

ALRO AND SUBSIDIARIES

PRELIMINARY CONSOLIDATED AND STAND-ALONE FINANCIAL RESULTS

for the year ended
31 December 2019

Note: the preliminary financial figures presented in this document are reported in accordance with the Order of the Minister of Public Finances no. 2844/2016, with subsequent amendments, which is as per the International Financial Reporting Standards (IFRS) as adopted by the European Union, except for *IAS 21 The Effects of Changes in Foreign Exchange Rates* regarding the functional currency, for the provisions of *IAS 20 Accounting for Government Grants* regarding the recognition of revenues from green certificates, and except for *IFRS 15 Revenue from Contracts with Customers* regarding the revenues from the taxes related to the distribution grid connection. These exceptions do not affect the conformity with IFRS of the preliminary financial figures of the Group and the Company.

The preliminary financial figures are not audited and do not include the results of the impairment test on investments in subsidiaries. Consequently, the final financial statements for the year 2019 may differ from these.

The functional and the presentation currency is the Romanian leu (RON). This report is prepared in RON thousand, rounded to the nearest unit.

This is a free translation from the original Romanian binding version

Alro Group

Consolidated statement of profit or loss and other comprehensive income for the year 2019 - unaudited

in RON '000, except per share data

Alro Group			Alro Group		
Q4 2019	Q4 2018		Note	2019	2018
615,448	686,133	Revenue from contracts with customers	1	2,777,801	2,982,501
-588,289	-552,536	Cost of goods sold	2	-2,551,427	-2,312,624
27,159	133,597	Gross profit	3	226,374	669,877
-70,838	-83,152	General, administrative and selling expenses	4	-279,614	-310,921
19,221	4,714	Other operating income	5	167,755	11,376
-2,347	-1,577	Other operating expense		-15,292	-8,492
-26,805	53,582	Operating result (EBIT)		99,223	361,840
-19,617	-12,882	Interest expenses		-77,304	-47,309
2,562	8,221	Gains (losses) from derivative financial instruments, net		-3,598	35,161
-3,572	-3,872	Other financial gains / (losses), net		-16,505	-14,961
16,071	-7,325	Net foreign exchange gains / (losses)	6	-34,589	-19,637
-31,361	37,724	Result before income taxes		-32,773	315,094
-14,257	-25,932	Income tax		-35,566	-79,767
-45,618	11,792	Result for the period	7	-68,339	235,327
Other comprehensive income / (expense), net of tax:					
<i>Items that will not be reclassified subsequently to profit or loss</i>					
-3,322	-425	Remeasurements of post-employment benefit obligations		-3,333	-411
577	-34	Income tax on items that will not be reclassified		577	-34
<i>Items that may be reclassified subsequently to profit or loss:</i>					
-5,377	-2,113	Translation adjustment		-6,267	9,538
-8,122	-2,572	Other comprehensive income / (expense) for the period, net of tax		-9,023	9,093
-53,740	9,220	Total comprehensive income / (expense) for the period		-77,362	244,420
Result attributable to:					
-45,594	11,814	Shareholders of Alro SA		-68,829	235,006
-24	-22	Non-controlling interest		490	321
-45,618	11,792			-68,339	235,327
Total comprehensive income / (expense) attributable to:					
-53,683	9,259	Shareholders of Alro S.A.		-77,815	244,043
-57	-39	Non-controlling interest		453	377
-53,740	9,220			-77,362	244,420
Earnings per share					
-0.063	0.016	Basic and diluted (RON)		-0.096	0.329

Alro

Separate statement of profit or loss and other comprehensive income - unaudited

in RON '000, except per share data

Alro stand alone			Alro stand alone	
Q4 2019	Q4 2018		2019	2018
561,439	613,464	Revenue from contracts with customers	2,492,611	2,598,735
-569,256	-527,601	Cost of goods sold	-2,434,648	-2,133,538
-7,817	85,863	Gross profit	57,963	465,197
-44,477	-47,191	General, administrative and selling expenses	-178,821	-195,748
-573	1,284	Impairment of investments	-48,873	1,284
4,468	2,604	Other operating income	87,906	7,949
-313	-877	Other operating expense	-6,747	-4,182
-48,712	41,683	Operating result (EBIT)	-88,572	274,500
-17,081	-12,173	Interest expenses	-67,815	-43,977
2,562	8,221	Gains (losses) from derivative financial instruments, net	-3,598	35,161
-3,314	-3,582	Other financial gains / (losses), net	33,031	22,820
14,986	-5,526	Net foreign exchange gains / (losses)	-31,585	-16,536
-51,559	28,623	Result before income taxes	-158,539	271,968
8,620	-5,526	Income tax	5,638	-46,011
-42,939	23,097	Result for the period	-152,901	225,957
Other comprehensive income / (expense), net of tax:				
<i>Items that will not be reclassified subsequently to profit or loss</i>				
-3,086	526	Remeasurements of post-employment benefit obligations	-3,086	526
494	-84	Income tax on items that will not be reclassified	494	-84
-2,592	442	Other comprehensive income / (expense) for the period, net of tax	-2,592	442
-45,531	23,539	Total comprehensive income / (expense) for the period	-155,493	226,399
Earnings per share				
-0.060	0.032	Basic and diluted (RON)	-0.214	0.317

Alro Group

Consolidated statement of financial position as of 31 December 2019 - unaudited
in RON '000

		Alro Group	
	Note	31 December 2019	31 December 2018
Assets			
Non-current assets			
Property, plant and equipment	8	1,169,862	1,190,373
Investment properties		696	-
Intangible assets		9,611	6,934
Goodwill		94,284	90,837
Deferred tax asset		36,121	50,354
Other non-current assets	9	15,789	52,634
Total non-current assets		1,326,363	1,391,132
Current assets			
Inventories		828,948	835,029
Trade receivables, net		76,352	70,126
Current income tax receivable		6,225	-
Other current assets	10	93,137	431,178
Restricted cash	9	46,164	8,370
Cash and cash equivalents		83,182	203,609
Total current assets		1,134,008	1,548,312
Total assets		2,460,371	2,939,444
Shareholders' Equity and Liabilities			
Shareholders' equity			
Share capital		370,037	370,037
Share premium		86,351	86,351
Other reserves		343,031	344,333
Retained earnings		36,080	135,358
Result for the period		-68,829	235,006
Equity attributable to shareholders of Alro S.A.		766,670	1,171,085
Non-controlling interest		2,178	1,739
Total shareholders' equity		768,848	1,172,824
Non-current liabilities			
Bank and other loans, non-current	9	374,271	870,781
Leases, non-current		5,635	3,550
Provisions, non-current		36,704	32,854
Post-employment benefit obligations		46,637	42,610
Government grants, non-current portion		47,970	49,956
Other non-current liabilities		890	3,601
Total non-current liabilities		512,107	1,003,352
Current liabilities			
Bank and other loans, current	9	869,667	73,563
Leases, current		4,353	2,500
Provisions, current		2,793	31,233
Trade and other payables		206,386	210,750
Current income taxes payable		2,493	14,300
Government grants, current portion		4,267	1,914
Other current liabilities	10	89,457	429,008
Total current liabilities		1,179,416	763,268
Total liabilities		1,691,523	1,766,620
Total shareholders' equity and liabilities		2,460,371	2,939,444

Alro

Separate statement of financial position as of 31 December 2019 - unaudited in RON '000

	Alro Stand-alone	
	31 December 2019	31 December 2018
Assets		
Non-current assets		
Property, plant and equipment	839,732	883,248
Investment properties	4,761	4,356
Intangible assets	9,287	6,342
Investments	399,968	448,841
Deferred tax asset	11,192	5,060
Other non-current assets	14,496	52,634
Total non-current assets	1,279,436	1,400,481
Current assets		
Inventories	576,332	626,270
Trade receivables, net	58,538	143,335
Current income tax receivable	5,917	-
Other current assets	84,599	472,480
Restricted cash	45,200	5,084
Cash and cash equivalents	72,546	136,445
Total current assets	843,132	1,383,614
Total assets	2,122,568	2,784,095
Shareholders' Equity and Liabilities		
Shareholders' equity		
Share capital	370,037	370,037
Share premium	86,351	86,351
Other reserves	306,191	306,191
Retained earnings	131,868	235,103
Result for the period	-152,901	225,957
Total shareholders' equity	741,546	1,223,639
Non-current liabilities		
Bank and other loans, non-current	256,699	810,828
Leases, non-current	4,821	3,350
Provisions, non-current	1,337	1,287
Post-employment benefit obligations	39,492	35,800
Government grants, non-current portion	39,187	41,161
Other non-current liabilities	371	2,196
Total non-current liabilities	341,907	894,622
Current liabilities		
Bank and other loans, current	804,980	73,263
Leases, current	3,495	2,231
Provisions, current	2,700	26,606
Trade and other payables	151,955	151,522
Current income taxes payable	-	5,010
Government grants, current portion	3,442	1,146
Other current liabilities	72,543	406,056
Total current liabilities	1,039,115	665,834
Total liabilities	1,381,022	1,560,456
Total shareholders' equity and liabilities	2,122,568	2,784,095

Alro Group
Consolidated statement of cash flows for the year 2019 - unaudited
in RON '000

Alro Group			Alro Group	
Q4 2019	Q4 2018		2019	2018
		Cash flow from operating activities		
-31,361	37,724	Result before income taxes	-32,773	315,094
		<i>Adjustments for:</i>		
40,346	30,354	Depreciation and amortisation	152,772	125,114
-	-	Impairment of property, plant and equipment	-4,790	-1,261
-1,141	78	Movement in provisions	-28,440	4,403
434	2,125	Change in allowance for impairment of inventory	14,252	12,502
-81	-81	Change in allowance for impairment of doubtful receivables	-274	944
171	-34	Loss on disposal of property, plant and equipment	6,114	2,788
-2,989	1,157	Net foreign exchange differences on loans revaluation	43,500	27,546
-820	-1,148	Interest income	-4,866	-7,478
19,617	12,882	Interest expense	77,304	47,309
-1	-	Dividend income	-1	-1
-2,562	-8,221	Effect of derivative financial instruments	3,598	-35,161
		<i>Changes in working capital:</i>		
17,379	-69,132	Change in inventories	-4,267	-167,521
1,657	30,164	Change in trade receivables and other assets	-14,850	-1,175
-29,695	-16,696	Change in trade and other payables	-14,135	31,372
-638	-8,920	Income taxes paid	-37,341	-20,743
-15,915	-13,601	Interest paid	-71,743	-41,194
-2,399	19,496	Proceeds from derivatives, net	5,752	26,653
-7,998	16,147	Net cash generated by / (used in) operating activities	89,812	319,191
		Cash flow from investing activities		
-47,237	-47,323	Purchase of property, plant and equipment and intangible assets, net	-160,059	-292,365
-484	-	Government grants received	4,411	24,312
60	1,033	Proceeds from sale of property, plant and equipment	1,002	2,679
-	80,705	Proceeds from disposal of own shares	-	80,705
8,447	-1,513	Change in restricted cash	7,407	58,639
-	12,566	Loans to related parties	-	55,067
1,162	3,266	Interest received	4,866	7,476
-38,052	48,734	Net cash used in investing activities	-142,373	-63,487
		Cash flow from financing activities		
44,628	873	Proceeds from loans and leasing	418,037	62,638
-126,372	-29,024	Repayment of loans	-161,178	-70,216
-130	-36,148	Dividends paid	-324,779	-365,415
-81,874	-64,299	Net cash provided by/(used in) financing activities	-67,920	-372,993
-127,924	582	Net change in cash and cash equivalents	-120,481	-117,289
211,175	203,018	Cash and cash equivalents at beginning of period	203,609	320,828
-69	9	Effect of exchange rate differences on cash and cash equivalents	54	70
83,182	203,609	Cash and cash equivalents at end of period	83,182	203,609

Alro

Separate statement of cash flows for the year 2019 - unaudited
in RON '000

Q4 2019	Q4 2018		Alro Stand-alone	
			2019	2018
		Cash flow from operating activities		
-51,559	28,623	Result before income taxes	-158,539	271,968
		<i>Adjustments for:</i>		
26,865	19,679	Depreciation and amortisation	101,886	82,045
573	-1,284	Impairment of investments	48,873	-1,284
-	-	Impairment of property, plant and equipment	-4,754	-521
1	-3,696	Movement in provisions	-23,906	1,090
122	2,122	Change in allowance for impairment of inventory	13,940	12,499
66	-75	Change in allowance for impairment of doubtful receivables	35	-43
13	239	Loss on disposal of property, plant and equipment	5,406	1,666
-14,974	7,577	Net foreign exchange differences on loans revaluation	40,273	27,336
-784	-1,046	Interest income	-4,487	-6,288
17,081	12,173	Interest expense	67,815	43,977
-1	-	Dividend income	-48,325	-37,202
-2,562	-8,221	Effect of derivative financial instruments	3,598	-35,161
		<i>Changes in working capital:</i>		
19,066	-68,757	Change in inventories	36,052	-119,061
32,069	33,225	Change in trade receivables and other assets	132,552	103,967
-588	-18,114	Change in trade and other payables	6,280	20,421
-	-2,860	Income taxes paid	-10,927	-2,860
-12,760	-9,313	Interest paid	-64,973	-36,757
-2,399	19,496	Proceeds from derivatives, net	5,752	26,653
10,229	9,768	Net cash generated by / (used in) operating activities	146,551	352,445
		Cash flow from investing activities		
-14,457	-31,395	Purchase of property, plant and equipment and intangible assets, net	-84,760	-202,746
-	-	Government grants received	3,572	21,068
6	216	Proceeds from sale of property, plant and equipment	148	245
-	22,294	Dividends received	48,324	37,201
1	-	Change in restricted cash	5,085	55,356
784	1,046	Interest received	4,487	7,301
-13,666	-7,839	Net cash used in investing activities	-23,144	-81,575
		Cash flow from financing activities		
10,823	873	Proceeds from loans and leasing	297,220	2,108
-125,968	-28,847	Repayment of loans	-159,747	-66,466
-144	-36,144	Dividends paid	-324,779	-379,803
-115,289	-64,118	Net cash provided by/(used in) financing activities	-187,306	-444,161
-118,726	-62,189	Net change in cash and cash equivalents	-63,899	-173,291
191,272	198,634	Cash and cash equivalents at beginning of period	136,445	309,736
72,546	136,445	Cash and cash equivalents at end of period	72,546	136,445

Alro Group

Consolidated statement of changes in shareholders' equity for the year 2019 - unaudited

in RON '000

	Share capital		Other reserves		Total other reserves	Retained earnings	Result for the period	Attributable to shareholders of Alro SA	Non-controlling interests	Total shareholders' equity
	Share capital	Share premium	Other reserves	Translation reserve						
Balance at 1 January 2018	356,091	86,351	364,519	-32,977	331,542	49,409	390,581	1,213,974	1,374	1,215,348
Profit for the period	-	-	-	-	-	-	235,006	235,006	321	235,327
Other comprehensive income / (expense)										
Translation adjustment	-	-	-	9,476	9,476	-	-	9,476	62	9,538
Remeasurements of post-employment benefits	-	-	-	-	-	-405	-	-405	-6	-411
Deferred tax on benefits remeasurement	-	-	-	-	-	-34	-	-34	-	-34
Other comprehensive income / (expense)	-	-	-	9,476	9,476	-439	-	9,037	56	9,093
Total comprehensive income / (expense)	-	-	-	9,476	9,476	-439	235,006	244,043	377	244,420
Transactions with owners of the company recognized directly in equity										
Distributions to owners of the company										
Appropriation of prior year result	-	-	3,315	-	3,315	387,266	-390,581	-	-	-
Dividends distribution (Note 10)	-	-	-	-	-	-367,637	-	-367,637	-12	-367,649
Disposal of own shares*	13,946	-	-	-	-	66,759	-	80,705	-	80,705
Balance at 31 December 2018	370,037	86,351	367,834	-23,501	344,333	135,358	235,006	1,171,085	1,739	1,172,824
Balance at 1 January 2019	370,037	86,351	367,834	-23,501	344,333	135,358	235,006	1,171,085	1,739	1,172,824
Profit for the period	-	-	-	-	-	-	-68,829	-68,829	490	-68,339
Other comprehensive income / (expense)										
Translation adjustment	-	-	-	-6,230	-6,230	-	-	-6,230	-37	-6,267
Remeasurements of post-employment benefits	-	-	-	-	-	-3,333	-	-3,333	-	-3,333
Deferred tax on benefits remeasurement	-	-	-	-	-	577	-	577	-	577
Other comprehensive income / (expense)	-	-	-	-6,230	-6,230	-2,756	-	-8,986	-37	-9,023
Total comprehensive income / (expense)	-	-	-	-6,230	-6,230	-2,756	-68,829	-77,815	453	-77,362
Transactions with owners of the company recognized directly in equity										
Distributions to owners of the company:										
Appropriation of prior year result	-	-	4,928	-	4,928	230,078	-235,006	-	-	-
Dividends distribution** (Note 10)	-	-	-	-	-	-326,600	-	-326,600	-14	-326,614
Balance at 31 December 2019	370,037	86,351	372,762	-29,731	343,031	36,080	-68,829	766,670	2,178	768,848

*On 19 December 2018 Conef S.A. disposed entirely of its 3.77% holding in Alro S.A. through an accelerated private placement offer for a cash consideration of RON 80,705 thousand.

**Dividends distributed in 2019 represent interim dividends initially declared in 2018 based on Q3 2018 results and retained earnings, which were recognized as assets at 31 December 2018 under "Other current assets" in accordance with the applicable legislation (the Financial Ministry's Order no. 3067/2018) and which were deducted from equity only after their approval as final dividends by the Ordinary General Shareholders' Meeting held in April 2019.

Alro

Separate statement of changes in equity for the year 2019 - unaudited

in RON '000

	Share capital	Share premium	Other reserves	Retained earnings	Result for the period	Total
Balance at 1 January 2018	370,037	86,351	306,191	299,011	317,686	1,379,276
Result for the period	-	-	-	-	225,957	225,957
Other comprehensive income / (expense)						
Remeasurements of post-employment benefits	-	-	-	526	-	526
Deferred tax on benefits remeasurement	-	-	-	-84	-	-84
Total other comprehensive income / (expense)	-	-	-	442	-	442
Total comprehensive income / (expense)	-	-	-	442	225,957	226,399
Transactions with owners of the company recognized directly in equity						
Distributions to owners of the company						
Appropriation of prior year result	-	-	-	317,686	-317,686	-
Dividends distribution	-	-	-	-382,036	-	-382,036
Balance at 31 December 2018	370,037	86,351	306,191	235,103	225,957	1,223,639
Balance at 1 January 2019	370,037	86,351	306,191	235,103	225,957	1,223,639
Result for the period	-	-	-	-	-152,901	-152,901
Other comprehensive income / (expense)						
Remeasurements of post-employment benefits	-	-	-	-3,086	-	-3,086
Deferred tax on benefits remeasurement	-	-	-	494	-	494
Total other comprehensive income / (expense)	-	-	-	-2,592	-	-2,592
Total comprehensive income / (expense)	-	-	-	-2,592	-152,901	-155,493
Transactions with owners of the company recognized directly in equity						
Distributions to owners of the company						
Appropriation of prior year result	-	-	-	225,957	-225,957	-
Dividends distribution*	-	-	-	-326,600	-	-326,600
Balance at 31 December 2019	370,037	86,351	306,191	131,868	-152,901	741,546

*Dividends distributed in 2019 represent interim dividends initially declared in 2018 based on Q3 2018 results and retained earnings, which were recognized as assets at 31 December 2018 under "Other current assets" in accordance with the applicable legislation (the Financial Ministry's Order no. 3067/2018) and which were deducted from equity only after their approval as final dividends by the Ordinary General Shareholders' Meeting held in April 2019.

Notes to the preliminary consolidated financial results - unaudited -

1. Alro Group ended the year 2019 with a turnover of RON 2,777,801 thousand (down by 7% compared to 2018), an EBIT of RON 99,223 thousand (by RON 262,617 thousand lower than in 2018) and a net loss of RON 68,339 thousand compared to the previous year's consolidated profit of RON 235,327 thousand.

At a global scale, the aluminium market was affected in 2019 by a 15% LME decrease YoY, by international politics, such as the US tariffs on imports, the Chinese retaliation, the Brexit negotiations, all these driving the clients on the aluminium market to have a cautious behaviour, which had a significant impact on our results in 2019. The tariffs imposed by the USA caused important aluminium metal quantities to be diverted between key market areas. At the same time, the lifting of US sanctions against Rusal in the beginning of 2019 brought back more aluminium into the market. All these contributed to fluctuations in the aluminium markets worldwide and determined clients downstream to rather wait for better opportunities, which eventually caused the prices to decrease: the LME cash seller quotations for 2019 were at an average of 1,791 USD/t, losing more than 300 USD/t from the 2018 average of 2,110 USD/t. The LME quotations in Q4 2019 were slightly lower than the quotations in the prior quarter Q3 2019 (an average of 1,752 USD/t in Q4 2019 compared to 1,762 USD/t in Q3 2019), but they were by more than 200 USD/t lower than in the comparative quarter Q4 2018 (1,970 USD/t). The impact of the lower LME and competitive premiums determined a decrease of sales revenues by 10% also in Q4 2019 compared to Q4 2018 (from RON 686,133 thousand in Q4 2018 to RON 615,448 thousand in Q4 2019).

As concerns the alumina market, the gradual resuming of output at Norsk Hydro's Alunorte alumina refinery caused a surplus of material, which impacted the price downwards. The alumina spot price (Australia FOB) has fallen 30% ytd to 275 USD/t when Alunorte's 50% spare capacity was gradually resumed (extra 3 million tpa or 2% of global supply). As Alro Group is an integrated aluminium producer controlling its entire supply chain, under the given circumstances it decided to sell less alumina outside the group and to use it mostly internally, as it could no longer benefit from the high market prices recorded in 2018, when they averaged 475 USD/t.

On the local Romanian market, we have faced further adverse conditions, mainly derived from the prohibitive energy prices, which are above the prices in other European countries such as Germany, Austria, Poland, France, the Netherlands, and above the European Union average, and consequently pushing Alro's gross margin as low as 8%, from last year's 22%. This trend was also observable in Q4 2019 when the gross margin was 4% compared to the 19% recorded in Q4 2018.

Concerning the factors that are impacting the local Romanian market, energy prices in particular, in the end of December 2019, the Romanian Government issued an Emergency Ordinance for amending GEO no.115/2011 through which the Romanian Government is committed to implementing a State aid scheme to compensate large energy-intensive undertakings for a share of their indirect emission costs. The State aid scheme is a transposition of the provisions resulting from the EU ETS Guidelines 2012/C 158/ 04. Such European support schemes are in force since 2012 and already applied in 12 European states – Germany, France, Spain, Norway, Finland, Hungary, Greece, Latvia among those states – in which Alro has strong competitors. This aid scheme offers direct subsidy for the compensation of costs relating to greenhouse gas emissions passed on in the electricity price for the economic agents from various fields of activity, in order to preserve their competitiveness. The European Guidelines are defining also the list of industrial sectors which qualify for the direct subsidy as well as the formula of implementation, in the smallest details. For Alro, as well for companies from other 15 Romanian industrial sectors and 8 subsectors (as they are regulated by the EU ETS Guidelines 2012/C158/04, these compensations have the role of counteracting the high energy price on the overall cost. Moreover, the source of funds for the actual compensation comes from the auctioning of the greenhouse gas emission certificates attributed freely by the European Union to Romania. Therefore the scheme is being supported directly from this mechanism implemented accross the European Union and is not affecting the rest of the Romanian consumers.

In spite of the tough environment in 2019, the Group remained committed to its long-term strategy of increasing the production of high and very high value added products. It achieved higher sales of processed products overall by 1,000 tonnes compared to 2018, mostly plates, and by 920 tonnes more Primary products (mostly wire rod). This is an achievement under the current circumstances of high competition from Chinese producers and the large quantities of metal redirected to the European market instead of the USA.

The volumes of primary aluminium sales increased by 1% in 2019 compared to the previous year, and at the quarter level the increase was of 6% in Q4 2019 compared to Q4 2018. The increase in the Primary segment is attributable to the wire rod, from which the Group sold 1,650 tonnes more than in 2018 (a 1,400 tonne variation was only in Q4 2019 as compared to Q4 2018). The removal of sanctions on Rusal in January 2019 increased the pressure on European wire rod producers, and after a lower demand in Q1 2019 and the low season of August, we experienced a recovery during September - November. The cable sector performance was not as strong as it was during the previous year, but we managed to be in line with our forecast for the year, as some of the clients resumed projects towards the end of the year. The wire rod sales offset the weaker sales of billets in 2019, which occurred due to the instability of the extrusion market starting from the end of 2018. The poor performance of the driving sectors (automotive and construction) and the concern about future economic growth

caused the extrusion sector to be the most affected, such that the Group sold by 1,500 fewer tonnes of billets to third party customers and by 1,600 fewer tonnes of its own extruded products.

In value terms, **revenues** from primary products decreased by 5% compared to the previous year (2019: RON 1,191,673 thousand versus 2018: RON 1,250,331 thousand) and stood at a similar level in Q4 2019 with the one reported in the comparative period of 2018 (Q4 2019: RON 276,806 thousand versus Q4 2018: RON 276,344 thousand), with the material drop of LME (-15% in 2019 compared to the previous year and -11% in Q4 2019 compared to Q4 2018) being partly offset by the favourable exchange rate, namely a stronger US dollar to which the Group's sales are linked by the specificity of its markets.

The flat rolled products in quantity terms reported a 3.6% increase compared to the previous year, on higher plates by 5% (more than 2,200 tonnes) and coils by 13% (more than 1,970 tonnes). In Q4 2019 due to the competition derived from foreign suppliers (especially China), lower demand in some market segments and the LME downward trend, the sales of plates and coils decreased compared to Q4 2018 (-9%, and -1% respectively). Despite these negative factors, during the quarter the Group took advantage of market opportunities, and sold sheets by 37% more (representing a variation of 930 tonnes) in Q4 2019 compared to the same quarter of previous year.

The revenues from value added products (processed aluminium) account for 49% of revenues, while in 2018 they were 46%. Even in a challenging environment, Alro Group continued to implement its growth objectives in 2019, which are to increase its total sales of aluminium flat rolled products (FRP) with a focus on high value added products (HVAPs) and very high added value products (VHVAPs). To this end, the Group applied strategies to adapt and stay competitive, such as consolidating its position in sheets and coils concomitantly with the modernization of one of the cold mills that was commenced in 2018, further developing Alro's plates for aerospace industry which enjoys a solid growth potential, increasing its market position for heat treated plates on the US market, taking advantage of US anti-dumping taxes on Chinese common alloy coils by serving US clients with increasing quantities of such products. It also limited losses in FRP by reducing sales on the heat exchanger market that is suffering due to the weakness of automotive industry.

As concerns the sale of surplus of upstream products, in 2019 revenues from alumina delivered to third parties amounted to RON 140,028 thousand, decreasing by 49% compared to the same period last year (in Q4 2019 the sales of alumina were by RON 37,762 thousand lower than in Q4 2018, representing a 59% decrease). Due to the lower sales prices in specific markets, as mentioned before, the Group considered that it was more economically advantageous to support mainly the Group's needs.

The sales of bauxite to third parties from the subsidiary in Sierra Leone were of RON 53,859 thousand in 2019, namely by RON 28,527 thousand more than in 2018, and in quantitative terms the increase was of 88% during the analyzed periods. The Group took the opportunity to conclude contracts with third party clients and sell bauxite in favourable conditions. In Q4 2019 the deliveries amounted to RON 17,662 thousand (in Q4 2018 the Group had used the entire production of bauxite for its own needs).

2. In respect of **the cost of goods sold**, the Group reported a higher level by 10% in 2019 (2019: RON 2,551,427 thousand versus 2018: RON 2,312,624 thousand) mainly due to the growth of the purchase prices of utilities (electricity and gas), in line with the prices from OPCOM's platforms. However, in Q4 2019 compared to Q4 2018, the increase of the cost of goods sold was lower, i.e. 6% (Q4 2019: RON 588,289 thousand versus Q4 2018: RON 552,536 thousand, respectively).

One of the foremost objectives of the Group for the long term is the reduction of the raw materials and utilities cost, especially of the energy consumption. On this purpose, in the end of 2018 Alro started to invest in the implementation of a new pot replacement methodology in the electrolysis sector, with the Company having succeeded to use mainly the new AP12LE ("Aluminium Pechiney Low Energy") technology in the process of pot replacement in Q3 and Q4 2019.

3. The **gross profit** reported by the Group in 2019 was of RON 226,374 thousand compared to RON 669,877 thousand in 2018, and in Q4 2019 it was RON 27,159 thousand compared to RON 133,597 thousand in Q4 2018, considering the international market context: lower levels of LME and lower sales prices for alumina in conjunction with higher utilities prices.

4. Proving accountability towards the stakeholders and consideration for business, the Group management took measures to counteract the unfavourable external forces that put pressure on the Group's results in 2019: it reduced the amperage and energy consumption in the smelter and resold the spare electricity back to the market by limiting production of electrolytic and primary aluminium to only as much as necessary for assuring the sales target and the production of processed products; it reduced the level of inventories of raw materials and consumables and it effectively diminished its general and administrative expenses. In 2019, the **general, administrative and selling expenses** were lower by 10% (from RON 310,921 thousand in 2018 to RON 279,614 thousand in 2019) and by 15% in Q4 2019 (from RON 83,152 thousand in Q4 2018 to RON 70,838 thousand in Q4 2019).

5. In 2019, the Group spotted the opportunity to sell a surplus quantity of CO₂ emission certificates (EUA's) when their market price was sufficiently high. The position **Other operating income** of RON 167,755 thousand in 2019 (compared to RON 11,376 thousand recognized in 2018) includes mainly the Group's sales of such emission certificates amounting to RON 120,197 thousand (in 2018: nil). As for the quarter, during Q4 2019 the sales of emission certificates were of RON 12,499 thousand (Q4 2018: nil).

6. **Net foreign exchange gains / (losses)** are mainly non cash items resulting from the revaluation of the loans and other liabilities and assets of the Group in foreign currencies. In both years 2019 and 2018, the Group incurred a net FX loss mainly on the revaluation of its loans denominated in USD due to the depreciation of the Romanian leu. Conversely, in Q4 2019 a net foreign exchange gain was recorded due to the appreciation of the Romanian leu against the US dollar compared to the end of the previous quarter (from 4.3488 USD/RON at 30 September 2019 to 4.2608 USD/RON at 31 December 2019). An opposite evolution was recorded in Q4 2018, when the Romanian RON depreciated against the US dollar (from 4.0210 USD/RON at 30 September 2018 to 4.0736 USD/RON at 31 December 2018), and thus the Group recorded a loss from foreign exchange differences at that time.

7. The **net result** of Alro Group in 2019 and Q4 2019 was negative on the background of weaker aluminium prices in international markets combined with higher prices of electricity in the local market. The Group reported a net negative result for 2019 of RON 68,339 thousand compared to a net profit of RON 235,327 thousand reported in 2018. The corresponding evolution existed also in the last quarter of 2019, when the Group reported a net loss of RON 45,618 thousand compared to a net profit of RON 11,792 thousand recorded in Q4 2018. The adjusted net loss was RON 53,265 thousand for 2019 and RON 34,577 thousand for Q4 2019.

Reconciliation of adjusted net result with the net result of Alro Group:

in RON '000	in RON '000		in RON '000	in RON '000
Q4 2019	Q4 2018		2019	2018
-45,618	11,792	Result for the period	-68,339	235,327
-	-	Plus/(minus) charge/ (reversal) of non-current assets impairment expense/(income)	-4,790	-1,261
-2,562	-8,221	Plus/(minus) the loss/(gain) from derivative financial instruments for which hedge accounting was not applied	3,598	-35,161
13,603	12,410	Plus/(minus) deferred tax expense	16,266	50,173
-34,577	15,981	Adjusted net result	-53,265	249,078

8. To support its development strategies, the Group incurred capital expenditures of RON 134,305 thousand in several projects, such as the ones aimed to reduce the energy consumption in the smelter area, by implementing a new and advanced technology for pot relining. At the same time, the Group continued the revamping of one of the cold rolling mills, a process commenced in 2018 and that is expected to increase the capacity and quality of the FRP, and it also purchased equipment for increasing its mining capacity and the quality of the delivered bauxite from Sierra Leone. The depreciation of the existing assets slightly offset the new purchases, such that the balance of the **property, plant and equipment** of the Group decreased from RON 1,190,373 thousand at 31 December 2018 to RON 1,169,862 thousand at 31 December 2019.

9. At 31 December 2019 the Group classified an amount of RON 694,561 thousand representing loans with maturity in November 2020, from **Bank and other loans, non-current** to **Bank and other loans, current**, along with the collateral deposits placed for the duration of the loans (RON 45,200 thousand), which are now reflected in **Restricted cash** at 31 December 2019 and were included in **Other non current assets** at 31 December 2018.

10. During the year 2019, the Group distributed dividends of RON 326,600 thousand that had been included under **Other current assets** and **Other current liabilities** at 31 December 2018 based on regulations in Romania regarding interim dividends, and that had been initially declared from the interim 9-month 2018 profits and retained earnings. In 2018 dividends of RON 367,637 thousand were distributed by the Group.

11. As of the date of this report the Company has not completed its annual impairment analysis of its investments in subsidiaries. Depending on the outcome of this analysis, the final financial statements for 2019 may differ from the present ones.

Gheorghe Dobra
Chief Executive Officer

Genoveva Nastase
Chief Financial Officer