

Quarterly Report 30 September 2020

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ALRO GROUP

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ALRO GROUP

QUARTERLY CONSOLIDATED REPORT Q3/2020

Consolidated Financial Results for the Third Quarter of 2020 (Q3 2020) as Compared to the Third Quarter of 2019 (Q3 2019) (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 2020

Highlights of the nine months ended 30 September 2020 (Q1-Q3 2020)

- Net profit of RON 273 million in the 9 months ended 30 September 2020, compared to the net loss of RON 23 million for the same period of 2019, due to compensations received for indirect electricity costs, in accordance with EU regulations;
- Higher sales volumes of aluminium wire rod and extruded products in the period of 9 months of 2020 as compared to the same period of 2019, as well as in Q3 2020 as compared to Q3 2019;
- Consolidated turnover of RON 1,942 million in Q1-Q3 2020, 10% lower than in Q1-Q3 2019, in the context of a lower market demand for aluminium products due to the global crisis caused by the Covid-19 pandemic and to low LME quotations;
- Positive net cash flow from operations of RON 366 million during the 9 months ended 30 September 2020 as compared to RON 98 million achieved in the comparative period of 2019, and increase in cash position by RON 248 million, as a result of a good cash management, as well as of receiving the subsidy in the form of a compensation for indirect emissions costs incurred by the Group as an energy-intensive consumer in 2019;
- The decrease of inventories by RON 229 million as of 30 September 2020 as compared to the end of 2019, thanks to the anti-crisis program deployed in 2020 within the Group.

ALRO GROUP

Indicator	Q3 2020	Q3 2019	Q1-Q3 2020	Q1-Q3 2019
Primary aluminium production (tonnes)	64,472	72,173	201,635	214,840
Processed aluminium production (tonnes)	22,575	24,589	74,226	79,164
Alumina production (tonnes)	111,619	130,607	314,577	357,286
Bauxite production (tonnes)	300,452	410,448	1,039,793	1,527,688
Sales (thousand RON)	581,013	656,135	1,941,955	2,162,353
EBITDA ¹ (thousand RON)	52,392	-1,454	482,651	233,665
EBITDA margin (%)	9.0%	-0.2%	24.9%	10.8%
Adjusted net result ² (thousand RON)	20,429	-95,115	282,210	-18,688
Net result (thousand RON)	19,690	-102,429	273,352	-22,721

ALRO S.A.

Indicator	Q3 2020	Q3 2019	Q1-Q3 2020	Q1-Q3 2019
Primary aluminium production (tonnes)	64,472	72,173	201,635	214,840
Processed aluminium production (tonnes)	15,730	19,027	54,850	62,938
Primary aluminium sales (tonnes)	41,029	38,253	122,664	116,400
Processed aluminium sales (tonnes)	16,768	19,284	57,221	63,053
Sales (thousand RON)	541,413	600,389	1,764,258	1,931,172
EBITDA ¹ (thousand RON)	23,926	-27,546	369,953	78,707
EBITDA margin (%)	4.4%	-4.6%	21.0%	4.1%
Adjusted net result ² (thousand RON)	5,156	-101,026	226,165	-57,274
Net result (thousand RON)	4,646	-108,481	216,418	-109,962
Adjusted net result ² per share (RON)	0.007	-0.142	0.317	-0.080
Net result per share (RON)	0.007	-0.152	0.303	-0.154

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

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

Sales

The 9-month period ended 30 September 2020 was dominated by the global economic and health crisis generated by the coronavirus pandemic. However, the Group has slipped through this difficult period, keeping all its production units fully operational and without locking down its activity, and has continuously produced bauxite, alumina and aluminium products.

Amid this economic situation, Alro Group has efficiently managed the negative consequences of the pandemic, by implementing in its locations, protocols and operational, administrative and health procedures for prevention of the Covid-19 spreading, designed to protect the health of its employees and ensure a chain of continuous supply for its customers.

The quarantine imposed in Europe at the beginning of the 2nd quarter of 2020 caused disturbances of exports from Romania and imports from the countries affected by the pandemic for certain raw materials and materials. Primary aluminium deliveries were less impacted because our main customers are established in Romania. However, the Processed Aluminium Division was deeply impacted by the pandemic, since the flat rolled products are mainly exported to European countries. Even under these circumstances, a good sales performance was obtained for extruded products, as these increased by 21% in Q1-Q3 2020 as compared to Q1-Q3 2019.

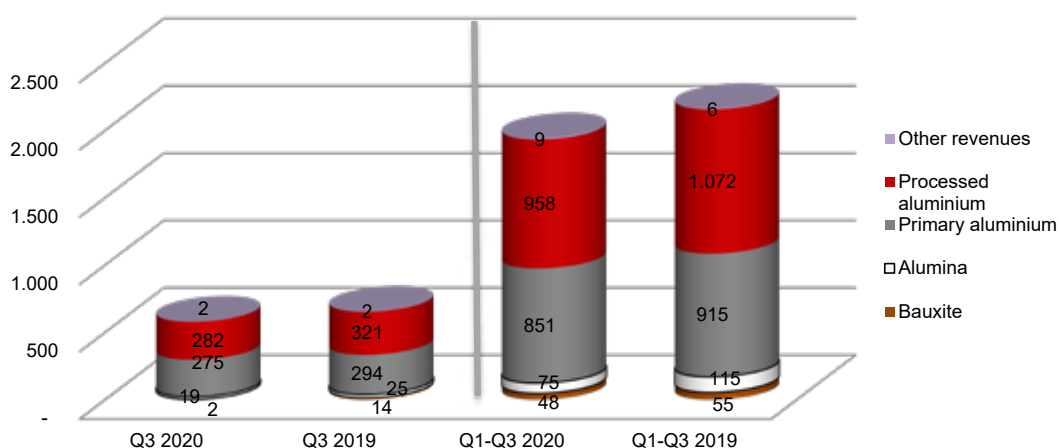
However, the alleviation of restrictions in Europe at the end of the second quarter of 2020 did not bring visible signs of economic revival in the aluminium industry in Q3 2020, and the sales were influenced by the excess of inventory created on the primary products market in the first part of 2020 and by the lack of demand on automotive and aerospace market, both of which were severely affected during this period.

As concerns the international aluminium pricing, a decrease was recorded in 2020 in its quotation at the London Metal Exchange (LME): from an average LME of 1,804 USD/ tonne for the 9 months ended 30 September 2019, to 1,633 USD/ tonne for the 9 months ended 30 September 2020. The same downward LME trend remained in Q3 2020 when the LME average was 1,704 USD/ tonne dropping by 58 USD/ tonne as compared to Q3 2019 (Q3 2019: 1,762 USD/ tonne). Later, in October 2020, a rebound could be noted, with the LME quotation reaching values of over 1,850 USD/tonne.

These unfavorable conditions of the world economy, which affected all the aluminium industry operators, have negatively impacted the Group's financial performance, and caused a 10% decrease in turnover in Q1-Q3 2020 as compared to Q1-Q3 2019 (Q1-Q3 2020: RON 1,941,955 thousand versus Q1-Q3 2019: RON 2,162,353 thousand). The evolution remained similar in Q3 2020, when the Group reported a turnover of RON 581,013 thousand, dropping by 11% as compared to the level recorded in Q3 2019, i.e. RON 656,135 thousand.

Revenues from contracts with customers (RON '000)	Q3 2020	Q3 2019	Q1-Q3 2020	Q1-Q3 2019
Revenues from bauxite segment	2,262	14,022	48,306	54,810
Revenues from alumina segment	19,098	24,896	75,047	114,839
Revenues from primary aluminium segment	275,360	293,749	851,452	914,867
Revenues from processed aluminium segment	282,140	321,087	958,493	1,072,210
Other	2,153	2,381	8,657	5,627
Total	581,013	656,135	1,941,955	2,162,353

Sales (RON million)



The deliveries of primary aluminium products increased by 2% in Q1-Q3 2020 as compared to the same period of the previous year, mainly due to the sales of aluminium wire rod. Demand in the cable industry was stable in Q1-Q3 2020, which allowed the Group to sell approximately 3,000 tonnes more aluminium wire rod in Q1-Q3 2020 than in Q1-Q3 2019. The Group expects the coronavirus pandemic not to have a major impact on the cable sector, as cable manufacturers are considered essential in the public utilities sector, which is a strategic area.

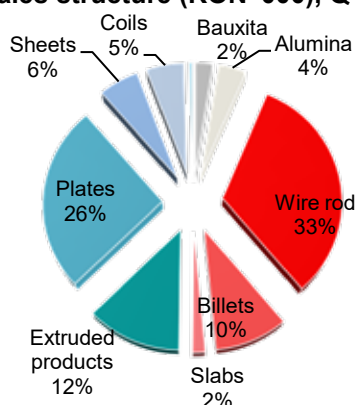
Another range of primary products, for which the Group recorded a sales growth, especially in Q3 2020, is billets. In this field, the Group managed to sell over 670 tonnes of billets more in Q3 2020 as compared to Q3 2019, due to the demand increase extruded division starting with September 2020.

The sales of processed aluminium products decreased slightly by 3% in Q1-Q3 2020 as compared to the same period of 2019. Out of these, flat rolled products decreased by 9%, mainly due to low demand for coils in line with the reduced activity of our customers in the aeronautics and automotive sectors. However, signs of revival have been noticed for plate sales since Q2 2020, which increased by over 790 tonnes in Q3 2020 as compared to Q3 2019, the plates being the Group's highest value added processed product.

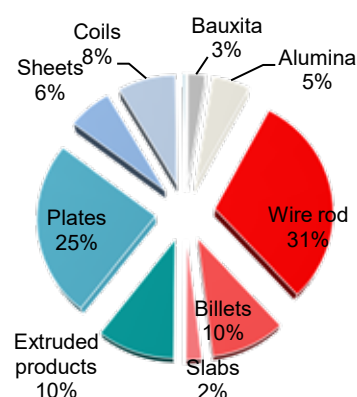
Despite the negative factors surrounding the aluminium producers, the quantitative sales of extruded products were higher by over 3,500 tonnes during the 9 months ended 30 September 2020 compared to the same period of previous year and by over 1,400 tonnes in Q3 2020 compared to Q3 2019, and these consisted mainly of deliveries of standard profiles and customized profiles for solar power plants.

The contribution of the sales to third parties in the Primary Aluminium segment was RON 851,452 thousand in Q1-Q3 2020 and represented 44% of the Group's total revenues (Q1-Q3 2019: RON 914,867 thousand; 42%). Third party sales of Processed Aluminium segment represented 49% of the Group's total revenues during the period ended 30 September 2020 being in amount of RON 958,453 thousand (during 9 months ended 30 September 2019: RON 1,072,210 thousand, i.e. 50%).

Sales structure (RON '000), Q1-Q3 2020

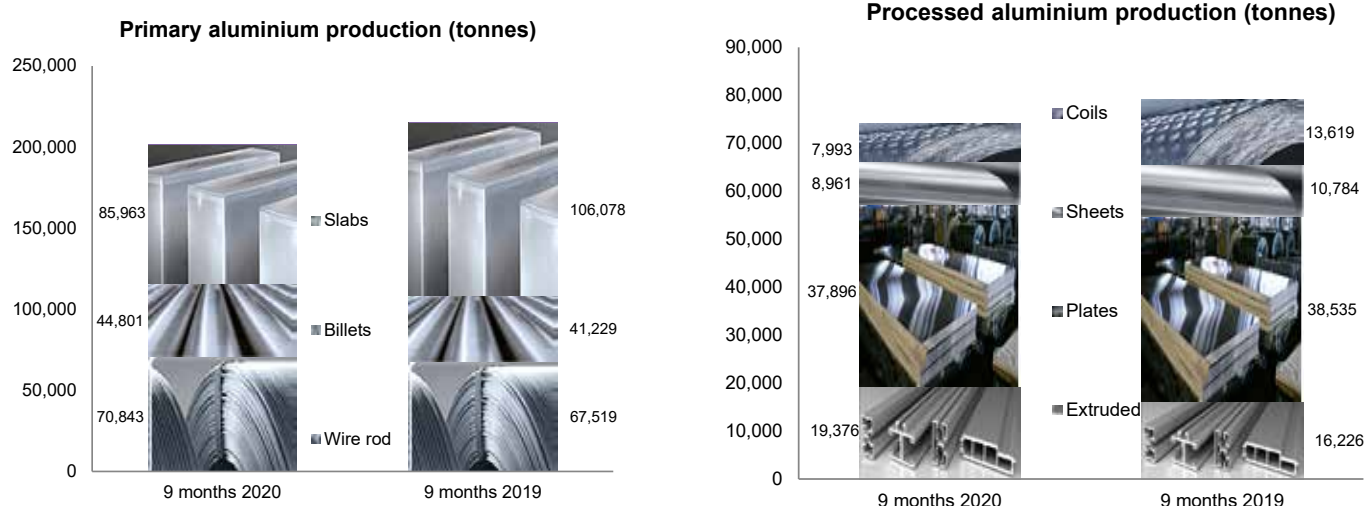


Sales structure (RON '000), Q1-Q3 2019



Production

In Q1-Q3 2020, the production of the Primary Aluminium division decreased by 6% as compared to Q1-Q3 2019, mainly due to the lower internal consumption of slabs, entailed by the decrease in the quantity of processed products. The same downward evolution of the primary aluminium production continues to be recorded in Q3 2020 when the decrease was 11% (Q3 2020: 64,472 tonnes versus Q3 2019: 72,173 tonnes). However, this decrease was mainly offset by the production of aluminium wire rod and billets, which had a cumulative increase of approximately 6,900 tonnes in Q1-Q3 2020 as compared to the same period of the previous year and over 3,100 tonnes in the third quarter alone, as the Group took advantage of the beneficial market demand for wire and billets. In the Processed Aluminium Division, the production reported in Q1-Q3 2020 was lower by 6% than the production achieved in the same period of the previous year (Q1-Q3 2020: 74,226 tonnes versus Q1-Q3 2019: 79,164 tonnes) and by 8% in Q3 2020 as compared to the 3rd quarter of the previous year (Q3 2020: 22,575 tonnes versus Q3 2019: 24,589 tonnes). The extrusion production recorded an increase by 19% in the period of 9 months 2020 as compared to the same period of 2019 and, in Q3 2020, it recorded an increase by 23% as compared to Q3 2019, as the Group seized the opportunity of a demand for its solar power industry customized profiles. This increase partially offset the decline in the production of flat rolled products caused by the decreasing market demand for these types of products, in the context of the crisis generated by the coronavirus pandemic, which mainly affected the automotive and aerospace industries in the 9 months of 2020.



As regards **the cost of goods sold**, the Group reported a similar level in Q1-Q3 2020 (Q1-Q3 2020: RON 1,965,388 thousand as compared to Q1-Q3 2019: RON 1,963,138 thousand) and a decrease of RON 19,941 thousand in Q3 2020 as compared to Q3 2019 (Q3 2020: RON 600,678 thousand versus Q3 2019: RON 620,619 thousand), due to the drop in the purchase prices of raw materials, in line with the specific markets prices and with the Group's strategy to reduce costs in 2020, while the Romanian energy market continued to report the same upward trend in electricity prices. The decrease in the cost of goods sold during the analyzed period is the result of the Group's Management adopting a progressive approach for anticipating and monitoring market trends, adopting an anti-crisis strategy involving the sale of current production and accumulated inventories and optimizing the purchasing of raw materials and other supplies.

The gross result decreased during the period of 9 months 2020 ended 30 September 2020 reaching a negative value of RON 23,433 thousand, as compared to the period of 9 months ended 30 September 2019 when profit was reported of RON 199,215 thousand, due to the low demand caused by the coronavirus pandemic and lower LME prices. The downward trend continued to be recorded also in Q3 when the gross result was a loss in the amount of RON 19,665 thousand in Q3 2020 as compared to the profit recorded in Q3 2019 amounting to RON 35,516 thousand. The cost of goods sold that determined the gross loss for the period did not include the compensation received by the Group, which was included under *Other operating income* below.

In Q1-Q3 2020, **other operating income** reached the value of RON 596,316 thousand (as compared to Q1-Q3 2019: RON 148,534 thousand) and mainly includes the government grants of RON 547,919 thousand (Q1-Q3 2019: nil) recorded by the Alro Group as compensation for higher energy costs as per EU legislation on the EU-ETS scheme, for the full year 2019 and on an accrual basis for the first nine months 2020. In Q3 2020 the Group recognized revenues from government grants related to the EU-ETS compensation scheme amounting to RON 94,158 thousand (Q3 2019: nil). For more details, see also the Group's interim condensed consolidated financial statements for the nine months ended 30 September 2020, as well.

The amount of RON 25,333 thousand reported in Q3 2020 representing **net foreign exchange gains** results mainly from the revaluation of the loans and other liabilities of the Group in foreign currencies (in Q3 2019: a loss of RON 36,270 thousand).

The Group's **net result** in Q1-Q3 2020 was a net profit of RON 273,352 thousand as compared to a net loss of RON 22,721 thousand reported in the same period of the previous year. The trend was the same in the third quarter of 2020 when the net profit was in amount of RON 19,690 thousand as compared to the net loss of RON 102,429 thousand reported in Q3 2019.

The reconciliation between the net result and the adjusted net result for Q1-Q3 2020 and Q1-Q3 2019 is detailed below:

Adjusted net result	Q3 2020	Q3 2019	Q1-Q3 2020	Q1-Q3 2019
NET RESULT (RON '000)	19,690	-102,429	273,352	-22,721
Plus/(minus) charge/ (reversal) of non-current assets impairment expense/(income)	-	-	-	-4,790
Plus/(minus) the loss/(gain) from derivative financial instruments for which hedge accounting was not applied	-	6,870	-	6,160
Plus/(minus) deferred tax expense/ (income)	739	444	8,858	2,663
ADJUSTED NET RESULT	20,429	-95,115	282,210	-18,688

in RON '000,
except per share data

Q3 2020	Q3 2019		Nine months ended 30 September 2020	Nine months ended 30 September 2019
581,013	656,135	Revenue from contracts with customers	1,941,955	2,162,353
-600,678	-620,619	Cost of goods sold	-1,965,388	-1,963,138
-19,665	35,516	Gross result	-23,433	199,215
-71,879	-71,398	General, administrative and selling expenses	-213,327	-208,776
103,964	3,867	Other operating income	596,316	148,534
-739	-8,315	Other operating expenses	-4,454	-12,945
11,681	-40,330	Operating result (EBIT)	355,102	126,028
-12,944	-19,057	Interest expenses	-46,694	-57,687
-	-6,870	Gains (losses) from derivative financial instruments, net	-	-6,160
-3,192	-3,686	Other financial gains / (losses), net	-11,535	-12,933
25,333	-36,270	Net foreign exchange gains / (losses)	11,201	-50,660
20,878	-106,213	Result before income taxes	308,074	-1,412
-1,188	3,784	Income tax	-34,722	-21,309
19,690	-102,429	Result for the period	273,352	-22,721
		Other comprehensive income / (expense), net of tax:		
		<i>Items that will not be reclassified subsequently to profit or loss</i>		
-3	-9	Remeasurements of post-employment benefit obligations	-3	-11
		<i>Items that may be reclassified subsequently to profit or loss:</i>		
-4,714	4,209	Translation adjustment	-5,480	-890
-4,717	4,200	Other comprehensive income / (expense) for the period, net of tax	-5,483	-901
14,973	-98,229	Total comprehensive income / (expense) for the period	267,869	-23,622
		Result attributable to:		
19,642	-102,469	Shareholders of Alro SA	273,081	-23,235
48	40	Non-controlling interest	271	514
19,690	-102,429		273,352	-22,721
		Total comprehensive income / (expense) attributable to:		
14,953	-98,294	Shareholders of Alro S.A.	267,631	-24,132
20	65	Non-controlling interest	238	510
14,973	-98,229		267,869	-23,622
		Earnings per share		
0.028	-0.144	Basic and diluted (RON)	0.383	-0.033

Alro Group Quarterly Report Q3 2020

Interim consolidated statement of financial position - unaudited

in RON '000

	30 September 2020	31 December 2019
Assets		
Non-current assets		
Property, plant and equipment	1,106,820	1,169,009
Investment properties	672	696
Intangible assets	6,683	9,611
Goodwill	92,459	94,284
Right-of-use assets	11,719	13,258
Deferred tax asset	28,114	37,294
Other non-current assets	10,082	3,866
Total non-current assets	1,256,549	1,328,018
Current assets		
Inventories	599,740	828,948
Trade receivables, net	58,951	76,352
Current income tax receivable	2,002	6,225
Other current assets	404,871	93,137
Restricted cash	66,985	46,164
Cash and cash equivalents	331,417	83,182
Total current assets	1,463,966	1,134,008
Total assets	2,720,515	2,462,026
Shareholders' Equity and Liabilities		
Shareholders' equity		
Share capital	370,037	370,037
Share premium	86,351	86,351
Other reserves	339,030	342,667
Retained earnings	-33,101	36,446
Result for the period	273,081	-67,734
Equity attributable to shareholders of Alro S.A.	1,035,398	767,767
Non-controlling interest	2,423	2,185
Total shareholders' equity	1,037,821	769,952
Non-current liabilities		
Bank and other loans, non-current	259,177	374,271
Leases, non-current	4,367	6,161
Provisions, non-current	37,394	36,704
Post-employment benefit obligations	45,729	46,637
Government grants, non-current portion	45,632	47,970
Other non-current liabilities	48	890
Total non-current liabilities	392,347	512,633
Current liabilities		
Bank and other loans, current	945,417	869,667
Leases, current	4,085	4,321
Provisions, current	3,507	2,793
Trade and other payables	192,145	206,386
Current income taxes payable	10,200	2,551
Government grants, current portion	4,267	4,267
Other current liabilities	130,726	89,456
Total current liabilities	1,290,347	1,179,441
Total liabilities	1,682,694	1,692,074
Total shareholders' equity and liabilities	2,720,515	2,462,026

	Share capital	Share premium	Other reserves
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
Balance at 1 January 2020	370,037	86,351	372,397
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	-	-	1,810
Balance at 30 September 2020	370,037	86,351	374,207

Translation reserve	Total other reserves	Retained earnings	Result for the period	Attributable to shareholders of Alro SA	Non-controlling interests	Total shareholders' equity
-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
-29,730	342,667	36,446	-67,734	767,767	2,185	769,952
-	-	-	273,081	273,081	271	273,352
-5,447	-5,447	-	-	-5,447	-33	-5,480
-	-	-3	-	-3	-	-3
-5,447	-5,447	-3	-	-5,450	-33	-5,483
-5,447	-5,447	-3	273,081	267,631	238	267,869
-	1,810	-69,544	67,734	-	-	-
-35,177	339,030	-33,101	273,081	1,035,398	2,423	1,037,821

Alro Group Quarterly Report Q3 2020

Interim consolidated statement of cash flows - unaudited

in RON '000

Q3 2020	Q3 2019		Nine months ended 30 September 2020	Nine months ended 30 September 2019
		Cash flow from operating activities		
20,878	-106,213	Result before income taxes	308,074	-1,412
		<i>Adjustments for:</i>		
40,711	38,877	Depreciation and amortisation	127,550	112,426
-	-	Impairment of property, plant and equipment	-	-4,790
-13	-	Movement in provisions	714	-27,299
-2,217	-1,489	Change in allowance for impairment of inventory	2,912	13,818
188	-241	Change in allowance for impairment of doubtful receivables	132	-193
-10	5,257	Loss on disposal of property, plant and equipment	436	5,943
-23,792	37,524	Net foreign exchange (gains)/ losses on loans revaluation	-12,591	46,489
-673	-1,037	Interest income	-2,653	-4,046
12,944	19,057	Interest expense	46,694	57,687
-	-	Dividend income	-2	-
-	6,870	Effect of derivative financial instruments	-	6,160
		<i>Changes in working capital:</i>		
32,211	-21,513	Change in inventories	225,729	-21,646
165,411	-18,121	Change in trade receivables and other assets	-295,646	-16,507
15,914	-22,104	Change in trade and other payables	24,064	15,560
-18,464	-16,962	Income taxes (paid)/refunded	-13,996	-36,703
-12,915	-15,413	Interest paid	-44,283	-55,828
-	-211	Cash receipts/ (payments) from derivatives, net	-701	8,151
230,173	-95,719	Net cash generated by / (used in) operating activities	366,433	97,810
		Cash flow from investing activities		
-19,734	-31,251	Purchase of property, plant and equipment and intangible assets, net	-60,446	-112,822
-	-	Government grants received	-	4,895
625	354	Proceeds from sale of property, plant and equipment	870	942
-	-	Dividends received	2	-
-8	169	Change in restricted cash	-30,021	-1,040
647	1,023	Interest received	2,564	3,704
-18,470	-29,705	Net cash used in investing activities	-87,031	-104,321
		Cash flow from financing activities		
898	756	Proceeds from loans and leasing	103,961	373,409
-39,343	-1,581	Repayment of loans	-135,064	-34,806
-12	-87,325	Dividends paid	-44	-324,649
-38,457	-88,150	Net cash provided by/(used in) financing activities	-31,147	13,954
173,246	-213,574	Net change in cash and cash equivalents	248,255	7,443
158,124	424,658	Cash and cash equivalents at beginning of period	83,182	203,609
47	91	Effect of exchange rate differences on cash and cash equivalents	-20	123
331,417	211,175	Cash and cash equivalents at end of period	331,417	211,175

ALRO GROUP

**Interim condensed consolidated financial statements for
the nine months ended 30 September 2020 (unaudited)**

Interim consolidated statement of profit or loss and other comprehensive income for the nine months ended 30 September 2020 - unaudited

in RON '000,
except per share data

	Note	Nine months ended 30 September 2020	Nine months ended 30 September 2019
Revenue from contracts with customers	5	1,941,955	2,162,353
Cost of goods sold		-1,965,388	-1,963,138
Gross profit		-23,433	199,215
General, administrative and selling expenses	7	-213,327	-208,776
Other operating income	8	596,316	148,534
Other operating expenses		-4,454	-12,945
Operating result (EBIT)		355,102	126,028
Interest expenses	9	-46,694	-57,687
Gains (losses) from derivative financial instruments, net		-	-6,160
Other financial gains / (losses), net		-11,535	-12,933
Net foreign exchange gains / (losses)		11,201	-50,660
Result before income taxes		308,074	-1,412
Income tax	10	-34,722	-21,309
Result for the period		273,352	-22,721
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		-3	-11
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Translation adjustment		-5,480	-890
Other comprehensive income / (expense) for the period, net of tax		-5,483	-901
Total comprehensive income / (expense) for the period		267,869	-23,622
Result attributable to:			
Shareholders of Alro SA		273,081	-23,235
Non-controlling interest		271	514
		273,352	-22,721
Total comprehensive income / (expense) attributable to:			
Shareholders of Alro S.A.		267,631	-24,132
Non-controlling interest		238	510
		267,869	-23,622
Earnings per share			
Basic and diluted (RON)	11	0.383	-0.033

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 12 November 2020.

Interim consolidated statement of financial position as at 30 September 2020 - unaudited

in RON '000

	Note	30 September 2020	31 December 2019
Assets			
Non-current assets			
Property, plant and equipment	12	1,106,820	1,169,009
Investment properties		672	696
Intangible assets		6,683	9,611
Goodwill	13	92,459	94,284
Right-of-use assets		11,719	13,258
Deferred tax asset	10	28,114	37,294
Other non-current assets		10,082	3,866
Total non-current assets		1,256,549	1,328,018
Current assets			
Inventories	15	599,740	828,948
Trade receivables, net		58,951	76,352
Current income tax receivable		2,002	6,225
Other current assets	16	404,871	93,137
Restricted cash	17	66,985	46,164
Cash and cash equivalents	17	331,417	83,182
Total current assets		1,463,966	1,134,008
Total assets		2,720,515	2,462,026
Shareholders' Equity and Liabilities			
Shareholders' equity			
Share capital		370,037	370,037
Share premium		86,351	86,351
Other reserves		339,030	342,667
Retained earnings		-33,101	36,446
Result for the period		273,081	-67,734
Equity attributable to shareholders of Alro S.A.		1,035,398	767,767
Non-controlling interest		2,423	2,185
Total shareholders' equity		1,037,821	769,952
Non-current liabilities			
Bank and other loans, non-current	18	259,177	374,271
Leases, non-current	18	4,367	6,161
Provisions, non-current		37,394	36,704
Post-employment benefit obligations		45,729	46,637
Government grants, non-current portion		45,632	47,970
Other non-current liabilities		48	890
Total non-current liabilities		392,347	512,633
Current liabilities			
Bank and other loans, current	18	945,417	869,667
Leases, current	18	4,085	4,321
Provisions, current		3,507	2,793
Trade and other payables		192,145	206,386
Current income taxes payable		10,200	2,551
Government grants, current portion		4,267	4,267
Other current liabilities		130,726	89,456
Total current liabilities		1,290,347	1,179,441
Total liabilities		1,682,694	1,692,074
Total shareholders' equity and liabilities		2,720,515	2,462,026

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Interim consolidated statement of changes in shareholders' equity for the nine months ended 30 September 2020 - unaudited

	Share capital	Share premium	Other reserves
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
Balance at 1 January 2020	370,037	86,351	372,397
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	-	-	1,810
Balance at 30 September 2020	370,037	86,351	374,207

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
-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
-29,730	342,667	36,446	-67,734	767,767	2,185	769,952
-	-	-	273,081	273,081	271	273,352
-5,447	-5,447	-	-	-5,447	-33	-5,480
-	-	-3	-	-3	-	-3
-5,447	-5,447	-3	-	-5,450	-33	-5,483
-5,447	-5,447	-3	273,081	267,631	238	267,869
-	1,810	-69,544	67,734	-	-	-
-35,177	339,030	-33,101	273,081	1,035,398	2,423	1,037,821

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These financial statements were authorized for issue by the management on 12 November 2020.

Interim consolidated statement of cash flows for the nine months ended 30 September 2020 - unaudited

in RON '000

	Note	Nine months ended 30 September 2020	Nine months ended 30 September 2019
Cash flow from operating activities			
Result before income taxes		308,074	-1,412
<i>Adjustments for:</i>			
Depreciation and amortisation		127,550	112,426
Impairment of property, plant and equipment		-	-4,790
Movement in provisions		714	-27,299
Change in allowance for impairment of inventory	15	2,912	13,818
Change in allowance for impairment of doubtful receivables	7	132	-193
Loss on disposal of property, plant and equipment		436	5,943
Net foreign exchange (gains)/ losses on loans revaluation		-12,591	46,489
Interest income		-2,653	-4,046
Interest expense	9	46,694	57,687
Dividend income		-2	-
Effect of derivative financial instruments		-	6,160
<i>Changes in working capital:</i>			
Change in inventories		225,729	-21,646
Change in trade receivables and other assets		-295,646	-16,507
Change in trade and other payables		24,064	15,560
Income taxes (paid)/refunded		-13,996	-36,703
Interest paid	9	-44,283	-55,828
Cash receipts/ (Payments) from derivatives, net		-701	8,151
Net cash generated by / (used in) operating activities		366,433	97,810
Cash flow from investing activities			
Purchase of property, plant and equipment and intangible assets, net		-60,446	-112,822
Government grants received		-	4,895
Proceeds from sale of property, plant and equipment		870	942
Dividends received		2	-
Change in restricted cash	17	-30,021	-1,040
Interest received		2,564	3,704
Net cash used in investing activities		-87,031	-104,321
Cash flow from financing activities			
Proceeds from loans and leasing	18	103,961	373,409
Repayment of loans	18	-135,064	-34,806
Dividends paid	11	-44	-324,649
Net cash provided by/(used in) financing activities		-31,147	13,954
Net change in cash and cash equivalents		248,255	7,443
Cash and cash equivalents at beginning of period		83,182	203,609
Effect of exchange rate differences on cash and cash equivalents		-20	123
Cash and cash equivalents at end of period	17	331,417	211,175

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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 12 November 2020.

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 joint stock company that was established in 1961 in Romania, and is one of the largest vertically integrated aluminium producers in Europe, by production capacity. The shares of Alro S.A. are traded on the Bucharest Stock Exchange under the symbol ALR.

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

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 2020. 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) within Alro or 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 12 November 2020.

2. Basis of preparation

Statement of compliance

These interim condensed consolidated financial statements of Alro and its subsidiaries (further named *interim condensed consolidated financial statements*) for the 9 months ended 30 September 2020 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 2019. 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 2019.

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 consolidated 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*.

Functional and presentation currency

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

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

	30 September 2020	31 December 2019
USD exchange rate at the end of the period**	4.1617 USD/RON	4.2608 USD/RON
	Nine months ended 30 September 2020	Nine months ended 30 September 2019
USD average exchange rate***	4.2931 USD/RON	4.2168 USD/RON

** as communicated by National Bank of Romania

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

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

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 2019. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective. Several amendments and interpretations apply for the first time in 2020, but do not have an impact on the interim condensed consolidated financial statements of the Group:

- *Conceptual Framework in IFRS standards*. The IASB issued the revised Conceptual Framework for Financial Reporting on 29 March 2018. The Conceptual Framework sets out a comprehensive set of concepts for financial reporting, standard setting, guidance for preparers in developing consistent accounting policies and assistance to others in their efforts to understand and interpret the standards. IASB also issued a separate accompanying document, Amendments to References to the Conceptual Framework in IFRS Standards, which sets out the amendments to affected standards in order to update references to the revised Conceptual Framework. Its objective is to support transition to the revised Conceptual Framework for companies that develop accounting policies using the Conceptual Framework when no IFRS Standard applies to a particular transaction.

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

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

- *Amendments to IFRS 9, IAS 39 and IFRS 17: Interest Rate Benchmark Reform*, issued on 26 September 2019. The Amendments relate to the issues affecting financial reporting in the periods before replacement of an existing interest rate benchmark with an alternative interest rate. The Amendments provide relief from the highly probable and prospective assessments required by IFRS 9 and IAS 39 for hedging relationships that are affected by the uncertainties of the inter-bank offered rates ('IBORs') reform. With the same objective, the Amendments provide relief from the retrospective assessment under IAS 39. The exceptions described in the Amendments apply only to those hedging relationships directly affected by uncertainties of the IBOR reform including cross-currency interest rate swaps (for the interest component affected).

- *Amendment to IFRS 16 Leases Covid 19-Related Rent Concessions* (issued on 28 May 2020). The amendment exempts lessees from having to consider individual lease contracts to determine whether rent concessions occurring as a direct consequence of the Covid-19 pandemic are lease modifications and allows lessees to account for such rent concessions as if they were not lease modifications. It applies to Covid-19-related rent concessions that reduce lease payments due on or before 30 June 2021. The amendment is effective starting 1 June 2020.

Standards issued, but not yet effective and not early adopted

The following new standards, amendments to standards and interpretations have been issued in 2020 but are not effective for the financial year beginning 1 January 2020 and have not been early adopted by the Group:

- *Amendment to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current* (issued on 23 January 2020). The amendments are effective for annual reporting periods beginning on or after 1 January 2023, with earlier application permitted. The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current or non-current. The amendments affect the presentation of liabilities in the statement of financial position and do not change existing requirements around measurement or timing of recognition of any asset, liability, income or expenses, nor the information that entities disclose about those items. Also, the amendments clarify the classification requirements for debt which may be settled by the company issuing own equity instruments. These Amendments have not yet been endorsed by the EU. The directors do not anticipate that the application of the standard in the future will have an impact on the Group's consolidated financial statements.

- *Amendments to IFRS 3 Business Combinations* (issued on 14 May 2020). The amendments update a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations. Amendment also add a requirement that, for transactions and other events within the scope of IAS 37 or IFRIC 21, an acquirer applies IAS 37 or IFRIC 21 (instead of the Conceptual Framework) to identify the liabilities it has assumed in a business combination; and add to IFRS 3 an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination. The amendments are effective for annual periods beginning on or after 1 January 2022 and have not yet been endorsed by the EU. The directors do not anticipate any impact on the Group's financial statements.

- *Amendments to IAS 16 Property, Plant and Equipment* (issued on 14 May 2020). The amendments prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss. The amendments are effective for annual periods beginning on or after 1 January 2022 and have not yet been endorsed by the EU. The directors do not anticipate any impact on the Group's financial statements.

- *Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets* (issued on 14 May 2020). Amendments specify which costs a company includes when assessing whether a contract will be loss-making. The amendments are effective for annual periods beginning on or after 1 January 2022 and have not yet been endorsed by the EU. The directors do not anticipate any impact on the Group's financial statements.

- *Annual Improvements to IFRS Standards 2016 – 2018 Cycle* (effective for annual periods beginning on or after 1 January 2022), issued on 14 May 2020. The improvements are not expected to have a material impact on the Group's or financial statements. These annual improvements are a collection of amendments to IFRSs:

- *IFRS 1 First-time Adoption of International Financial Reporting Standards*. The amendment permits a subsidiary that applies paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported by its parent, based on the parent's date of transition to IFRSs.

- **IFRS 9 Financial Instruments.** The amendment clarifies which fees an entity includes when it applies the '10 per cent' test in assessing whether to derecognise a financial liability. An entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf.
- **IFRS 16 Leases.** The proposed amendment to Illustrative Example 13 accompanying IFRS 16 would remove from the example the illustration of the reimbursement of leasehold improvements by the lessor. The proposed amendment would resolve any potential confusion regarding the treatment of lease incentives that might arise because of how lease incentives are illustrated in that example.
- **IAS 41 Agriculture.** The amendment aligns the fair value measurement requirements in IAS 41 with those in other IFRS Standards.

- **Amendments to IFRS 17 Insurance Contracts** (issued on 25 June 2020). The amendments are designed to reduce costs by simplifying some requirements in the Standard; make financial performance easier to explain; and ease transition by deferring the effective date of the Standard to 2023 and by providing additional relief to reduce the effort required when applying IFRS 17 for the first time. The amendments have not yet been endorsed by the EU. The directors do not anticipate any impact on the Group's financial statements.

- **Amendments to IFRS 4 Insurance Contracts** – deferral of IFRS 9 (issued on 25 June 2020), not yet endorsed by the EU. The amendments provides some entities with a temporary exemption from application of IFRS 9; and gives all entities with insurance contracts the option, following full adoption of IFRS 9, to present changes in fair value on qualifying designated financial assets in other comprehensive income (OCI) instead of profit or loss (referred to as the "overlay approach").

- **Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform – Phase 2** (issued on 27 August 2020), not yet adopted by the EU. The amendments complement those issued in 2019 and focus on the effects on financial statements when a company replaces the old interest rate benchmark with an alternative benchmark rate as a result of the reform. The Phase 2 amendments provide additional temporary reliefs from applying specific IAS 39 and IFRS 9 hedge accounting requirements to hedging relationships directly affected by IBOR reform.

4. Estimates

The preparation of interim condensed consolidated 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 interim condensed consolidated 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 2019.

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 2020				
Segments	Bauxite	Alumina	Primary aluminium	Processed aluminium	Others
Type of good or service					
Sale of bauxite	141,753	-	-	-	-
Sale of alumina	-	508,146	-	-	-
Sale of primary aluminium	-	-	1,488,878	-	-
Sale of processed aluminium	-	-	-	959,675	-
Other revenues and services performed	11,304	1,746	-	-	37,418
Total revenue from contracts with customers	153,057	509,892	1,488,878	959,675	37,418
					3,148,920

	Nine months ended 30 September 2019					
Segments	Bauxite	Alumina	Primary aluminium	Processed aluminium	Others	Total
Type of good or service						
Sale of bauxite	218,255	-	-	-	-	218,255
Sale of alumina	-	603,554	-	-	-	603,554
Sale of primary aluminium	-	-	1,633,868	-	-	1,633,868
Sale of processed aluminium	-	-	-	1,073,376	-	1,073,376
Other revenues and services performed	18,613	819	-	-	28,000	47,432
Total revenue from contracts with customers	236,868	604,373	1,633,868	1,073,376	28,000	3,576,485

The 9 months of 2020 was a challenging period mainly due to the lower LME quotations and declining trend of the specific prices for bauxite and alumina in the international market that led to lower revenue compared to the first 9 months of 2019 (for details please see Note 6).

Set out below, is the reconciliation of the revenue from contracts with customers with the amounts disclosed in the segment information in Note 6:

	Nine months ended 30 September 2020					
Revenue	Bauxite	Alumina	Primary aluminium	Processed aluminium	Others	Total
Revenue from contracts with customers	153,057	509,892	1,488,878	959,675	37,418	3,148,920
Inter-segment transactions	-104,751	-434,845	-637,426	-1,182	-28,761	-1,206,965
Total Group revenue (Note 6)	48,306	75,047	851,452	958,493	8,657	1,941,955

	Nine months ended 30 September 2019					
Revenue	Bauxite	Alumina	Primary aluminium	Processed aluminium	Others	Total
Revenue from contracts with customers	236,868	604,373	1,633,868	1,073,376	28,000	3,576,485
Inter-segment transactions	-182,058	-489,534	-719,001	-1,165	-22,374	-1,414,132
Total Group revenue (Note 6)	54,810	114,839	914,867	1,072,211	5,626	2,162,353

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

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

In order to have a better visibility on the operational and financial performance of the Group segments, to be able to benefit from its synergies as an integrated group, the Management monitors the segments results whereby the inter-segment transactions are reported at their cost. For the purpose of this note, the inter-segment transfers of the bauxite and alumina segments, represented by deliveries of

raw material, and also the transfers of the aluminium segments, consisting of slabs 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 2020 and 2019 by segment, were as follows:

	Bauxite	Alumina	Primary aluminium	Processed aluminium	Others	Inter-segment operations	Total
Nine months ended 30 September 2020							
Sales to external customers	48,306	75,047	851,452	958,493	8,657	-	1,941,955
Inter-segment transfers	103,603	422,475	801,665	1,182	28,761	-1,357,686	-
Total sales revenues	151,909	497,522	1,653,117	959,675	37,418	-1,357,686	1,941,955
Segment results (gross profit)	30,484	18,764	-78,762	1,882	8,146	-3,947	-23,433
Other operating income & expenses, net	-27,591	-16,790	87,472	47,149	288,351	-56	378,535
Operating result (EBIT)	2,893	1,974	8,710	49,031	296,497	-4,003	355,102
Total depreciation, amortisation and impairment	18,847	19,497	58,050	31,822	-	-667	127,549
EBITDA	21,740	21,471	66,760	80,853	296,497	-4,670	482,651
Interest and other finance costs, net							-58,229
Net foreign exchange gains / (losses)							11,201
Result before income taxes							308,074
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 transfers	163,517	471,142	839,240	1,165	22,373	-1,497,437	-
Total sales revenues	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	-20,236	-6,190	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	29,659	19,803	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

In the first 9 months of 2020, the aluminium segments were sensitive to the decrease of the LME quotation by 172 USD/t compared to the average level for the same period of the last year, which determined lower revenues. At the same time, they were affected by the increased prices of utilities, which is a specificity of the Romanian economic environment where electricity prices are higher than in many other European countries. As concerns the sale of upstream products, in 2020, in respect of alumina, due to a declining trend of the specific prices in the international market, Alum decreased its sales to third parties, considering that it was more economically advantageous to support mainly the Group's needs. The category *Other operating income and expenses, net* includes revenues from the sale of CO₂ emission certificates by the Group from its surplus: in Alum in total amount of RON 23,538 thousand during 9 months ended 30 September 2020 (in the first 9 months of 2019: RON 62,294 thousand) and in Alro in total amount of RON 12,523 thousand during the 9 months ended 30 September 2020 (in the first 9 months of 2019: RON 45,404 thousand). In 2020 the category *Other operating income and expenses, net* includes also government grants of cumulatively RON 547,919 thousand (in 9 months of 2019: nil), as a compensation for indirect energy costs incurred in 2019 and in the first 9 months of 2020. The government grant is receivable as a result of approval by EU of Romanian plans to compensate large energy-consuming enterprises for higher electricity prices resulting from their indirect emission costs, and the Group received the amount related to the year 2019 in September 2020 (see Note 8). The subsidies for the 9 months ended 30 September 2020 are allocated per segments based on the electricity costs incurred directly and indirectly (through the raw materials produced by one segment and transferred to another segment, such as the aluminium metal). The subsidies for the year 2019 are not allocated per segments, being related to the costs of the entire year 2019, and are included in the column *Others*.

Had the Group received the portion of government grants for the costs of the first 9 months of the year 2019, in the first 9 months of 2019 itself, it would have compensated the electricity costs incurred in the corresponding financial period and the result for 2019 would have been higher by RON 187,460 thousand due to this subsidy, while the results per segments for the two comparative years would have been as follows:

Nine months ended 30 September 2020 (recomputed by including only the subsidy related to 9 months 2020):

	Bauxite	Alumina	Primary aluminium	Processed aluminium	Others	Inter-segment operations	Total
Sales to external customers	48,306	75,047	851,452	958,493	8,657	-	1,941,955
Inter-segment transfers	103,603	422,475	801,665	1,182	28,761	-1,357,686	-
Total sales revenues	151,909	497,522	1,653,117	959,675	37,418	-1,357,686	1,941,955
Segment results (gross profit)	30,484	18,764	-78,762	1,882	8,146	-3,947	-23,433
Other operating income & expenses, net	-27,591	-16,790	87,472	47,149	38,404	-56	128,588
Operating result (EBIT)	2,893	1,974	8,710	49,031	46,550	-4,003	105,155
Total depreciation, amortisation and impairment	18,847	19,497	58,050	31,822	-	-667	127,549
EBITDA	21,740	21,471	66,760	80,853	46,550	-4,670	232,704
Interest and other finance costs, net							-58,229
Net foreign exchange gains / (losses)							11,201
Result before income taxes							58,127

Nine months ended 30 September 2019 (recomputed by including the subsidy related to 9 months 2019):

	Bauxite	Alumina	Primary aluminium	Processed aluminium	Others	Inter-segment operations	Total
Sales to external customers	54,810	114,839	914,867	1,072,210	5,627	-	2,162,353
Inter-segment transfers	163,517	471,142	839,240	1,165	22,373	-1,497,437	-
Total sales revenues	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	-21,376	37,684	19,893	112,815	-1,026	114,272
Operating result (EBIT)	12,534	36,336	88,172	68,409	120,114	-12,078	313,487
Total depreciation, amortisation and impairment	16,171	16,252	49,895	25,993	-	-674	107,637
EBITDA	28,705	52,588	138,067	94,402	120,114	-12,752	421,124
Interest and other finance costs, net							-76,780
Net foreign exchange gains / (losses)							-50,660
Result before income taxes							186,047

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 2020 and 31 December 2019, respectively, were as follows:

Alro Group	Bauxite	Alumina	Primary aluminium	Processed aluminium	Others	Inter-segment operations	Total
30 September 2020							
Total assets	151,354	668,639	808,921	579,422	1,285,899	-773,720	2,720,515
Total liabilities	290,163	249,192	313,070	131,638	1,128,963	-430,332	1,682,694
31 December 2019							
Total assets	171,003	616,066	931,095	668,465	723,149	-647,752	2,462,026
Total liabilities	314,851	231,710	168,508	164,851	1,119,874	-307,720	1,692,074

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

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

Inter-segment operations include intercompany eliminations.

7. General, administrative and selling expenses

	Nine months ended 30 September 2020	Nine months ended 30 September 2019
Staff costs	-94,541	-92,901
Third party services	-44,952	-47,484
Consulting and audit	-20,410	-18,941
Consumables	-8,579	-8,467
Taxes other than income taxes	-6,337	-6,765
Depreciation and amortisation	-9,237	-6,519
Insurance	-5,963	-6,494
Marketing and public relations	-3,244	-3,635
Travelling	-1,092	-3,721
Research and development costs	-11,419	-8,562
Other	-7,421	-5,480
Change in allowance for doubtful debts	-132	193
Total	-213,327	-208,776

Travelling expenses decreased in the first 9 months of 2020 compared to the same period of the previous year mainly due to travel restrictions imposed by Covid-19 safety measures.

During the 9 months of 2020, the Group recognized higher research and development costs after the placing into operation in the first half 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.

8. Other operating income

	Nine months ended 30 September 2020	Nine months ended 30 September 2019
Other operating income		
Rental income	1,617	1,331
Government grants	551,257	3,071
Income from sale of emission rights	36,061	107,698
Income from unused provision reversals	-	15,228
Income from claims and penalties	5,439	6,671
Reversal of impairment of property, plant and equipment	-	4,790
Other income	1,942	9,745
Total other operating income	596,316	148,534

Other operating income

During the 9 months ended 30 September 2020, the Group recognized an amount of RON 547,919 thousand as *Government grants* representing a compensation to which it is entitled for its high electricity costs (nil in 9 months of 2019). The compensation scheme is a part of Romania's plans to partly compensate large energy-consuming enterprises for higher electricity prices resulting from their indirect emission costs, in accordance with the EU Emissions Trading Scheme (ETS). The amount represents the compensation for indirect emission costs included in the energy expenses incurred by the Group in the year 2019, and, on an accrual basis, for 9 months of 2020. The compensation for the year 2019, namely RON 249,946 thousand, was already received by the Group companies in September 2020. See also Note 16 *Other current assets* and Note 17 *Cash and cash equivalents*.

Additionally, in the 9 months ended 30 September 2020 the category *Government grants* includes an amount of RON 3,201 thousand (in 9 months of 2019: RON 2,977 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 grants are recognized as income linearly during the useful life of the equipments for which they were received.

During the 9-month period ended 30 September 2020, the Group sold CO₂ emission certificates of RON 36,061 thousand (9 months 2019: RON 107,698 thousand) and included them under *Income from sale of emission certificates*, 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.

In 2019, the amount of RON 15,228 thousand under the category *Income from unused provision reversals* represents the release of an unused provision for remuneration of staff and management recorded by the Group at 31 December 2018. No such provision was recognised by the Group as at 31 December 2019.

In the category *Income from claims and penalties* in 9 months of 2020 RON 440 thousand represent income from penalties received from one of the suppliers that failed to perform its contractual obligations related to energy supply in 2017 (in 9 months of 2019: RON 2,765 thousand). Another amount of RON 2,993 thousand included in the same category in 9 months of 2019, represents 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.

In the 9-month period ended 30 September 2019 an amount of RON 6,540 thousand was included in *Other income*, representing an adjustment of the alumina stock following the capital repairs that were made to one of the alumina silos in the Primary aluminium division.

9. Interest expenses

	Nine months ended 30 September 2020	Nine months ended 30 September 2019
Interest expense	-46,694	-57,687
Total	-46,694	-57,687

Interest expense decreased during the period of 9 months ended 30 September 2020 compared to the same period of the previous year mainly due to lower LIBOR and ROBOR benchmark interest rates.

Interest expense includes the amount of RON 8,804 thousand (during the period of 9 months ended 30 September 2019: RON 9,427 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 2020 for loans was of RON 3,723 thousand and it is included in the Statement of cash flow under Interest paid (during the period of 9 months ended 30 September 2019: RON 8,893 thousand).

10. Income tax

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. The effective income tax rate for the 9 months ended 30 September 2020 is 11.3% (for the same period of 2019: -1,509.1%).

The effective income tax rate for the period of 9 months ended 30 September 2020 is mainly influenced by the usage of RON 63,751 thousand representing exceeding borrowing costs carried forward by Alro from prior periods (during 9 months 2019: RON 108,803 thousand were considered as non-deductible expenses), thus causing a significant negative value of effective income tax rate. Due to a better EBITDA in the current period, which is used as a threshold in the determination of deductible borrowing cost, Alro had used all the 2020 borrowing costs as deductible expenses and also a part of prior years non-deductible exceeding borrowing cost, which according to local legislation can be carried forward indefinitely. According to the Romanian Fiscal Code, which transposes the EU Directive no.

2016/1164, issued in 2016, the exceeding borrowing costs include interest, expenses for obtaining finance and leasing, capitalized interest and foreign exchange losses above a threshold of EUR 1,000,000 per annum are deductible only up to the level of 30% of EBITDA. Romania implemented the above mentioned EU directive starting 1 January 2018.

Additionally an amount of RON 55,987 thousand representing tax losses carried forward from prior periods were used by Alro to offset its current income tax liability. As a result, the total amount of net deferred income tax asset decreased from RON 37,294 thousand as at 31 December 2019 to RON 28,114 thousand as at 30 September 2020.

According to the Government's set of measures to support businesses during the Covid-19 pandemics, companies in Romania are allowed to delay the payment of taxes until 25 December 2020 without penalties or interest. The Group adopted strategies to benefit its overall cashflow and, for one of its subsidiaries, took the opportunity to defer the payment of approximately RON 55 million on the basis of this facility.

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 2020	Nine months ended 30 September 2019
Income tax		
Current income tax	-25.864	-18.646
Deferred income tax	-8.858	-2.663
Income tax	-34.722	-21.309
Total income taxes	-34.722	-21.309

11. Earnings per share

	Nine months ended 30 September 2020	Nine months ended 30 September 2019
Net result attributable to the owners of the Entity	273,081	-23,235
Weighted average number of ordinary shares	713,779,135	713,779,135
Basic and diluted earnings per share (RON/share)	0.383	-0.033

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

No interim dividends were declared by the Group related to the 9 months ended 30 September 2020 and to the 9 months ended 30 September 2019.

During the 9 months ended 30 September 2020, the Group paid dividends in amount of RON 44 thousand to the shareholders in respect of dividends declared for the previous years (in the same period of 2019 the Group paid RON 324,649 thousand of the dividends declared for 2018).

12. Property, plant and equipment

At 30 September 2020, the book value of Property, plant and equipment of the Group is RON 1,106,820 thousand (at 31 December 2019: RON 1,169,009 thousand). During the 9-month period ended 30 September 2020, the Group's additions to property, plant and equipment were of RON 59,134 thousand (during the 9-month period of the year 2019: RON 84,707 thousand).

During the 9-month period ended 30 September 2020, the Group continued the investments started in 2018 in projects to implement a new low energy pot design ("AP12LE") that will allow the Group to reduce the amount of electricity needed to produce aluminium while maintaining the current production. The AP12LE technology implementation is part of the Group's long term programme for enhancing the energy efficiency of its technological processes. The programme will be continued in the following years until all the pots are relined according to the new technology.

At the same time, the Group allocated resources to maintain and improve the equipment parameters at Alum, in order to increase the economic efficiency and for reducing emissions, following the application of the best techniques available in the field. 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.

The depreciation expense for 9 months of 2020 was of RON 117,969 thousand, while in the same period of the year 2019, it was of RON 109,796 thousand.

The borrowing costs capitalized in the Property, plant and equipment during the 9 months ended 30 September 2020 were of RON 696 thousand at an average interest rate of 5.28% p.a. (during the 9 months ended 30 September 2019: RON 1,169 thousand at an average interest rate of 6.53 % p.a.).

At 30 September 2020, the net book value of property, plant and equipment pledged for securing the Group's borrowings amounts to RON 876,652 thousand (at 31 December 2019: RON 926,526 thousand).

The Group performs its annual impairment test in December and when circumstances indicate that the carrying value may be impaired. As a result of the several factors, such as high volatility of aluminium market, COVID-19 pandemic outbreak with a severe impact on global manufacturing operations, prices and demand indicated that aluminium manufacturing cash-generating unit may be impaired, at 30 June 2020, an impairment test of the property, plant and equipment of Alro was carried out. The resulting recoverable value of these property, plant and equipment was higher than their net book value, so no impairment expense was recognized. As at 30 September 2020 the management has not identified impairment indications additional to those for which the test as at 30 June 2020 was performed, therefore no separate impairment tests of the property, plant and equipment were made as at 30 September 2020.

The recovery value of the cash generating unit (CGU) Alro was determined based on a fair value of CGU less costs to sell calculation by using future cashflows extracted from budgets estimated by the management of the company. The cashflows in perpetuity beyond this period were extrapolated by using a growth rate of 2.0% per annum (at 31 December 2019: 2.2%), in line with forecast inflation. Average EBITDA margin was assumed at 13.8% (at 31 December 2019: 9.7%) for the next five years increasing to a stable level of 14.7% afterwards (at 31 December 2019: 11.0%) and remaining constant at this value in perpetuity. The fair value measurement was categorized as a Level 3 fair value based on the inputs in the valuation technique used.

The key assumptions for the cash-generating unit Alro used during the impairment test performed as at 30 June 2020 were:

	30 June 2020	31 December 2019
Discount rate	9.8%	9.3%
Growth rate, average of next five years	7.20%	6.60%
EBITDA margin, average of next five years	13.80%	9.70%

The estimated recoverable amount of the CGU Alro exceeded its carrying amount by approximately RON 2,006,800 thousand (at 31 December 2019: RON 1,040,000 thousand). The following table shows the amount up to which the key assumptions used would need to change individually for the estimated recoverable amount to be equal to the carrying amount:

	30 June 2020	31 December 2019
Discount rate	22.1%	14.9%
Growth rate, average of next five years	-2.80%	0.80%
EBITDA margin, average of next five years	8.60%	8.20%
EBITDA margin, terminal value	6.50%	7.60%

13. Goodwill

	Nine months ended 30 September 2020	Nine months ended 30 September 2019
Balance 1 January	94,284	90,837
Translation adjustment	-1,825	5,067
Balance at 30 September	92,459	95,904

The goodwill is allocated to the cash generating units as follows (after conversion into RON at the period end exchange rate):

	30 September 2020	31 December 2019
Alro Group	72,893	74,263
Global Aluminium Ltd.	19,140	19,595
Goodwill at acquisition of Vimetco Extrusion	426	426
Total	92,459	94,284

Impairment test

Goodwill is tested for impairment annually (as at 31 December) and when circumstances indicate the carrying value may be impaired. As a result of the several factors, such impairment indications as decreasing aluminium prices, falling demand and the general negative effect of COVID-19 pandemic outbreak over the global economy were detected, at 30 June 2020, an impairment test of the goodwill allocated to Alro Group cash-generating unit was carried out. The resulting recoverable value was higher than the net book value, so no impairment expense was recognized.

The recoverable amount of the cash-generating unit Alro Group was determined based on fair value less costs of disposal, estimated using discounted cash-flow techniques and applying a market-based measurement. This method requires eliminating all owner specific synergies from the cash-flow projections other than those synergies that any market participant would be able to realize. The fair value measurement was categorized as a Level 3 fair value measurement based on the inputs in the valuation technique used.

The cash flow projections were based on the business plan estimated by the directors covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated growth rates stated below.

The key assumptions used in the estimation of the recoverable amount are set out in the following table. The values assigned to key assumptions and estimates used to measure the recoverable amount of the CGU Alro Group reflect past experience, are consistent with external sources of information and are based on management's expectations of market development. The production quantities were estimated based on past experience, represent management's best estimate of future production and reflect company's investment plans. Sales prices were based on the long-term aluminium prices derived from available industry and market sources. Operating costs were projected based on the historical performance and adjusted for the current market conditions and inflation.

Key assumptions	30 June 2020	31 December 2019
Discount rate, after-tax	9.8%	9.3%
Growth rate (average of next five years)	7.1%	6.9%
EBITDA margin (average of next five years)	15.9%	12.3%

Growth rates during the next five years are based on published industry research, directors' future expectations of economic and market conditions, the result of capital investments and anticipated efficiency improvements. The growth rate beyond the five-year period was assumed in line with the forecasted inflation, namely 2.0% (at 31 December 2019: 2.2%).

EBITDA margin is the average margin as a percentage of revenue over the five-year forecast period. It is based on the average levels experienced over the past years, with adjustments made to reflect the expected future sales volumes and price fluctuations.

The estimated recoverable amount of the CGU Alro Group exceeded its carrying amount by approximately RON 2,075,000 thousand (31 December 2019: RON 1,380,000 thousand).

The most sensitive key assumptions used in impairment test of CGU Alro Group are the discount rate and EBITDA margin. An increase of the discount rate to 18.7% and a decrease of EBITDA margin to 10.7% applied separately, would cause the estimated recoverable amount to be equal to the carrying amount (31 December 2019: increase to 14.2% and decrease to 10.6% respectively).

As at 30 September 2020 the management has not identified impairment indications additional to those for which the test as at 30 June 2020 was performed, therefore no separate impairment tests of the goodwill was made as at 30 September 2020.

14. Financial instruments

Set out below, is an overview of financial assets and financial liabilities held by the Group as at 30 September 2020 and 31 December 2019.

Categories of financial instruments

	30 September 2020	31 December 2019
Financial assets		
At amortised cost		
Cash and bank balances	398,402	129,346
Receivables	421,878	133,567
Fair value through profit or loss (FVTPL)		
Designated as at FVTPL	19,180	11,761
Total financial assets	839,460	274,674

	30 September 2020	31 December 2019
Financial liabilities		
Fair value through profit or loss (FVTPL)	-	-
Amortised cost:		
Trade and other payables	319,391	267,220
Non-current bank and other loans	263,544	380,432
Current bank and other loans	949,502	873,988
Total financial liabilities	1,532,437	1,521,640

Total financial assets increased during the 9-month period of the year 2020 compared to the end of 2019 mainly due to *Government grants* of RON 297,973 thousand recognized by the Group, in relation to the EU Emissions Trading Scheme. The receivable comprises the compensation to which the Group is entitled for the energy costs incurred in the first 9 months of 2020 (please see Note 8).

Trade and other payables increased at 30 September 2020 compared to the end of 2019 mainly due to measures adopted by the Romanian Government to support businesses during the Covid-19 pandemic, measures which state that Romanian companies are allowed to delay the payment of taxes until 25 December 2020 without penalties or interest. The Group took the opportunity, for one of its subsidiaries, to defer the payment of approximately RON 55 million on the basis of this facility.

There were no reclassifications between the categories of financial assets during the 9 months 2020 and 2019.

Fair value of financial instruments

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

- The fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets is determined with reference to quoted market prices (includes listed redeemable notes, bills of exchange, debentures and perpetual notes).
- The fair value of other financial assets and financial liabilities (excluding derivative instruments) is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.

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

- 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 the long term loans have variable interest and the bank margins are similar with those for the recently contracted bank loans.

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

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

15. Inventories

	30 September 2020	31 December 2019
Raw and auxiliary materials	255,803	358,838
Work in progress	207,274	222,379
Finished goods	182,192	290,610
Less: allowance for obsolescence	-45,529	-42,879
Total	599,740	828,948

The decrease in value of inventories as at 30 September 2020 compared to 31 December 2019 is a result of the Group management's strategy to optimize the levels of safety stocks of the raw and auxiliary materials and finished products that was placed in operation and of the consequent efforts to reduce inventories. The sales plan was made in such a way so as to sell available output and significantly decrease the stock levels, and during the 9 months of 2020 the Group identified and took advantage of the opportunities existing in the market, especially for aluminium wire rod, aluminium billets, extruded products, and this is visible in the variation of finished products presented above. Furthermore, new procedures were implemented for stock control and acquisitions of raw materials and spare parts.

The value of inventories pledged for securing the Group's borrowings amounts to RON 559,951 thousand (at 31 December 2019: RON 800,944 thousand).

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

	Nine months ended 30 September 2020	Nine months ended 30 September 2019
Balance at beginning of the year	-42,879	-28,148
(Charge) to cost of goods sold	-4,594	-14,748
Reversal to cost of goods sold	1,682	930
Translation adjustments	262	-705
Balance at end of the period	-45,529	-42,671

16. Other current assets

	30 September 2020	31 December 2019
Government grants receivable	297,973	-
VAT recoverable	65,730	55,479
Other current assets	10,717	11,916
Advances to suppliers	5,941	12,475
Prepayments	24,529	13,388
Allowance for sundry doubtful debtors	-19	-121
Total	404,871	93,137

Government grants receivable represent compensations for the high electricity prices resulting from the indirect emission costs under the EU Emission Trading Scheme (ETS). As per European and Romanian regulations, the Group is entitled to receive the aforesaid compensations for the electricity costs incurred in 2019 and in 2020. In September 2020, the Group collected RON 249,946 thousand as compensations for the electricity costs incurred in 2019. Additionally, at 30 September 2020 the Group recognized, on an accrual basis, the amount of RON 297,973 thousand representing the compensations for the 9-month period of 2020. For further details please see also Note 8 *Other operating income* and Note 17 *Cash and cash equivalents*.

17. Cash and cash equivalents

	30 September 2020	31 December 2019
Cash at banks in RON	295,392	10,604
Cash at banks in other currencies	35,939	72,534
Petty cash and cash equivalents	86	44
Total	331,417	83,182

Cash at banks in RON increased at 30 September 2020 compared to the end of previous year as a result of the receipt in September 2020 of the compensation for the indirect emissions costs incurred in 2019 by energy intensive companies in amount of RON 249,946 thousand. For further details please see also Note 8 *Other operating income* and Note 16 *Other current assets*.

A part of the Group's bank accounts (RON 317,973 thousand as at 30 September 2020 and RON 73,127 thousand as of 31 December 2019) were pledged to guarantee the borrowings from banks.

Restricted cash:

	30 September 2020	31 December 2019
Restricted cash	66,985	46,164
Total	66,985	46,164

Restricted cash represents cash held in banks as collateral deposits under the provisions of loan agreements.

The change in restricted cash represents a collateral deposit of RON 30,000 thousand which was placed with a lending bank for a new revolving facility concluded in February 2020 (refer to Note 18). Also, as a result of the extension until February 2024 of one of the non-cash facilities, the related collateral deposit in amount of RON 9,200 thousand was reclassified from *Restricted cash* as of 31 December 2019 to *Other non-current assets* as of 30 September 2020.

18. Borrowings and leases

	30 September 2020	31 December 2019
Long-term borrowings		
Long-term bank loans	1,070,807	1,209,745
Less: Short-term portion of long-term bank loans	-811,630	-835,474
Bank loans, non-current	259,177	374,271
Leases, non-current	4,367	6,161
Total long-term borrowings and leases	263,544	380,432
Short-term borrowings		
Short-term bank loans	100,512	1,747
Short-term portion of long-term bank loans	811,630	835,474
Bank loans	912,142	837,221
Other loans	33,275	32,446
Short-term bank loans, total	945,417	869,667
Leases, current	4,085	4,321
Total short-term borrowings and leases	949,502	873,988
Total borrowings and leases	1,213,046	1,254,420

The bank Borrowings of the Group have maturity dates between November 2020 and December 2024. Alro has initiated discussions for extending the working capital facilities with the current and new potential lenders, with the aim to extend the maturity of the loans for another similar period. At the time these interim condensed consolidated financial statements were authorized for issue, discussions with the banks and the approval process were at an advanced level in respect of the terms and conditions for extending the two revolving loans with maturity in November 2020.

The related interest rates for the loans ranged between 2.80% for EUR and 19% for SLL (Sierra Leone Leones) in 2020 and 2019.

In February 2020, the Parent Company obtained a revolving facility in amount of RON 100,000 thousand for working capital with the maturity in November 2020.

In March 2020, another subsidiary of the Group in Sierra Leone obtained finance from a local commercial bank amounting to SLL 6,000,000 thousand (the equivalent of RON 2,582 thousand) for working capital. The loan is repayable in equal instalments until August 2021.

At 30 September 2020, the Group had the amount of RON 35,251 thousand undrawn and available from the borrowing facilities contracted with the banks (at 31 December 2019: RON 735 thousand).

In February 2020 the Parent Company signed the extension until February 2024, of the non-cash facility for letters of credit and letters of guarantee of RON 46,000 thousand and until February 2021, the one of USD 30,000 thousand for electricity acquisition purposes.

At 30 September 2020, the Group had the amount of RON 92,468 thousand unutilized and available from the non-cash facilities for letters of credit and letters of guarantee (at 31 December 2019: RON 72,881 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 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 70,624 thousand (at 31 December 2019: RON 55,422 thousand), with their current accounts opened with banks (see Note 17), with collateral deposits of RON 75,200 thousand (at 31 December 2019: RON 45,200 thousand), with property, plant and equipment (land, buildings, equipment) with a net book value of RON 876,652 thousand (2019: RON 926,526 thousand) and with inventories of RON 559,951 thousand (2019: RON 800,944 thousand).

The Group has estimated that the fair value of the borrowings and the leases equals their carrying amount, mainly due to the fact that the long term loans have variable interest and the bank margins are similar with those for the recently contracted bank loans. Their fair value belongs to the level 3 of the fair value measurement hierarchy.

19. Related party transactions

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

The main related parties with whom the Group had transactions during the period are:

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

Group transactions are eliminated on consolidation.

The primary related party transactions are described below:

Sales of goods and services	Nine months ended 30 September 2020	Nine months ended 30 September 2019
Companies under common control	1,149	995
Total goods and services provided to related parties	1,149	995

Goods and services purchased from related parties:

	Nine months ended 30 September 2020	Nine months ended 30 September 2019
Companies under common control	-164,482	-215,026
Total goods and services purchased from related parties	-164,482	-215,026

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-month period ended 30 September 2020: RON 122,636 thousand; during the 9-month period ended 30 September 2019: RON 171,896 thousand). Additionally, the companies within the Group received services of a supportive nature from other entities under common control such as advisory services, sales agency services, guard, logistics and administrative services.

The following balances were outstanding at 30 September 2020 and 31 December 2019:

Trade and other accounts receivable:

	30 September 2020	31 December 2019
Companies under common control	4,072	3,557
Allowance for doubtful receivables	-394	-394
Total trade and other accounts receivable from related parties	3,678	3,163
- non-current	-	-
- current	3,678	3,163

Trade and other accounts payable:

	30 September 2020	31 December 2019
Companies under common control	9,224	7,118
Total trade and other accounts payable to related parties	9,224	7,118

Dividends

During the 9 months ended 30 September 2020, the Parent Company paid dividends of RON 44 thousand to shareholders in respect of dividends declared for the previous years. During the 9 months ended 30 September 2019, the Parent Company paid dividends declared for 2018 in total amount of RON 324,635 thousand, out of which an amount of RON 176,982 thousand was paid to the major shareholder Vimetco N.V. and an amount of RON 75,809 thousand to its shareholder Paval Holding SRL.

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 8,305 thousand (during the 9 months of the year 2019: RON 7,348 thousand), while the expense for determined contribution plan (social contributions) during the 9 months of the year 2020 was RON 1,630 thousand (during the 9 months of the year 2019: RON 1,614 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 year. The terms and conditions of these transactions were no more favourable than those available, or which might reasonably be expected to be available, in similar transactions with non-key management personnel related companies on an arm's length basis.

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

	Nine months ended 30 September 2020	Nine months ended 30 September 2019
Goods and services purchased from entities controlled by key management personnel or their close family members	23	84
Total	23	84

20. Commitments and contingencies

Commitments

Investment commitments

As at 30 September 2020, the Group's commitments pertaining to the investments amounted to RON 30,042 thousand (31 December 2019: RON 42,873 thousand).

Raw material purchase contracts

As at 30 September 2020, the Group had contracts for purchases of raw materials, electricity, other consumables and utilities in amount of RON 513,062 thousand (31 December 2019: RON 957,574 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.

Litigations

As at 30 September 2020 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.

The Group as a plaintiff: in 2016, the Parent Company contested before the Court of Law a decision of the Competition Council that fined the Company by RON 21,239 thousand for an alleged vertical agreement on the energy market, which was firmly challenged by the Company, as well as several Romanian Energy Regulatory Authority ("ANRE") orders regarding the calculation of green certificate quota for the Company's energy consumptions in 2015 and regarding the quota settlement methodology. The disputes are ongoing before the competent Courts of Law. The appeal against the sanction decision issued by the Competition Council was rejected by the Primary Court - the Bucharest Court of Appeal. The Company will use legal remedies to defend its position in the case.

The Group as a defendant: in March 2020, the Parent Company of the Group was notified by the United States International Trade Commission that several companies in the United States filed a petition for the establishment of antidumping tariffs for certain aluminium products originating from 18 countries, including Romania, imported in United States between 2017 and 2019. The petition is filed by the US Aluminium Association and is concerning the aluminium sheets between 0.2 mm and 6.3 mm, made from common alloys (1xxx, 3xxx and 5xxx series). In case of the sheets of Romanian origin, produced by Alro S.A., the preliminary antidumping tariff, determined by the US Department of Commerce and applicable immediately, is of 83.94%. The tariffs which are the subject of the petition must be paid by the importers, not by the producers and they are not imposed retroactively. For Alro Group, the potential loss would be the decrease of future sales to USA market, since the American importers are thus discouraged to continue buying from us. The Company is continuing to consider the petition as unfounded and the calculations which are behind it as erroneous and intends to vigorously defend its position in front of the American authorities involved.

Taxation

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

At 30 September 2020, one of the Group subsidiaries was subject to fiscal audit from the National Agency for Fiscal Administration regarding the period 2013 - 2018. At the date when these interim condensed consolidated financial statements were approved, the fiscal inspection was not finalized. The Group's management does not expect any significant financial impact from this fiscal audit.

In March 2020, the Group subsidiary Sierra Mineral Holdings 1, Limited received an information from the National Mining Agency on a new review of the regulatory document for all mining companies in Sierra Leone. The review was postponed due to the SARS-CoV-2 pandemic. Management could not estimate, at the date when these interim condensed consolidated financial statements were approved, the potential impact that this review would have on the financial statements of the Group.

21. Events after the reporting date

On 7 October 2020, the Temporary Framework scheme for State aid in the form of guarantees on loans was published in the Official Gazette of Romania (the "EximBank Guarantees under the Covid-19 state aid scheme"). This scheme supports the Large Enterprises among others, in contracting new loans (investment or working capital) secured by a state guarantee covering maximum 90% of the facility amount for a period that may not exceed 4 years for working capital, respectively 6 years for investment loans. The Group is contemplating the possibility to apply for the scheme and to benefit from its advantages in contracting its future loans.

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 2020	Nine months ended 30 September 2019
Current ratio	Current assets/ Current liabilities	1.13	2.31
Gearing ratio	Long-term borrowings/ Equity x 100	25.39	138.25
	Long-term borrowings/ Capital employed x 100	20.25	58.03
Receivables turnover	Receivables average balance/ Turnover x 270	9.41	8.75
Non-current assets turnover	(Turnover x 360/ 270)/ Non-current assets	2.06	2.09

At 30 September 2020, the *Current Ratio* as well as the *Gearing ratio* decreased as a result of the classification from long term to short term at 30 September 2020, of some bank loan facilities with maturities within one year from the reporting date.

To ensure the comparability of the ratios *Current Ratio* and *Gearing Ratio*, the ratios for 30 September 2020 are presented below, adjusted with the aforementioned credit facilities by transferring them in the *Long-term borrowings* from the *Current liabilities* category.

Adjusted ratios

Ratio description	Formula	Nine months ended 30 September 2020	Nine months ended 30 September 2019
Adjusted current ratio	Current assets/ Current liabilities	2.40	2.31
Adjusted gearing ratio	Long-term borrowings/ Equity x 100	90.95	138.25
	Long-term borrowings/ Capital employed x 100	47.63	58.03