

# Current Report

No.54/13.11.2019

To: **Financial Supervisory Authority  
Bucharest Stock Exchange**

**Current report in compliance with the stipulations of the Law no. 24/2017 and of the FSA Regulation no.5/2018 regarding the issuers of financial instruments and market operations**

Date of report: **13 November 2019**

Name of issuer: **Alro S.A.**

Headquarters: **Slatina, 116 Pitesti Street, Olt County**

Telephone/ fax number: **+40 249 431 901 / +40 249 437 500**

Sole registration number at the Trade Register Office: **RO 1515374**

Trade Register Number: **J28/8/1991**

The European Unique Identifier (EUID): **ROONRCJ28/8/1991**

Legal Entity Identifier (LEI): **5493008G6W6SORM2JG98**

Subscribed and paid-in share capital: **356,889,567.5 RON**

Regulated market on which the issued shares are traded: **Bucharest Stock Exchange – Premium Tier Category**  
(market symbol: **ALR**)

We hereby inform all persons who may be interested about the following **important event to be reported:**

## Press Release

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### **ALRO registered a consolidated turnover of over RON 2.16 billion in the first nine months of 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	Q1-Q3 2019	Q1-Q3 2018
Primary aluminium production (tonnes)	214,840	213,704
Processed aluminium production (tonnes)	79,164	77,322
Alumina production (tonnes)	357,286	423,633
Bauxite production (tonnes)	1,527,688	1,570,687
Sales (thousand RON)	2,162,353	2,296,368
EBITDA <sup>1</sup> (thousand RON)	233,663	401,757
EBITDA margin (%)	10.8%	17.5%
Adjusted net result <sup>2</sup> (thousand RON)	-18,688	233,097
Net result (thousand RON)	-22,721	223,535

Slatina, 13 November 2019 – ALRO S.A. (BSE: ALR, “the Company” or “ALRO”), one of the largest vertically integrated aluminium producers, by capacity, in Europe, announces today its consolidated financial results for the first nine months of 2019. The Group’s turnover registered a 6% decrease YoY, standing at RON 2.16 billion in the first nine months of 2019.

*„2019 proved to be quite turbulent for the aluminium industry. The international quotations of aluminium, specifically the LME, lost 350 USD per tonne on an average in the first nine months of this year, in comparison to the same period of 2018”, said Marian NASTASE, Chairman of ALRO’s Board of Directors. „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 customers and this was reflected in the results reported for the first nine months of 2019 for all major companies in the aluminium industry. On the local market, we have also faced adverse conditions, the overall costs increasing by 12%, mainly due to the growth of the purchase prices of utilities, namely electricity and gas, in line with their specific market prices, but with very high levels compared to other European countries”.*

In this context, ALRO Group registered a net loss of RON 22.7 million, but managed to report a positive EBITDA of RON 233.6 million with increasing sales of processed aluminium products during the nine months of 2019 compared to the same period in 2018, and also in Q3 2019 versus Q3 2018, both in money and quantity terms.

ALRO Group continued its strategy of achieving the *Green Factory, Next Generation Factory, Innovating and Sustainable* status, with close to zero waste and emissions. Among the investments done, totally valued at RON 85 million in the first nine months of 2019, is the continuation of ALRO smelter replacing 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.

*„One of the most important focus of ALRO Group is even a stricter control-costs which means the reduction of the raw materials and utilities rates, especially of the energy consumption”, said Gheorghe DOBRA, ALRO CEO. „On this purpose, at 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 that will place ALRO in the top of the most energy-efficient smelters in the world.”*

### Market Update

The aluminium average price for nine months ended 30 September 2019 (LME) was of 1,804 USD/tonne, compared to the aluminium LME average price recorded during the nine 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.

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.

Another important driver for the aluminium business is the electricity supply, whose price has increased locally by 50% in the last three years (H1 2019 compared to H1 2016), exceeding the average level in the European Union, according to Eurostat.

### **Financial and Operational Review**

The Group reported a 12% higher level of the costs of goods sold in Q3 2019, compared to the same period of 2018 (Q3 2019: RON 620,619 thousand versus Q3 2018: RON 552,748 thousand), mainly due to the growth of the purchase prices of utilities (electricity and gas). The consolidated sales in the first nine months of 2019 were of RON 2,162,353 thousand, a decrease compared to the level reported in the similar period of 2018 (respectively RON 2,296,368 thousand). ALRO's sales were of RON 1,931,172 thousand in the first nine months of 2019 (9M 2018: RON 1,985,271 thousand).

The Group net result for the first nine months of 2019 was a loss of RON 22,721 thousand, compared to a net profit of RON 223,535 thousand in the same period of 2018. ALRO reported a net loss of RON 109,962 thousand opposed to a net profit of RON 202,860 thousand in the same period of 2018. In the same period, ALRO Group registered a positive cashflow from operations, which generated RON 98 million during Q1-Q3 2019 (during Q1-Q3 2018: RON 303 million).

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 company producing primary aluminium of 72,173 tonnes in Q3 2019 (Q3 2018: 68,742 tonnes) and processed aluminium of 24,589 tonnes in Q3 2019 (Q3 2018: 21,483 tonnes).

*These financial results are available in a separate document on the Company's website, Investor Relations category, Reports section: <http://www.alro.ro/en/reports> and at the below link:*

<sup>1</sup> **EBITDA** earnings before interest, taxes, depreciation, amortization and impairment;

<sup>2</sup> **Adjusted Net Result:** Company's net result plus/(minus) non-current assets impairment, plus/(minus) the loss/(gain) from derivative financial instruments that do not qualify for hedge accounting, plus/(minus) deferred tax.

### **For further information, please contact:**

[www.alro.ro](http://www.alro.ro)

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### **Notes to the Editors:**

#### **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**

ALRO is a subsidiary of Vimetco N.V., a global, vertically-integrated primary and processed aluminium producer. ALRO is one of the largest vertically integrated aluminium producers, by capacity, in Europe, having an installed production capacity of 265,000 tonnes per year.

The main market for ALRO products is represented by the European Union; the Company exports its products to the USA and Asia, as well. ALRO is ISO 9001 certified for quality management and has NADCAP and EN 9100 certificates for aerospace production organizations, ALRO's products adhere to the quality standards for primary aluminium on the LME, as well as international standards for flat rolled products.

Starting from 18 March 2019, the Index Committee of the Bucharest Stock Exchange approved the inclusion of ALRO (code ALR) in BET, the main index of the market, and in BET-TR, the total return version of BET. The BET index will thus include 16 companies, which is a first time in the history of the local capital market, and it represents an unprecedented diversification of the sectors reflected by the index. ALRO's shares have been listed on the Bucharest Stock Exchange since October 1997, and following this decision ALRO becomes the first company in the aluminium industry present in the two indices.