognized during the period as interest expense based on the effective interest rate method. The cash effectively paid as transaction costs in 2019 for loans contracted in January 2019 and other loans taken was of RON 8,893 thousand and it is included in the Statement of cash flow under *Interest paid* (during the 9 months of the year 2018: RON 3,880 thousand).

10. Income tax

At 30 September 2019, the Group had a net deferred income tax asset of RON 49,996 thousand (at 31 December 2018: RON 50,354 thousand), out of which RON 37,598 thousand are for fiscal losses carried forward (at 31 December 2018: RON 42,963 thousand), as the management believes there will be sufficient taxable profits in future against which these fiscal losses carried forward could be used.

Income tax expense is recognized based on management's best estimate of the annual income tax rate expected for the full financial year applied to the pre-tax income of the interim period. During the 9 months ended 30 September 2019, as a consequence of the amendments of the Romanian Fiscal Code applicable starting 1 January 2018 related to the exceeding borrowing costs, the amount of RON 108,803 thousand representing interest expenses and items related to interest was treated as being non-deductible for tax purposes, and resulted in an increase of the income tax by RON 17,408 thousand (9 months 2018: RON 7,661 thousand). The above mentioned amendments to the Romanian Fiscal Code transpose the EU legislation i.e. the Directive no. 2016/1164, issued in 2016. The recommendation was for the

directive to be transposed by member states by 31 December 2018 with applicability starting 1 January 2019. According to the Directive, the exceeding borrowing costs are those costs that are interest, expenses for obtaining finance, but also expenses for leasing finance, capitalized interest and foreign exchange losses. According to the provisions of the directive, these costs, when incurred by the companies above a threshold of EUR 3,000,000 per annum they are deductible only up to the level of 30% of their EBITDA. Romania implemented the above mentioned EU directive starting 1 January 2018, and the thresholds of exceeding borrowing costs, regardless of the size of the companies, were EUR 200,000 and 10% of EBITDA in 2018 and EUR 1,000,000 and 30% of EBITDA starting 1 January 2019. The Group companies in Romania incur borrowing costs related to loans obtained from banks for capital expenditure and development purposes. As these loans are mainly expressed in foreign currency, due to the devaluation of RON against major currencies in 2019, these resulted in significant foreign exchange losses, which were not deductible for income tax purposes.

The main components of the income tax expense in the consolidated interim statement of profit or loss and comprehensive income are:

	Nine months ended 30 September 2019	Nine months ended 30 September 2018
Income tax		
Current income tax	-18,646	-16,072
Deferred income tax	-2,663	-37,763
Income tax expense	-21,309	-53,835
Income tax recognised in other comprehensive income	-	-
Total income tax	-21,309	-53,835

Even though the Group overall registered losses before income taxes in 2019, due to the fact that Group's subsidiaries recorded taxable profits, the amount of current income tax expenses during the period of 9 months 2019 was of RON 18,646 thousand (9 months 2018: RON 16,072 thousand). Current income tax was lower in the period of 9 months 2018 compared to the same period of 2019 due to the fact that in 2018 significant amounts of fiscal losses carried forward from previous years were fully used by the Parent and its subsidiaries to offset their taxable profits.

11. Earnings per share

	Nine months ended 30 September 2019	Nine months ended 30 September 2018
Net result attributable to the owners of the Entity	-23,235	223,192
Weighted average number of ordinary shares	713,779,135	713,779,135
Basic and diluted earnings per share (RON/share)	-0.033	0.313

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

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

During the reporting period, the Group paid RON 324,649 thousand of the dividends declared for 2018 (9 months 2018: RON 329,267 thousand were paid in respect of dividends declared for 2017).

During the reporting period, no interim dividends were declared by the Group related to the 9 months ended 30 September 2019.

12. Property, plant and equipment

At 30 September 2019, the book value of Property, plant and equipment of the Group is RON 1,161,777 thousand (at 31 December 2018: RON 1,190,373 thousand). During the 9 months ended 30 September 2019, the Group purchased property, plant and equipment of RON 84,707 thousand (during the 9 months ended 30 September 2018: RON 242,878 thousand).

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

At the same time, the Group allocated resources to maintain and improve the equipment parameters at Alum. Simultaneously with the investment activity within the technological processes, the Group performed various refurbishing works and purchased equipment necessary to support the mining activity in Sierra Leone.

During the 9-month period of the year 2019, the equipments purchased in 2018 within the investment projects for research infrastructure concerning high qualification industrial applications in Alro, as well as for the research of aluminium hydroxide (wet and dry) manufacturing technologies in Alum, have been placed into operation, these projects being co-funded through the European Fund for Regional Development by the Competitiveness Operational Programme 2014 - 2020 (2018: 0). During the 9 months ended 30 September 2019, the Group received RON 4,895 thousand from subsidies for the above mentioned projects (in 2018: RON 24,312 thousand).

Depreciation expense of PPE for 9 months of 2019 was of RON 109,796 thousand, while in the same period of year 2018 it was RON 95,908 thousand. The increase of the depreciation expense in 2019 was due to the new projects placed into operation in 2018 and 2019.

During the 9-month period of the year 2019, the Group reversed impairment expenses of RON 4,805 thousand, mostly booked in the past for buildings that were reconditioned and transferred again to production (during the comparative period of 2018 the impairment adjustments reversed were of RON 1,262 thousand).

As a result of adopting IFRS 16, at 1 January 2019 the Group reclassified Property, plant and equipment with a net book value of RON 7,309 thousand to Other non-current assets. The transfer is related to machines and vehicles under financial lease previously recognized in the Property, plant and equipment as per requirements of IAS 17. See also Note 3 and Note 13.

The borrowing costs capitalized in the property, plant and equipment during the 9 months ended 30 September 2019 were of RON 1,169 thousand at an average interest rate of 6.53% p.a. (during the 9 months ended 30 September 2018: RON 4,345 thousand at an average interest rate of 5.90 % p.a.).

At 30 September 2019, the net book value of property, plant and equipment pledged for securing the Group's borrowings amounts to RON 937,227 thousand (31 December 2018: RON 745,126 thousand).

13. Other non-current assets

	30 September 2019	31 December 2018
Collateral deposits	45,200	45,200
Amounts paid in advance	4,672	7,434
Right-of-use assets	13,049	-
Total	62,921	52,634

Collateral deposits represent cash placed with a bank until November 2020 as a pledge for a revolving loan and a non-cash facility contracted by the Parent Company (refer to Note 18 *Cash and cash equivalents* as well).

At 30 September 2019, the category *Amounts paid in advance* represents payments for compliance with the regulations in force regarding the renewable energy supported by green certificates, which the Group estimates to utilize in more than one year from the reporting date.

Starting 1 January 2019 the Group has applied IFRS 16 *Leases* and recognized as non-current assets under *Rights-of-use assets* the right to use the underlying asset during the lease term amounting to RON 14,669 thousand. The Group has leasing contracts mainly for equipments and vehicles with terms of up to 5 years. The carrying value of the right of use assets at 30 September 2019 was RON 13,049 thousand. For further details see also Note 3.

14. Financial instruments

Set out below, is an overview of financial assets and financial liabilities held by the Group as at 30 September 2019 and 31 December 2018.

Categories of financial instruments

	30 September 2019	31 December 2018
Financial assets		
At amortised cost		
Cash and bank balances	220,585	211,979
Receivables	188,219	178,750
Fair value through profit or loss (FVTPL)		
Designated as at FVTPL	1,941	-
Total financial assets	410,745	390,729
	30 September 2019	31 December 2018
Financial liabilities		
Fair value through profit or loss (FVTPL)	4,910	-
Amortised cost:		
Trade and other payables	303,036	636,534
Non-current bank and other loans	1,137,247	874,331
Current bank and other loans	213,294	76,063
Total financial liabilities	1,658,487	1,586,928

At 31 December 2018, the category Trade and other payables included an amount of RON 326,600 thousand, representing interim dividends declared in 2018 (please see also Note 20). The decrease of the outstanding balance of the category reflects the payment of the dividends during 2019.

There were no reclassifications between the categories of financial assets during the 9 months 2019 and 2018.

Fair value of financial instruments

The fair values of financial assets and financial liabilities are determined as follows:

- The fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets is determined with reference to quoted market prices (such as listed redeemable notes, bills of exchange, debentures and perpetual notes).
- The fair value of other financial assets and financial liabilities (excluding derivative instruments) is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.
- The fair value of derivative instruments is calculated using quoted prices. Where such prices are not available, the fair value of financial instruments is determined by using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each reporting date.

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

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

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

The Group does not have level 3 financial instruments.

There were no transfers between levels of the fair value hierarchy used in measuring the fair value of financial instruments.

The Management consider that the fair values of financial assets and financial liabilities recognised at amortised cost in the financial statements approximate their carrying amounts largely due to the short term maturities, low transaction costs of these instruments as of financial position date, and for the long-term borrowings due to the fact that they were recently contracted.

The fair value of the following financial assets and liabilities approximate their carrying amount:

- Trade and other receivables;
- Other current financial assets;
- Cash and cash equivalents;
- Trade and other payables;
- Borrowings.

15. Derivative financial instruments

Details of the fair value of derivative financial instruments are set out below:

	Assets	Liabilities
30 September 2019		
Commodity options	-	4,910
Total	-	4,910
Thereof:		
Non-current	-	-
Current	-	4,910
31 December 2018		
Commodity options	-	-
Total	-	-
Thereof:		
Non-current	-	-
Current	-	-

Commodity options

In February 2019, seeking to mitigate the foreign exchange rate risk swings, the Group entered into several transactions, namely European and Asian zero cost option collars for a notional of USD 150 million with financial institutions. Through these contracts, the Group secured a minimum conversion rate into RON for its aluminium sales denominated in USD. The options have monthly settlements during March - December 2019.

During the 9-month period ended 30 September 2019, a loss of RON 1,250 thousand is included in *Gains / (losses) from derivative financial instruments, net* (9 months ended 30 September 2018: nil) resulting from the options exercised by the counterparties in the months when the USD/RON conversion rate was above the maximum rate set in the contracts.

As at 30 September 2019 the fair value of the foreign exchange options was a negative amount of RON 4,910 thousand (31 December 2018: nil).

The unrealized net loss resulting from the mark-to-market of these options at 30 September 2019 amounting to RON 4,910 thousand is included in the category *Gains (losses) from derivative financial instruments, net* in the Consolidated statement of profit or loss (9 months ended 30 September 2018: nil).

The fair value of the options was determined by using an evaluation model developed by an international, reputed company that is specialized in financial information. The respective model is Black-Scholes type and uses market data to retrieve the value of the option at the required date, for the specified contractual dates. The contracted options generally have identical characteristics, the only variable part being the contracted currency amount and the exercise date. The inputs for the valuation model include, besides the contracted currency amount, the strike price, the exercise date and the valuation date, also observable elements such as the forward curve of the EUR / RON and EUR / USD currency pair, implied volatilities, interest rate. The valuation model is highly sensitive to the foreign exchange quotes mentioned above.

Commodity options

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

In the 9-month period ended 30 September 2018, options for an approximate quantity of 39,500 tonnes were exercised due to the fact that the LME quotations were below the minimum price of 2,200 USD/tonne. The net gain of RON 13,995 thousand resulting from the options exercised during 9 months 2018, net of their cost as well as the cost of the options not exercised when the LME quotations were within the collar interval, is included in the category *Gains (losses) from derivative financial instruments, net* in the Consolidated statement of profit or loss.

The unrealized net gain resulting from the mark-to-market of these options at 30 September 2018 amounting to RON 12,945 thousand is included in the category *Gains (losses) from derivative financial instruments, net* in the Consolidated statement of profit or loss.

The options were classified within Level 2 of the fair value measurement hierarchy.

There were no transfers between levels of the fair value hierarchy used in measuring the fair value of financial instruments.

In 2019 there were no significant changes in the business or economic circumstances that affect the fair value of the Group's financial assets and financial liabilities, except for the normal volatility of aluminium prices on international markets, and of foreign exchange rates.

16. Inventories

	30 September 2019	31 December 2018
Raw and auxiliary materials	368,394	368,452
Work in progress	237,942	224,405
Finished goods	282,650	270,320
Less: allowance for obsolescence	-42,671	-28,148
Total	846,315	835,029

The value of inventories pledged for securing the Group's borrowings amounts to RON 824,116 thousand (31 December 2018: RON 779,508 thousand).

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

	Nine months ended 30 September 2019	Nine months ended 30 September 2018
Balance at beginning of the year	-28,148	-15,180
(Charge) to cost of goods sold	-14,748	-10,377
Reversal to cost of goods sold	930	-
Translation adjustments	-705	-332
Balance at end of the period	-42,671	-25,889

17. Other current assets

	30 September 2019	31 December 2018
VAT recoverable	66,480	59,699
Other current assets	8,232	342,452
Advances to suppliers	11,915	10,583
Prepayments	24,544	18,463
Allowance for sundry doubtful debtors	-19	-19
Total other current assets	111,152	431,178

At 31 December 2018, the category *Other current assets* included an amount of RON 326,600 thousand, representing interim dividends declared as per applicable regulations (the Order of the Minister of Public Finances no. 3067/2018 on completing certain accounting regulations), for the 9 months ended 30 September 2018, distributed by the Parent Company from the net accounting profit of the period, and from retained earnings carried forward from previous years. In April 2019, after approval by the General Shareholders' Meeting of the annual financial statements for 2018, the interim dividends were declared as final annual dividends and were debited to the Parent Company's equity. Please see also Note 20.

18. Cash and cash equivalents

	30 September 2019	31 December 2018
Cash at banks in RON	58,572	67,202
Cash at banks in other currencies	152,495	136,368
Petty cash and cash equivalents	108	39
Total	211,175	203,609

A part of the Group's bank accounts (RON 198,850 thousand as at 30 September 2019 and RON 137,289 thousand as of 31 December 2018) are pledged to guarantee the borrowings from banks.

Restricted cash:

	30 September 2019	31 December 2018
Restricted cash	9,410	8,370
Total	9,410	8,370

At 30 September 2019, in addition to the above figures the Group has the amount of RON 45,200 thousand representing cash placed with a bank until November 2020 as a pledge for a revolving loan and a non-cash facility contracted by the Group. The amounts are included in *Other non-current assets* on the Statement of Financial Position due to the maturity of the deposits, which is longer than 1 year (Please see Note 13).

19. Borrowings and lease liabilities

	30 September 2019	31 December 2018
Long-term borrowings		
Long-term bank loans	1,339,218	944,344
Less: Short-term portion of long-term bank loans	-208,901	-73,563
Bank loans, non-current	1,130,317	870,781
Lease liabilities	6,930	3,550
Total long-term borrowings and lease liabilities	1,137,247	874,331
Short-term borrowings		
Short-term portion of long-term bank loans	208,901	73,563
Short-term bank loans, total	208,901	73,563
Lease liabilities	4,393	2,500
Total short-term borrowings and lease liabilities	213,294	76,063
Total borrowings and lease liabilities	1,350,541	950,394

The bank borrowings of the Group have maturities until 2024 and the related interest rates ranged between 2.80% for EUR and 19% for SLL (Sierra Leone Leones) during the 9 months ended 30 September 2019 (in the same period of the year 2018: between 2.80% for EUR and 19% for SLL).

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

In January 2019, the Parent Company signed an amendment to one of its existing loans of USD 167,000 thousand, by which, among others:

- the loan was supplemented with a non-revolving facility of up to USD 20,000 thousand for working capital, with the maturity in December 2019;
- the loan was supplemented with a facility of up to USD 50,000 thousand for financing and refinancing the capital expenditure of the Company in 2018 and 2019, with the maturity in December 2024.

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

At 30 September 2019, the Group had the amount of RON 2,162 thousand undrawn from the borrowing facilities contracted with the banks (at 31 December 2018: RON 43,966 thousand).

At 30 September 2019, the Group had the amount of RON 64,755 thousand unutilized and available from the non-cash facilities for letters of credit and letters of guarantee (at 31 December 2018: RON 10,574 thousand).

According to the existing borrowing agreements the Group is subject to certain restrictive covenants. These covenants require the Group, among other things, to refrain from paying dividends to its shareholders unless certain conditions are met, and at 31 December and 30 June of each year to maintain a minimum or maximum level for certain financial ratios, including: debt service coverage ratio, net debt to EBITDA, net debt to equity, current ratio, net financial debt to shareholders equity, solvency ratio, interest cover ratio, total net leverage ratio.

The Group borrowings are secured with accounts receivable amounting to RON 48,384 thousand (at 31 December 2018: RON 51,807 thousand), with current accounts opened with the lending banks, with collateral deposits of RON 45,200 thousand (at 31 December 2018: RON 45,200 thousand), with property, plant and equipment (land, buildings, equipment) with a net book value of RON 937,227 thousand (2018: RON 745,126 thousand) and with inventories of RON 824,116 thousand (2018: RON 779,508 thousand).

Following the adoption of IFRS 16 at 1 January 2019, the Group recognized additional lease liabilities of RON 7,360 thousand for the Group (refer to note 3 as well).

20. Other current liabilities

At 31 December 2018, the category *Other current liabilities* included an amount of RON 326,600 thousand, representing interim dividends declared as per applicable regulations (the Order of the Minister of Public Finances no. 3067/2018 on completing certain accounting regulations), for the 9 months ended 30 September 2018, distributed by the Parent Company from the net accounting profit of the period, and from retained earnings carried forward from previous years. In April 2019, after approval by the General Shareholders' Meeting of the annual financial statements for 2018, the interim dividends were declared as final annual dividends. At 30 September 2019, the dividends payable amounted to RON 7,140 thousand (at 31 December 2018 the dividends payable were of RON 331,774 thousand). Please see also Note 17.

21. Related party transactions

The Group enters, under normal terms of business, into certain transactions with its major shareholder, companies under common control, directors and management. The transactions between the related parties are based on mutual agreements, are not secured, and the management considers such transactions to be on an arm's length basis.

The main related parties of the Group are:

Related party	
Vimetco N.V.	Major shareholder
Paval Holding SRL	Shareholder
Alum S.A.	Subsidiary
Vimetco Extrusion SRL	Subsidiary
Conef S.A.	Subsidiary
Sierra Mineral Holdings 1, Ltd	Subsidiary
Global Aluminum Ltd.	Subsidiary
Bauxite Marketing Ltd.	Subsidiary
Vimetco Trading SRL	Common control
Vimetco Management Romania SRL	Common control
Vimetco Power Romania SRL	Common control
Conef Gaz SRL	Common control
Conef Energy SRL	Common control
Centrul Rivergate SRL	Common control
Rivergate Rating Group	Common control
Rivergate Fire SRL	Common control
Henan Zhongfu High Precision Aluminium	Common control

The main related party transactions are described below. Group transactions are eliminated on consolidation.

Sales of goods and services	Nine months ended 30 September 2019	Nine months ended 30 September 2018
Companies under common control	995	997
Total goods and services provided to related parties	995	997

Goods and services purchased from related parties:

	Nine months ended 30 September 2019	Nine months ended 30 September 2018
Companies under common control	-215,026	-180,185
Total goods and services purchased from related parties	-215,026	-180,185

The purchases from related parties include acquisitions of gas for the production process by the Group companies from their related party Conef Gaz (during the 9 months ended September 2019: RON 171,896 thousand; during the 9 months ended September 2018: RON 141,881 thousand).

Interest income from related parties:

	Nine months ended 30 September 2019	Nine months ended 30 September 2018
Vimetco N.V.	-	2,104
Total interest income from related parties	-	2,104

Furthermore, the following balances were outstanding at 30 September 2019 and 31 December 2018:

Trade and other accounts receivable:

	30 September 2019	31 December 2018
Companies under common control	4,271	3,465
Allowance for doubtful receivables	-351	-372
Total trade and other accounts receivable from related parties	3,920	3,093

Trade and other accounts payable:

	30 September 2019	31 December 2018
Companies under common control	4,707	3,365
Total trade and other accounts payable to related parties	4,707	3,365

Dividends

During the 9 months ended 30 September 2019, the Parent Company paid dividends declared for 2018 to the major shareholder Vimetco N.V. in amount of RON 176,982 thousand (during the 9 months ended 30 September 2018 RON 285,642 thousand were paid in respect of dividends declared for 2017). Also, during the 9 months ended 30 September 2019, the Parent Company paid dividends declared for 2018 to its shareholder Paval Holding SRL in amount of RON 75,809 thousand (during the 9 months ended 30 September 2018: 0).

Management compensation

The total compensation of the Group's key management personnel included in *General, administrative and selling expenses* in the Statement of Profit or Loss and other Comprehensive Income amounts to RON 7,348 thousand (during the 9 months of the year 2018: RON 8,077 thousand), while the expense for determined contribution plan (social contributions) during the 9 months of the year 2019 was RON 1,614 thousand (during the 9 months of the year 2018: RON 1,851 thousand).

Key management personnel transactions

A number of key management personnel, or their close family members, hold positions in other companies that result in them having control or significant influence over these companies.

A number of these companies transacted with the Group during the 9 months ended 30 September 2019. The terms and conditions of these transactions were no more favourable than those available, or which might reasonably be expected to be available, in similar transactions with non-key management personnel related companies on an arm's length basis.

The transactions concluded between the Group and the related parties were as follows:

	Nine months ended 30 September 2019	Nine months ended 30 September 2018
Goods and services purchased from entities controlled by key management personnel or their close family members	84	49
Total	84	49

22. Commitments and contingencies

Commitments

Investment commitments

As at 30 September 2019, the Group's commitments pertaining to the investments amounted to RON 53,202 thousand (31 December 2018: RON 57,340 thousand).

Raw material purchase contracts

As at 30 September 2019, the Group had contracts for purchases of raw materials, other consumables and utilities in amount of RON 367,187 thousand (31 December 2018: RON 1,256,016 thousand).

Contingencies

The Parent Company has a commitment concluded with the financing bank of one of its subsidiaries (Vimetco Extrusion) where it is mentioned, among others, that the Company should not, by its actions, cause circumstances in which the subsidiary might not be able to discharge its liabilities towards the financing bank. The Management does not expect that this commitment might materialize into cash outflows from the Company, as the conditions imposed by it are totally under the control of Alro.

As at 30 September 2019, the Parent Company of the Group is subject to a fiscal inspection by the National Agency for Fiscal Administration related to income tax and VAT transactions, for the period January 2013 - December 2014. At the date of approval of the interim consolidated financial statements the fiscal inspection was not completed. The Group management does not estimate a significant financial impact as a consequence of this fiscal inspection.

Litigations

As at 30 September 2019 the Group was subject to a number of lawsuits resulting from the normal course of the business. Management believes that these actions will not have a significant impact on the financial performance and financial position of the Group.

In May 2015, the Parent Company acknowledged a legal civil action at the Bucharest Court of Law, brought by Hidroelectrica S.A., regarding material claims by the electricity producer for alleged unrealized benefits from the bilateral contract with Alro S.A. In December 2015, the Primary Court rejected a significant part of the claims of Hidroelectrica as being time-barred, and consequently only remaining claims were under discussion, related to a short period from the contract of less than 2 months, which were subsequently dismissed in first instance by the Court in June 2016. In the appeal stage, the Bucharest Court of Appeal also dismissed Hidroelectrica appeal action, and the Company reported this information to the investors and interested public. Hidroelectrica has filed a second appeal which was dismissed by the High Court of Cassation and Justice in 2019.

In 2016, the Parent Company also contested before the Court of Law a decision of the Competition Council that fined the Company by RON 21,239 thousand for an alleged vertical agreement on the energy market, which was firmly challenged by the Company, as well as several Romanian Energy Regulatory Authority ("ANRE") orders regarding the calculation of the green certificate quota for the Company's energy consumptions in 2015 and regarding the quota settlement methodology. The disputes are ongoing before the competent Courts of Law.

23. Events after the reporting date

In October 2019 a fiscal inspection from the National Agency for Fiscal Administration regarding the period 2013 - 2019 started at two of the Group's subsidiaries. The Group's management does not expect any significant financial impact from this fiscal inspection.

On 6 November 2019 Mr. Serghei Gheorghe resigned from his position as a member of the Board of Directors of Alro S.A.. Consequently, the GSM was summoned for choosing a new member of the Board of Directors, Mr. Pavel Priymakov was appointed as an interim member of the Board of Directors and Mrs Svetlana Pinzari was appointed as a Vice-President of the Board of Directors of Alro.

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

**Ratios in accordance with Appendix 13A from
regulation 5/2018 issued by FSA**

Ratios

Ratio description	Formula	Nine months ended 30 September 2019	Nine months ended 30 September 2018
Current ratio	Current assets/ Current liabilities	2.31	2.55
Gearing ratio	Long-term borrowings/ Equity x 100	138.25	82.50
	Long-term borrowings/ Capital employed x 100	58.03	45.20
Receivables turnover	Receivables average balance/ Turnover x 270	8.75	9.88
Non-current assets turnover	(Turnover x 360/ 270)/ Non-current assets	2.09	2.23

The gearing ratio at 30 September 2019 increased on one hand by new borrowings taken by the Group as a contribution to its development plans, and on the other hand by lower equity after the distribution of dividends towards shareholders in 2019.