

Quarterly Report 30 September 2021

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ALRO GROUP

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ALRO GROUP

QUARTERLY CONSOLIDATED REPORT Q3/2021

Consolidated Financial Results for the Third Quarter of 2021 (Q3 2021) as Compared to the Third Quarter of 2020 (Q3 2020) (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 2021

Highlights of the nine months ended 30 September 2021 (Q1-Q3 2021)

- The Group turnover faced a real boost by 27% in Q1-Q3 2021 as compared to Q1-Q3 2020 and by 60% in Q3 2021 as compared to Q3 2020;
- The aluminium quotations price continued to increase in Q1-Q3 2021 reaching an average LME quotation at the London Metal Exchange of 2,384 USD/tonne, raising by 46% as compared to the average recorded in Q1-Q3 2020. The same upward trend continued in Q3 2021 when the average LME was 2,648 USD/tonne, higher by 55% as compared to the average reported in Q3 2020;
- Higher sales volumes of flat rolled products and alumina in the 9-month period of 2021 as compared to the same period of 2020, as well as in Q3 2021 as compared to Q3 2020;
- The electricity purchase price increased in Q1-Q3 2021 by 12% as compared to Q1-Q3 2020, reaching record levels in Q3 when the increase was 35% as compared to Q3 2020.
- In October 2021, the Group received the amount of RON 395,888 thousand as compensation for the energy costs incurred in 2020, for which it applied last year. In 2021 the Group has not accrued for any income to be received from such compensations for indirect emissions embedded in the energy price, due to the fact that the legislation related to the new scheme for 2021-2030 is still in process of being finalized and implemented in Romania.

ALRO GROUP

Indicator	Q3 2021	Q3 2020	Q1-Q3 2021	Q1-Q3 2020
Primary aluminium production (tonnes)	73,467	64,472	219,619	201,635
Processed aluminium production (tonnes)	29,473	22,575	84,209	74,226
Alumina production (tonnes)	111,729	111,619	370,220	314,577
Bauxite production (tonnes)	359,375	300,452	991,551	1,039,793
Sales (thousand RON)	928,513	581,013	2,466,424	1,941,955
EBITDA ¹ (thousand RON)	137,841	52,392	282,208	482,651
EBITDA margin (%)	14.8%	9.0%	11.4%	24.9%
Adjusted net result ² (thousand RON)	60,718	20,429	45,856	282,210
Net result (thousand RON)	22,913	19,690	-24,664	273,352

ALRO S.A.

Indicator	Q3 2021	Q3 2020	Q1-Q3 2021	Q1-Q3 2020
Primary aluminium production (tonnes)	73,467	64,472	219,619	201,635
Processed aluminium production (tonnes)	22,986	15,730	65,718	54,850
Primary aluminium sales (tonnes)	37,740	41,029	120,440	122,664
Processed aluminium sales (tonnes)	22,171	16,768	65,912	57,221
Sales (thousand RON)	870,204	541,413	2,294,366	1,764,258
EBITDA ¹ (thousand RON)	119,266	23,926	232,338	369,953
EBITDA margin (%)	13.7%	4.4%	10.1%	21.0%
Adjusted net result ² (thousand RON)	61,259	5,156	68,217	226,165
Net result (thousand RON)	22,714	4,646	-4,868	216,418
Adjusted net result ² per share (RON)	0.086	0.007	0.096	0.317
Net result per share (RON)	0.032	0.007	-0.007	0.303

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

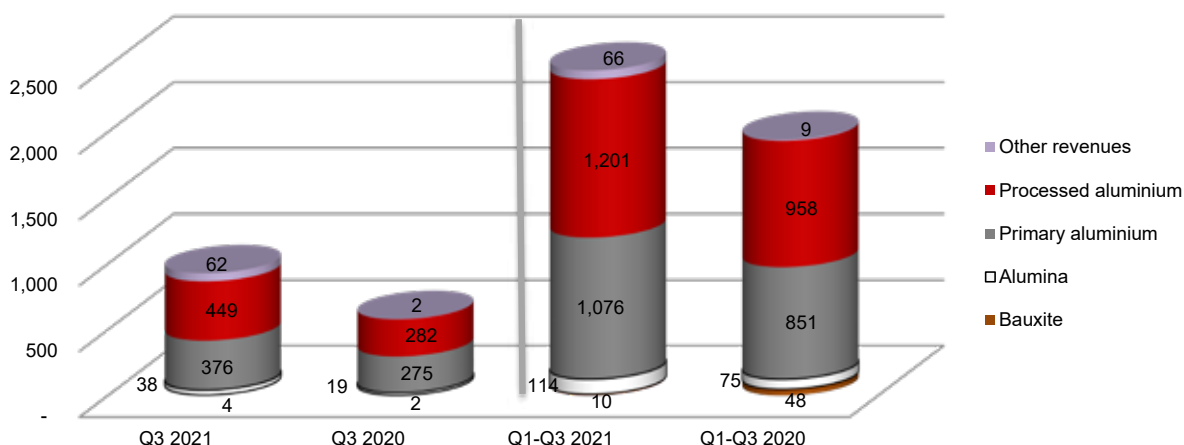
Alro Group has successfully managed to overcome the year 2020, an extremely difficult year, and maintained all its production units 100% functional, without disturbances in the production and sales process and without layoffs. The measures implemented by the Group in 2020 and continued in 2021, to overcome the pandemic crisis, have proven their effectiveness, helping us to adapt to new conditions and take advantage of the opportunities created by the global economic context, so that the Group reported a higher turnover 27% in the period of 9 months 2021 as compared to the same period of 2020 (Q1-Q3 2021: RON 2,466,424 thousand versus Q1-Q3 2020: RON 1,941,955 thousand). A significant increase in the income was recorded in Q3 2021, when the Group reported a turnover of RON 928,513 thousand, up by 60% as compared to the level recorded in Q3 2020 which was in amount of RON 581,013 thousand.

The global economy recovery in 2021 and the increase in demand in the automotive, construction and general engineering industries resulted in higher sales for the Group's products during the 9 months ended 30 September 2021, especially for billets and flat rolled products. The aerospace industry, where the Group sells very high added value flat rolled products, continued to record low levels, but began to show signs of recovery at a rather slow pace in Q3 2021. The price of aluminium continued the upward trend, visible since the second half of 2020, so that it recorded an average of 2,384 USD/tonne in the first 9 months of 2021, up by 751 USD/tonne as compared to the same period of 2020. This upward trend continued in Q3 2021, when the LME average was 2,648 USD/tonne, higher with 944 USD/tonne as compared to the average reported in Q3 2020 (1,704 USD/tonne), reaching a maximum level of the first 9 months 2021, of 2,950 USD/tonne on 13 September 2021.

However, during the analysed period, the good performance of the aluminium industry and market was partially impacted by the fast growth of prices for raw materials and utilities. Alro Group has faced a difficult context starting Q2 2021, as the electricity market has been affected by a high pressure for energy decarbonisation in Europe and Romania. The electricity market has been dominated by an unprecedented increase in energy supply prices, which is mainly related to the increase of the emission certificates prices, and then due to the increased price of gas. Under these circumstances, some of the Group's electricity suppliers requested a price amendment for the amount of electric power contracted in advance by the Group, reductions in quantities and tighter payment terms and, in some cases, they preferred to terminate the contracts and pay penalties. The Group has taken all possible measures to reduce the effect of such events.

Revenues from contracts with customers (RON '000)	Q3 2021	Q3 2020	Q1-Q3 2021	Q1-Q3 2020
Revenues from the bauxite segment	4,076	2,262	9,957	48,306
Revenues from the alumina segment	37,514	19,098	113,954	75,047
Revenues from the primary aluminium segment	375,727	275,360	1,075,804	851,452
Revenues from the processed aluminium segment	449,145	282,140	1,200,864	958,493
Other	62,051	2,153	65,845	8,657
Total	928,513	581,013	2,466,424	1,941,955

Sales (RON million)



The sales value of processed products increased by 25% in Q1-Q3 2021 as compared to Q1-Q3 2020. Of these, the sales value of flat rolled products increased by 28% in Q1-Q3 2021 as compared to the same period of 2020 and by 69% in Q3 2021 versus Q3 2020. The good performance of flat rolled products was supported by the high level of LME quotation, by a strong demand especially in the automotive, building & construction and general engineering industries and by the quantities sold which were higher by almost 8,700 tonnes during the 9-month ended 30 September 2021 compared to the same period of 2020 and by more than 5,400 tonnes in Q3 2021 versus Q3 2020. However, the demand from the automotive sector was slightly lower towards the end of Q3 2021, while the aerospace sector, where the Group sells very high added value flat rolled products, began to show signs of recovery in Q3 2021, but at a rather slow pace.

Primary aluminium sales were up by 26% in the Q1-Q3 2021 as compared to Q1-Q3 2020 and by 36% in the Q3 2021 as compared to the Q3 2020. The strong demand was supported by a good performance of the automotive and construction sectors, a limited supply, the anti-dumping fees imposed by the European Union on Chinese extruded products, as well as by the end users restocking process. Demand in the extrusion sector has increased in 2021, such that the Group sold billets by more than 1,280 tonnes in Q1-Q3 2021 versus Q1-Q3 2020 and the revenues achieved from the billets sales were by 42% higher in Q1-Q3 2021 as compared to Q1-Q3 2020 and by 61% in Q3 2021 versus Q3 2020. We expect a very strong demand, at least until the end of 2021, so as to exceed the budgeted sales for this product line in 2021.

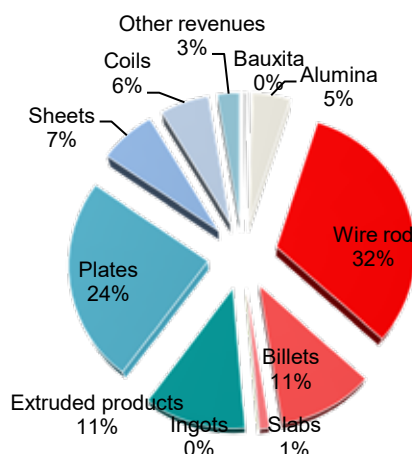
Good results have also been recorded in case of aluminium wire rod, another category of primary products with a steady demand and high orders level; thus, in Q1-Q3 2021 the value of the deliveries for this product were higher by 24% as compared to the same period of the previous year and by 36% in Q3 2021 as compared to Q3 2020. However, in May-September 2021, the Group limited the aluminium wire rod sales in favour of the billets sales, which have a higher profitability.

At the same time, the alumina segment also managed to achieve a good performance in the first 9 months of 2021 as compared to the similar period of the previous year, reporting an increase by almost 29,900 tonnes in the quantity of sold alumina and an increase by 52% in the value of the sales. In Q3 2021, taking advantage of the market opportunities, the Group achieved revenues higher by 96% from the alumina sales and delivered 11,700 tonnes of alumina more as compared to Q3 2020.

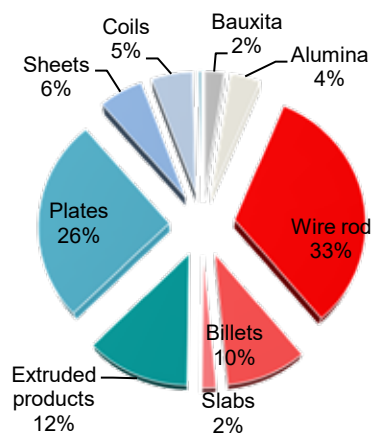
In the second quarter of 2021, one of the electricity suppliers requested a suspension of energy deliveries for a certain period. Due to uncertainties around the energy market, the Group started to acquire energy from the market to replace the missing quantities. Subsequently, following negotiations, the contract was resumed with this supplier. Thus, the Group found itself in the position to have excess of electricity, which it sold on the free market, and this resulted in the increase of the Other category by RON 57,188 thousand in Q1-Q3 2021 as compared to Q1-Q3 2020 and by RON 59,898 thousand in Q3 2021 as compared to Q3 2020.

The contribution of sales to third parties in the Primary Aluminium segment was RON 1,075,804 thousand in Q1-Q3 2021 and accounted for 44% of the Group's total revenues (Q1-Q3 2020: RON 851,452 thousand; 44%). Sales to third parties in the Processed Aluminium segment accounted for 49% of the Group's turnover in the 9-month period ended 30 September 2021, amounting to RON 1,200,864 thousand (9-month period ended 30 September 2020: RON 958,493 thousand, 49%), in accordance with the Group's strategy of increasing the share of high and very high value-added products sales in the total sales.

Sales structure (RON '000), Q1-Q3 2021

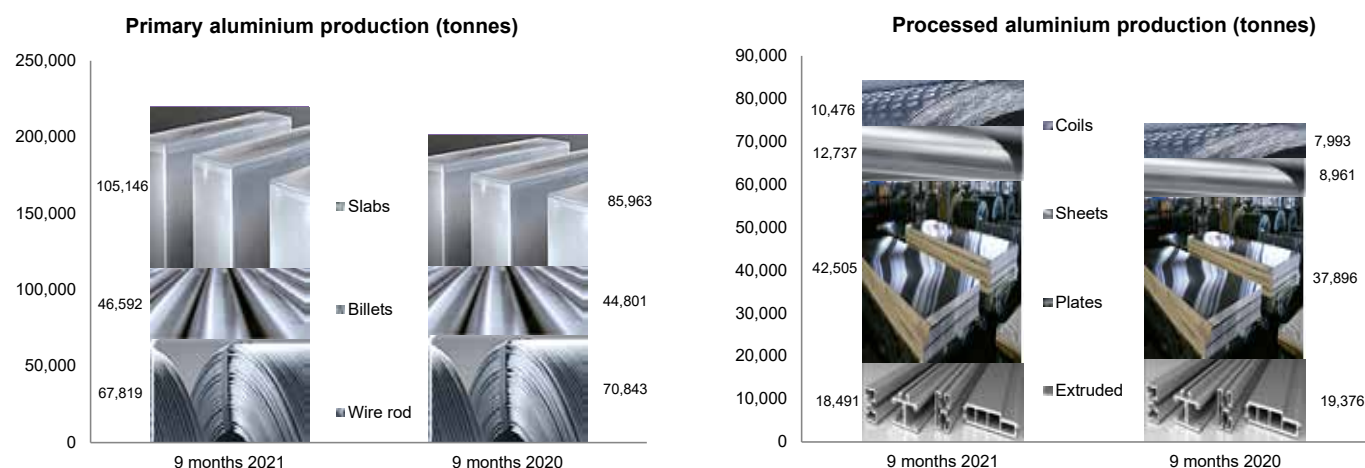


Sales structure (RON '000), Q1-Q3 2020



Production

In Q1-Q3 2021 the production of the Primary Aluminium Division increased by 9% as compared to Q1-Q3 2020 and by 14% in Q3 2021 as compared to Q3 of the previous year. A significant increase was recorded for the slabs production which was by approximately 19,200 tonnes higher in Q1-Q3 2021 as compared to Q1-Q3 2020 and by approximately 11,100 tonnes higher in Q3 2021 as compared to Q3 2020, due to the increase of the Group's internal demand for the production of flat rolled products. Also, the good evolution of the automotive and construction industries in 2021 and the steady demand in these sectors has led to an increase by approximately 1,800 tonnes in billets production in Q1-Q3 2021 as compared to Q1-Q3 2020. The same upward trend was recorded for the processed aluminium production which was 13% higher in Q1-Q3 2021 as compared to Q1-Q3 2020 and increased by 31% in the Q3. Thus, the production of flat rolled products increased by almost 10,900 tonnes in Q1-Q3 2021 as compared to Q1-Q3 2020 and by more than 7,250 tonnes in Q3 2021 as compared to Q3 2020, in line with the Group's objective of increasing sales of higher profit margin products.



As regards **the cost of goods sold**, the Group reported an increase of 8% in Q1-Q3 2021 as compared to the same period of the previous year (Q1-Q3 2021: RON 2,119,813 thousand as compared to Q1-Q3 2020: RON 1,965,388 thousand), especially because of the raising costs of raw materials and utilities, in line with the specific market prices. In Q3 2021, the cost of goods sold increased by 29% as compared to Q3 2020 (Q3 2021: RON 773,771 thousand as compared to Q3 2020: RON 600,678 thousand), due to the upward trend of the electricity and natural gas price, which reached record levels, such levels being in accordance with the prices on the OPCOM platforms. One of the most important long-term objectives of the Group is to optimize the electricity consumption, the Group constantly investing in this direction. In Q1-Q3 2021 the Group continued the project involving the retrofitting of smelter pots using AP12LE technology, putting into operation 75 pots (Q1-Q3 2020: 31 pots retrofitted with AP12LE technology), the project being in progress until all the smelter pots will have been replaced with the new technology.

Furthermore, due to the yet unstable global economic environment, the raw material prices have risen to extreme levels and the contracting of raw materials and marine transport have been difficult during this period. In order to reduce its dependence on energy supply, the Group purchased from the market larger quantities of aluminium scrap, the price of which is linked to the LME quotation, in order to provide the raw material for the production of Eco-Recycling Facility, whose production increased by 37% in Q1-Q3 2021 as compared to Q1-Q3 2020 and by 81% in Q3 2021 versus Q3 2020.

In 2021, in a difficult context with pressure on the de-carbonization of the energy in Romania and Europe, the electricity market is dominated by a surge in prices of electricity delivery that also embed a surge in the prices of emission certificates. The price rose, on one side, because of higher demand for allowances due to higher economic activity following COVID-19 and expectations linked to the 2030 climate ambition. The current electricity price increase is primarily due to global demand for gas soaring as economic recovery is picking up. High gas prices themselves contribute to an increasing carbon price since they lead to an increased use of coal for power generation and consequently higher demand for emission allowances. The quantities of electricity for the front quarter – Q1/22 are now traded for over 860 RON/MWh, which is 3 times higher than where this product would have been in the past years (230-310 RON/MWh). The carbon price, too, rose by around 30 EUR per tonne of CO₂ this year, to the current level of around 60 EUR per tonne of CO₂. Under these circumstances, when some of the Group's suppliers of electricity have failed to perform their contractual obligations contracted in advance, the Group is forced to find alternatives for energy supply that might prove more costly in the near future.

However, the increase by 8% of the cost of goods sold in Q1-Q3 2021, as compared to the same period of the previous year (29% in Q3 2021 as compared to Q3 2020) remained well below the 27% increase in sales during the analyzed period (60% in Q3 2021 as compared to Q3 2020), so that **the gross result margin** increased to 14% in Q1-Q3 2021, respectively 17% in Q3 2021 from negative margins recorded in the same periods of 2020.

The LME increasing trend in the analyzed period, higher quantities sold in the aluminium segments with better profit margins, have translated into the reported results. Thus, **the gross result** of the Group increased significantly and reached the positive value of RON 346,611 thousand during the 9 month period ended 30 September 2021 (during Q3 2021: positive value in the amount of RON 154,742 thousand) as compared to the 9-month period ended 30 September 2020, when the reported value was negative, in the amount of RON 23,433 thousand (during Q3 2020: negative value in the amount of RON 19,665 thousand).

In Q1-Q3 2021, **other operating income** reached the value of RON 46,720 thousand (Q3 2021: RON 25,610 thousand) and mainly include revenues from penalties charged to electricity suppliers for the early cancellation of the contracts. During the 9-month period ended 30 September 2020, *Other operating income* mainly includes revenues from subsidies related to the EU-ETS compensation scheme for 2019 and the first 9 months 2020 in the amount of RON 547,919 thousand (Q3 2020: RON 94,158 thousand). During the period of 9 months ended 30 September 2021, the Group did not register revenues from subsidies for indirect carbon emissions in the category *Other operating income* because Europe has entered a new phase of ETS legislation, namely Phase 4, valid for the period 2021-2030. The Romanian authorities must implement the European ETS Guidelines post 2021, no. C (2020) 6400 final * in the Romanian legislation, and only afterwards will it be entitled to recognize revenues from indirect emissions subsidies (*: *Commission Communication Guidelines on certain State aid measures granted in the context of the greenhouse emissions trading scheme after 2021*). In October 2021, the Group received the amount of RON 395,888 thousand representing the compensation for the energy costs incurred in 2020. For more details, please see *Note 8 Other operating income* and *Note 22 Events after the reporting date* of the Interim Consolidated Financial Statements for the period of 9 months 2021.

The operating result (EBIT) in Q1-Q3 2021 amounts to RON 163,898 thousand as compared to the amount of RON 355,102 thousand reported in Q1-Q3 2020. Although the Group achieved much better operating results, in 2021 it could not book an income from energy compensation such as it did in 2020, as mentioned above, and therefore the EBIT was lower. Without the effect of the compensation booked in the 9 months of 2020, we may say that the EBIT increased. In Q3 2021 the recorded EBIT was by RON 88,835 thousand higher as compared to the same quarter of the previous year (Q3 2021: RON 100,516 thousand versus Q3 2020: RON 11,681 thousand), due to the positive evolution of the aluminium price and the high level of demand for the Group products, materialized in higher quantitative sales.

The gains / (losses) from derivative financial instruments, net are related to the 100% collar options concluded by the Group in March 2021 for a quantity of 60,000 tonnes of aluminium, securing, for this quantity, at the least the budgeted price for the second half of the year. In the period of 9 months ended 30 September 2021 from the net loss of RON 70,808 thousand (9 months 2020: nil) related to derivative financial instruments, an amount of RON 21,843 thousand represents the net loss realized from exercising the options during July-September 2021 as the aluminium price related to the LME quotation was higher than the cap of the collar, including the cost of these options and the cost of the unexercised options when the LME values were within the collar range, while the amount of RON 48,966 thousand represents the unrealized net loss, namely the mark-to-market of the outstanding options at 30 September 2021. In Q3 2021, the net loss amounting to RON 39,141 thousand (Q3 2020: nil) resulted from exercising the options, plus their cost and the cost of unexercised options amounting to RON 21,843 thousand, and from the unrealized net loss amounting to RON 17,298 thousand generated by the increase of the options value as of 30 September 2021 as compared to the previous quarter, i.e. 30 June 2021. However, the loss from hedging was offset by the higher level of LME incorporated in the price of aluminium sold to the customers.

The amount of RON 43,850 thousand recorded in Q1-Q3 2021 represents **net foreign exchange loss** mainly due to the revaluation of the loans and other liabilities of the Group in foreign currency, as a result of the depreciation of the Romanian leu against the US dollar on 30 September 2021 as compared to the end of 2020 (from 3.9660 USD/RON as of 31 December 2020 to 4.2653 USD/RON as of 30 September 2021). In Q1-Q3 2020, there had been a reverse evolution, as the Romanian leu appreciated against the US dollar as of 30 September 2020 as compared to 31 December 2019 (from 4.2608 USD/RON as of 31 December 2019 to 4.1617 USD/RON as of 30 September 2020), thus recording a net foreign exchange gain in the amount of RON 11,201 thousand. In Q3 2021, the evolution was in the same direction, the Group reporting in Q3 2021 a net foreign exchange loss in the amount of RON 16,498 thousand and a net foreign exchange gain in the amount of RON 25,333 thousand in the same quarter of the previous year.

In the 9-month period ended 30 September 2021, **the net result** of the Group was a loss of RON 24,664 thousand as compared to a profit of RON 273,352 thousand in the period of 9 months ended 30 September 2020. Even if it incurred good operating results in the 9 months of 2021, these could not cover the FX loss mentioned above and a one-off tax expense adjustment (as described in Note 10 to the Quarterly Financial Statements for the 9 months ended 30 September 2021). Besides this, the Group could not benefit from income from compensations for indirect emissions costs, as mentioned above, and therefore these factors led to a net loss for it. On the other hand, in Q3 2021, the Group's net result was a net profit in the amount of RON 22,913 thousand, by 16% higher as compared to the net profit of RON 19,690 thousand reported in Q3 2020, amid a significant increase in turnover by 60 % in Q3 2021.

The reconciliation between the net result and the adjusted net result for Q1-Q3 2021 and Q1-Q3 2020 is detailed below:

Adjusted net result	Q3 2021	Q3 2020	Q1-Q3 2021	Q1-Q3 2020
NET RESULT (RON '000)	22,913	19,690	-24,664	273,352
Plus/(minus) charge/ (reversal) of non-current assets impairment expense/(income)	99	-	-4	-
Plus/(minus) the loss/(gain) from derivative financial instruments for which hedge accounting was not applied	39,141	-	70,808	-
Plus/(minus) deferred tax expense/ (income)	-1,435	739	-284	8,858
ADJUSTED NET RESULT	60,718	20,429	45,856	282,210

in RON '000,
except per share data

Q3 2021	Q3 2020		Nine months ended 30 September 2021	Nine months ended 30 September 2020
928,513	581,013	Revenue from contracts with customers	2,466,424	1,941,955
-773,771	-600,678	Cost of goods sold	-2,119,813	-1,965,388
154,742	-19,665	Gross result	346,611	-23,433
-77,127	-71,879	General, administrative and selling expenses	-221,822	-213,327
25,610	103,964	Other operating income	46,720	596,316
-2,709	-739	Other operating expenses	-7,611	-4,454
100,516	11,681	Operating result (EBIT)	163,898	355,102
-10,008	-12,944	Interest expenses	-30,633	-46,694
-39,141	-	Gains (losses) from derivative financial instruments, net	-70,808	-
927	676	Other financial income	2,819	2,658
-6,068	-3,868	Other financial costs	-17,125	-14,193
-16,498	25,333	Net foreign exchange gains / (losses)	-43,850	11,201
29,728	20,878	Result before income taxes	4,301	308,074
-6,815	-1,188	Income tax	-28,965	-34,722
22,913	19,690	Result for the period	-24,664	273,352
		Other comprehensive income / (expense), net of tax:		
		<i>Items that will not be reclassified subsequently to profit or loss</i>		
-10	-3	Remeasurements of post-employment benefit obligations	-26	-3
		<i>Items that may be reclassified subsequently to profit or loss:</i>		
6,312	-4,714	Translation adjustment	17,183	-5,480
6,302	-4,717	Other comprehensive income / (expense) for the period, net of tax	17,157	-5,483
29,215	14,973	Total comprehensive income / (expense) for the period	-7,507	267,869
		Result attributable to:		
22,952	19,642	Shareholders of Alro SA	-24,489	273,081
-39	48	Non-controlling interest	-175	271
22,913	19,690		-24,664	273,352
		Total comprehensive income / (expense) attributable to:		
29,216	14,953	Shareholders of Alro S.A.	-7,435	267,631
-1	20	Non-controlling interest	-72	238
29,215	14,973		-7,507	267,869
		Earnings per share		
0.032	0.028	Basic and diluted (RON)	-0.034	0.383

The comparative figures for 9-month period of 2020 were reclassified in accordance with the presentation adopted in the Financial Statements for the year 2020. RON 14,193 thousand representing bank commissions and commissions paid in relation with factoring agreements, previously included under *Other financial gains / (losses), net*, are now presented under *Other financial costs*.

Alro Group Quarterly Report Q3 2021

Interim consolidated statement of financial position - unaudited

in RON '000

	30 September 2021	31 December 2020
Assets		
Non-current assets		
Property, plant and equipment	1,075,423	1,089,217
Investment properties	641	664
Intangible assets	4,628	5,957
Goodwill	94,367	88,856
Right-of-use assets	7,450	10,731
Deferred tax asset	49,655	48,027
Other non-current assets	61,931	45,329
Total non-current assets	1,294,095	1,288,781
Current assets		
Inventories	754,358	678,441
Trade receivables, net	113,493	51,389
Current income tax receivable	977	642
Other current assets	506,274	504,571
Restricted cash	149	95
Cash and cash equivalents	141,173	105,500
Total current assets	1,516,424	1,340,638
Total assets	2,810,519	2,629,419
Shareholders' Equity and Liabilities		
Shareholders' equity		
Share capital	370,037	370,037
Share premium	86,351	86,351
Other reserves	352,196	335,116
Retained earnings	293,540	-40,723
Result for the period	-24,489	334,289
Equity attributable to shareholders of Alro S.A.	1,077,635	1,085,070
Non-controlling interest	2,523	2,595
Total shareholders' equity	1,080,158	1,087,665
Non-current liabilities		
Bank and other loans, non-current	1,001,398	848,285
Leases, non-current	3,439	3,712
Provisions, non-current	39,262	37,463
Post-employment benefit obligations	48,932	49,430
Government grants, non-current portion	40,504	43,703
Other non-current liabilities	1,480	1,148
Total non-current liabilities	1,135,015	983,741
Current liabilities		
Bank and other loans, current	126,574	120,293
Leases, current	2,895	3,401
Provisions, current	34,569	33,276
Trade and other payables	287,696	245,929
Contract liabilities	14,673	31,742
Derivative financial instruments liability, current	46,445	-
Current income taxes payable	10,553	21,797
Government grants, current portion	4,267	4,267
Other current financial liabilities	67,674	97,308
Total current liabilities	595,346	558,013
Total liabilities	1,730,361	1,541,754
Total shareholders' equity and liabilities	2,810,519	2,629,419

The comparative figures for the year 2020 were reclassified in accordance with the presentation adopted in 2021. The amount of RON 31,742 thousand representing contract liabilities and the amount of RON 12,275 thousand representing trade payables for fixed assets which were reported at 31 December 2020 under the category *Other current financial liabilities* are now included under *Contract liabilities* and *Trade and other payables*, respectively.

	Share capital	Share premium	Other reserves
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
Balance at 1 January 2021	370,037	86,351	375,866
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	-	-	-
Balance at 30 September 2021	370,037	86,351	375,866

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
-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
-40,750	335,116	-40,723	334,289	1,085,070	2,595	1,087,665
-	-	-	-24,489	-24,489	-175	-24,664
17,080	17,080	-	-	17,080	103	17,183
-	-	-26	-	-26	-	-26
17,080	17,080	-26	-	17,054	103	17,157
17,080	17,080	-26	-24,489	-7,435	-72	-7,507
-	-	334,289	-334,289	-	-	-
-23,670	352,196	293,540	-24,489	1,077,635	2,523	1,080,158

Alro Group Quarterly Report Q3 2021

Interim consolidated statement of cash flows - unaudited

in RON '000

Q3 2021	Q3 2020		Nine months ended 30 September 2021	Nine months ended 30 September 2020
		Cash flow from operating activities		
29,728	20,878	Result before income taxes	4,301	308,074
		<i>Adjustments for:</i>		
37,226	40,711	Depreciation and amortisation	118,314	127,550
99	-	Reversal of impairment of property, plant and equipment	-4	-
247	-13	Movement in provisions	1,292	714
4,332	-2,217	Change in allowance for impairment of inventory	-15,531	2,912
3,595	188	Change in allowance for impairment of doubtful receivables	2,590	132
-98	-10	Losses/(gains) on disposal of property, plant and equipment	1,888	436
19,379	-23,792	Net foreign exchange (gains)/ losses on loans revaluation	50,760	-12,591
-924	-673	Interest income	-2,801	-2,653
10,008	12,944	Interest expense	30,633	46,694
-	-	Dividend income	-2	-2
39,141	-	Effect of derivative financial instruments	70,808	-
		<i>Changes in working capital:</i>		
-83,943	32,211	Change in inventories	-51,361	225,729
-59,327	165,411	Change in trade receivables and other assets	-82,650	-295,646
593	15,914	Change in trade and other payables	-18,005	24,064
-2,378	-18,464	Income taxes (paid)/refunded	-40,889	-13,996
-10,815	-12,915	Interest paid	-26,343	-44,283
-5,020	-	Cash receipts/ (payments) from derivatives, net	-9,907	-701
-18,157	230,173	Net cash generated by / (used in) operating activities	33,093	366,433
		Cash flow from investing activities		
-31,247	-19,734	Purchase of property, plant and equipment and intangible assets, net	-87,828	-60,446
538	625	Proceeds from sale of property, plant and equipment	1,700	870
-	-	Dividends received	2	2
-52	-8	Change in restricted cash	-16,785	-30,021
912	647	Interest received	2,761	2,564
-29,849	-18,470	Net cash used in investing activities	-100,150	-87,031
		Cash flow from financing activities		
85,222	898	Proceeds from loans	176,359	103,961
-10,370	-39,343	Repayment of loans and leases	-73,701	-135,064
-6	-12	Dividends paid	-32	-44
74,846	-38,457	Net cash provided by/(used in) financing activities	102,626	-31,147
26,840	173,246	Net change in cash and cash equivalents	35,569	248,255
114,301	158,124	Cash and cash equivalents at beginning of period	105,500	83,182
32	47	Effect of exchange rate differences on cash and cash equivalents	104	-20
141,173	331,417	Cash and cash equivalents at end of period	141,173	331,417

ALRO GROUP

**Interim condensed consolidated financial statements for
the nine months ended 30 September 2021 (unaudited)**

Interim consolidated statement of profit or loss and other comprehensive income for the nine months ended 30 September 2021 - unaudited

in RON '000,
except per share data

	Note	Nine months ended 30 September 2021	Nine months ended 30 September 2020
Revenue from contracts with customers	5	2,466,424	1,941,955
Cost of goods sold		-2,119,813	-1,965,388
Gross result		346,611	-23,433
General, administrative and selling expenses	7	-221,822	-213,327
Other operating income	8	46,720	596,316
Other operating expenses		-7,611	-4,454
Operating result (EBIT)		163,898	355,102
Interest expenses	9	-30,633	-46,694
Gains (losses) from derivative financial instruments, net	17	-70,808	-
Other financial income		2,819	2,658
Other financial costs		-17,125	-14,193
Net foreign exchange gains / (losses)		-43,850	11,201
Result before income taxes		4,301	308,074
Income tax	10	-28,965	-34,722
Result for the period		-24,664	273,352
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		-26	-3
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Translation adjustment		17,183	-5,480
Other comprehensive income / (expense) for the period, net of tax		17,157	-5,483
Total comprehensive income / (expense) for the period		-7,507	267,869
Result attributable to:			
Shareholders of Alro SA		-24,489	273,081
Non-controlling interest		-175	271
		-24,664	273,352
Total comprehensive income / (expense) attributable to:			
Shareholders of Alro S.A.		-7,435	267,631
Non-controlling interest		-72	238
		-7,507	267,869
Earnings per share			
Basic and diluted (RON)	11	-0.034	0.383

Dr. Ing Gheorghe DOBRA
Chief Executive Officer

Ec. Genoveva NĂSTASE
Chief Financial Officer

The comparative figures for 9-month period of 2020 were reclassified in accordance with the presentation adopted in the Financial Statements for the year 2020. RON 14,193 thousand representing bank commissions and commissions paid in relation with factoring agreements, previously included under *Other financial gains / (losses), net*, are now presented under *Other financial costs*.

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 11 November 2021.

Interim consolidated statement of financial position as at 30 September 2021 - unaudited

			in RON '000
	Note	30 September 2021	31 December 2020
Assets			
Non-current assets			
Property, plant and equipment	12	1,075,423	1,089,217
Investment properties		641	664
Intangible assets		4,628	5,957
Goodwill	13	94,367	88,856
Right-of-use assets		7,450	10,731
Deferred tax asset	10	49,655	48,027
Other non-current assets	14	61,931	45,329
Total non-current assets		1,294,095	1,288,781
Current assets			
Inventories	15	754,358	678,441
Trade receivables, net		113,493	51,389
Current income tax receivable		977	642
Other current assets	22	506,274	504,571
Restricted cash		149	95
Cash and cash equivalents	18	141,173	105,500
Total current assets		1,516,424	1,340,638
Total assets		2,810,519	2,629,419
Shareholders' Equity and Liabilities			
Shareholders' equity			
Share capital		370,037	370,037
Share premium		86,351	86,351
Other reserves		352,196	335,116
Retained earnings		293,540	-40,723
Result for the period		-24,489	334,289
Equity attributable to shareholders of Alro S.A.		1,077,635	1,085,070
Non-controlling interest		2,523	2,595
Total shareholders' equity		1,080,158	1,087,665
Non-current liabilities			
Bank and other loans, non-current	19	1,001,398	848,285
Leases, non-current	19	3,439	3,712
Provisions, non-current		39,262	37,463
Post-employment benefit obligations		48,932	49,430
Government grants, non-current portion		40,504	43,703
Other non-current liabilities		1,480	1,148
Total non-current liabilities		1,135,015	983,741
Current liabilities			
Bank and other loans, current	19	126,574	120,293
Leases, current	19	2,895	3,401
Provisions, current		34,569	33,276
Trade and other payables		287,696	245,929
Contract liabilities		14,673	31,742
Derivative financial instruments liability, current	17	46,445	-
Current income taxes payable		10,553	21,797
Government grants, current portion		4,267	4,267
Other current financial liabilities		67,674	97,308
Total current liabilities		595,346	558,013
Total liabilities		1,730,361	1,541,754
Total shareholders' equity and liabilities		2,810,519	2,629,419

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Chief Executive Officer

Ec. Genoveva NĂSTASE
Chief Financial Officer

The comparative figures for the year 2020 were reclassified in accordance with the presentation adopted in 2021. The amount of RON 31,742 thousand representing contract liabilities and the amount of RON 12,275 thousand representing trade payables for fixed assets which were reported at 31 December 2020 under the category *Other current financial liabilities* are now included under *Contract liabilities* and *Trade and other payables*, respectively.

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 11 November 2021.

Interim consolidated statement of changes in shareholders' equity for the nine months ended 30 September 2021 - unaudited

	Share capital	Share premium	Other reserves
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
Balance at 1 January 2021	370,037	86,351	375,866
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	-	-	-
Balance at 30 September 2021	370,037	86,351	375,866

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
-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
-40,750	335,116	-40,723	334,289	1,085,070	2,595	1,087,665
-	-	-	-24,489	-24,489	-175	-24,664
17,080	17,080	-	-	17,080	103	17,183
-	-	-26	-	-26	-	-26
17,080	17,080	-26	-	17,054	103	17,157
17,080	17,080	-26	-24,489	-7,435	-72	-7,507
-	-	334,289	-334,289	-	-	-
-23,670	352,196	293,540	-24,489	1,077,635	2,523	1,080,158

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 11 November 2021.

Interim consolidated statement of cash flows for the nine months ended 30 September 2021 - unaudited

in RON '000

	Note	Nine months ended 30 September 2021	Nine months ended 30 September 2020
Cash flow from operating activities			
Result before income taxes		4,301	308,074
<i>Adjustments for:</i>			
Depreciation and amortisation		118,314	127,550
Reversal of impairment of property, plant and equipment		-4	-
Movement in provisions		1,292	714
Change in allowance for impairment of inventory	15	-15,531	2,912
Change in allowance for impairment of doubtful receivables	7	2,590	132
Losses/(gains) on disposal of property, plant and equipment		1,888	436
Net foreign exchange (gains)/ losses on loans revaluation		50,760	-12,591
Interest income		-2,801	-2,653
Interest expense	9	30,633	46,694
Effect of derivative financial instruments	17	70,808	-
<i>Changes in working capital:</i>			
Change in inventories		-51,361	225,729
Change in trade receivables and other assets		-82,650	-295,646
Change in trade and other payables		-18,005	24,064
Income taxes (paid)/refunded		-40,889	-13,996
Interest paid		-26,343	-44,283
Cash receipts/ (Payments) from derivatives, net		-9,907	-701
Net cash generated by / (used in) operating activities		33,093	366,433
Cash flow from investing activities			
Purchase of property, plant and equipment and intangible assets, net		-87,828	-60,446
Proceeds from sale of property, plant and equipment		1,700	870
Dividends received		2	2
Change in restricted cash	14	-16,785	-30,021
Interest received		2,761	2,564
Net cash used in investing activities		-100,150	-87,031
Cash flow from financing activities			
Proceeds from loans	19	176,359	103,961
Repayment of loans and leases	19	-73,701	-135,064
Dividends paid	11	-32	-44
Net cash provided by/(used in) financing activities		102,626	-31,147
Net change in cash and cash equivalents		35,569	248,255
Cash and cash equivalents at beginning of period		105,500	83,182
Effect of exchange rate differences on cash and cash equivalents		104	-20
Cash and cash equivalents at end of period	18	141,173	331,417

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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 11 November 2021.

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 2021. 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 11 November 2021.

2. Basis of preparation

Statement of compliance

These interim condensed consolidated financial statements of Alro and its subsidiaries (further named *Condensed financial statements*) for the 9 months ended 30 September 2021 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 2020. 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 2020.

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*, and 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 2021	31 December 2020
USD exchange rate at the end of the period**	4.2653 USD/RON	3.9660 USD/RON
	Nine months ended 30 September 2021	Nine months ended 30 September 2020
USD average exchange rate***	4.1076 USD/RON	4.2931 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 2020, except for the adoption of new standards effective as of 1 January 2021. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Standards and interpretations effective in 2021 that the Group has applied to these financial statements:

- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform – Phase 2 (issued on 27 August 2020). 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. The amendments did not have impact on the Group given that it doesn't apply hedge accounting.

Standards issued in 2021, but not yet effective and not early adopted:

- *Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies* (issued on 12 February 2021), not yet adopted by the EU. The amendments are effective for annual reporting periods beginning on or after 1 January 2023, with earlier application permitted. An entity will be required to disclose its material accounting policy information instead of its significant accounting policies. Amendments clarify what is a material accounting policy and give examples of when accounting policy information is likely to be material. In addition, *IFRS Practice Statement 2* has been amended by adding guidance and examples to explain and demonstrate the application of the 'four-step materiality process' to accounting policy information in order to support the amendments to IAS 1. The amendments are applied prospectively and might change certain aspects of Group's future disclosure of accounting policy, as information may be material because of its nature, even if the related amounts are currently considered immaterial and not disclosed.

- *Amendments to IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates* (issued on 12 February 2021), not yet adopted by the EU. The amendments are effective for annual reporting periods beginning on or after 1 January 2023, with earlier application permitted. The amendments aim to further clarify the difference between accounting policies and accounting estimates as enforcers have identified divergent practices in this respect. The changes to IAS 8 focus entirely on accounting estimates and as a result, the definition of a change in accounting estimates is replaced with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty". Amendments clarify that a change in accounting estimate that results

from new information or new developments is not the correction of an error. The effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period error and it may affect only the current period's profit or loss, or the profit or loss of both the current period and future periods. The directors do not anticipate that the application of the standard in the future will have an impact on the Group's financial statements.

- *Amendments to IFRS 16 Leases: Covid-19-Related Rent Concessions beyond 30 June 2021* (issued on 31 March 2021). The amendment extends, by one year, the May 2020 amendment that provides lessees with an exemption from assessing whether a COVID-19-related rent concession is a lease modification. The amendments are not expected to have an impact on the Group's financial statements.

- *Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction* (issued on 7 May 2021). The amendments are effective for annual reporting periods beginning on or after 1 January 2023, with earlier application permitted. The amendments narrowed the scope of the recognition exemption in paragraphs 15 and 24 of IAS 12 (recognition exemption) so that the exemption no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences. As a result of this amendments, on initial recognition, the companies should recognize deferred tax on temporary differences arising on right-of-use assets, lease liabilities, decommissioning, restoration and similar liabilities. The directors are currently analyzing the effect of these new amendments on the Group's financial statements.

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 2020.

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 2021					
Segments	Bauxite	Alumina	Primary aluminium	Processed aluminium	Others	Total
Type of good or service						-
Sale of bauxite	144,050	-	-	-	-	144,050
Sale of alumina	-	568,464	-	-	-	568,464
Sale of primary aluminium	-	-	1,277,795	-	-	1,277,795
Sale of processed aluminium	-	-	-	1,200,864	-	1,200,864
Other revenues and services performed	9,957	1,039	-	1,587	98,722	111,305
Total revenue from contracts with customers	154,007	569,503	1,277,795	1,202,451	98,722	3,302,478

	Nine months ended 30 September 2020					
Segments	Bauxite	Alumina	Primary aluminium	Processed aluminium	Others	Total
Type of good or service						
Sale of bauxite	141,753	-	-	-	-	141,753
Sale of alumina	-	508,146	-	-	-	508,146
Sale of primary aluminium	-	-	1,010,800	-	-	1,010,800
Sale of processed aluminium	-	-	-	959,675	-	959,675
Other revenues and services performed	11,304	1,746	-	-	37,418	50,468
Total revenue from contracts with customers	153,057	509,892	1,010,800	959,675	37,418	2,670,842

The Group's revenue increased mainly due to the Primary and Processed Aluminium segments following the increase of the aluminium quotations in the international markets, as well as due to the alumina segment, where the sale of alumina and hydrate were higher compared to the 9-month period of the previous year. The category Other revenues includes revenues from the resale on the free market, of the electricity that the Group had during the 9 months of 2021. The Group was in the position to have surplus energy as it was forced to buy it from the market and assure its continuous supply after a contractor had first declined deliveries to the Group at fixed price due to a sudden surge in electricity prices. The contractor later resumed the energy deliveries.

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 2021					
Revenue	Bauxite	Alumina	Primary aluminium	Processed aluminium	Others	Total
Revenue from contracts with customers	154,007	569,503	1,277,795	1,202,451	98,722	3,302,478
Inter-segment transactions	-144,050	-455,549	-201,991	-1,587	-32,877	-836,054
Total Group revenue (Note 6)	9,957	113,954	1,075,804	1,200,864	65,845	2,466,424

	Nine months ended 30 September 2020					
Revenue	Bauxite	Alumina	Primary aluminium	Processed aluminium	Others	Total
Revenue from contracts with customers	153,057	509,892	1,010,800	959,675	37,418	2,670,842
Inter-segment transactions	-104,751	-434,845	-159,348	-1,182	-28,761	-728,887
Total Group revenue (Note 6)	48,306	75,047	851,452	958,493	8,657	1,941,955

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.

Alro Group revenues and results for the nine months ended 30 September 2021 and 2020 by segment, were as follows:

	Bauxite	Alumina	Primary aluminium	Processed aluminium	Others	Inter-segment operations	Total
Nine months ended 30 September 2021							
Sales to external customers	9,957	113,954	1,075,804	1,200,864	65,845	-	2,466,424
Inter-segment transfers	137,748	450,036	905,048	1,587	32,877	-1,527,296	-
Total sales revenues	147,705	563,990	1,980,852	1,202,451	98,722	-1,527,296	2,466,424
Segment results (gross profit)	31,907	18,910	156,223	119,360	24,390	-4,179	346,611
Other operating income & expenses, net	-27,693	-29,200	-94,195	-73,391	42,302	-536	-182,713
Operating result (EBIT)	4,214	-10,290	62,028	45,969	66,692	-4,715	163,898
Total depreciation, amortisation and impairment	16,681	18,163	51,612	32,560	-	-706	118,310
EBITDA	20,895	7,873	113,640	78,529	66,692	-5,421	282,208
Interest and other finance costs, net							-115,747
Net foreign exchange gains / (losses)							-43,850
Result before income taxes							4,301
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	-	-666	127,550
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

The positive evolution of the LME, but also the Group's efforts to identify every opportunity in the market and match its own production to market demand, were reflected by the higher revenue recorded by the aluminium segments in the first 9 months of 2021 compared to the same period of last year. The alumina segment sales to third parties increased compared to the previous period, but due to a still depressed market price, could not be reflected into a higher gross profit for the segment. As regards the bauxite segment, the subsidiary decreased its sales to third parties in the pandemic context and limited its operations to delivering within the Group.

The category *Other operating income and expenses, net* includes on one side the general and administrative expenses, and other operating expenses, and on the other side it includes sundry income generated from non-core activities, such as penalties resulting from early cancellation of the energy contracts or government grants. Where the costs and income cannot be allocated to a specific segment, they are included in the column Others. In the 9-month period of 2020, the category included government grants of cumulatively RON 547,919 thousand, out of which RON 297,973 thousand were allocated per segments based on the electricity costs incurred in the period and RON 249,946 thousand were not allocated per segments and were consequently included under the column Others in 2020, as they were related to the costs of the year 2019. Also, in 2020 the category included revenues of RON 36,061 thousand from the sale of CO₂ emission certificates by the Group. For further details please refer to Note 8.

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 2021 and 31 December 2020, respectively, were as follows:

	Bauxite	Alumina	Primary aluminium	Processed aluminium	Others	Inter-segment operations	Total
30 September 2021							
Total assets	149,481	579,964	1,184,095	788,819	854,568	-746,408	2,810,519
Total liabilities	279,202	160,947	315,794	157,334	1,175,589	-358,505	1,730,361
31 December 2020							
Total assets	143,282	660,712	1,063,844	748,623	823,164	-810,206	2,629,419
Total liabilities	270,830	207,054	345,556	137,685	980,579	-399,950	1,541,754

The property, plant and equipment located in Sierra Leone amounts to RON 83,903 thousand (at 31 December 2020: RON 82,203 thousand).

As at 30 September 2021, the total assets representing *Others* include mainly investments in subsidiaries of RON 451,523 thousand (as at 31 December 2020: RON 451,651 thousand), cash and restricted cash of RON 184,444 thousand (as at 31 December 2020: RON 133,950 thousand), administrative buildings of RON 44,801 thousand (as at 31 December 2020: RON 43,874 thousand), deferred tax asset of RON 16,434 thousand (as at 31 December 2020: RON 18,583 thousand).

As at 30 September 2021, the total liabilities representing *Others* include mainly borrowings of RON 1,039,801 thousand (as at 31 December 2020: RON 886,385 thousand), post-employment benefit obligations and provisions of RON 71,669 thousand (as at 31 December 2020: RON 71,287 thousand), derivative financial instruments of RON 46,445 thousand (as at 31 December 2020: nil) and, when applicable, dividends.

Inter-segment operations include intercompany eliminations.

7. General, administrative and selling expenses

	Nine months ended 30 September 2021	Nine months ended 30 September 2020
Staff costs	-96,551	-94,541
Third party services	-47,086	-44,952
Consulting and audit	-21,473	-20,410
Consumables	-9,026	-8,579
Taxes other than income taxes	-7,191	-6,337
Depreciation and amortisation	-7,154	-9,237
Insurance	-5,397	-5,963
Marketing and public relations	-4,617	-3,244
Travelling	-1,708	-1,092
Research and development costs	-13,599	-11,419
Other	-5,430	-7,421
Change in allowance for doubtful debts	-2,590	-132
Total	-221,822	-213,327

8. Other operating income

	Nine months ended 30 September 2021	Nine months ended 30 September 2020
Other operating income		
Rental income	737	767
Government grants	3,093	551,257
Income from sale of emission rights	-	36,061
Income from claims and penalties	35,570	5,439
Reversal of impairment of property, plant and equipment	4	-
Other income	7,316	2,792
Total other operating income	46,720	596,316

Other operating income

In the category *Income from claims and penalties* in the 9 months of 2021 is included income from penalties of RON 33,531 thousand charged to some suppliers of electricity for the premature cancellation of the contracts (in the 9 months of 2020: RON 440 thousand).

During the 9 months ended 30 September 2021, the category *Other income* includes an amount of RON 5,051 thousand, representing dividends distributed before the year 2018 and yet uncollected by the shareholders, which were prescribed, in line with the regulations in force.

During the 9 months ended 30 September 2020 in the category *Government grants* the Group recognized an amount of RON 547,919 thousand as *Government grants* representing a compensation to which it was entitled for its high electricity costs. 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 represented the compensation for indirect emission costs included in the energy expenses incurred by the Group in the year 2019 and for the 9 months of 2020. In 2021 the Group did not recognize such subsidies, although it is qualified to obtain them according to the EU regulations, because Romania needs to first implement the relevant EU Guide for the companies to be entitled to receive the compensation.

In the 9-month period ended 30 September 2020, the Group sold CO₂ emission rights of RON 36,061 thousand and included them under *Income from sale of emission rights*, benefiting from the increase in the price of CO₂ emission rights. 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.

9. Interest expenses

	Nine months ended 30 September 2021	Nine months ended 30 September 2020
Interest expense	-30,633	-46,694
Total	-30,633	-46,694

Interest expense decreased during the period of 9 months ended 30 September 2021 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 4,700 thousand (during the period of 9 months ended 30 September 2020: RON 8,804 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 2021 for loans was of RON 2,781 thousand and it is included in the Statement of cash flows under *Interest paid* (during the period of 9 months ended 30 September 2020: RON 3,723 thousand).

10. Income tax

At 30 September 2021, the Group had a net deferred tax asset of RON 49,655 thousand (at 31 December 2020: RON 48,027 thousand), as the management believes there will be sufficient taxable profits in future against which these fiscal losses carried forward could be used.

Income tax expense is recognized based on management's best estimate of the annual income tax rate expected for the full financial year applied to the pre-tax income of the interim period. The effective income tax rate for the 9 months ended 30 September 2021 is 673.4% (for the same period of 2020: 11.3%). The increase in effective tax rate for the reported period is due to the fact that one of the Group subsidiary recognized an amount of RON 19,643 thousand in profit or loss, representing income tax imputed by tax authorities as a result of a fiscal inspection completed in May 2021 (see below).

During the 9-month period of 2021, the total expenses of RON 37,126 thousand representing interest expenses and items related to interest in respect of the exceeding borrowing costs, were treated as being non-deductible for tax purposes, and resulted in a negative income tax effect of RON 5,940 thousand (9 months of 2020: nil). 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 calculated fiscal EBITDA. Romania implemented the above mentioned EU directive starting 1 January 2018. The Group companies in Romania incur borrowing costs related to loans obtained from banks for capital expenditure and development purposes. As these loans are mainly expressed in foreign currency, due to the devaluation of RON against major currencies in 2021, these resulted in significant foreign exchange losses, which have limited deductibility for income tax purposes.

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

	Nine months ended 30 September 2021	Nine months ended 30 September 2020
Income tax		
Current income tax	-29,249	-25,864
Deferred income tax	284	-8,858
Total income taxes	-28,965	-34,722

Starting 2019, a subsidiary of the Group was subject to fiscal audit from the National Agency for Fiscal Administration related to income tax and VAT transactions regarding the period 2014-2018. The fiscal inspection was finalized on 27 May 2021 and the tax authorities concluded a report with a net effect of RON 19,643 thousand, which the subsidiary recognized as an expense in a first stage, in the category *Current income tax expense*, and paid it within the legal time frame. Subsequently, the Group's subsidiary filed a tax appeal to the National Agency for Fiscal Administration against the Fiscal Inspection Report. The appeal was rejected by the National Agency for Fiscal Administration, and the subsidiary is determined to defend its position by taking further steps to the Court of Law.

11. Earnings per share

	Nine months ended 30 September 2021	Nine months ended 30 September 2020
Net result attributable to the owners of the Entity	-24,489	273,081
Weighted average number of ordinary shares	713,779,135	713,779,135
Basic and diluted earnings per share (RON/share)	-0.034	0.383

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

During the reporting period, no interim dividends were declared by the Group related to the 9 months ended 30 September 2021.

During the 9 months ended 30 September 2021, the Group paid dividends amounting to RON 32 thousand to the shareholders in respect of dividends declared for the previous years (in the same period of 2020 the Group paid RON 44 thousand of the dividends declared for the previous years).

12. Property, plant and equipment

At 30 September 2021, the book value of *Property, plant and equipment* of the Group is RON 1,075,423 thousand (at 31 December 2020: RON 1,089,217 thousand). During the 9-month period ended 30 September 2021, the Group purchased property, plant and equipment of RON 97,334 thousand (during the 9-month period of the year 2020: RON 59,134 thousand).

One of the main long-term objectives is the optimization of the energy consumption. The Group continued to invest in this direction during the 9-month period ended 30 September 2021 by putting into operation 75 electrolysis pots modernized with AP12LE technology (9 months 2020: 31 electrolysis pots modernized with AP12LE technology). AP12LE (Aluminium Pechiney Low Energy), implemented by the Group in 2018, represents a state of the art technology, the latest innovative measures that could be applied in respect of energy efficiency and environmental protection within the electrolysis sector. Another benefit resulting from this technology is that more operating cycles are available for the AP12LE pots. The investment programme will be continued in the following years until all the pots are relined according to the new technology.

During the 9-month period ended 30 September 2021, the Group started investing in a completely new state-of-the-art aluminum profiles extrusion line, a project estimated to be implemented by September 2022 and whose value will be around of EUR 10 million (during the 9-month period of the year 2021: RON 8,505 thousand were spent; during the 9-month period of the year 2020: nil).

At the same time, the Group allocated resources for investments with effect in decreasing production costs, increasing competitiveness and improving the equipment parameters at Alum, and at the same time for reducing emissions by applying the best techniques available in the field. Simultaneously with the investment activity within the technological processes, the Group performed various refurbishing works and purchased two barges amounting to RON 5,590 thousand, as well as other equipment necessary to support the mining activity in Sierra Leone.

Depreciation expense of PPE for 9 months of 2021 was of RON 116,208 thousand, while in the same period of the year 2020, it was of RON 117,969 thousand.

During the 9-month period ended 30 September 2021 no borrowing costs were capitalized under *Property, plant and equipment* of the Group (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.).

At 30 September 2021, the net book value of *Property, plant and equipment* pledged for securing the Group's borrowings amounts to RON 892,410 thousand (at 31 December 2020: RON 929,262 thousand).

13. Goodwill

The goodwill is allocated to the cash generating units at 30 September 2021 and 31 December 2020 as follows (after conversion into RON at the period end exchange rate):

	30 September 2021	31 December 2020
Alro Group	74,325	70,190
Global Aluminium Ltd.	19,616	18,240
Vimetco Extrusion	426	426
Total	94,367	88,856

Impairment test

Goodwill is tested for impairment annually (as at 31 December) and when circumstances indicate the carrying value may be impaired. The Group performed an impairment test as at 31 December 2020 and no impairment was recognized as a result of this analysis. As at 30 September 2021 the management has not identified impairment indicators additional to those for which the test as at 31 December 2020 was performed, therefore no separate impairment tests of the goodwill was made as at 30 September 2021. The variation of the Goodwill balance between 30 September 2021 and 31 December 2020 is due to translation differences from operations in foreign countries.

14. Other non-current assets

	30 September 2021	31 December 2020
Collateral deposits	61,931	45,200
Amounts paid in advance	-	129
Total	61,931	45,329

Collateral deposits represent cash pledged to a bank until November 2023 for two loans and until February 2024 for a non-cash facility contracted by the Company. The variation at 30 September 2021 compared to 31 December 2020, represents a collateral deposit placed for a new facility of RON 167,312 thousand signed with a commercial bank in June 2021. For further details please see also *Note 19 Borrowings and leases*.

15. Inventories

	30 September 2021	31 December 2020
Raw and auxiliary materials	325,301	293,427
Work in progress	264,043	192,839
Finished goods	188,715	230,606
Less: allowance for obsolescence	-23,701	-38,431
Total	754,358	678,441

In the category *Raw and auxiliary materials* are included: at Alro, alumina and other raw and auxiliary materials needed for aluminium production, and, at the Group level, also the bauxite on stock at Alum. The category *Finished goods* includes Alro's finished goods of aluminium, as well as the alumina produced that is on stock at Alum and the bauxite stock of the subsidiary in Sierra Leone.

During the 9-month period ended 30 September 2021, the Group took advantage of the opportunities existing in the market, especially for aluminium wire rod, aluminium billets, flat rolled products and alumina, and this is visible in the variation of finished products presented above.

The value of inventories pledged for securing the Group's borrowings amounts to RON 714,504 thousand at 30 September 2021 (at 31 December 2020: RON 641,790 thousand).

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

	Nine months ended 30 September 2021	Nine months ended 30 September 2020
Balance at beginning of the year	-38,431	-42,879
(Charge) to cost of goods sold	-247	-4,594
Reversal to cost of goods sold	15,778	1,682
Translation adjustments	-801	262
Balance at end of the period	-23,701	-45,529

Reversal to cost of goods sold relates mainly to the adjustment of work in progress to its net realisable value as a result of the increase of LME and the depreciation of RON against USD at 30 September 2021 as compared to 31 December 2020.

16. Financial instruments

Set out below, is an overview of financial assets and financial liabilities held by the Group as at 30 September 2021 and 31 December 2020.

Categories of financial instruments

	30 September 2021	31 December 2020
Financial assets		
At amortised cost		
Cash and bank balances	203,253	150,795
Receivables	552,693	520,211
Fair value through profit or loss (FVTPL)		
Designated as at FVTPL	27,715	14,782
Total financial assets	783,661	685,788
	30 September 2021	31 December 2020
Financial liabilities		
Fair value through profit or loss (FVTPL)		
Derivative financial instruments	46,445	-
Amortised cost:		
Trade and other payables	365,923	365,034
Non-current bank and other loans	1,004,837	851,997
Current bank and other loans	129,469	123,694
Total financial liabilities	1,546,674	1,340,725

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.
- Financial assets mandatory at FVTPL represent trade receivables covered by factoring contracts that were not yet sold to the factor at the reporting date. These are used within the business' model to manage the financial assets with the objective of realising cashflows mainly through the sale of the assets, therefore they are classified as at fair value through profit or loss, and are subsequently measured at fair value. Their fair value measurement is classified within Level 2 of the fair value measurement hierarchy. Net gains and losses, if any, are recognised in profit or loss. Due to the very short term between their issuance and the settlement, their cost is a fair approximate of their fair value, and the gain or loss on disposal is nil.
- The fair value of derivative instruments is calculated using quoted prices. Where such prices are not available, the fair value of financial instruments is determined by using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each reporting date. Refer to Note 17 for the specific models used to value outstanding derivatives.

Below is presented an analysis of methods of measurement of financial instruments at fair value subsequently to initial recognition, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from valuation techniques containing inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Group does not have level 3 financial instruments.

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

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

17. Derivative financial instruments

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

	Assets	Liabilities
30 September 2021		
Commodity options	-	46,445
Total	-	46,445
Thereof:		
Non-current	-	-
Current	-	46,445
31 December 2020		
Commodity options	-	-
Total	-	-
Thereof:		
Non-current	-	-
Current	-	-

Commodity options

In March 2021, the Group entered into several transactions with a financial institution, consisting of 100% collar Asian options by taking long positions on put options and short positions on call options for a quantity of 60,000 tonnes of aluminium, defending at the minimum the budgeted level for the second half of the year.

From July to September 2021, options for a quantity of 23,324 tonnes were exercised due to the fact that the LME quotations were higher than the cap of collar. The net loss of RON 21,843 thousand resulting from the options exercised, including their costs as well as the cost of the options not exercised when the LME quotations were within the collar interval, is included in the *Gains (losses) from derivative financial instruments, net* in the Consolidated statement of profit or loss (during the 9 months of the year 2020: nil). However, the loss from hedging was offset by the higher LME embedded in the price of the aluminium sold to clients.

The unrealized net loss of RON 48,965 thousand included in the category *Gains/ (losses) from derivative financial instruments, net* in the Consolidated statement of profit or loss during the 9 months ended 30 September 2021 resulted from the mark-to-market of the opened options at 30 September 2021, when the LME forecast used for the valuation was higher than the cap of the collar (during the 9 months ended 30 September 2020: nil).

As at 30 September 2021 the fair value of the options is a liability of RON 46,445 thousand (31 December 2020: nil).

The fair value of these options was determined by using an evaluation model developed by an international, reputed, company that is specialized in financial information. The respective model is Black-Scholes type and uses market data to retrieve the value of the option at the required date, for the specified contractual dates. The contracted options generally have identical characteristics, the only variable part being the contracted, quantity the exercise date and a small variation in the price. The inputs for the valuation model include, besides the contracted aluminium quantity, the strike price, the exercise date and the valuation date, also observable elements such as the LME (aluminium price) curve, implied volatilities. The valuation model is highly sensitive to aluminium price input.

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

18. Cash and cash equivalents

	30 September 2021	31 December 2020
Cash at banks in RON	32,355	20,993
Cash at banks in other currencies	108,755	84,445
Petty cash and cash equivalents	63	62
Total	141,173	105,500

A part of the Group's bank accounts (RON 124,456 thousand as at 30 September 2021 and RON 94,018 thousand as of 31 December 2020) are pledged to guarantee the borrowings from banks.

19. Borrowings and leases

	30 September 2021	31 December 2020
Long-term borrowings		
Long-term bank loans	1,119,181	968,162
Less: Short-term portion of long-term bank loans	-117,783	-119,877
Bank loans, non-current	1,001,398	848,285
Leases, non-current	3,439	3,712
Total long-term borrowings and leases	1,004,837	851,997
Short-term borrowings		
Short-term bank loans	8,791	416
Short-term portion of long-term bank loans	117,783	119,877
Bank loans, current	126,574	120,293
Leases, current	2,895	3,401
Total short-term borrowings and leases	129,469	123,694
Total borrowings and leases	1,134,306	975,691

The bank borrowings of the Group will mature until 2028. Their related interest rates ranged between 2.80% for EUR and 19% for SLL (Sierra Leone Leones) in 2021 and 2020.

In February 2021, a subsidiary of the Group signed a loan agreement with a commercial bank, for a limit of USD 3,000 thousand, to be used for working capital needs of the company both cash and non-cash. The maturity of the loan is November 2021 and the final maturity for the non-cash facility is November 2023. At 30 September 2021 the drawn amount from the revolving facility was RON 8,531 thousand, i.e. the equivalent of USD 2 million, another amount of RON 1,365 thousand (USD 320 thousand) is used under the non cash portion of the facility, for letters of credit, while the undrawn amount available for any of these two facilities was of USD 680 thousand (the equivalent of RON 2,900 thousand).

In June 2021, the Parent Company signed a credit facility with a commercial bank of RON 167,312 thousand for working capital, repayable in 4 installments starting January 2023 and which has the maturity in November 2023. At 30 September 2021 the Company had the amount of RON 13,644 thousand undrawn and available from this facility.

In June 2021, the Parent Company also signed a credit facility with an international financial bank, for the amount of USD 40,000 thousand, to support the investment program. The loan has a maturity of 7 years, with a grace period of 2 years for the payment of instalments. On 30 September 2021 no amount was drawn down from this facility.

At the same time, in June 2021 a subsidiary of the Group signed the extension until June 2023 of an overdraft facility amounting to EUR 9,000 thousand contracted from a commercial bank.

In July 2021 the Group subsidiary in Sierra Leone signed the extension until July 2022 of an overdraft facility amounting to USD 400 thousand contracted from a commercial bank.

Additionally to the undrawn amount of USD 40,000 thousand of investment loan, at 30 September 2021, the Group had the amount of RON 27,936 thousand undrawn and available from the borrowing facilities contracted with the banks (at 31 December 2020: RON 34,647 thousand) and the amount of RON 54,493 thousand unutilized and available from the non-cash facilities for letters of credit and letters of guarantee (at 31 December 2020: RON 66,912 thousand).

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

The Group borrowings and leases are secured with accounts receivable amounting to RON 68,578 thousand (at 31 December 2020: RON 30,064 thousand), with their current accounts opened with banks (see Note 18), with collateral deposits of RON 61,931 thousand (at 31 December 2020: RON 45,200 thousand), with property, plant and equipment (land, buildings, equipment) with a net book value of RON 894,473 thousand (including for lease contracts) (31 December 2020: RON 934,852 thousand) and with inventories of RON 714,504 thousand (31 December 2020: RON 641,790 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 most of bank loans have variable interest and have been recently contracted. Their fair value belongs to the level 3 of the fair value measurement hierarchy.

20. 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
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

Group transactions are eliminated on consolidation.

The primary related party transactions are described below:

Sales of goods and services	Nine months ended 30 September 2021	Nine months ended 30 September 2020
Vimetco N.V.	-	-
Companies under common control	1,194	1,149
Total goods and services provided to related parties	1,194	1,149

Goods and services purchased from related parties:

	Nine months ended 30 September 2021	Nine months ended 30 September 2020
Vimetco N.V.	-	-
Companies under common control	-216,112	-164,482
Total goods and services purchased from related parties	-216,112	-164,482

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 2021: RON 171,300 thousand; during the same period of year 2020: RON 122,636 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 2021 and 31 December 2020:

Trade and other accounts receivable:

	30 September 2021	31 December 2020
Vimetco N.V.	-	-
Companies under common control	5,747	3,851
Allowance for doubtful receivables	-416	-416
Total trade and other accounts receivable from related parties	5,331	3,435
- non-current	-	-
- current	5,331	3,435

Trade and other accounts payable:

	30 September 2021	31 December 2020
Vimetco N.V.	-	-
Companies under common control	9,586	10,206
Total trade and other accounts payable to related parties	9,586	10,206

Management compensation

The total compensation of the Group's key management personnel included in *General, administrative and selling expenses* in the Statement of Profit or Loss and other Comprehensive Income amounts to RON 7,733 thousand (during the 9 months of the year 2020: RON 8,305 thousand), while the expense for determined contribution plan (social contributions) during the 9 months of the year 2021 was RON 1,605 thousand (during the 9 months of the year 2020: RON 1,630 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 2021	Nine months ended 30 September 2020
Goods and services purchased from entities controlled by key management personnel or their close family members	16	23
Total	16	23

21. Commitments and contingencies

Commitments

Investment commitments

As at 30 September 2021, the Group's commitments pertaining to the investments amounted to RON 74,589 thousand (31 December 2020: RON 44,894 thousand).

Raw material purchase contracts

As at 30 September 2021, the Group had contracts for purchases of raw materials, other consumables and utilities amounting to RON 865,939 thousand (31 December 2020: RON 1,135,583 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 2021 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 and, as a result of the communication of the motivated decision by this Court, it filed an appeal in the case, which will be judged by the High Court of Cassation and Justice. The Company will use legal remedies to defend its position in the case.

Taxation

In February 2021, the Group's Parent Company was subject to an audit by the Customs General Directorate regarding the use of excisable energy products. In the beginning of March 2021, the audit ended without fiscal consequences.

Starting June 2021, the Group subsidiary Sierra Mineral Holdings 1, Limited was subject to a fiscal audit, regarding the period 2019 - 2020. Following this fiscal audit, which was completed in August 2021, the subsidiary recognized an additional tax expenses of RON 303 thousand.

In August 2021, a Group subsidiary was subject to a fiscal audit regarding VAT, regarding the period December 2015. Following this fiscal audit, which was completed in August 2021, the subsidiary recognized an additional VAT tax of RON 614 thousand.

22. Events after the reporting date

In October 2021, the Group received the amount of RON 395,888 thousand representing the compensation for the indirect emissions costs embedded in the energy costs incurred in 2020, recognized at 30 September 2021 in the category *Other current assets* from the Statement of financial position, in full compliance with the provisions of Emergency Ordinance 81/2019, as amended by Emergency Ordinance 85/2020. The legislation establishes the institutional framework and authorizes the Government, through the Ministry of Public Finance, to auction the greenhouse gas emission certificates assigned to Romania at the European Union level, as well as to establish a state aid scheme to support enterprises from sectors and sub-sectors exposed to a significant risk of relocation as a result of the transfer of the cost of greenhouse gas emissions to the price of electricity. The state aid scheme was prepared in accordance with the provisions of the Guidelines on certain State aid measures in the context of the greenhouse gas emission allowance trading scheme post-2012 and it was approved by the European Commission on 8 May 2020.

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 2021	Nine months ended 30 September 2020
Current ratio	Current assets/ Current liabilities	2.55	1.13
Gearing ratio	Long-term borrowings/ Equity x 100	93.03	25.39
	Long-term borrowings/ Capital employed x 100	48.19	20.25
Receivables turnover	Receivables average balance/ Turnover x 270	9.02	9.41
Non-current assets turnover	(Turnover x 360/ 270)/ Non-current assets	2.54	2.06

At 30 September 2021, the *Current Ratio* as well as the *Gearing ratio* increased as compared to the same period of the year 2020, as a result of the classification from short term to long term at 31 December 2020, of some bank loan facilities after the extension of these loans facilities until November 2023.

To ensure the comparability, the *Current Ratio* and *Gearing Ratio* 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 2021	Nine months ended 30 September 2020
Adjusted current ratio	Current assets/ Current liabilities	2.55	2.40
Adjusted gearing ratio	Long-term borrowings/ Equity x 100	93.03	90.95
	Long-term borrowings/ Capital employed x 100	48.19	47.63