

Half-year report 2021

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Cautionary statement

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Certain statements included within this Report contain (and oral communications made by us or on our behalf may contain) forward-looking information, including, without limitation, those relating to (a) forecasts, projections and estimates, (b) statements of management's plans, objectives and strategies for ALRO Group, such as planned expansions, investments or other projects, (c) targeted production volumes and costs, capacities or rates, start-up costs, cost reductions and profit objectives, (d) various expectations about future developments in ALRO Group's markets, particularly prices, supply and demand and competition, (e) results of operations, (f) margins, (g) growth rates, (h) risk management, as well as (i) statements preceded by "expected", "scheduled", "targeted", "planned", "proposed", "intended" or similar statements.

Although we believe that the expectations reflected in such forward-looking statements are reasonable, these forward-looking statements are based on a number of assumptions and forecasts that, by their nature, involve risk and uncertainty. Various factors could cause our actual results to differ materially from those projected in a forward-looking statement or affect the extent to which a particular projection is realized.

Factors that could cause these differences include, but are not limited to: our continued ability to reposition and restructure our upstream and downstream aluminium business; changes in availability and cost of energy and raw materials; global supply and demand for aluminium and aluminium products; world economic growth, including rates of inflation and industrial production; changes in the relative value of currencies and the value of commodity contracts; trends in ALRO Group's key markets and competition; and legislative, regulatory and political factors. No assurance can be given that such expectations will prove to have been correct.

ALRO Group disclaims any obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

Note 1: In this report, the terms "ALRO Group" and "the Group" are sometimes used for convenience where references are made to ALRO S.A. and its subsidiaries, in general, and the terms "Company" and "Parent-company" are sometimes used for convenience where references are made to ALRO S.A.

The Half-Year Report (including Directors' Report and Interim condensed consolidated financial statements of ALRO and its subsidiaries) for the 6 months ended 30 June 2021 is unaudited and has 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).

The financial results for Q2 2021 compared to Q2 2020 included in this report are not audited and present ALRO Group figures in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU in accordance with the Ministry of Public Finance Order no. 2844/2016.

The indicators/ figures included in this report may be rounded to the nearest whole number and therefore minor differences may result from summing and comparison with exact figures mentioned in the financial statements

Note 2: A list of all abbreviations and definitions used in this report can be found on page 45.

Financial and Operational Highlights for H1 2021

ALRO Group

| Indicator | H1 2021 | H1 2020 |
|---|-----------|-----------|
| Primary aluminium production (tonnes) | 146,152 | 137,163 |
| Processed aluminium production (tonnes) | 54,736 | 51,651 |
| Alumina production (tonnes) | 258,491 | 202,958 |
| Bauxite production (tonnes) | 632,176 | 739,341 |
| Sales (thousand RON) | 1,537,911 | 1,360,942 |
| EBITDA ¹ (thousand RON) | 144,367 | 430,259 |
| EBITDA margin (%) | 9% | 32% |
| Net result (thousand RON) | (47,577) | 253,662 |
| Adjusted net result ² (thousand RON) | (14,862) | 261,781 |

ALRO S.A.

| Indicator | H1 2021 | H1 2020 |
|--|-----------|-----------|
| Primary aluminium production (tonnes) | 146,152 | 137,163 |
| Processed aluminium production (tonnes) | 42,732 | 39,120 |
| Primary aluminium sales (tonnes) | 82,700 | 81,635 |
| Processed aluminium sales (tonnes) | 43,741 | 40,453 |
| Sales (thousand RON) | 1,424,162 | 1,222,845 |
| EBITDA ¹ (thousand RON) | 113,072 | 346,027 |
| EBITDA margin (%) | 8% | 28% |
| Net result (thousand RON) | (27,582) | 211,772 |
| Adjusted net result ² (thousand RON) | 6,958 | 221,009 |
| Net result per share (RON) | (0.039) | 0.297 |
| Adjusted net result ² per share (RON) | 0.010 | 0.310 |

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

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

Letter to shareholders



*Marian NĂSTASE,
Chairman*



*Gheorghe DOBRA,
Chief Executive Officer*

Dear readers and shareholders,

We started 2021 stronger and with confidence as we managed to overcome a challenging 2020 while keeping all our facilities running with no disruptions in the value and distribution chains, with no layoffs and nevertheless with no crises in respect of COVID-19 infections within our premises. Thus, we are proud to tell you that facing these hard and critical times made us stronger and the measures we have implemented during this period helped us to adapt and take advantage of the opportunities created by this new global context. Moreover, the comprehensive measures we implemented during 2020 and continued in 1H 2021 proved their efficiency and despite the crisis caused by the COVID-19 pandemic, ALRO Group reported improved results and 100% functional production facilities throughout this period.

Thus, the results for the first six months of 2021 of the Group showed revenues of RON 1.54 billion, an increase of 13% compared to the similar period of last year and a margin of 12% being sustained by a favourable trend of the aluminium and alumina prices; LME continued its upward trend with an average of 2,246 USD/tonne for 1H 2021, 650 USD/tonne higher than the level reported in 1H 2020 and currently reaching levels above 2,500 USD/tonne. Furthermore, the increasing demand is set to surge on the back of climate-change investments and China holding down on smelting to reduce pollution and meet green targets. The global economy's post-pandemic rebound, and demand in the automotive and construction industries are eating into inventories. The trend was visible also for our products, which showed significantly improved levels in the analysed period, with higher primary and processed sales in 1H 2021 versus 1H 2020. The news is not the

same for the aero sector, where the Group sells flat-rolled products. The aircraft industry continued to record low levels and shows no real signs of recovery. For the Group a better performance was shown by the alumina segment which reported increased sales to third parties by 37%. However, the good performance of the aluminium market at the international level was partially hindered by the local anomalies of the energy prices, ALRO facing a challenging context as the electricity market is affected by the high pressure on the de-carbonization of energy in Romania and Europe. The energy market was dominated by an accelerated increase in electricity supply prices, which relates mainly to the increase in emission certificate prices. Under these conditions, some electricity suppliers of the Group requested the modification of the prices for the electricity quantities contracted by the Group in advance, reductions of quantities and tighter payment deadlines and in some cases they preferred to terminate the contracts. The Group has taken all possible measures to reduce the effect of these events.

Thus, in the analysed period, we intensified our works to develop our own generation sources by a mix of a gas-fueled power plant and photovoltaic panels, at ALRO's facilities in Slatina and ALUM's facilities in Tulcea. Also, in the same direction of reducing ALRO's dependence on electricity, we managed to increase Eco-Recycling production by over 23% in the analysed period.

We are happy to report that in 1H 2021 we continued to attract financing from reliable and trustworthy partners such as EximBank and the Black Sea Trade and Development Bank (“BSTDB”) to sustain our investments programs for improving the energy management performance as well as increase the value-added production capacity while maintaining and improving our operations to reflect the latest EU regulatory and policy developments. Thus, for ALRO, we signed a USD 40 million corporate loan from BSTDB in June and a working capital facility of RON 167 million from EximBank at the beginning of July 2021. On the other side, our downstream subsidiary, Vimetco Extrusion, is investing around EUR 10 million in an automatic extrusion line for aluminium profiles and received a grant offer from Innovation Norway of EUR 1.85 million in July 2021 out of a project estimated at around EUR 3.85 million aimed at automating the product packaging line to streamline and improve the current production capacity. Additionally, ALRO applied in March for accessing HORIZON 2020 funds for an innovative project for maritime applications estimated to be over EUR 650,000, out of which 65% represent refundable funds and ALRO’s contribution being of around EUR 67,000.

Another milestone achieved in the first part of 2021 by our Group is the publication of the Sustainability Strategy for 2021-2025, a roadmap toward state-of-the-art investments and an engagement to sustainability principles and responsible business. Moreover, we have published for the fourth consecutive year the Sustainable Value Report, a comprehensive document prepared following an international set of standards and aligned to the latest developments in this area which emphasis our responsible practices towards the environment and society, even in exceptional situations as happened in 2020 during the COVID-19 pandemic.

Locally, we continued to pay attention to our main asset, our employees and to take care of the communities in which we operate. Thus, besides the additional donations done in 1H 2021 to help the fight against this virus spreading, we supported the national vaccination campaign by opening in May a vaccination centre in Slatina and a vaccination point in Tulcea for the benefit of our employees and their families.

Consequently, we are determined to overcome this new context with the same positive attitude we had in the past. Even though the current level of uncertainty is expected to continue in 2H 2021, we are confident that the global economies will continue to recover and therefore generate stable levels of demand also for aluminium and its products that represent key parts of this new, greener and innovative future that the world is currently facing and quickly adapting to.

*Marian NASTASE,
Chairman of the Board of Directors*

*Gheorghe DOBRA,
Member of the Board of Directors
Chief Executive Officer*

ALRO GROUP - Important events in H1 2021

January – June 2021

Market Overview

LME evolution

After a 2020 overall seriously hit by the COVID-19 pandemic outbreak that also affected the aluminium industry, 2021 brought new challenges but also new opportunities. In the case of the LME, in H1 2021 it showed diminished levels of volatility compared to H1 2020 and kept its steady and increasing trend that was visible starting H2 2020 when from levels between 1,750-1,800 USD/tonne, the LME jumped to almost 2,000 USD/tonne at the end of 2020 based on the Chinese demand optimism and over anti-COVID-19 vaccine availability. Furthermore, in Q1 2021, the LME continued its increasing trend and reported an average of 2,096 USD/tonne, 406 USD/tonne higher than the level reported in Q1 2020: 1,690 USD/tonne. In Q2 2021, LME stood at levels around 2,400-2,500 USD/tonne and it even reached a maximum of 2,565 USD/tonne on the 10th of May 2021. The average for H1 2021 was 2,246 USD/tonne, 650 USD/tonne higher than the level reported in H1 2020: 1,595 USD/tonne.

The current LME level is above 2,500 USD/tonne.

Holdings of aluminium in London Metal Exchange warehouses showed an upward trend throughout H1 2021, but signs of shrinking were visible in June 2021 and thus an increase of only 17% was registered as of 30 June 2021 compared to 31 December 2020.

Market evolution

Starting the end of 2020, the financial programs offered by European governments to boost the economy affected by the pandemics, the positive news about a vaccine and the limitation of the imports from China modified the demand trend: from growing gradually in the first half of 2021 to currently exceeding the available supply.

In H1 2021, strong demand levels were visible starting February and demand is expected to remain constant throughout the year. Good results were registered for the wire rod, with solid demand and a high level of orders for this period of the year.

In respect of the flat-rolled products, this line of business continued to show the same positive trend in 1H 2021 being supported by the improved demand in the main industrial sectors, such as building & construction, automotive, general engineering and the restocking process among the European distributors/ service centres.

Moreover, signs of recovery for the extrusion sector have been also visible starting September 2020 and the billets orders for H1 2021 were higher than those budgeted for this period of the year.

With several rolling mills having announced already no available capacities for the rest of the year and an increased degree of uncertainty in the market concerning H2 2021, acknowledging that imports from China are no longer a viable option, the expectations are promising for the rest of the year and further. However, in opposition to this optimistic context, the aerospace business continues to run at lower levels than expected, with no real signs of recovery in the short term. The travel restrictions announced at the beginning of the year by several governments in the context of the COVID-19 pandemic have also contributed to maintaining a negative outlook in the short term, but once the holiday season approaches and that most of the countries want to support the tourism industry, several measures were adopted to facilitate the safe travelling and restrictions were gradually eased; however, any positive effects are expected to be visible most probably in H2 2021.

ALRO faced fierce competition in the plates market (mainly from tier 1 suppliers) in H1 2021, too but remained an important player and managed to conclude new deals both for heat-treated and non-heat-treated plates, at a reasonable level that partially mitigated the lower share generated by the aircraft business in the analysed period.

The stable overall demand in H1 2021 was supported by the good performance of the automotive and construction sectors, very tight supply, the EU anti-dumping taxes imposed on Chinese extrusions and announced for Chinese flat-rolled products, as well as the restocking activity at the end-users.

The comprehensive measures implemented by the Group's management proved their efficiency and despite the crisis caused by the COVID-19 pandemic, ALRO Group reported improved results and 100% functional production facilities throughout 1H 2021 vs. 1H 2020

ALRO GROUP - Important events in H1 2021 - continued

Energy anomalies in the local market

In H1 2021, ALRO faced a challenging context regarding the electricity market that is being affected by the high pressure on the de-carbonization of energy in Romania and Europe. Therefore, in the analysed period, the electricity market was dominated by a surge in electricity prices delivered in the local market that also embed a surge in the prices of the emission certificates. As a direct consequence, several electricity suppliers of the Group's claimed amendments regarding the prices contracted in advance by the Group, reducing quantities and terms of payment, while others have declined the previous signed contracts. Thus, in the analysed period, ALRO continued its plans to develop generation sources on-site by a mix of a gas-fueled power plant and photovoltaic panels, at ALRO's facilities in Slatina and ALUM's facilities in Tulcea, a highly efficient CCPP ("Combined cycle power plant") designed to the best available technology. It is estimated that this project will be implemented as a turnkey project with future ability to migrate to the use of sustainable low carbon green gases such as green hydrogen when commercially available. Furthermore, the project will increase the efficiency of the national grid by decreasing losses in the network because of its direct connection to the consumers. It will also provide flexibility for the grid as a part of the energy will assure a continuous reserve to help the balance when integrating more RES ("Renewable Energy Sources") into the national system.

Legislation updates at the level of EC closely monitored

On 14th of July 2021, the "Fit for 55" legislative package was published by the European Commission that includes legislative proposals very important for the aluminium industry such as the revision of the EU Emission Trading System, the inclusion of the greenhouse gas emissions and removals from land use, land-use change and forestry (LULUCF), the amendment to the Renewable Energy Directive to implement the ambition of the new 2030 climate target, the Carbon Border Adjustment Mechanism, revision of the Energy Taxation Directive etc.

The Group's management closely follows these changes and the latest developments in this area that might have an impact on the aluminium industry and provide its feedback and reactions when public consultation is available.

Fiscal control finalized at ALUM

At the beginning of July 2021, ALUM informed investors, other stakeholders and interested persons that, after having carried out a control by ANAF, DGFP Galati through AJFP Constanta, an additional payment obligation was established for the company amounting RON 19.67 million. The company filed an appeal against this tax decision and will use all the ways provided by the law for its annulment and recovery of the amounts paid by the company according to the decision as it considers the tax decision to be groundless and illegitimate.

A new credit facility granted to ALRO by EximBank

The implementation of the temporary framework for state aid measures to support the Romanian economy in the current COVID-19 outbreak helped ALRO to maintain and improve its operations to reflect the latest EU regulatory and policy developments by having access to a working capital facility of RON 167 million from EximBank at the beginning of July 2021 (the facility is secured by a state guarantee covering 90% of the facility amount within this state aid dedicated to large companies). The maturity of the facility is 1st November 2023.

February 2021

Continuous support for communities to fight against COVID-19

The Group continued to support the efforts to prevent and combat the effects of the COVID-19 pandemic at local and national level through three donations of RON 100,000 each, directed to Dr. Victor Babes Hospital, Prof. Dr. Matei Bals Foundation and Slatina County Emergency Hospital.

The donations will be used to ensure the ongoing daily activities of the medical staff by repairing and installing oxygen stations, purchasing medical devices and other supplies, as well as to improve the healthcare system safety and security by increasing fire prevention measures and acquisition of specific equipment required for emergencies.

ALRO Group has supported the efforts of communities and institutions involved in preventing and mitigating the effects of the pandemic through donations of over RON 1,000,000, (including the current donations), consisting of money, medical and protective equipment. Also, the Company' management has implemented complex protocols and procedures to maintain business continuity and to operate in safe conditions, at normal parameters, with a fully functional distribution chain.

ALRO GROUP - Important events in H1 2021 - continued

March 2021

Vimetco Extrusion is investing around EUR 10 million in an automatic extrusion line for aluminium profiles

Vimetco Extrusion, ALRO's downstream subsidiary in charge with the extrusion business line, continues to invest in the development of high and very high value-added products through a project investment evaluated around EUR 10 million consisting in the acquisition and installation of an automated extrusion line, supplied by Presezzi Extrusion spa.

Besides helping Vimetco Extrusion to reach its objectives of increasing the value-added offered to shareholders, customers and community by reducing the impact on the environment and creating an extensive portfolio of customized solutions, obtained by implementing the latest technologies available, the project will also generate cost-savings and increased operational efficiency.

The new and complete 7" extrusion line is equipped with the technology required to operate with reduced human intervention, the entire process is automated through the DMS application ("Document management system") developed by Presezzi. In addition to the ability to extrude aluminium profiles up to a length of 60 meters, with a speed of 50 m/min, the equipment has the lowest guaranteed gas consumption on the market, it is equipped with an efficient ESS system ("Energy-saving system"), as well as with independently operated water- and air-cooling zones, designed to efficiently allocate resources. This investment project is financed from two sources, commercial credit and bank credit for investments.

Vimetco Extrusion will continue to develop and ensure an extensive portfolio of solutions while being compliant with the highest standards of environmental protection through constant investments in each area of its activity.

ALRO applies for HORIZON 2020 funds

On 26th of March 2021, ALRO applied for accessing HORIZON 2020 funds through the project "MarCompAI – Novel lightweight reinforced aluminium-based composites with advanced mechanical and structural properties for maritime applications". The project is estimated to take place during 2022 – 2023 and the value of the entire project is approx. 653,000 EUR, out of which 65% refundable and ALRO's budget is ALRO Budget 67,000 EUR. The project's coordinator is Politehnica University of Bucharest. The pre-proposal was selected for promotion to the next phase (Step 2) of the current Call. The deadline for the submission of full proposal is 10th of September 2021.

Updates on the anti-dumping tariff claim

One year ago, on 17 March 2020, the Company announced investors and the interested public that it received from the United States International Trade Commission a notification about a petition filed to the US Department of Commerce. This petition aimed at establishing anti-dumping tariffs for certain aluminium products originated from 18 countries, including Romania, imported in the United States between 2017 and 2019. The petition filed by the US Aluminium Association treated the aluminium sheets with a thickness between 0.2 mm and 6.3 mm, made from common alloys (1xxx, 3xxx and 5xxx series). Regarding the sheets of Romanian origin, produced by ALRO, the initial requested anti-dumping tariff proposed by the United States Department of Commerce to be charged was between 1.24% and 352.71%.

As regards the sheets products of Romanian origin, manufactured by ALRO, as a result of the firm position taken and additional arguments presented by the Company, the US Department of Commerce announced their position on the final calculation of the antidumping tariff, revising their initial position and reducing this tariff from 83.94% to 37.26%.

However, the Company continues to consider the petition as unfounded and intends to vigorously defend its position in front of the relevant American authorities and it will continue to permanently inform the investors and the public about the development of the events related to this anti-dumping petition.

April 2021

Annual General Meeting of Shareholders

ALRO: In compliance with the ASF Regulation no. 5/2020, ALRO Ordinary General Meeting of Shareholders took place on 29 April 2021. Some of the business and administrative items included in the meeting's agenda and subsequently approved are the Directors' Report and the financial statements for the financial year 2020, Income and Expenses Budget, Investment Plan and Activity Program for 2021 etc.

ALUM: By Decision no. 298 dated March 24, 2021, ALUM held its Ordinary General Meeting of Shareholders on 28 April 2021.

Some of the business and administrative items included in the meeting's agenda and subsequently approved are the Directors' Report and the financial statements for the financial year 2020, Income and Expenses Budget, Investment Plan and Activity Program for 2021 etc.

ALRO GROUP - Important events in H1 2021 - continued

May 2021

The Group took further actions against the COVID-19 pandemic and opened vaccination centres in Slatina and Tulcea

The Company set up the vaccination centre within its premises in Slatina, complying with all the Public Health Department requirements for such facilities, and thus, received the approval to start the vaccination process beginning with 4th of May 2021. A vaccination point was also opened by ALUM in Tulcea.

This initiative comes as the management considers that vaccination is the only chance we have in order to return to a state of normality and to offer to the employees the opportunity to receive the necessary protection against COVID-19. Moreover, this action represents a further step that supports the Group's efforts to preserve the health and safety of its employees and their families and thus to maintain all its operations fully functional.

Shareholding of 5.04% for NN Group N.V.

On 5th of May 2020, the Company announced that it has received a notification from NN Group N.V. Netherlands in which it was informed that the fund has exceeded the threshold of 5% through purchase of additional shares thus resulting in a shareholding of 5.04% out of the total number of ALRO's shares.

June 2021

ALRO continues the investments in energy efficiency

The Black Sea Trade and Development Bank (BSTDB) provided USD 40 million corporate loan to the Company, for its capital investment program. The seven-year loan will be used primarily for improving the company's energy management performance as well as high value-added production capacity. The project's total cost amounts to around USD 95 million spread on a period of 8-9 years since its inception, to be also financed later on by Romanian and international commercial banks.

The agreement marks a new phase in BSTDB's partnership with ALRO which started in 2015. Since then, the Bank has provided a total of USD 120 million in support of the Group's development.

ALRO Group published its 2020 Consolidated Sustainable Value Report and the Sustainability Strategy for 2021-2025

On 30 June, ALRO Group published for the fourth consecutive year its Sustainability Report, presenting its main achievements in this area. Moreover, committed to a sustainable future and complying with the applicable international targets in this area, the Group developed also a Sustainable Strategy for 2021-2025, a roadmap toward state-of-the-art investments and an engagement to sustainability principles and responsible business.

In 2020, the Group reached significant milestones in its energy efficiency program and integration of circular economy principles in its business, such as being in the top 3-5 environmentally responsible companies in Europe in the aluminium industry from a direct emissions perspective and aiming to become one of the top ten worldwide aluminium smelters (excluding China) from an energy efficiency perspective in the electrolysis area by implementing the AP12LE innovative technology for its electrolysis pots.

Moreover, through its extensive investments in technology and research & development, the Group was able to reach a 79% water recirculation, a 96.6% degree of waste recirculation and recovery in/ from ALRO out of the total waste generated,

ALRO GROUP - Important events in H1 2021 - continued

as well as a 99.21% degree of traceability of the waste recoverable through third-parties within ALRO and a value of 1.369 tCO₂e/tAl (cast) of specific emissions at ALRO Primary Aluminium. As such and by achieving other sustainability criteria, while proving it applies the best available corporate governance practices, the Company obtained a 9.5 score out of 10 points in its VEKTOR evaluation, as available on the Bucharest Stock Exchange website.

As the Group's investments have always met international standards, it further expanded in this area, through its subsidiaries, by collaborating in and adhering to three major sustainability projects (RemovAl, REEScue and REACTIV for ALUM) and by joining ASI (Aluminium Stewardship Initiative), an international association that contributes to enhancing sustainability in the global aluminium sector (both for ALRO and Vimetco Extrusion).

The Group will continue to make efforts to remain a leader in its field and one of the pillars of the Romanian economy whilst maintaining its responsible practices towards the environment and society, even in exceptional situations. Additional information can be found in **ALRO's 2020 Consolidated Sustainable Value Report**, and in the **Group's Sustainability Strategy for 2021-2025**, documents available on the Company's website in the section dedicated to Sustainability.

Vimetco Extrusion received a grant offer from Innovation Norway in amount of EUR 1.85 million

Vimetco Extrusion continues to invest in streamlining and improving production capacity through new investment, a project estimated at around EUR 3.85 million aimed at automating the product packaging line. More than EUR 1.85 million, or 48% of the project's value, will be secured through a grant from Innovation Norway, a EUR 2.8 billion initiative with objectives of reducing the economic and social disparities by funding energy, climate change and sustainable business development projects.

With this investment, Vimetco Extrusion continues to take tangible steps to achieve the goals of increasing the added value offered to shareholders, customers and the community by sustainably using the available natural resources, reducing energy consumption and increasing operational efficiency and expanding the portfolio of the customized solutions offered to its clients.

Vimetco Extrusion will continue to develop and ensure an extensive portfolio of solutions, respecting all environmental protection standards through continuous investments in every area of its activity.

General information

ALRO S.A.

| | |
|---|--|
| Company's address | 116 Pitesti Street, Slatina, Olt County |
| Telephone number | +40 249 431 901 |
| Fax number | +40 249 437 500 |
| Registration number in the Trade Register | J28/8/1991 of 31.01.1991 |
| Fiscal code | RO1515374 |
| Class, type, number and main features of the financial instruments issued by the company | Registered dematerialised and ordinary shares |
| Subscribed share capital, fully paid up | RON 356,889,567.5 |
| The European Unique Identifier (EUID) | ROONRCJ28/8/1991 |
| Legal Entity Identifier (LEI) Code | 5493008G6W6SORM2JG98 |
| Organised market on which shares and stocks are traded | Bucharest Stock Exchange - Regulated Market (market symbol: ALR) |
| Total market value for each class of shares | Premium Tier Category - 1.941.479.247,2 ¹ RON |

ALRO Group - entities

| Company | Parent | Shareholding (%) |
|--------------------------------|-----------------------|-------------------------|
| ALRO S.A. | Vimetco NV | 54.19 |
| Alum S.A. | ALRO S.A. | 99.40 |
| Conef S.A. | ALRO S.A. | 99.97 |
| Vimetco Extrusion SRL. | ALRO S.A. | 100.00 |
| Global Aluminium Ltd. | Alum S.A. | 100.00 |
| Bauxite Marketing Ltd. | Global Aluminium Ltd. | 100.00 |
| Sierra Mineral Holdings I Ltd. | Global Aluminium Ltd. | 100.00 |

ALRO Group is registered at FSA as per Decision no. A/632/ 26 November 2013.

¹ Calculated based on the BSE quotation available on 30 June 2021 - the last day of H1 2021 when ALRO's shares were traded (713,779,135 shares * 2.72 RON/share).

Directors' Consolidated Report

Overview

ALRO S.A. together with its subsidiaries ("ALRO Group" or "the Group") is one of the largest vertically integrated aluminium producers in Europe, measured by production capacity. With operations throughout all major stages of aluminium production, the Group consists of upstream and downstream divisions, from the mining and refining of raw materials to the production and sale of primary and processed aluminium products.

ALRO ("the Company" or "the Parent-company") was established in 1961 and founded for an unlimited period of time under the form of a joint-stock commercial company in accordance with Romanian Government Decision no. 30 of 14 January 1991 on the establishment of commercial companies in the nonferrous metallurgy sector. The Company's administrative and managerial offices are located in Romania.

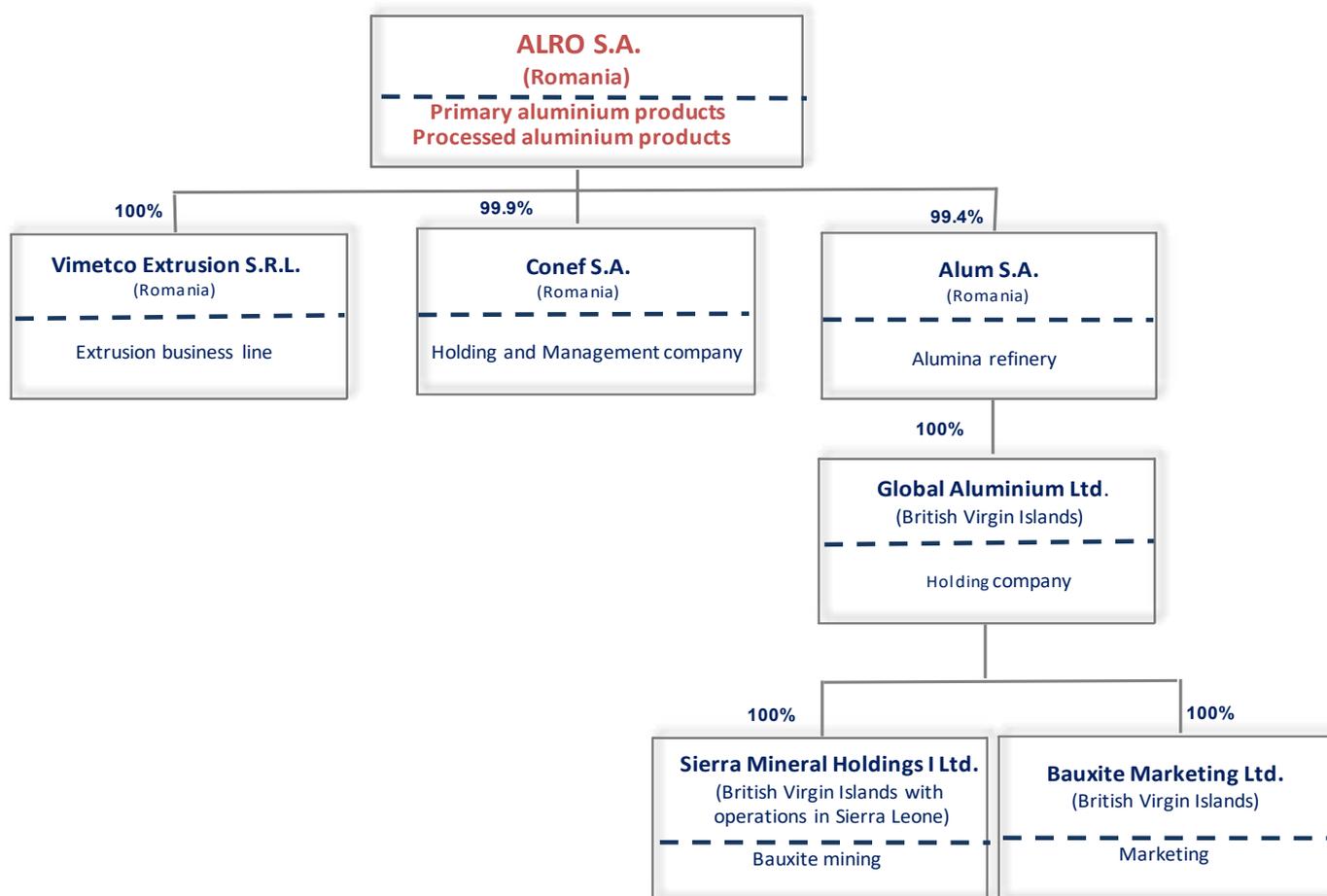
ALRO is part of an integrated Group that produces aluminium, which covers the entire technological process, from bauxite mining to obtaining processed products. The Company was registered under the trade name "ALRO S.A." and has been listed on the Bucharest Stock Exchange since 16 October 1997 under the symbol "ALR". Moreover, since 18 March 2019, the Index Committee of the Bucharest Stock Exchange approved the inclusion of ALRO in BET, the main index of the market and in BET-TR, the total return version of BET.

The major shareholder of ALRO S.A. is Vimetco N.V. (the Netherlands), which holds 54.19% of the Company's share capital (as of 31 December 2018). 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 Group includes the following companies:

- **Alro** – manufacturer of aluminium – primary & processed ("FRPs") products (a company listed on the Bucharest Stock Exchange, Premium Tier Category);
- **Alum** – producer of alumina (a company listed on BSE, ATS market, AeRo Category);
- **Sierra Mineral Holdings (SMHL)** – bauxite mining;
- **Vimetco Extrusion** – extrusion business line;
- **Conef** – holding and management company;
- **Global Aluminium** – holding company, and
- **Bauxite Marketing** - marketing.

In this way, the Group managed to provide an integrated production chain, securing the raw materials for ALRO.



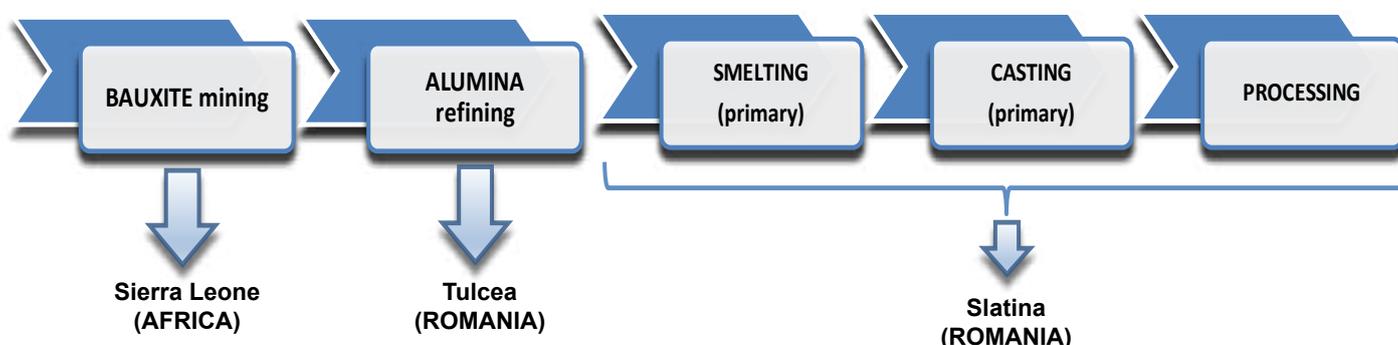
The Group is vertically-integrated, its operations being organized, for management purposes, in four segments: **Bauxite**, **Alumina**, **Primary Aluminium** and **Processed Aluminium**. In this way, the resources are efficiently allocated and the segments performance is properly evaluated, while being the basis on which the Group reports information to its management:

- **Bauxite segment** - consists of the bauxite mine operated by the Group in Sierra Leone (Africa) and which includes **SMHL, Global Aluminium and Bauxite Marketing**;
- **Alumina segment** - consists of the Group's alumina production operations, which is the principal raw material for aluminium smelting and which includes **Alum**;

- **Primary Aluminium segment** - manufactures primary aluminium products such as wire rod, slabs, billets and ingots (occasionally) and which mainly includes the **Anodes section, Electrolysis section, the Casting House and Eco Recycling Facility**;
- **Processed Aluminium segment** which develops and sells flat rolled products ("FRPs") such as plates, sheets, coils and strips and extruded products ("VE").

Both smelting and processing mills are located in Slatina, while the alumina refinery is located in Tulcea, Romania (Europe).

The following chart shows the vertical flow of the Group's upstream and downstream line of businesses



| Location | Segment | Capacities @ 30 June 2021 |
|---------------------|-----------------------------------|---|
| Sierra Leone | Bauxite washing and drying | 1,500,000 tonnes per annum for the washing facility of the main Wash Plant Wash Plant 1 (extension of main wash plant): 420,000 tonnes per annum Wash Plant 2 (extension of main wash plant): 204,000 tonnes per annum 720,000 tonnes per annum for the drying facility 480,000 tonnes per annum for the dry crushing facilities* *no planned dry crushing operations for 2021 |
| Tulcea | Alumina refinery | 600,000 tonnes of alumina per annum |
| Slatina | Smelting and Casting ¹ | 265,000 tonnes of electrolytic aluminium per annum 35,000 tonnes of recycled aluminium, and 335,000 tonnes primary cast aluminium per annum |
| Slatina | Processing ² | 100,000 tonnes of FRPs ³ per annum and 25,000 tonnes of extruded profiles per annum |

Notes

(1) Smelter, anode plant and cast aluminium facility

(2) Hot and cold rolling facilities and extrusion shop

(3) Estimation based on a reference mix of production, subject to production mix changes

In respect of ALRO, the Company is structured in **two divisions**:

- **Primary Aluminium Division** includes the Company's primary aluminium internal division that comprises the anodes section, the electrolysis section, the Cast-House, the aluminium Eco-Recycling Facility, repairs and spare parts production units, road and rail transportation and other ancillary sections. After investing in modernizing its equipment and in new technology, ALRO reached a production capacity of 265,000 tonnes of electrolytic aluminium per annum having the possibility to produce in six pot rooms the same quantities produced 20 years ago in ten pot rooms. The Eco Recycling Facility has a capacity of 35,000 tonnes of recycled solid aluminium and the Cast-House has a total cast aluminium capacity of 335,000 tonnes per annum. At the same time all necessary anodes for the electrolysis of alumina are internally produced.

- **Processed Aluminium Division ("FRP Division" and extruded products "VE")** depends on the specific product range produced at any one time, the Group's facilities generally have a capacity of 100,000 tonnes per annum of FRPs and 25,000 tonnes per annum of extruded profiles. The Group intends to increase its FRP production capacity to 120,000 tonnes per annum and VE production capacity to 35,000 tonnes per annum.

The Group's subsidiaries hold several certifications. For example, ALRO is ISO 9001, ISO 14001, ISO 45001, ISO 50001 certified for quality management and has NADCAP, as well as EN 9100 certifications for aerospace production, and also the IATF 16949 certification for automotive industry, its products being certified by the international standards for quality assurance for primary aluminium as set by the London Stock Exchange and those for flat rolled products, as well. Furthermore, at the end of 2020, both ALRO and VE became members of the Aluminium Stewardship Initiative (ASI), a global non-profit standards-setting and certification organization. ASI represents the only multi-

stakeholder platform that establishes clear sustainability criteria for the aluminium industry. The organization's vision is to maximize the contribution of aluminium to a sustainable society. ASI is built on the foundation of work being carried out on aluminium sustainability and material stewardship by organisations, such as the International Aluminium Institute (IAI), European Aluminium Association (EAA) and the Aluminium Association (AA) for over 20 years. ASI members are grouped into six membership classes and ALRO is part of the Production and Transformation class, together with other big international companies.

ALRO produces a diversified range of products, as detailed below:

- aluminium and aluminium alloyed wire rod;
- homogenized AlMgSi billets and aluminium billets;
- aluminium and aluminium alloyed slabs;
- aluminium and aluminium alloyed plates (heat treated and not heat treated);
- aluminium and aluminium alloyed sheets, coils and strips;
- aluminium alloyed clad sheets, coils and strips.

The Company receives alumina from ALUM, its own alumina refinery with an installed capacity of 600,000 tonnes per year which is obtained by using the bauxite mined in Sierra Leone. ALRO produces value added primary aluminium products for its customers and the primary aluminium is also used as raw material by the processed aluminium production facilities. Moreover, the Company sells aluminium alloys billets to its subsidiary, Vimetco Extrusion, that further produces extruded products. The current production capacity of VE is 25,000 tonnes per annum, but the company initiated during 2020 and continued in 2021 several investments projects with the final aim to increase its production capacity with a new extrusion press.

Sales

The general trend in the global aluminium market during the past years was the consolidation of the main aluminium players which increased the competition already visible in the market that was mainly driven by two vectors: sale price and product quality. Because of the ongoing current antidumping investigation of aluminium FRP imports, new overseas suppliers (unaffected by import restrictions) might join the race for additional market share which could lead to additional pressure in terms of competitiveness and market share. Moreover, for FRP considering the current COVID-19 crisis affecting the aerospace sectors, tier-1 suppliers have increased the pressure in capturing additional market share, mainly for heat-treated plates. In respect of the primary aluminium market, in the actual high demand environment and very expensive sea freight, most of the customers are expected to stay closer to their European suppliers and not to seek alternative suppliers.

The Group's main competitors on the international aluminium market for its primary aluminium product like aluminium wire rod and billets are companies based in Europe, Russia, Middle East, Africa, USA and China. The main market for the Group's aluminium products is represented by the European Union (including Romania); however, the Group also sells its flat-rolled products ("FRP") in Turkey, North and South America and Asia. The Group has an increasingly diverse customer base and it aims to sell the majority of its primary products to end-users, and the majority of its processed aluminium products to customers active in high value added markets. Regarding the latest UK changes, ALRO's export activities are fully compliant with the new export policies for the UK sales considering the post-Brexit environment.

In H1 2021, the Company's strategy remained unchanged and the focus was on increasing the high value-added products ("HVAPs") and very high value-added products ("VHVAPs") sales in terms of volume, especially FRPs. The Group considers a part of its FRPs to be HVAPs and refers to products such as clad sheets and coils, and aero heat-treated plates as VHVAPs. Within extruded products, the Group considers its special products to be HVAPs and the machined, painted and anodized or powder coated products to be VHVAPs.

ALRO Group has a strong presence in many industry sectors of the international markets and its expertise and increased focus on flat-rolled and extruded HVAPs enables it to meet specialized technical and production standards demanded by certain customers. During the past years, the focus was to penetrate or to increase share market in the most sophisticated industries such as aerospace, automotive, marine and construction industries with VHVAPs which embed higher premiums.

In H1 2021, the Group sold the majority of its primary products to end-users, and the majority of its processed aluminium products to service centres, metal traders and distributors. In the same period, the Group's primary products, FRPs and extruded products were exported, predominantly within Europe (in value terms). Furthermore, throughout the first half of 2021, ALRO continued to consolidate its position particularly in the automotive, consumer products, electrical & electronics and general engineering, concluding new agreements with end-users for its aluminium high value-added products.

Primary Aluminium

Wire rod: signs of recovery started to be visible in Q1 2021 and the demand is expected to remain stable throughout the year. Currently, for ALRO, more than 98% of the wire rod capacity is covered by contracts; however, it is expected that more spot orders would be concluded during 2021 unless the billet premium would stay very strong and thus, it would be more profitable to increase the billet output rather than selling more wire rod, as it was the case in Q2 2021. Thus, during May - June 2021, less wire rod was sold to the market to accommodate more billets output with higher profitability.

Billets: signs of recovery in terms of demand were also visible for the extrusion sector started the end of 2020 when premiums have started to increase and currently exceeded the pre-crisis level. The order income/ shipments in H1 2021 was higher than the budgeted levels and the expectations are optimistic for the rest of the year. This strong demand is supported by the good performance of the automotive and construction sectors, very tight supply, the EU anti-dumping taxes imposed on Chinese extrusions as well as the restocking activity at the end-users.

Processed Aluminium - FRP

A solid level of contracted orders was recorded in H1 2021, based on the good performance of the automotive and building/ constructions industries in the analysed period. During the first half of the year, the economic activity has recovered significantly in most of the industrial sectors, from automotive to building/constructions and consumer products, pre-pandemic levels being reached to some extent, with the aerospace business still far from a similar recovery, despite some signals in the market during June 2021.

Processed Aluminium – Extruded products

The extrusion sector started to show signs of recovery starting September 2020 and in H1 2021 the demand showed stable levels and VE took advantage of the market opportunities by changes in the mix of sales products in the favour of those sold with higher premiums. Currently, the company is producing and delivering based on firm orders from customers and with delivery dates from 3-8 weeks from the ordering date, based on production capacity availability.

Furthermore, signs that the global aluminium market is back on track again, even though in a mixed format (online and physical events), are also represented by the specialized events and exhibitions organized during the past months. Thus, ALRO sales representatives were present in H1 2021 at several events and meetings with an impact for the aluminium players, such as the Aerospace & Defence Meetings Central Europe – May 18, 2021 (online), CCIFER events – March 25, 2021 (online), Automotive Digital Week – April 26, 2021 (online), ACAROM meetings – May 27, 2021 (online), France Air Expo Lyon – June 3, 2021 (participation in Lyon, France) and CRU Events – June 15, 2021 (online).

Production

In H1 2021, the Group continued to face a challenging environment in respect of its production facilities considering the COVID-19 constraints from an operational point of view and limitations from a demand perspective. Thus, the main achievement in 2020 in respect of the production processes was that ALRO and the entire Group managed to keep running all its production facilities with no disruptions in times when other competitors partially shut down their operations or even closed their businesses. The measures and protocols implemented starting early 2020 continued in the same manner in H1 2021, management acted cautiously and kept its focus on the safety and health of its employees, while optimising its production process according to the new market conditions to mitigate the effects and secure production operations continuity. In line with this, ALRO maintained its strategy to improve the mix of products sold, expanding the high value-added products.

As in the previous years, amongst the investments that are currently in progress, the Group is planning to increase its production capacities and exposure to HVAPs and VHVAPs for instance by improving the quantity of hot-rolled products with a higher value-added and higher premium, in particular, the production of heat-treated plates, sheets and clad products, to diversify its product range and meet the most demanding quality requirements of its customers in sophisticated industries.

In H1 2021, ALRO reported a total production of cast aluminium 146,152 tonnes, higher by 6.6% compared to the same period of last year (H1 2020: 137,163 tonnes). Increased levels were also reported for billets (+6.2%) and slabs (+13.2%), while the production of wire rod slightly decreased by 2.1%. In the analysed period, almost the entire production of slabs was internally redirected for covering the needs of the FRP Division.

Furthermore, in H1 2021, the increase in the overall ALRO's electrolytic aluminium production (+4.9%) is also the result of the increase in the average number of pots in operation (612 compared to 600) and also thanks to the increase in average intensity from 113.9 kA to 117.7 kA, compared to the same period of 2020. Also, the quality of the metal extracted from the pots remained at high levels in 2021 (i.e. 97.2% of the pots with A7 and A8 metal quality). Moreover, the DC specific consumption of electricity decreased to 12,236 kWh/tonne.

Moreover, the Eco-Recycling facility production increased by 23.4% compared to the same period of 2020.

In respect of the main energy efficiency project currently running in ALRO, i.e. the AP12LE project, in H1 2021 another 49 AP12LE pots were started. This project done in collaboration with Rio Tinto Aluminium Pechiney ("RTA") aims to reduce the specific electricity consumption. Currently, the total number of AP12LE pots in operation is 127, approx. 20% of the total number of pots. The results obtained so far are in line with the expectations set for this project.

Another key priority for ALRO is to streamline the aluminium slab production and thus, the company also plans to develop its slab casting capacity in the Cast-House, in order to correlate the scrap recycling capacity increase with the downstream

process. Furthermore, ALRO is continuously improving the quality of the products and thus it uses in its production facilities the best available technologies ("BAT") that are available on the market for the aluminium processes and which can deliver more environmental-friendly products. In this respect, by extending the fume treatment plant in the Cast-House to the melting and alloying furnaces, by installing state of the art fume filter systems for the collection and filtering of the emissions generated by the furnaces, the Company will observe the new associated emission levels for dust emissions to air from aluminium melting, treatment and casting in primary aluminium production, as imposed through the new BAT regulations.

Furthermore, as part of a safe, responsible and sustainable business, ALRO is committed to continuing its energy efficiency programme by relining the pots using the new AP12LE technology and upgrading the cooling systems of the energy rectifying cabinets and the fan motors on the fume treatment centre, representing some of the investments planned for the Aluminium Primary Division.

In the Aluminium Processing Division, ALRO will continue to focus on ensuring the operational reliability as well as increasing the process efficiency. A series of investments are also planned in H2 2021 to ensure the equipment reliability envisaging the replacement of rolling cylinders and other critical items on the cold and hot rolling mills and stretching equipment.

Among its priority projects, ALRO also intends to start the upgrading of the main drive on the Hot Rolling Mill, which is an important equipment for the Aluminium Processing Division, installing at the same time a dedicated profile control system for hot-rolled products. The use of state-of-the-art driving equipment will lead to reliable operation and better efficiency of the mill, with greater rolling speeds and forces, to the reduction of consumed power and a decrease in the annual maintenance costs.

Besides this, ALRO Group has a strong presence in many industry sectors of the international markets and its expertise and increased focus on flat-rolled and extruded HVAPs enables it to meet specialized technical and production standards requested by certain customers. It also increasingly targets sophisticated industries such as the aircraft, automotive, marine and construction industries with products the Group considers to be VHVAPs and for which it is able to negotiate higher premiums. Thus, the Group has an increasingly diverse customer base. In H1 2021, the Group sold the majority of its primary products to end-users, and the majority of its processed aluminium products to service centres, metal traders and distributors. In the same period, the Group's primary products, FRPs and extruded products measured by revenues were exported, predominantly within Europe.

Main investments / strategic projects / research and development

2021 Investment Plan

Following AGM's resolution that took place in April 2021, ALRO allocated USD 53 million for 2021 according to ALRO's Investment Plan, for Primary and Processed Aluminium Divisions. Part of the approved investment budget is directed towards completing investment projects started during the previous years.

Taking into account the Company's target objectives, the 2021 ALRO Investments Program is structured in three chapters representing the leading priorities and each chapter is also structured based on a chronological priority list assigned to the investments projects included in those chapters:

- *Chapter 1* – Investment projects previously included in the 2020 Investment Programme but suspended during the pandemic crisis;
- *Chapter 2* – Investment projects necessary to support the increase of high value-added production;
- *Chapter 3* – Investment projects necessary to ensure the provide the safe operating conditions of the production process in ALRO.

ALRO's 2021 Investment Plan is being focused on three main objectives:

- i. supporting ALRO's strategic goal of achieving 120,000 tpa of high value-added products, by increasing the quantity of molten metal coming from recycled scrap and by increasing the slab casting capacity
- ii. providing the conditions necessary for observing the stringent legislation enforced by the European Union about CO₂ emissions and environmental issues and
- iii. supporting the existing process and current capacity by providing safe and reliable equipment/conditions for the technological processes, in accordance with the maintenance schedules and standard regulations (including replacing smelter pot components on 120 pots using the AP12LE technology, in order to reduce the energy consumption and provide the required electrolytic metal quantity).

The consolidated CAPEX spending in H1 2021 amounts to 13 million USD, out of which for ALRO USD 8 million (H1 2020: consolidated CAPEX spending USD 8 million and ALRO: USD 4 million) and represents capital expenditure necessary for securing the business activity in the current challenging context after the first year of the coronavirus pandemic which put a lot of pressure on the aluminium industry – i.e. drop in demand for construction and transportation sectors and to a worldwide financial depression.

Within its investment programme, ALRO has continued to implement those projects that are necessary to secure the business activity and to improve energy efficiency by reducing its energy consumption. The above-indicated CAPEX spending includes the relining of the smelter pots using AP12LE (Aluminium Pechiney Low Energy) technology, one of the most important energy efficiency projects, which ALRO committed to implementing over the next years until all the pots will have been relined with this advanced low energy technology implemented in collaboration with Rio Tinto Aluminium Pechiney. The use of this technology is estimated to bring energy efficiency and environmental benefits to the electrolysis sector, which is the highest energy-intensive sector of the ALRO process. According to the research studies done by the Rio Tinto Aluminium Pechiney after the implementation of this project, based on the positive impact on the quantity of energy consumed of the new relined pots, ALRO will be in the top ten worldwide aluminium smelters (excluding China) from an energy efficiency perspective in the electrolysis area.

Within the maintenance investments implemented in H1 2021, ALRO completed the overhaul/ modernization of two anode baking furnaces as well as the replacement of the gas meters and started the upgrading of the anode paste dosers in the Anode Plant, in order to secure the aluminium production continuity and to increase the energy efficiency in this sector.

In the Aluminium Processing Department, the retrofitting of the emulsion spray bar system on the Hot Rolling Mill continued H1 2021 in order to provide, among other benefits, separate nozzle control which will significantly improve the work rolls cooling and will increase the clad plates productivity and the quality of the plates in general. Furthermore, the maintenance programme in the Aluminium Processing Department included among other investments, the upgrading of the combustion systems of the quenching furnaces in the hot rolling mill area which are provided with low consumption technology and will improve the overall energy efficiency in this sector.

Being permanently concerned with the safety of its employees and in line with the applicable regulations, ALRO continued in H1 2021 the programme for the upgrading of the lifting cranes in the smelter sector and FRP area. This maintenance programme is essential for the aluminium smelting process allowing ALRO to continue its process in safe working conditions for the people while providing the reliability of the machines. Two other overhead cranes were installed in the aluminium processing department to ensure the logistics required for the cold rolling mills and heat treatment production. The logistics improvement in this sector also includes the fitting out of a finished product warehouse which will provide the proper storage of the products and improving the delivery process.

Investments planned to start in H2 2021

Depending on the economic environment and efficiency of the measures taken for the industry recovery after the COVID-19 global pandemic, ALRO aims to start the investments directed to decreasing the Company's dependence on the energy supply. Thus, the scrap recycling capacity is planned to be extended to increase the quantity of recycled material, in order to make new steps in the strategic goal of achieving 100,000 tpa of processed aluminium scrap, knowing that the aluminium scrap recycling requires only approx. 5% of the energy consumption that is used in producing the same quantity of primary aluminium.

Furthermore, in order to streamline the aluminium slab production, ALRO also plans to develop its slab casting capacity in the Cast-House so as to correlate the scrap recycling capacity increase with the downstream process.

Another major focus is to continuously improve the quality of the products and embodying in its production facilities the best available technologies on the market and which can deliver environmentally-friendly products. In this respect, by extending the fume treatment plant in the Cast-House to all the melting and alloying furnaces, by installing state of the art fume filter systems for the collection and filtering of the emissions generated by the furnaces, the Company will observe the new associated emission levels for dust emissions to air from aluminium melting, treatment and casting in primary aluminium production, as imposed through the new BAT regulations.

Furthermore, as part of a safe, responsible and profitable business, ALRO is committed to continuing its energy efficiency programme by relining the pots using the new AP12LE technology and upgrading the cooling systems of the energy rectifying cabinets and the fan motors on the fume treatment centre.

In the Aluminium Processing Division, ALRO will continue to focus on ensuring operational reliability and increasing process efficiency. Several investments are planned in H2 2021 to ensure equipment reliability, namely the rolling cylinders' replacement and other critical items on the cold and hot rolling mills and stretching equipment.

Among its priority projects, ALRO intends to start the upgrading of the main drive on the Hot Rolling Mill, a major piece of equipment for the Processing Division, installing at the same time a dedicated profile control system for hot-rolled products.

The use of state-of-the-art equipment is expected to ensure reliable operations and better efficiency of the mill, with higher rolling speeds and forces, less power consumed and a decrease in the annual maintenance costs.

At the end of 2020, Vimetco Extrusion approved the acquisition of a new extrusion line. The value of the entire project is around EUR 10 million and the contract was signed in January 2021. Vimetco Extrusion has ordered the new extrusion press which aims to increase the current available capacity by 35,000 tpa. The acquisition contract for the new extrusion line was signed in March 2021 and the new extrusion line is expected to be commissioned in September 2022.

By mid June 2021, Vimetco Extrusion received a grant offer from Innovation Norway in amount of EUR 1,851,000 to finance a new investment project of Automatic packing lines.

Research and Development Activity

In ALRO, over 90 working personnel are involved in the research and development activity, out of which 60 of them are working in the Research and Development Department, whose activity main purpose is to technically and technologically sustain the industrial sectors of ALRO through technological flow improvement, decreasing the specific consumption rates, quality product upgrading, increasing the product competitiveness and new product development.

In the last years, in ALRO, Research and Development continued to be an important activity for development as well as for improving the quality and performance of ALRO processes and products.

This activity is organized as follows:

- in a Projects Management regime, involving a large number of specialists;
- a specialized department, the Department of Research & Development, whose activity is focused on applied research.

On 26th March 2021, ALRO applied for accessing HORIZON 2020 funds through the project "MarCompAI – Novel lightweight reinforced aluminium-based composites with advanced mechanical and structural properties for maritime applications" (during 2022 – 2023; EUR 653,000 project value, ALRO Budget EUR 67,000, 65% refundable), coordinator: Politehnica University of Bucharest. The pre-proposal was selected for promotion to the next phase (Step 2) of the current Call. The deadline for the submission of the full proposal is September 10, 2021.

The applied research strategy aims to support technically and scientifically the industrial sectors of ALRO, in order to improve and optimize the technological processes and flows, in order to achieve the following targets:

- decrease of the specific consumption, especially the energy consumption but also natural gas, raw materials and materials;
- improvement of the process and products quality;
- increasing the product competitiveness;

- the development of the new products;
- improvement of environmental conditions and health of workers.

The Research & Development Department develops activities in the following domains:

- monitoring processes and production flow. in order to reduce the specific consumption and costs;
- monitoring the flows & technologies to determine the influences of the process parameters and find optimization solutions;
- development of aluminium waste recovery and processing process – impact analysis on the quality of the product and production costs;
- developing mathematical models to create products based on the process parameters and the desired final quality;
- industrial Research topics rising from the needs identified in the production processes;
- support and help for implementation of the measures established after the technical consultancy missions;
- call analysis within the EU Research and Innovation Horizon 2020 programme, to identify suitable projects for ALRO;
- the development within its own heat treatment department, equipment acquired through the European financing project, the technologies for the production of thin heat-treated sheets;
- the development within its own metallographic analysis laboratory of new analyses in accordance with the quality requirement of customers from aerospace and automotive industries.

Moreover, during H1 2021, there were several collaborations made with national and international Universities and entities, such as:

- University of Applied Sciences Upper Austria and Research Center for Non Destructive Testing GmbH (RECENDT) (2 projects on going);
- Polytechnic University of Bucharest (3 projects and 4 scientific papers on going);
- Transilvania University of Braşov (4 scientific papers on going);
- COMOTI – Romanian Research & Development Institute for gas turbines (1 project and 1 scientific paper on going);
- Otto Junker – a project on going.

On January 13th 2021 the second surveillance report for the project “Investments in the R&D Department of ALRO S.A.” aiming at improving the research infrastructure for the aluminium alloy heat treated plates with high qualification industrial applications, was submitted to the Ministry of Research and the official letter received from the Ministry on February 12th, 2021 confirmed the submitted data, and there were not established any non-compliance and no corrective action of any kind were required.

In H1 2021 a project proposal was submitted within Horizon 2020, the EU Research and Innovation Horizon 2020 programme: MarCompAI – Novel lightweight reinforced aluminium-based composites with advanced mechanical and structural properties for maritime applications – coordinator being the Polytechnic University of Bucharest.

Energy Resources & Efficiency

In 2021, in a difficult context with pressure on the de-carbonization of energy in Romania and Europe, the electricity market is dominated by a surge in prices of electricity delivery that embed also a surge in the prices of emission certificates. Usually, the first six months of the year were marked by a decreasing trend in the electricity prices which was not the case for H1 2021 when prices reached new maximum levels and thus some of the Company's energy suppliers requested price increases in a more and more demanding manner till they became unreasonable. As a direct consequence, some of the Group's suppliers of electricity claimed the modification of prices contracted in advance by the Group, diminishing of quantities and terms of payment, while a few of them declined the contracts completely. This opportunistic attitude and behaviour created chain reactions affecting many of the market participants because some suppliers haven't secured their long-term delivery positions and thus the impact of the Romanian spot price risk (DAM) led to delivery problems.

The requirement for massive volumes of baseload/ uninterrupted electricity as in the case of ALRO makes it very difficult to cover the demand created by lost contracts, even at prices doubled than the original contracts, the market showing very low liquidity.

In respect of the changes and developments at the European level, the main driving factor for power has been and remains the EU-ETS carbon permits and the green politics and legislative measures as published in the past period with tougher targets for emission reduction until 2030 and the gradual coal-generated power phase-out is adding even more pressure on this topic. The EU-ETS quotation directly influences the marginal price of power since fossil-fuelled generation comes with the obligation of obtaining and holding carbon permits for the generated electricity (in an approximate ratio of 1:1 for coal and 1:0.5-0.6 for natural gas).

As the secondary EU-ETS market is active on three trading venues across the world and opened to investment funds, this product has become very attractive. The EU-ETS price went to its historical maximum, more than 125% compared to the same period last year. Also, electricity prices are closely linked to the evolution of permits. As such, many hedge funds have developed consistent portfolios in carbon trading and some of them estimate that prices would even double compared to the current level.

Furthermore, on the legislation framework, on 14 July 2021, the European Commission adopted a package of proposals to make the EU's climate, energy, land use, transport and taxation policies fit for reducing net greenhouse gas emissions by at least 55% by 2030, compared to 1990 levels. Achieving these emission reductions in the next decade is crucial to Europe becoming the world's first climate-neutral continent by 2050 and making the European Green Deal a reality. With these proposals, the Commission is presenting the legislative tools to deliver on the targets agreed in the European Climate Law and fundamentally transform our economy and society for a fair, green and prosperous future as the proposals will enable the necessary acceleration of greenhouse gas emission reductions in the next

decade. They combine the application of emissions trading to new sectors and a tightening of the existing EU Emissions Trading System; increased use of renewable energy; greater energy efficiency; a faster roll-out of low emission transport modes and the infrastructure and fuels to support them; an alignment of taxation policies with the European Green Deal objectives; measures to prevent carbon leakage; and tools to preserve and grow our natural carbon sinks. It is expected that these changes proposed by the European Commission to determine in the future an increasing trend for the electricity prices as the price is also influenced by the carbon costs which increased heavily due to the latest climate ambitious targets.

Considering all these developments, one of the Group's main medium and long-term goals remains the optimization of the energy and utility consumption rates, while actively exploring other ways of energy supply.

Within the Group, energy consumption has been permanently monitored to optimize production processes and increase energy efficiency. Taking into account that starting 2021 the settlement on the Electricity Balancing Market will be made at 15 minutes, software changes have been made in the monitoring system and new systems for data storage have been purchased.

Moreover, ALRO plans to access EU funds from those areas that large industrial plants have access to for energy generation, process and technology modernizations, new product development and energy efficiency, as soon as this axis will be open in Romania.

Energy efficiency

One of the foremost objectives for the medium and long term is represented by the optimization of energy and utility consumption rates, ALRO steadily investing in this direction. Therefore, energy consumption monitoring to optimize production processes and increase energy efficiency is performed regularly.

During H1 2021, the projects for increasing the energy efficiency were continued:

- Modernization of natural gas metering systems, Anodes Section. Paste Plants and anode baking furnaces 1,2,4. The metering systems were purchased and will be installed and put into operation in H2 2021.
- Another 49 pots with AP12LE technology have been modernized and the project is ongoing.

Starting 2021, an important series of changes have been done in electricity market, on the Balancing Market (EP) in accordance with the requirements of EU Regulation 943/2019, namely:

- settlement at ID 15 min starting with 1st of February 2021
- elimination of price limits in PE (min. 0.1 lei / MWh and max. PIP DAM + 450 lei / MWh) being mentioned as technical price limits -99 999 Euro / MWh and +99 999 Euro / MWh
- the unique price of imbalance.

In the DAM Energy Market, the integration of 4M MC regionally coupled the markets from (Romania, Hungary, Czech Republic, Slovakia) were connected starting 17 June with Germany, Austria, Poland markets and through the Multi Regional Coupling (MRC) with all of Central and Eastern Europe.

Due to the accelerated growth of the CO₂ price, the energy price in the SPOT and Forward markets increased significantly in H1 2021 compared to H1 2020.

Also, the increase of the price in DAM resulted in the insolvency of some suppliers and implicitly the cessation of energy deliveries having an impact for ALRO, being obliged to perform new transactions in energy markets (32 transactions in the last two months out of a total of 100 transactions) for the provision of electricity, including for short terms per week, month and for the increase of volumes traded in DAM.

Considering that in June 2021 the prices of electricity on Forward and SPOT market increased throughout Europe with values between EUR 80 -120 / MWh, it is expected that insolvencies and situations of cessation of energy deliveries will continue to occur.

Procurement and Logistics ("PLD")

Due to worldwide major changes in commodities and transportation markets in the first half of 2021 that were characterized by unbalanced demand and supply, determined by the economic recovery from the pandemic, with commodity prices surging to very high levels, contracting the raw materials and sea transportation was extremely challenging in 2021.

Procurement and Logistics Department (PLD) main objectives in H1 2021 were:

- Keeping the prices of the main raw materials and alumina logistics under control, without jeopardizing production program (an increase of expenditures due to acquisition price by 0.7%, while aluminium LME increased by 41%);
- Efficient sourcing of main raw materials: timely and with the lowest costs in terms of prices, logistics, and payment terms;

In order to achieve these targets, key performance indicators ("KPI") were used to measure the current performance compared to previous years, market and budget, optimize activities and finally to evaluate the result.

1. Cost reduction was achieved by:

- Control of the main raw materials (except alumina) acquisition prices - the expenditures with main raw materials in H1 2021 were reduced by approx. 14% compared to the budget, considering only the price difference;
- Aluminium Scrap acquisition - lower acquisition prices as % of LME), scrap project contributing to ALRO's energy efficiency strategy.

2. Improved inventory management and measurement indicators for evaluation - planning and scheduling in order to avoid stock-outs or overstock and where possible dual and/or multiple sourcing to improve supply assurance;

3. Ensure the quality of goods and services by monitoring suppliers performance (KPI) especially for the raw materials in the aero and auto products; the main metrics for suppliers KPI are: quality, on time delivery, price and payment terms;

4. Support the Group's strategy in social responsibility, environmental protection and continuous development through contracting of related Investment projects;

5. Alignment to one of the group's objectives - the digital transformation:

- moving from paperwork to electronic documents/approvals of the transactions, including internal documents and signing of procurement contracts in electronic format;
- e-tenders for the acquisition of goods and services wherever possible;
- GPS monitoring and control of the fleet & warehousing and cost reduction.

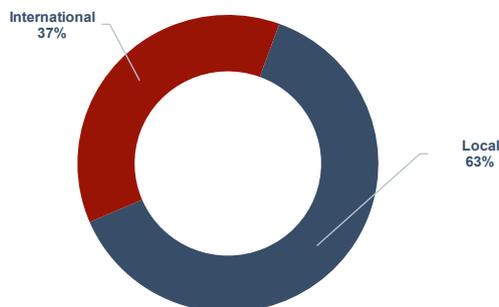
All raw materials ALRO purchases from domestic and/or foreign suppliers are in strict compliance with European Union (EU) safety and environmental protection legislation including, but not limited to, European Commission (EC) legislation No.1907/2006 (REACH) and EC legislation no. 1272/2008 (CLP).

PLD also manages ALUM's alumina and hydrate sales. Therefore, one of our main objectives is to increase Group profitability and cash flow by reducing raw materials acquisition prices & logistics costs and increase sales to third parties.

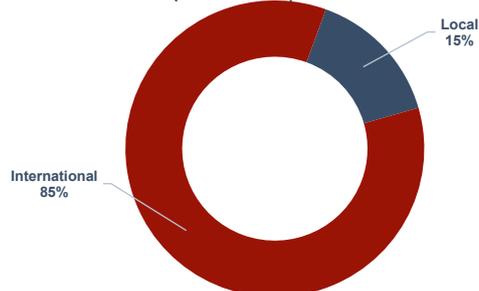
Alumina prices in H1 2021, according to benchmark indexes, increased by about 9% compared to H1 2020 and with about 6% compared to full-year 2020 due to strong demand for the aluminium business, the restart of refractory market.

However, PLD managed in H1 2021 to sign sale contracts of approx. 11 thousand mt alumina and about 76 thousand mt aluminium Hydroxide (meaning 47,458 mt in equivalent alumina), for both metallurgical and non-metallurgical applications.

H1 2021 Acquisition structure for main Raw Materials, alumina included (value terms)



H1 2020 Acquisition structure for main Raw Materials, alumina excluded (value terms)



Financial review

The Group's consolidated sales in the first half-year of 2021 were RON 1,537,911 thousand, higher by around 13% compared to the level reported in the similar period of 2020 (respectively RON 1,360,942 thousand as the LME showed an increasing trend starting at the end of 2020 and reaching values around 2,500 USD/tonne in H1 2021. Moreover, signs of recovery better than expected were registered for the automotive industries while the aerospace industry is still in depression. Also, the alumina segment reported a good performance, with higher sales of alumina and hydrate. ALRO also reported increased sales amounting to RON 1,424,162 thousand in H1 2021 (H1 2020: RON 1,222.845 thousand).

Consolidated sales

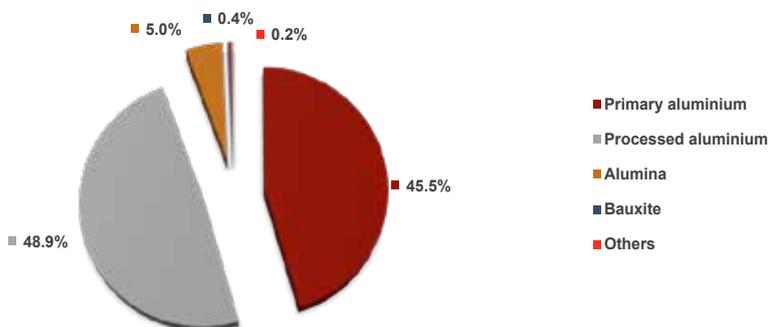
H1 2021: RON 1,537,911 thousand

H1 2020: RON 1,360,942 thousand

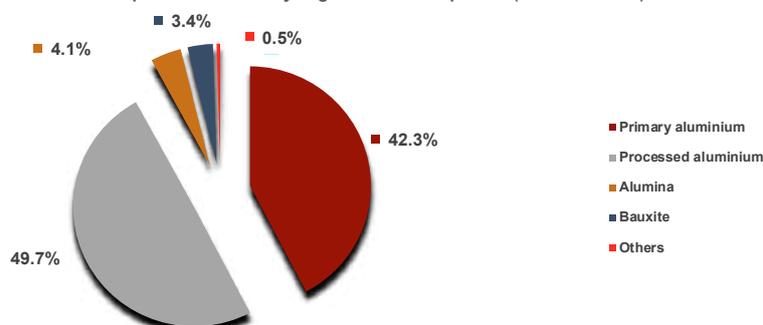


The contribution of the sales on the Primary Aluminium segment to third parties was RON 700,077 thousand in H1 2021 and represented 46% of the Group's total revenues (H1 2020: RON 576,092 thousand; 42%). Third party sales of Processed Aluminium segment represented 49% of the Group's total revenues in H1 2021, being of RON 751,719 thousand (H1 2020: RON 676,353 thousand; 50%), in line with the Group's strategy of increasing the percentage of the HVAPs and VHAPs sales out of total sales.

ALRO Group: H1 2021 sales by segments to third parties (RON thousand)



ALRO Group: H1 2020 sales by segments to third parties (RON thousand)



The **Group net result** for the first half of 2021 is a loss of RON 47,577 thousand, compared to a profit of RON 253,662 thousand reported in the similar period of last year as in the first half of 2020 the EU-ETS scheme covering 2019 and 2020, was approved into the local legislation and ALRO Group recognised in its accounts, i.e. in the "Other operating income" position the amount related to 2019 and on an accrual basis, to half of the year 2020 of RON 453,761 thousand (out of which at ALRO's level of RON 441,904 thousand). These subsidies partially compensate the indirect emissions costs embedded in the energy price. However, an increase in sales of around 13% was registered in H1 2021 compared to H1 2020 as the Group took advantage of the market opportunities and it continued to consolidate its position particularly in the automotive, consumer products, electrical & electronics and general engineering, concluding new agreements with end-users for its aluminium high value-added products. Moreover, signs of recovery were visible in H1 2021 for several industries such as buildings/ construction, general engineering and the LME also showed an increasing trend. Also, the alumina segment reported a good performance, with higher sales of alumina and hydrate. In line with the Group's results, ALRO reported a net loss of RON 27,582 thousand compared to a net profit of RON 211,772 thousand in the same period of last year.

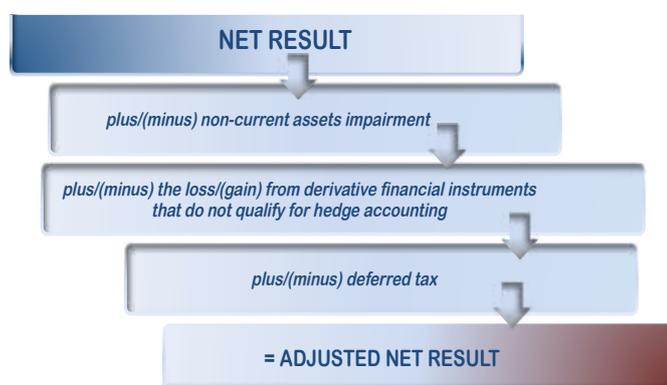
The reconciliation between the **Net Result** and the **Adjusted Net Result** at ALRO Group level and at ALRO's level for H1 2021 and H1 2020 is detailed below:

ALRO Group

| Description (RON th) | H1 2021 | H1 2020 |
|---|-----------------|----------------|
| NET RESULT | (47,577) | 253,662 |
| Plus/(minus) charge/(reversal) of non-current assets impairment expense/(income) | (103) | - |
| Plus/(minus) the loss/(gain) from derivative financial instruments that do not qualify for hedge accounting | 31,667 | - |
| Plus/(minus) deferred tax expense/(income) | 1,151 | 8,119 |
| ADJUSTED NET RESULT | (14,862) | 261,781 |

ALRO S.A.

| Description (RON th) | H1 2021 | H1 2020 |
|---|-----------------|----------------|
| NET RESULT | (27,582) | 211,772 |
| Plus/(minus) charge/(reversal) of investments impairment expense/(income) | 81 | 1,004 |
| Plus/(minus) the loss/(gain) from derivative financial instruments that do not qualify for hedge accounting | 31,667 | - |
| Plus/(minus) deferred tax expense/(income) | 2,792 | 8,233 |
| ADJUSTED NET RESULT | 6,958 | 221,009 |



Regarding the **cost of goods sold**, the Group reported a lower level in H1 2021, i.e. RON 1,346,042 thousand versus H1 2020: RON 1,364,710 thousand, the effects of the anti-crisis program continuing to be visible, partially off-set by the more high-priced utility costs (i.e. energy - upward trend in energy prices in H1 2021 reaching new record levels, gas etc.), which were in line with the prices from OPCOM's platforms. At ALRO's level, the cost of goods sold in H1 2021 reported a lower level compared to the equivalent period of last year (H1 2021: RON 1,288,490 thousand versus H1 2020: RON 1,295,704 thousand). In the analysed period, ALRO purchased from the market higher aluminium scrap quantities (i.e. the price of aluminium scrap is also based on LME) to assure the raw materials for its liquid aluminium production, that increased by 22% during the reported period. This is in line with the Group's strategy to increase the Eco-Recycling production and capacity and thus to reduce ALRO's dependence on energy supply.

The **Group's gross profit** significantly increased and reached the positive value of RON 191,869 thousand in H1 2021 compared to H1 2020 when the reported value was a negative one of RON 3,768 thousand; the correspondent gross profit margins were 12.5% in H1 2021 versus -0.3% in H1 2020. Compared to the same period of last year, in the first half of 2021, the LME showed an increasing trend and higher premia with higher quantities sold for aluminium and alumina segments which further translated into the reported results. The same trend was reported at ALRO's level, the gross profit for H1 2021 being RON 135,672 thousand as opposed to a gross loss of RON 72,859 thousand in H1 2020.

On the other side, the **general, administrative and selling expenses** increased slightly by 2% in the first six months of 2021 (to RON 144,695 thousand in H1 2021 from RON 141,448 thousand in H1 2020) mainly due to the consulting expenses engaged by the Group for market studies or other consulting advice taken to expand the products portfolio or explore new market opportunities.

In H1 2021, the **operating income** amounted to 21,110 RON thousand (compared to RON 492,352 thousand in H1 2020). The amount registered in H1 2021 at Group's level is related to ALRO and represents mainly income from claims and penalties from the suppliers of electricity, (i.e. RON 11,075 thousand; H1 2020: nil), due to their request to cancel some contracts in 2021 and RON 598 thousand, as a result of the fulfilment of its contractual obligations related to energy supply in 2017 (in H1 2020: RON 440 thousand). In Q2 2021, the Group did not record income from subsidies related to the indirect emissions in the category **other operating income**, as Europe entered into a new phase of ETS legislation, namely Phase 4, valid for the period 2021-2030. The Romanian authorities need to implement the European Guide ETS post 2021, no. C (2020) 6400 final. For H1 2020, the amount is mainly related to the Group's EU-ETS compensation scheme of RON 453,761 thousand and to the sales of emission rights in the amount of RON 32,797 thousand. At ALRO's level, the amount related to the EU-ETS compensation scheme is RON 441,904 thousand, the rest representing amounts to which the other Group's subsidiaries were entitled, i.e. ALUM and Vimetco Extrusion.

The **Group's operating result** for H1 2021 is of RON 63,382 thousand compared to RON 343,421 thousand in the similar period of 2020 mainly due to the amount of RON 486,558 thousand recognised in H1 2020 as other operating income relating to the approval of the EU-ETS compensation scheme for 2019 and the first six months of 2020 on one side and to a further sale of emission rights on the other side. The corresponding decrease was also registered at ALRO's level, the Parent-company, which recorded an EBIT of RON 58,805 thousand in H1 2021 compared to an EBIT of RON 288,454 thousand in H1 2020.

The position **Interest expense** decreased in H1 2021 compared to the same period of the previous year mainly due to lower LIBOR and ROBOR benchmark interest rates (H1 2021: RON 20,625 thousand vs. H1 2020: RON 33,750 thousand).

In March 2021, the Group entered into several transactions with a financial institution, consisting of 100% collar of Asian options by taking long positions on put options and short positions on call options for a quantity of 60,000 tonnes aluminium, defending at the minimum the budgeted level for the second half of the year. Thus, the unrealized net loss recorded in H1 2021, resulting from the mark-to-market of these options at 30 June 2021 amounting to

RON 31,667 thousand (in H1 2020: nil) is included in the category **Gains (losses) from derivative financial instruments, net**. As at 30 June 2021 the fair value of the options is a liability of RON 26,631 thousand (31 December 2020: nil).

In H1 2021 the Group managed to generate **positive cash flows from its operating activities** of RON 51,250 thousand. However, this level was lower than the one reported for the similar period of last year (H1 2021: RON 136,260 thousand). At ALRO's level, the cash flows generated from the operating activities was RON 30,483 thousand in H1 2021 (H1 2020: RON 57,477 thousand).

A slight increase in **net cash used in investing** was recorded in H1 2021 compared to H1 2020, at Group's level (H1 2021: RON 70,301 thousand versus H1 2020: RON 68,561 thousand), while at ALRO's level it was registered a cash used in investing of RON 49,613 thousand in H1 2021 versus a net cash from investing activities of RON 49,379 thousand in H1 2020. The net cash-outflows related to the investment activity in H1 2021 and H1 2020 include acquisitions for investments aimed to improve the energy efficiency of the electrolysis technology, payments for relining the electrolysis pots and furnaces reconditioning in ALRO, as well as investments for maintenance and improving equipment parameters at ALUM and SMHL. The variance in the restricted cash, amounting to RON 16,731 thousand, represents the cash pledged to a commercial bank for a new loan contracted by the Group in June 2021.

The **cash-flows provided by financing activities** for the six months ended on 30 June 2021 show the new contracted facilities in the analysed period and the instalments repayment of the bank loans according to their schedules agreed with the financing banks and the leasing debts for the reported period. Thus, 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. Moreover, in June 2021, ALRO signed a credit facility with a commercial bank amounting to RON 167,312 thousand for working capital and a credit facility with the Black Sea Trade and Development Bank ("BSTDB") for the amount of USD 40,000 thousand to support its investment program. On 30 June 2021, an amount of RON 70,562 thousand was drawn by ALRO and RON 8,285 by ALUM, while for the BSTDB facility, the entire amount was undrawn.

As of 30 June 2021, the Group reported **cash and cash equivalents** of RON 114,301 thousand and restricted cash of RON 97 thousand, compared to RON 105,500 thousand and restricted cash of RON 95 thousand as at 31 December 2020. Also, under the category "Other non-current assets", the amount of RON 69,931 thousand representing a collateral deposit was classified on long-term being related to two loans and a non-cash facility contracted by the Company (31 December 2020: RON 45,200 thousand). For more details, see also **Note 14 Other non-current assets**, **Note 18 Cash and cash equivalents** and **Note 19 Borrowings and leases** from the Interim condensed consolidated Financial Statements for the six months ended on 30 June 2021 included in this Report

Group's total assets reported as at 30 June 2021 were in amount of RON 2,647,159 thousand (31 December 2020: RON 2,629,419 thousand). The **other current assets** position includes government grants receivables referring to the EU-ETS compensation both

in H1 2021 and H1 2020. At ALRO's level the **total assets** value was of RON 2,468,101 thousand as of 30 June 2021 versus RON 2,437,163 thousand as at 31 December 2020.

The Group's non-current assets recorded a steady amount as at 30 June 2021, i.e. RON 1,284,598 thousand (31 December 2020: RON 1,288,781 thousand) while the **Group's current assets** increased by 2% in the analysed period compared to the level reported as at 31 December 2020 (H1 2021: RON 1,362,561 thousand versus 31 December 2020: RON 1,340,638 thousand) due to increased trade receivables and cash positions partially off-set by a slight decrease in inventories in the analysed period. The equivalent trend was reported by **ALRO** which reported **non-current assets** of RON 1,320,679 thousand as at 30 June 2021 (31 December 2020: RON 1,325,029 thousand) and **current assets** of RON 1,147,422 thousand as of 30 June 2021 versus RON 1,112,134 thousand as at 31 December 2020.

Group's total liabilities slightly increased by 4% and reached a level of RON 1,596,216 thousand on 30 June 2021 (31 December 2020: RON 1,541,754 thousand) due to the loans taken by the Group companies in H1 2021. Thus, 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. On 30 June 2021, the drawn amount from the revolving facility was RON 8,285 thousand, i.e. the equivalent of USD 2 million, while the undrawn amount available for any of these two facilities was USD 430 thousand (the equivalent of RON 1,782 thousand).

Furthermore, in June 2021, the Group signed a credit facility with a commercial bank amounting to RON 167,312 thousand for working capital, repayable in 4 instalments starting with 01 January 2013 and having the maturity in November 2023. On 30 June 2021, the Group had the amount of RON 96,750 undrawn and available from this facility. Also, in June 2021, ALRO signed a credit facility with the Black Sea Trade and Development 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 from the payment of instalments. On 30 June 2021, the entire amount was undrawn. 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.

The level of the **Group's non-current liabilities** as at 30 June 2021 was RON 1,043,086 thousand (31 December 2020: RON 983,741 thousand), while the **Group's current liabilities** were of RON 553,130 thousand at 30 June 2021 opposed to RON 558,013 thousand at 31 December 2020. The same trend was reported by **ALRO** which reported **total liabilities** of RON 1,463,721 thousand as of 30 June 2021 (31 December 2020: RON 1,405,201 thousand), out of which **non-current liabilities** of RON 943,550 thousand as of 30 June 2021 (31 December 2019: RON 887,804 thousand) and current liabilities of RON 520,171 thousand as of 30 June 2021 versus RON 517,397 thousand as of 31 December 2020.

Operational analysis

ALRO Group

ALRO Group reported in H1 2021, a total production of primary aluminium of 146,152 tonnes, a higher level compared to the one reported in the same period of last year (H1 2020: 137,163 tonnes) due to the recovery better than expected of the building & constructions and automotive industries after the COVID-19 pandemic outbreak in 2020. The processed aluminium production (FRP and extruded products) reported for H1 2021 a higher quantity as the one registered in H1 2020 (H1 2021: 54,736 tonnes versus H1 2020: 51,651 tonnes).

The alumina production was of 258,491 tonnes in H1 2021, by 27% higher compared to the one reported in the same period of the last year when it was 202,958 tonnes as the company took advantage of the market opportunities and managed to achieve higher sales alumina and hydrate. The bauxite production recorded a level of 632,176 tonnes in H1 2021 (H1 2020: 739,341 tonnes), due to the alignment with the Group's necessities and strategy.

ALRO

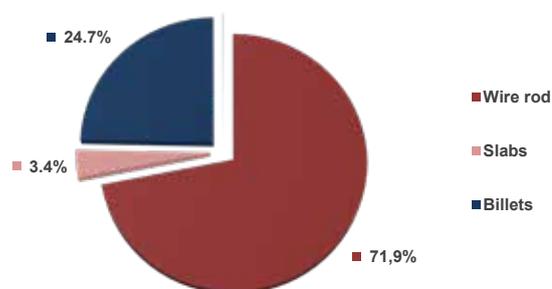
In H1 2021, the Company reported an increase in the primary aluminium production compared to the same period of 2020 of 6.7% and the processed aluminium production increased by 6%. In H1 2021 the primary aluminium sales slightly increased and reported a level of 82,700 tonnes, compared to 81,635 tonnes in H1 2020, while the processed aluminium sales increased by 8% in the analysed period, being in H1 2021 of 43,741 tonnes compared to 40,453 tonnes in H1 2020.

Primary Aluminium

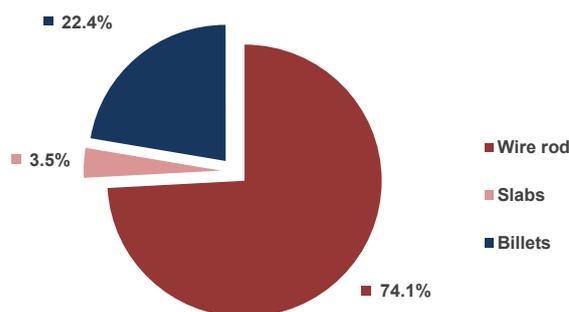
ALRO is the only producer of primary aluminium and aluminium alloys in Romania and one of the largest vertically integrated aluminium producers in Europe measured by production capacity. In H1 2021, the Company continued to improve the mix of products sold, as a result of the implementation of the strategy that is focused on high value-added products. The main markets for ALRO's primary products in H1 2021 were Romania, Czech Republic, Hungary, Poland, Greece, Bulgaria, Italy, and Germany.

The structure of primary aluminium sales based on product types in H1 2021, compared to H1 2020 is presented below:

Primary aluminium: sales structure in H1 2021 (RON th)



Primary aluminium: sales structure in H1 2020 (RON th)



The main primary aluminium markets in H1 2021 versus H1 2020 are detailed below:

Primary aluminium: main markets in H1 2021 (tonnes)



Primary aluminium: main markets in H1 2020 (tonnes)



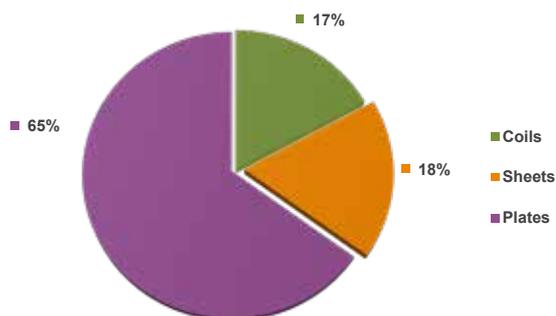
Processed Aluminium - Flat-rolled products (FRP) -

ALRO sells its processed aluminium products, both on domestic and external markets. These products are presented in a diversified range and are produced with high value added, being sold with a superior profit margin compared to the primary aluminium products.

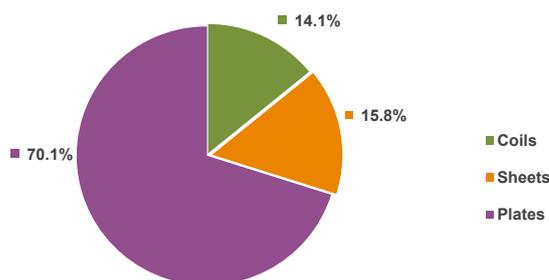
The processed aluminium sales recorded higher levels for sheets and coils in H1 2021 as compared to H1 2020. In quantitative terms, aluminium coils increased by 25% in H1 2021 compared to the similar period of last year, while the sheets increased by 19% and the plates by only 2%. The main markets for ALRO's processed products in H1 2021 were Germany, Turkey, Romania, Spain, Italy, Poland, France, Denmark, Great Britain and North America.

The structure of processed aluminium sales based on product types in H1 2021, compared to H1 2020 is detailed below:

Processed aluminium: Sales structure in H1 2021 (RON th)



Processed aluminium: Sales structure in H1 2020 (RON th)

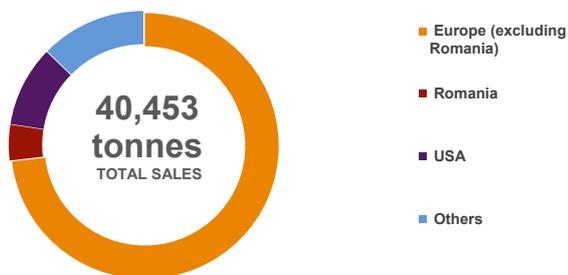


The processed aluminium markets in H1 2021 versus H1 2020 are detailed below:

Processed aluminium: main markets in H1 2021 (tonnes)



Processed aluminium: main markets in H1 2020 (tonnes)

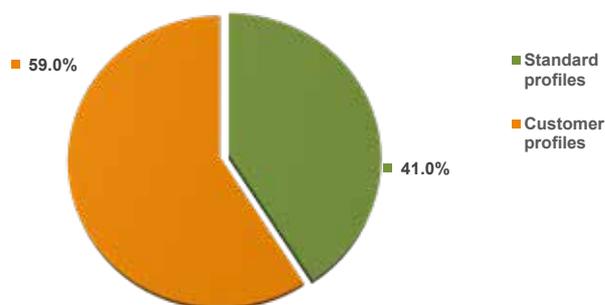


Processed Aluminium Segment - Extruded Products -

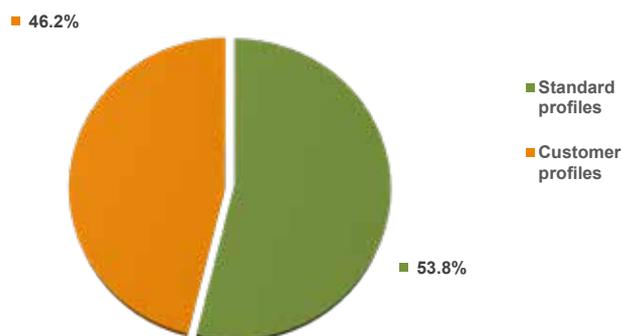
Vimetco Extrusion sells a wide range of extruded profiles, such as aluminium bars, tubes and profiles, both on domestic and external markets. Currently, 95% of Vimetco Extrusion products are sold abroad. Vimetco Extrusion's special products are considered to be HVAPs and the machined, painted and anodized or powder coated products to be VHVAPs. The customer profiles with better premiums increased in H1 2021 vs. H1 2020 as a result of the sales force to shift the production to VHVAPs.

The structure of extruded products sales based on product types in H1 2021, compared to H1 2020, is detailed below:

Extruded products: Sales structure in H1 2021 (RON th)

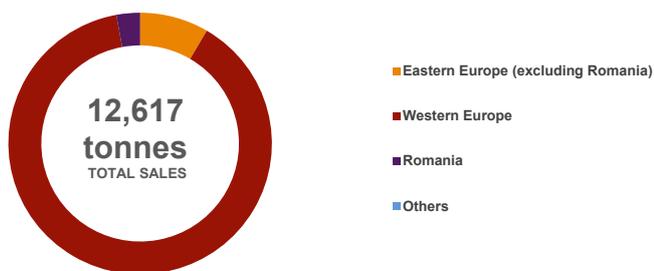


Extruded products: Sales structure in H1 2020 (RON th)



The extruded products markets in H1 2021 versus H1 2020 are detailed below:

Extruded products: main markets in H1 2020 (tonnes)



Extruded products: main markets in H1 2020 (tonnes)



Other information

- the Group is not dependent on a client or a group of clients due to its diversified portfolio customer base;
- in H1 2021, the Group did not buy or hold its shares;
- throughout H1 2021 no mergers or reorganizations took place;
- in H1 2021, there were no increases or decreases of the shares held in affiliated entities;
- the equipment status ensures safe operation and the achievement of the proposed objectives, with no problems related to the ownership of the Parent-Company or other Group's subsidiaries tangible assets;
- by upgrading its production machines and equipment, the Parent-Company and/or other Group's subsidiaries are technically and technologically similar to the main aluminium producers on the international market.

ALUM – The Group's refinery of alumina

The Group's refinery is represented by ALUM which has a production capacity of 600,000 tonnes of alumina per year making it the sole alumina producer in Romania and one of the largest in Central and Eastern Europe. The company administrative and managerial offices and the alumina refinery are located in Tulcea, Romania.

Alumina is transported from Tulcea by rail to the Group's production facilities in Slatina. The refinery is currently using tropical bauxite, such as the bauxite produced in its mines in Sierra Leone, which is processed with less energy-consumption due to its chemical composition. However, the refinery could utilise bauxite from other sources by implementing minor technological and equipment updates and without incurring significant costs or delay.

In H1 2021, approximately 76% of alumina produced by the Group (H1 2020: 80%) was used internally, while 24% (H1 2020: 20%) was sold to external customers through spot contract sales, 95% of which were located outside Romania (H1 2020: 92%). While primarily supplying alumina to the Group, ALUM also sells to third party customers other special products such as aluminium hydroxide with a moisture content of less than 6%, dry aluminium hydroxide with a maximum humidity of 0.1%, calcined alumina with different granulations (ALC, ALK), alumina «low soda» and alpha-alumina – currently approximately 18% of the current production is represented by these special products.

In H1 2021 as in the past years, ALUM continued its strategy for reducing costs by optimizing its consumption levels and developing new environmental-friendly technologies through investments in technology and human capital. Furthermore, in H1 2021, the implementation of new technologies for the research and production of dry aluminium hydroxide were continued, for the grinding and sorting of dry aluminium hydroxide, and for the classification of wet aluminium hydroxide, all of which are new alumina products with a special destination for other industries. This approach represents part of the Group's strategy to continue the technological upgrading programmes within all its divisions having as central objective the improving the efficiency of the existing equipment and its day-to-day operations. Moreover, through continuous investments in research and developments, the Group also envisages developing new lines of businesses and remaining connected to the latest developments in the fields where it activates.

Moreover, in the analysed period ALUM continued its involvement in the three major sustainability projects started back in 2020: RemovAI, REEScue and ReActiv. Thus, ALUM's representatives participated actively in all these ongoing projects, bringing its valuable contribution to the overall sustainability of each project. ALUM's involvement in RemovAI, REEScue and ReActiv projects show the company's commitment towards sustainability and innovation.

In H1 2021, ALUM reported a total production of 258,491 tonnes of alumina (H1 2020: 202,958 tonnes) and achieved a turnover of RON 387,449 thousand (H1 2020: RON 338,768 thousand).

On the short and medium-term ALUM aims to achieve the following objectives:

- Investments with effect in decreasing production costs and increasing competitiveness, protecting the environment and improving the corporate social responsibility;
- Upgrading its equipment to meet high economic efficiency;
- Providing raw materials and energy resources in the most advantageous economic terms;
- Diversification of products ranges and increasing the turnover and production volumes;
- Retention of the current external clients and attraction of new clients by offering a diversified range of products;
- Development and implementation of new research and development projects.

Regarding the actual context that is still marked by COVID-19 effects, in H1 2021 ALUM continued to apply extensive and comprehensive safety measures within its premises. The hand liquid disinfectant developed by its Research and Development Laboratory with a formula based on the local production guide of the World Health Organization that was approved for being produced and used in Romania is currently used internally and, upon request, was also provided to local institutions such as the Children's Palace and the Economic College to prevent COVID-19 spreading.

ALUM is listed on ATS segment, AeRO category on the BSE, since May 2015. AeRO represents the alternative trading system (ATS) operated by them and therefore is not a regulated market in regards to any MiFID directive.

At the date of this report, Alum's Executive Management is composed of Mr. Gheorghe Dobra - CEO and Mrs. Mihaela Duralia - CFO. Alum's Board of Directors is composed of five members: Gheorghe Dobra (Chairman), Aleksandr Barabanov (VicePresident), Marian Cilianu (Member), Mihaela Duralia (Member) and Ioan Popa (Independent Member). No changes took place during H1 2021 in this respect.

As of 30 June 2021, ALUM is involved in various litigations, which on the basis of the legal consulting provided by the company's lawyers, the management considers that won't have any negative effects on the results or on the financial position of the company.

VIMETCO EXTRUSION (“VE”) - The Group’s extrusion business line

The extrusion shop, which is operated by Vimetco Extrusion, represents the biggest extruder in Romania and a significant player in the Western European extrusion market. Starting with September 2006, Vimetco Extrusion was organized as a separate subsidiary company of ALRO Group to focus on the Group’s extrusion business. The company administrative and managerial offices are located in Romania, with the headquarters in 1, Milcov Street, Slatina, Olt County, Romania.

Through Vimetco Extrusion, the Group uses the billets produced by ALRO in its primary aluminium division and manufactures and sells a wide range of extruded profiles, such as aluminium bars, tubes and profiles. Aluminium extrusion is a technique used to transform aluminium billets into objects with a defined cross-sectional profile for a wide range of uses. In the extrusion process, heated aluminium is forced through a die. Extrusions can be manufactured in many sizes and in almost any shape for which a die can be created. The extrusion process makes the most of aluminium’s unique combination of physical characteristics. Its malleability allows it to be easily machined and cast, and yet aluminium is one-third the density and stiffness of steel so the resulting products offer strength and stability, particularly when alloyed with other metals.

The extrusion facility has two direct extrusion presses of 1,650 and 3,500 metric tonnes, with a billet diameter of 178 mm and 254 mm respectively, and a production capacity of 25,000 tonnes per annum, depending on the product mix, which allows production of extruded range of profiles from 0.1 kg/m to 13 kg/m. In 2020, Vimetco Extrusion made further investments and signed the acquisition of another extrusion press that will ensure a capacity growth to 35,000 tonnes per annum. The acquisition contract for the new extrusion line was signed in March 2021 and the new extrusion line is expected to be commissioned in September 2022.

Starting the end of 2020, the financial programs offered by European governments to boost the economy affected by the pandemic, the positive news about a vaccine and the limitation of the imports from China transformed completely the demand: from growing gradually in the first half of 2021 to currently exceeding the supply. Accordingly, Vimetco Extrusion allocated all resources to meet market demand in line with its development strategy of increasing product range and customers’ portfolio by new industries. As a result, new markets and customers were brought on board with a positive outcome on the product mix and geographical distribution, increasing the share of value-added products and very high value-added products: assembled parts for solar panels, hook systems for solar panels, aluminium fences and gates, vehicle construction, advertising panels profiles, construction beams, aluminium hinges, bicycles rimes.

In an unstable and competitive market, facing limited supply and a growing demand trend, Vimetco Extrusion tailored its resources by investing in its capabilities: approved the projects for a new extrusion line, new saw, cut and punch machine, deburring machine – all meant to serve an extended range of customers and markets.

Within extruded products, the Group considers its special products to be HVAPs and the machined, painted and anodized or powder coated products to be VHVAPs. Vimetco Extrusion’s products are used in various industries, such as transport, construction, events, energy. The Group’s extruded products are also used in the construction and interior design industries with curtain-walling, ceilings, partitions, railings and panels being some of the various applications of aluminium. In addition, extruded products are used in lighting, air conditioning/ventilation systems, reflectors and in the photo-voltaic energy industry. Currently, 97% of Vimetco Extrusion products are being sold abroad (H1 2020: 95%) and in the analysed period, 49.5 % (H1 2020: 46%) of the total sales were registered in Germany while Austria and Denmark are the next biggest markets for VE’s products.

In H1 2021, due to the anti-dumping measures imposed on China and the increased costs for maritime transport (generated by the container crisis), there was a reorientation of demand to suppliers from Europe and an increase in its level, thus exceeding the available supply. In this context, the business environment registered an increased volatility, reaching the maximum production capacities, with a major impact not only on raw materials, but also on accessories and services, which determined an accelerated increase in prices, but also extended delivery terms.

For H2 2021, Vimetco Extrusion plans to continue the strategy of meeting market demand, with the right product mix, by allocating most efficiently the production capacity both from a price and long-term profitability point of view. Commercial conditions are adjusted on a short term basis, in line with the market evolution, keeping an eye on the big players’ impact on the worldwide economic environment (i.e. new taxes to be imposed by Russia for export material, TRA, the UK Trade Remedies Authority, anti-dumping investigation for UK aluminium extrusion imported from China).

A favourable outlook on H2 development from a very high added value products perspective:

- Solar business long-term contracts signing on new product launch;
- 2 new heliports for Romanian hospitals build with Vimetco Extrusion profiles;
- New add fabrication projects in the pipeline.

The production capacity for 2021 is already sold out and currently the discussions with the customers are regarding the 2022 sales and the focus is on following market trends, continuing to develop the portfolio thus building up additional volumes for the new press capacity fulfilment. The main competitors of Vimetco Extrusion are companies from countries like Greece, Bulgaria, Poland, Turkey, Italy, Spain and Germany. However, VE is well-known for its customer relationship services, products quality, excellent communication and thus the partnerships built over the years are the key factors that still maintain Vimetco Extrusion as a preferred choice for customers.

Therefore, in H1 2021, Vimetco Extrusion reported sales of 12,617 tonnes, a slightly lower level by 4% compared to the similar period of last year (H1 2020: 13,152 tonnes) and a slight

increase of its turnover to third parties by 5%, that reached in H1 2021 a level of RON 173,643 thousand (H1 2020: RON 160,544 thousand), as the company took advantage of the higher demand from the solar panels market.

Vimetco Extrusion Executive Management is composed of Mr. Igor Higer – General Director, Mrs. Stefania Yaksan – Finance Director. At the date of this Report, Vimetco Extrusion Board of Directors is composed of five members: Igor Higer (Chairman), Aleksandr Barabanov (Vice-President), Arie Shimon Meisel, Per Lyngaa and Stefania Yaksan. No changes took place during H1 2021 in this respect.

Vimetco Extrusion is also involved in the life of local communities and encourages communication between educational institutions and the private sector. The health and safety of its employees remained a top priority of the company in H1 2021 and the measures and protocols for mitigating COVID-19 effects within its premises as previously implemented were strictly continued. During the analysed period.

Moreover, in H1 2021, the HR focus was on organizing several internal specialization programs for production. In the current organizational structure, the company has allocated a dedicated person, authorized as Trainer to perform internal courses. VE also developed and updated the specialization programs on the specific of activity for all the departments from production. These programs were started in January 2021 with the target that until the end of July, to have at least one course, performed for each department.

Besides this objective, for the production staff, all the necessary training for TESA were organized and thus, in H1 2021 for three of the departments' external training courses were also organized.

Considering the actual context, in H1 2021 a special attention was also paid to keep all employees informed in respect of the measures and the protocols implemented started back in 2020 against COVID-19 and which became a daily routine nowadays. Moreover, starting May 2021 inside VE an Information Campaign regarding the benefits of the vaccine against COVID-19 was actively initiated and ran. The campaign contains besides the classic information disseminated through posters/ discussions with the employees also weekly training with a doctor. The training gave our employees the possibility to have the correct information and their questions answered by a specialist.

Moreover, in H1 2021, VE's management has also paid attention to several business ethics topics and thus it has developed a procedure against harassment and discrimination at the workplace. This procedure sets out the principles, preventive measures, concrete responsibilities, and modalities for resolving incidents of harassment and discrimination at the workplace.

Also, during the first half of 2021, VE continued the investments in digitalization and succeeded to implement dedicated software for Human Resources management. This investment brings to the company some major improvements and benefits such as:

- High-quality services
- Talent management
- Personnel development
- Focus on the successful integration of new colleagues
- Fast access to company information
- Efficient calculation of timekeeping, eliminating the human errors
- Smart reports for data-based decision making
- Self-service by giving people the possibility to have access to their files just by one click
- Keeping same number of people in HR

Outlook for the second half is in the same direction, the company aiming to continue the investments in technology and digitalization with the implementation of a brand new system for production planning and control. The main objectives of this investment are to:

- Deliver quality goods in required quantities to the customer in the required delivery schedule
- Achieve maximum customer satisfaction at minimum possible cost
- Ensure maximum utilization of all resources
- Ensure production of quality products
- Minimize the product through-put time or production/ manufacturing cycle time
- Maintain optimum inventory levels
- Maintain flexibility in a manufacturing operation.
- Coordinate between labour and machines and various supporting departments
- Plan for plant capacities for future requirements
- Remove the bottlenecks at all stages of production and solve problems related to production in real time
- Ensure elective cost reduction and cost control.

Digitalization and cybersecurity are very important objectives for VE and we are in continuous research and development for both.

As of 30 June 2021, Vimetco Extrusion is involved in various litigations, which on the basis of the legal consulting provided by the company's lawyers, the management considers that won't have any negative effects on the results or on the financial position of the company.

SIERRA MINERAL HOLDINGS I, Ltd. (SMHL)

SMHL is responsible for the Group's mining operations and operates bauxite mines located in the Bo, Bonthe and Moyamba districts in the Southern province of the Republic of Sierra Leone based on the Bauxite Mineral Prospecting and Mining Agreement dated 16 July 2012 with the Government of the Republic of Sierra Leone and valid from 1 January 2012 until 31 December 2031. SMHL has no ownership right concerning the plots of land where the bauxite mines or the other facilities are located but owns some production and accommodation facilities in the mining area and the Nitti port. SMHL operates under a mining lease with a concession area of approximately 321.73 square kilometres and, in addition, holds two exploration licenses with concession areas of 87.21 square kilometers and 114.80 square kilometers, respectively. With reserves to support at least a further ten years of production, SMHL is the only operational bauxite mine in Sierra Leone and is the second-largest mining employer in the country.

As a vertically integrated producer, the Group sources and uses all of its bauxite from the mines operated in Sierra Leone. SMHL represents one component of the Group's technological flow since 2011, being at the base of this integrated production chain: mining of bauxite. The bauxite obtained by SMHL is sold to ALUM to be refined its refinery located in Tulcea, Romania and to produce alumina, the main raw material used for aluminium production, which further serves in the aluminium production at ALRO, Slatina, Romania.

During the past years, SMHL made significant investments through ground breaking technical initiatives in the implementation of technological process flows (Tailing beneficiation plants) to extract material of commercial value from previously deposited bauxite tailings in the tailing ponds. This is certainly going to minimize the environmental footprint previously created and will also reduce the tailing discharge going forward from the current operations while further improving in terms of limiting the land deforestation and reduce the consumption of run of mines which will directly contribute towards lesser environmental impacts on biological ecosystem.

The Group's subsidiary, SMHL continued in 2021 the bankable feasibility study ("BFS") for the construction of an alumina tri-hydrate plant ("ATH plant") with a start-up capacity of 200,000 tonnes per annum within its mining lease – ML/2005 in Sierra Leone. As a part of this bankable feasibility study, SMHL completed the first phase of extensive exploration program in the northern part of SMHL concession to establish bauxite Mineral Resources and Ore Reserves Statement in line with JORC 2012 reporting standard. JORC report was issued. SMHL team also completed other associated supplementary studies including preliminary hydrogeological, geotechnical, infrastructure, market and Rapid Environmental Social Impact Assessment (ESIA) to support the overall BFS for the development of the ATH Project. During 2021, SMHL made significant progress towards completion of this project development and based on the revised timelines, the BFS is expected to be completed (including the financial appraisal of the ATH project), in the next months.

In Q1 2021, the Group received a new valuation report following the JORC* Code, Edition 2012 prepared by an independent valuator, the Competent Person as named by the JORC code, regarding its bauxite reserves in Sierra Leone. According to this report, SMHL has established additional resources of about 90 million tonnes of bauxite in the northern part of the SMHL concession and this has been classified by the JORC Code in an initial stage (unwashed basis). The second phase exploration program is to continue in order to upgrade resource and reserve categorisation in line with JORC 2012 which expects to improve bauxite in measured resource and proved reserve categories.

Other investment projects undertaken by SMHL in H1 2021 are geared towards stable, safe and continuous operations such as road construction, dam rehabilitation, major maintenance and overhaul of washing plant and river fleet, purchase of various equipment and light vehicles, etc. Total investment done in H1 2021 in this respect are of USD 1.4 million (H1 2020: USD 1.9 million).

In H1 2021, SMHL produced 632,176 tonnes of commercial bauxite (H1 2020: 739,341 tonnes), while in terms of sales the level reported in H1 2021 was of RON 82,383 thousand lower by 31% compared to the one reported in H1 2020 of RON 120,265 thousand, in line with the Group's strategy, as SMHL remains the sole supplier of bauxite to its Parent-Company, ALUM to cover 100% of ALUM's bauxite needs. In H1 2021, SMHL managed to ship 11 vessels of bauxite shipments (H1 2020: 14 vessels). The quantity which can be loaded on a single vessel varies from 50,000 to 60,000 tonnes.

SMHL has managed to run without any disruptions of its operations in H1 2021 thanks to the implementation of strict measures and complex strategies of identification, prevention and control of the infection with COVID-19. An Emergency Response Committee and an Outbreak task force were set-up in SMHL to drive and implement stringent measures within the work force to control and curtail the spread of infection in the community.

The executive management of SMHL consists of Alex Ivanov – Country Manager, Basudeb Datta – General Manager and Abdul Bangura – Chief Financial Officer. The Board of Directors comprises three members, as follows: Pavel Machitski (Member), Steluta Despa Niculae (Member) and Roman Bulat (Member). No changes took place during H1 2021 in this respect.

Locally, SMHL is an active member within the communities in Sierra Leone, special attention being paid to the environmental protection, considering the environmental footprint of the mining activity. Through the Community Development Agreement, SMHL can support several investments and social projects for local community development within the mining communities.

As of 30 June 2021, SMHL is involved in various litigations, which based on the legal consulting provided by the company's lawyers, the management considers that will not have any negative effects on the results or the financial position of the company.

CONEF S.A.

Conef is a joint-stock company established based on GD no. 30/1991. The company's shares are not traded on a regulated market, Conef being a closed-end company. The company's share capital is of RON 6,692 thousand, representing 2,676,661 ordinary nominative shares with a nominal value of RON 2.50, fully paid in by the shareholders.

At the end of 2018, ALRO's majority shareholder, Vimetco N.V together with the shareholder Conef S.A. launched an accelerated private placement offers for a package of ALRO shares, representing a cumulative percentage of 33.77% of the share capital of the issuer. Following this operation, Conef S.A. disposed its entire shareholding in ALRO.

The executive management of Conef is provided by Marian Năstase – Chief Executive Officer and Constantin Ciobanu – Sole Administrator). No changes took place during H1 2021 in this respect.

Other information in accordance with FSA Regulation no. 5/2018 - Financial Instruments and Investments Sector

Analysis of the trends or events that might have an impact over the Group and/ or Company's current activity

As of 30 June 2021, the Parent-Company and its subsidiaries are parties to various litigation or legal proceedings arising in the ordinary course of their business, in which they are either defendants or plaintiffs. The Group Companies are not involved in any litigation or court proceedings and are unaware of any actions of a judicial, arbitral or administrative nature that could reasonably be expected to materially and adversely affect the Group's business, financial condition or results of operations.

In H1 2021, no major new litigations were noted. The background of the Group's main litigation i.e. regarding the Romanian Competition Council is detailed below. No significant updates were reported in this respect in H1 2021 and as it has declared in the past, as well, the Company will inform the public and its investors in due course of any updates (if the case) of this case file.

The Romanian Competition Council - summary & updates

In 2016, the Company challenged before the Bucharest Court of Appeal a decision of the Romanian Competition Council to impose a fine of RON 21,239 thousand to the Company for an alleged vertical agreement on the energy market. The fine was paid but the challenge was still pending. For the next hearing the Court nominated an expert to file the expert report.

In addition, the Company challenged before the Bucharest Court of Appeal several ANRE orders regarding the:

- calculation of the Green Certificates quota for the Company's energy consumptions for 2015, and
- quota settlement methodology.

The first challenge was rejected at first instance by the Bucharest Court of Appeal as time-barred and the second appeal filed by the Company is now pending before the High Court of Cassation and Justice. The second challenge is pending before the Bucharest Court of Appeal, at first instance. Both proceedings are suspended until the Romanian Constitutional Court decides on the constitutionality challenges filed by the Company in relation to legal provisions which are impacting the disputes.

In the matter of the annulment of the Competition Council decision, the latest trial date was set to 1 April of 2019 by the Bucharest Court of Appeal, in order for the Competition Council to take note and to respond to the Company's request that the Court of Justice of the European Union shall be asked to clarify some legal aspects of the matter.

In the matter of the temporary suspension of the enforcement proceedings of the sanction decision no. 82/2015 issued by the Competition Council, ALRO informed its shareholders and investors that on 10 June 2016 the Bucharest Court of Appeal dismissed the claim as being ungrounded. Following the submission of the second appeal with the High Court of Cassation and Justice of Romania, and this court, on the hearing date of 14 November 2018, dismissed the second appeal filed by ALRO against the decision no. 2014/ 10.06.2016 given by the Bucharest Court of Appeal, as well as the cross appeal brought by the defendant Competition Council against the considerations of the same decision, as unfounded. The decision pronounced by the High Court was final.

In the case file 954/2/2016 pending before the Bucharest Court of Appeal, whose object-matter is both the claim for the cancellation of an administrative document – i.e. the sanction report, as well as the claim for the cancellation of the sanction decision no.82/2015 issued by the Competition Council, following the attachment of the case file 3536/2/2016, the Court postponed the case until 5 June 2019, to deliver the judgement on the application initiating proceedings before the Court of Justice of the European Union submitted by the plaintiff.

According to the information posted on the Courts' websites, the decision ruled by the Court is as follows: The Court partly admits the request for the expert fee increase. The Court decides the increase of the expert fee with the amount of RON 22,000. It dismisses the application initiating proceedings before the Court of Justice of the European Union. It gives the date of 7 October 2019 as the date for continuing the hearing proceedings, the parties to be summoned for that date that further set a new hearing date on 4 November 2019. On this date the court has judged the claim and has deferred the issuance of the judgement for the date of 18 November 2019. Further on the court has deferred the issuance of the judgement for the date of 2 December 2019 and subsequently on 16 December 2019. Therefore, the next hearing date was 20 December 2019 when the court has deferred the issuance of the judgement for the date of 30 December 2019 the Court dismissed the claim for annulment of the ruling proceedings dated 24 December 2015 of the Plenum of the Competition Council, as being inadmissible and the amended claim for annulment of the Decision of the Plenum of the Competition Council no. 82/24.12.2015 was dismissed as being unfounded.

At the date of this Report, the file was not finally concluded as from the date of the pronouncement of judgment, respectively 30 December 2019 until 5 July 2021, the court of law did not state

any reasons for the judgments, ALRO lodged an objection against the delay of the case in the file no.954/2/2016, and the objection was recorded before the Court of Appeal Bucharest under the file no.4582/2/2021.

Anti-dumping notification – summary & updates

On 17 March 2020, the Company announced that it received from the United States International Trade Commission a notification about a petition filed to the US Department of Commerce. This petition concerns to establish the anti-dumping tariffs for certain aluminium products originated from 18 countries, including Romania, imported in the United States between 2017 and 2019.

The petition filed by the US Aluminium Association treated the aluminium sheets with a thickness between 0.2 mm and 6.3 mm, made from common alloys (1xxx, 3xxx and 5xxx series). Regarding the sheets of Romanian origin produced by ALRO, the initial requested anti-dumping tariff proposed to be charged being of 56.22%. Subsequently, on 30 March 2020, the Company announced that it was informed through an external legal consultant that the petition was modified by the authors of the claim, and in case of the products of Romanian origin, subject of the antidumping investigation, the requested anti-dumping tariff, alleged by the petitioners was reduced from 56.22% to 12.51%.

In October 2020, the Company was informed that in respect of the sheets of Romanian origin, produced by ALRO, the preliminary anti-dumping tariff, determined by the US Department of Commerce and applicable immediately is of 83.94%. In April 2021, ALRO announced that the preliminary decision of the US Department of Commerce is to impose anti-dumping tariffs on the targeted producers between 1.24% and 352.71%. In the case of sheets originating from Romania, manufactured by ALRO, due to the firm position and additional arguments presented by the Company, the US Department of Commerce announced its final decision on the anti-dumping tariff, revising its original position and reducing this tariff from 83.94% to 37.26%.

The Company considers this petition as being an unfounded one. Moreover, the calculations behind it are erroneous and thus, the Company intends to vigorously defend its position in front of the American authorities involved in this process. However, these tariffs do not have a retroactive impact. Also, the Company has taken all the measures to mitigate any adverse impact that it might face in case the petition is adversely determined.

Additional information

At 31 December 2020 and 30 June 2021 reporting dates, according to the existing borrowing agreements the Group is subject to certain restrictive covenants:

- refrain from paying dividends to its shareholders unless certain conditions;
- maintain a minimum or maximum level for certain financial ratios, including: debt service coverage ratio, net debt to EBITDA, net debt to equity, current ratio, net financial debt to shareholders' equity, solvency ratio, interest cover ratio, total net leverage ratio.

On 30 June 2021, the Parent company was in breach of one of the covenants in respect of its loans. The Company discussed the situation with the bank and received the necessary waivers within the specified testing period. A breach of covenants in respect of a liability that entitles the creditors to require repayment at a future date within one year from the reporting date is unlikely, and therefore the amounts that are not expected to be paid within one year are classified as long-term liabilities.

On 15 March 2021, the Company informed all stakeholders and interested persons that the Board of Directors has reappointed Mrs. Genoveva Năstase as Financial Manager of the Company for a four-year mandate.

In May, the Company announced that it has received a notification from NN Group N.V. Netherlands in which it was informed that the fund has exceeded the threshold of 5% through purchase of additional shares resulting in a shareholding of 5.04% out of the total number of 713,779,135 shares.

During the first six months of the financial year 2021 there were no other significant changes in the economic and operating conditions except the ones already mentioned, affecting the fair value of the Group's assets and liabilities, except the normal volatility of the aluminium and alumina prices on international markets and the volatility of the foreign exchange rates, while locally, on the Romanian market higher energy prices were still registered.

Other information regarding the Group's activity

Training policy

The training activity within ALRO Group focuses on continuing professional development of employees and anticipated specialization programmes for the future employees in order to provide the necessary qualified personnel for achieving its medium and long-term targets and objectives.

Main principles for organizing and performing the training activity within the Group

- The Group's human resources policy is linked with the Group's strategy for achieving sustainable growth in short, medium and long term;
- Labour Code, as republished and the other related legal requirements in force regarding ongoing professional development for employees;
- Other related legal requirements currently in force.

Fundamentals of the Group's training activity

- Annual programs for professional development;
- Operational procedures for achieving higher standards of professional development, competence, awareness and training, specialized certifications and professional assessments;
- Collective Labour Agreement, at each company's level;
- Human resources – each Group's company has in its organisational structure an HR Department.

Implementation of ALRO's training procedures & activities

The ongoing professional development of ALRO Group's employees is carried out on the basis of an annual training program, which consists of several steps & measures:

- periodical professional training;
- programs for initiation, qualification, requalification, authorization and specific certification carried in-house or in collaboration with specialised companies;
- training and specialisation programs carried out by prestigious consulting companies either at the Group's companies' premises or at the external consultants' offices;
- participation in different programs of comprehensive studies, postgraduate programs, MBA or EMBA etc.;
- participation in other activities, such as team-building, symposiums, conferences, workshops, fairs and exhibitions, in Romania and/ or abroad;

- consultancy services provided by well-known specialists in the aluminium production field;
- additional training methods using formal and informal ways;
- advanced professional education programs through partnerships with the Technical Metallurgic College in Slatina students by setting up dual education classes.

Starting January 2021, TESA employees from all areas of activity (such as technical, industrial automation, IT, economic areas and others) followed professional development training programmes or specialisation programmes to access the most advanced information and best technical and economic practices and in other areas of interest for the Company. The professional training and specialization of the employees involved in the "AERO" and "AUTO" Projects continued. The organization of internal professional training programs will continue, whose theme aims to change the employees' mentality regarding self-control, quality, cost reduction, efficient use of resources necessary for carrying out activities, observance of the system and operational procedures, improving communication with support and guidance from external consultants.

In H1 2021, qualification and re-qualification professional courses have been organized such as nonferrous metallurgist, laminator, chemistry laboratory technicians, machine operators etc. Furthermore, courses for authorising employees to practice occupations that require additional qualifications besides the document that certifies the respective occupation (for example training and authorisation courses for NDT operators, ISCIR authorisations, authorisation of operators carrying out activities in the field of natural gas, etc.) have been also organized. The aim of these specialization courses is not only to comply with the legal stipulations for ensuring a proper correlation between the employees' qualifications and their current job but to secure the positions in the organisational chart with well-trained employees. In this way, the Company has skilled employees and these are up-to-date with the latest technological developments. Moreover, in this way the internal mobility of employees is facilitated, in case any changes in the organisational structure of the Company would be required.

Anticipated professional training

The main goal of the anticipated professional programmes implemented within the Group companies is to train in advance the future-potential employees (i.e. pupils from vocational schools or technical colleges, students, other categories of young people etc.).

During the past years, the anticipated professional training has proven beneficial for ALRO as it facilitated the recruitment, selection and early training of future employees. Thus, some of the students who followed internship programs at ALRO were hired after graduation and soon became basic specialists in the manufacture of aluminium. Moreover, the anticipated professional training represents an action generating benefits for the community, because it supports the integration and absorption, by ALRO of some graduates of the technical colleges from Slatina municipality.

Dual professional education

Starting with 2017 the partnership between ALRO and the Slatina Metallurgical Technical College was signed for the organisation of the first dual professional educational class in Olt County. Through this partnership, ALRO has become an active part of the training and professional qualification process, providing qualified staff, workshops and space for practical classes, providing logistics and equipment, so that students can obtain and apply the skills required to perform the qualifications chosen.

ALRO in partnership with the Metallurgical Technological High School Slatina, collaborated in the development and implementation of the project "Dual Vocational Education" for the school year 2021/2022 by organizing three classes of students in the profession of "Mechanics of machinery and installations in the industry", "Appliance electronics and equipment" and the profession of "Electrician operating low voltage".

The partnership with the Slatina Metallurgical Technological High School also facilitated the performance of productive internships at ALRO for students enrolled in vocational school - classes of operators of numerically controlled machine tools, foundries and electro-mechanics. Some of the company's employees were also encouraged to take high school or post-high school courses.

ALRO will financially support the students, during the internship, by awarding scholarships, for RON 200/month/student. The scholarship is awarded every school year, based on the contracts concluded between ALRO, the Metallurgical Technical College, student and parent/person/guardian who exercises parental authority for the minor student. ALRO provides during the internship, work equipment and hot meal and, depending on needs, it offers the possibility to hire students after graduating from the qualification exam that will be held at the end of the schooling period.

Starting with August 2021, after graduating from the vocational school courses, the first graduates trained in a dual system in the profession as an electrician will be hired. The students who attended the vocational school courses at the Slatina Metallurgical Technological High School - classes of laminators, numerically controlled machine tool operators, foundries and electro-mechanics, completed the internships of productive practice at ALRO.

Joint projects with Universities & High-schools

Partnerships with technical universities, mostly with Polytechnic University of Bucharest, University of Craiova (Physics Department, Faculty of Automation and Computers etc.) implemented through:

- Internships within ALRO's production facilities & offices - on average, each year more than 50 students from different universities and specialisations have conducted professional training inside the Company. In H1 2021, due to the still in place COVID-19 restrictions, around 20 students from universities from Bucharest, Craiova and Pitesti, carried out internships within ALRO;

- Realisation of the final papers for Bachelor's or Master's Degree on various case studies based on ALRO's activity & business;
- Conducting different joint activities with universities (i.e. students' documentation visits, meetings between ALRO's specialists and students held inside the universities campuses, preparing research papers, participating to career fairs, etc.);
- Material support and sponsorships provided by ALRO for the activities carried out by certain universities or student associations (for example, in the spring of this year, ALRO supported the Metallurgical Technical College with construction materials for arranging high school simulation spaces).
- ALRO is organizing Internship Programs, which are addressed to students attending university courses in non-ferrous metallurgy.

Numerous partnerships with high schools, post-secondary schools and universities (for example Slatina Technical Metallurgical College, Politehnica University of Bucharest, University of Craiova, University of Pitesti, Transilvania Braşov" University etc.), to facilitate the practice of students, documentary visits at ALRO, doing year papers, bachelor's, master's, doctorate, various research topics, etc.

Corporate Social Responsibility

Corporate Social Responsibility ("CSR") represents the management process, an integrated part of the Group's business strategy, through which it aims at contributing to the development of a sustainable and performing society in every area where it operates.

The Group has a policy through which are constantly identified individuals that may be interested in its activities, recognizes their legal rights and encourages their cooperation with the companies within the Group, to create wealth, jobs, and to ensure the sustainability of a financially sound enterprise.

The Group constantly tries to be involved in solving the social problems of the community where it operates and considers the interests of the society, having responsibility towards its employees, shareholders, community and environment. ALRO Group is actively involved in the life of the community by engaging in corporate responsibility programs, from the reconstruction of the homes destroyed by natural disasters to education, sports and health programs.

As for the Parent-company, ALRO's corporate identity and culture are of fundamental importance. Corporate social responsibility, partnerships, donations and sponsorships are the forms in which the Society interacts with the community in which it operates by developing a community engagement strategy.

ALRO Group believes in sustainable development which contributes to the Group's growth and represents a step forward to develop innovative aluminium solutions. The Group supplies VHAVP to the technically demanding customers in the aircraft and automotive industries and we are proud to report that our lightweight aluminium contributes to the fuel efficiency of planes and vehicles, thus reducing emission levels.

The Group's Management is constantly concerned with improving and developing partnership and sponsorship policy, promoting and encouraging CSR practices and principles by integrating them into managers and employee performance evaluation criteria, youth education, a better knowledge of Romanian art and culture, and also, the promotion of a clean environment and a healthy lifestyle.

The Group is aware of the important role it has in the communities in which it activates, so it acts with the responsibility to have a positive influence. ALRO has a decisive role in the economic, social, cultural and sports life of the community.

Moreover, ALRO, the Parent-Company, due to its economic and financial potential, but also because it is the only producer of aluminium and aluminium alloys in Romania is a representative company not only for the area in which it activates but for the entire Romanian industry. ALRO is an example of how technical and financial management are blended together with the one related to environmental protection and stakeholder management.

At the same time, the Group is responsible for the safety of its products and customers. ALRO Group contributes to the Romanian capital growth, to the development of the national economy, while ensuring a large number of jobs. Guidelines of measures related to social responsibility within ALRO are published in the Social Responsibility section on the website of the Company.

In H1 2021, ALRO continued to contribute and provide support in various cultural, sports and educational actions and activities as well as social activities. ALRO made various sponsorships to support events and actions in areas such as social, cultural, education and training, health, religion and worship, sports, partnerships with associations and foundations, with activity in cultural, educational and social - humanitarian fields.

Employee compensation/incentive programs

With respect to employee compensation / incentive programs, ALRO implemented in the analysed period the following actions:

- Granting of social assistance to employees for various needs (bearing expenses related to solving health problems, aid granted in case of death of family members, etc.) granted in accordance with the provisions of CCM/ 2021;
- Bonuses were awarded to employees who participated in the implementation of important projects;
- Performance criteria are widely used for the remuneration of employees in key positions;
- All employees were granted a series of benefits based on the provisions of the applicable Collective Agreement (such as: free treatment tickets for employees with occupational diseases, holiday bonuses, bonuses on religious holidays or public holidays, etc.);
- The communication methods with the employees have been improved (respectively: the ALRO portal, the activity of resolving requests, notifications and complaints, etc.);
- The activity of evaluating the professional performances of the employees has been improved.

For ensuring the health of its employees, their families and friends while preventing the spreading of COVID-19 virus within its facilities, ALRO has continued to implement comprehensive operational and administrative measures within the entire organization. Furthermore, the Company set up the vaccination centre within its premises in Slatina, complying with all the Public Health Department requirements for such facilities, and thus, received the approval to start the vaccination process beginning with 4th of May 2021. A vaccination point was also opened by ALUM in Tulcea.

This initiative comes as the management considers that vaccination is the only chance we have in order to return to a state of normality and to offer to the employees the opportunity to receive the necessary protection against COVID-19. Moreover, this action represents a further step that supports the Group's efforts to preserve the health and safety of its employees and their families and thus to maintain all its operations fully functional.

Environmental and other community related programs

ALRO continued to invest in 2021 in reducing the impact on the environment by modernizing and streamlining environmental management. These investments aimed at:

- orientation of the development of technological processes towards the best available technologies (BAT);
- monitoring of noxious emissions inside and in the company area;
- quality of staff;
- promoting an organizational culture and an environmental protection mentality;
- transparency;

- waste management;
- communication with local authorities and community;
- ensuring the protection of human settlements and improving the quality of ecosystems;

Environmental issues include:

- compliance with legislation (e.g. integrated environmental permits, greenhouse gas emissions permits, European standards - including REACH, legislation on major-accident hazards involving hazardous substances, on waste management);
- training, instruction and improvement of the personnel engaged in the implementation of the environmental norms and requirements (e.g. Participation in the Training Program in the field of production, storage, treatment and distribution of drinking water and in the field of waste management);
- maintaining open channels of regular communication with the competent authorities regarding the environmental performance.

The communication of environmental aspects has been achieved so far inside and outside the Company by drafting reports and documents, by organizing professional development courses, specialization programs and studies. Through the self-monitoring program of ALRO, approved by the local environmental authority and part of the integrated environmental permit, the operator monitors all emissions in: air, water, soil, noise, in order to reduce pollutants generated on site, ensuring an adequate climate in terms of view of the environment, but also for the efficient recycling of waste generated by the operator.

All environmental aspects with significant impact are highlighted in the initial environmental analysis sheets that present a quantified assessment prepared at the level of each workplace that impacts the environment and according to which the sections / workshops establish a program of measures aimed at reducing the pollution level for each sector.

The dialogue with the community concerns:

- requests from the community regarding: providing certain sponsorships and providing material assistance, for example for health treatments to disadvantaged groups, supporting competitions and sporting and cultural activities, providing scholarships (these requests came from both community members and from non-profit associations, foundations, religious units, educational institutions, cultural and health organizations, and from local authorities);
- requesting certain documents from former employees;
- applications for employment or re-employment at ALRO;
- community initiatives and partnerships;
- community health improvement programs (e.g. ambulance services);
- facilitating volunteering and internship activities within ALRO (conducting specialized internships, editing papers, in order to prepare in advance, the potential ALRO employees).

Until now, there no complaints nor grievances have been received from the community, either from individuals or groups, associations, foundations or authorities, regarding ALRO's activities and their impact on the local community and to the urban area.

In H1 2021, the communication with the employees was made through:

- written and electronic notices and notifications (eg decisions, orders, circulars, notes, reports, system and work procedures, tasks and work arrangements, internal regulations, data and information on the economic-financial and social situation of the company or about the international aluminium market, etc.);
- meetings and hearings (e.g. discussions regarding the professional and personal development of employees, responses to petitions);
- meetings with trade unions (e.g. answers to certain issues raised by trade unions, training programs);
- informal meetings, occasioned by various events.

The main topics addressed by employees through written requests or hearings include:

- granting the holiday bonus and tickets for resorts and treatment, for employees with occupational disease;
- granting social benefits;
- change of employment or occupation;
- participation in professional training programs;
- hiring family members in the company (children, husband / wife);
- paid leave (according to the collective labour contract) or unpaid;
- suspension of the individual employment contract for raising the child;
- requesting certain documents from the personal file, especially for banks.

In H1 2021, ALRO's subsidiary, ALUM was also involved in several socio-cultural activities with a major impact in the area where it operates and in supporting the fight against the COVID-19 pandemic, among which it can be mentioned:

- Donation of RON 100,000 to Tulcea County Hospital for supporting the efforts of the authorities to combat the spreading of the COVID-19 virus and improving the quality of the medical services offered to the patients ;
- Sponsorship of RON 2,000 of "La Portile Deltei" Foundation for supporting its educational projects (the online newspaper "Delta Dunarii News" and the YouTube channel "Hoinar prin Delta");
- Sponsorship to "Bookland" Association for supporting its socio-cultural and educational projects;
- Sponsorship of "Intelligent Energy" Association to support its project "Energy for life", which is planning to install five photovoltaic panels in at least 5 households from Apuseni Mountains.;
- Donations of RON 39,200 to help rehabilitate the school building in Somova (the project started back in 2020, but it was finalized in January 2021).

Moreover, Vimetco Extrusion's aim is not only to act inside the company but to join forces with authorities and support their efforts in ensuring the well-being of people. Therefore, this year the company started a collaboration with Book-Land to support a School from the rural environment in our county. Thus, VE developed an Internal campaign for collecting books dedicated for kids with ages between 7 and 14 years old, which will be donated to Topana Gymnasium School. The campaign started 1st of July and will last for one year.

Additionally, several internships programs were initiated in VE in 2021. Thus, in June the company started the process of organizing an internship in the IT Department with a student from the Faculty of Mathematics and Informatics of the West University of Timișoara. The program will become effective starting August 2021 and will last for 120 hours. The IT Department is currently in the third consecutive year to organize such programs.

In respect of SMHL, locally, the company is an active member of Sierra Leone communities. Additionally, in the ordinary course of business, the Group's operations in Sierra Leone require it to perform mine work, consisting of pre-stripping, mining loading and hauling, grade control, haul roads construction and maintenance, pit dewatering, pit maintenance, pit access maintenance, mine electrical facilities and general services, beneficiation, consisting of primary crushing, screening, desliming, materials handling and storage, dewatering, tailings disposal, water reclamation and process control. Also, the Group is subject to environmental remediation works in accordance with the African Development Bank's Environmental and Social Assessment Procedures. Upon the depletion of the reserves in any particular orebody, the benches must be levelled, and the topsoil (humus and or lateritic humus) must be returned and spread over the levelled out benches. Vegetation must then be progressively re-introduced to rehabilitate the mined-out area.

Changes with impact on share capital and the management of the Group's companies

Related party transactions

ALRO Group enters into transactions with its main shareholder, with companies under common control, with directors and key management personnel and these transactions are concluded at arms' length.

The balances of acquisitions, debts and receivables (if applicable) regarding significant transactions with related parties on 30 June 2021 are presented in the Unaudited Interim Condensed Consolidated Financial Statements. Regarding the nature of these transactions, they refer to goods sold and services rendered by the Group or acquired by the Group from related parties such as: Vimetco N.V., ALUM S.A., Vimetco Extrusion SRL, Conef S.A., Sierra Mineral Holdings 1, Ltd., Global Aluminium Ltd., Bauxite Marketing Ltd., Vimetco Trading SRL, Vimetco Management Romania SRL, Vimetco Power Romania SRL, Conef Gaz SRL, Conef Energy SRL, Central Rivergate SRL, Rivergate Rating Group SRL, Rivergate Fire SRL.

Moreover, the transactions primarily consist of an agreement for the provision of:

- consultancy services (concluded with Vimetco Management Romania) - under which Vimetco Management Romania provides services to the Company in connection with the review and analysis of financial and management reports, payroll, financial statements and other corporate and financial matters;

- agency and service agreements (concluded with Vimetco Trading) – under which Vimetco Trading identifies potential consumers for the Company's products, participates in negotiations, prepares draft supply contracts, supplies various services (IT, enterprise resource planning (ERP), purchasing services),
- sales of goods and services: i.e. acquisitions of gas for the production process by the Group companies from their related party Conef Gaz (during H1 2021: RON 107,645 thousand; during H1 2020: RON 86,819 thousand).

Dividends – no dividends were declared in H1 2021.

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 5,097 thousand (H1 2020: RON 5,260 thousand), while the expense for determined contribution plan (social contributions) in H1 2021 was RON 1,055 thousand (H1 2020: RON 1,003 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.

During H1 2021, the transactions between the related parties were based on bilateral agreements and took place on arm's length and the transactions that took place are substantially the same as those set out above.

For more information, about significant transactions with related parties as defined by IAS 24 "Reporting Transactions with Related Parties" in accordance with IFRS at the date of this Report, please see **Note 20 Related party transactions** of the Unaudited Interim Condensed Consolidated Financial Statements for the six months ended on 30 June 2021 included in this Report.

Other information regarding ALRO

ALRO, governed in a unitary system is aiming to align its activity with the global corporate governance best practices and to take further steps towards better management of the business potential risks, and thus, the Board of Directors has three committees in place to sustain and complete its activity, i.e. the Audit Committee – with powers delegated by the Annual General Shareholders Meeting, Remuneration and Nominations Committees and Risk and Sustainability Committee. These three committees inform regularly the Board of the adequacies and effectiveness of the specific requirements outlined in the Committee's terms of references.

During the reporting period, the Group's companies did not face the situation of not being able to meet their financial obligations.

Moreover, during H1 2020 there were no amendments regarding the shares owner rights.

Shareholders' information

General information

ALRO S.A. shares are listed on the Bucharest Stock Exchange, Premium Tier Category under the ticker symbol "ALR" since October 1997.

At the beginning of 2019, the Index Committee of the Bucharest Stock Exchange approved the inclusion of ALRO in BET, the main index of the market, and in the BET-TR, the total return version of BET. Thus ALRO became the first company in the aluminium industry present in these two indices.

Total market value as of 30 June 2021 for ALRO is RON 1,941,479,247.2 (calculated based on the BSE quotation available on 30 June 2021 - the last day of H1 2021 when ALRO's shares were traded: 713,779,135 shares * 2.72 RON/share).

ALRO S.A owns 99.40% of ALUM S.A. shares, which is listed on Bucharest Stock Exchange since December 1997 on RASDAQ and migrated towards the ATS segment, AeRO category in May 2015. Its shares are traded under the symbol "BBGA".

Exchange rates

H1 2021

Average USD per RON 4.0674
End of period USD per RON 4.1425
Average EUR per RON 4.9011
End of period EUR per RON 4.9082

LME average in H1 2021: 2,246 USD/tonne

H1 2020

Average USD per RON 4.3726
End of period USD per RON 4.3233
Average EUR per RON 4.8166
End of period EUR per RON 4.8543

LME average in H1 2020: 1,595 USD/tonne

Contact details

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2021 Financial Calendar

| | |
|-------------|--|
| 26 February | Publication of 2020 Preliminary Annual Financial Results |
| 29 March | Conference Call for 2020 Annual Results proposed for shareholders' approval |
| 29 April | Annual General Shareholders Meeting for the approval of 2020 results |
| 29 April | Publication of the Annual Report as at 31 December 2020 |
| 14 May | Publication of the Quarterly Report for 1 January - 31 March 2021 ("Quarter I 2021") |
| 17 May | Quarter I 2021 Results Conference Call |
| 10 August | Publication of the Half-Year Report for the six-months period ending 30 June 2021 |
| 13 August | 2021 Half-Year Results Conference Call |
| 12 November | Publication of the Quarterly Report for 1 January - 30 September 2021 ("Quarter III 2021") |
| 15 November | Quarter III 2021 Results Conference Call |

Information about ALRO's Shares

| | |
|---|--|
| ISIN | ROALROACNOR0 |
| Share Class | Ordinary shares |
| Ticker Symbol: Bucharest Stock Exchange | ALR |
| Indices | BET BET-XT BETplus BET-BK BET-TR BET-XT-TR |
| Bloomberg | Alro SA (ALR RO Equity) |
| Trading Segment | Main |
| Market Segment | Premium |
| First Trading Day | 16 October 1997 |
| Nominal value per share in RON | 0.5 |
| Number of shares in issue | 713,779,135 |

Outlook for H2 2021

In H2 2021, ALRO Group will remain committed to its long-term strategy of running a sustainable and responsible business.

At the end of June 2021, LME reached a high of 2,523 USD/tonne and made aluminium the best performing major LME metal YTD. The aluminium continues to attract investors, a trend emphasised also by the news that several smelter closures took place in China while additionally, the focus on emissions is on the obvious ascending trend. Furthermore, the market is expected to be dominated and impacted by the headlines concerning the new Russian export tax that has been taken as a bullish price development. The potential impact is estimated of a 15% tax on primary aluminium exports from Russia and this is expected to add in H2 2021 some extra supply uncertainty to a market that is already very tight. This short supply situation is also caused by the fact that some mills are delaying negotiations for deliveries for Q4 2021 due to uncertainty surrounding the length and extent of the current rally in metal premiums.

Moreover, the European mills have faced difficulties in sourcing scrap in recent months and the same trend is expected for H2 2021, too. A high LME price has allowed scrap dealers to expand the availability of metal, however scrap prices continue to be affected by higher overall logistical costs. Moreover, extrusion scrap will remain a hot topic for the rest of the year, too. Extrusion discounts may have eased, but the extremely tight supply of primary and secondary billet is expected to maintain which will add additional pressure on the available production.

In addition, several European mills have been unable to increase production caused by an acute shortage of slabs and scrap. The better-than-expected recovery in demand for rolled products, extrusions and castings has placed a tremendous pressure on the primary and secondary metal markets in H1 2021 and is expected to continue for the rest of the year, too. The shortage of slabs is proving unusually problematic for rolling mills and increased the international freight costs combined with a series of short disruptions to cast house operations across several European plants that have only served to intensify the actual shortfall.

In terms of demand, the situation is expected to remain almost consistent with solid output across major end-use sectors including building and construction, automotive, packaging and machinery and equipment. Although some producers have noted a slight drop-off in order levels, the majority continue to account for a significant surplus of enquiries. The residential building and construction sector has been an area of exceptional strength for standard sheet and coil providers throughout the COVID-19 pandemic and continues to show strong results.

In H2 2021, most probably the market will to be a challenging one internationally and also locally, especially on the energy prices. This is why, the Group's management will closely monitor all the legislative developments, trade updates and other topics that could have an impact on the business. However, the Group and especially at ALRO's level, the management keeps its commitment to invest in sustainable development and circular economy projects. The aim for 2021 and onwards is to keep or even improve the levels of carbon intensity and indirect

emissions, which in the past years were significantly below the European average, thus placing ALRO in the top of companies with low environmental impact. Through investments in product technology, ALRO has achieved an energy efficiency of 99% for electrolysis technology and according to studies, it will be in top ten (excluding China) in terms of energy efficiency in the electrolysis area after the implementation of AP12LE project. As part of the same program to streamline activity and reuse resources, the Company has implemented various projects that have improved the water management system, optimized water production and treatment and made it possible to reuse almost 90% of used water.

Furthermore, the focus remains on research and development and thus, in H2 2021, the Research and Development Department plans to:

- Carry out scientific and technical studies with universities from Romania and the EU;
- Publish several papers in specialized journals;
- Collaborations with EU universities to ensure the continuity of ongoing projects and papers;
- Put in operation 37 electrolysis pots based on AP12LE technology.

Moreover, in H2 2021, the Group will continue to:

- Ensure the safe operating conditions and health of the employees;
- Permanently improve programs by increasing the efficiency and reliability of current equipment and enhance the quality of the products to meet the most demanding quality requirements of customers;
- Increase energy efficiency and reduce the consumption rates of utilities;
- Increase the share of HVAP and VHVAP in the production mix;
- Create added value for its customers, both through the quality of products, as well as through embodying in the production facilities the best available technologies on the market and which can deliver eco-friendly products.

Also, in the next period, ALRO aims to qualify new products with some major aircraft OEMs.

Besides all these, several cooperation programs are planned for H2 2021 with national and international universities and research institutes which also include:

- University of Applied Sciences Upper Austria and Research Center for Non-Destructive Testing GmbH (RECENDT) – two papers ongoing;
- Center for Research and Expertise on Special Materials,

Politechnica University of Bucharest (one scientific and technical study ongoing);

- Doctoral School, Politehnica University of Bucharest (2 research studies and 2 papers – on going; an abstract submitted for 150th Annual Meeting & Exhibition TMS 2022, Anaheim, USA);
- Transilvania University of Braşov (2 papers submitted for publication; other projects – on going; an abstract submitted for 150th Annual Meeting & Exhibition TMS 2022, Anaheim, USA);
- National Research and Development Institute for Gas Turbines (COMOTI) – one research study and a paper ongoing;
- Otto Junker (1 research project - on going).
- The equipment from the project with European funds fulfilled the contractual performances and involved an increase of the research & development activity for ALRO.

The other Group's subsidiaries are also involved in several collaborations programs with the major universities and technical local schools for internship and dedicated programs.

Besides all these measures and projects planned, the intensive digitalization process as started since 2018 and continued during 2019 and 2020 became part of the Group's culture in 2021 and will be continued throughout the year and onwards - this concept was adopted and implemented as part of the business operating system to continuously deliver value while achieving significant savings and keeping up to date with the latest technologies the entire plant.

Understanding the cybersecurity risks allows the Group to be ready to face any possible attack that can put in danger our business or affect our activity. For this reason, ALRO Group is committed to improve and secure all the technical security aspects, limit cyberattacks, and raise awareness among employees.

The technology is becoming more complex and sophisticated and thus businesses and organizations have to face increasing cybersecurity risks. This means mainly protecting our assets, the activities we carry out, and the information we use, ensuring business continuity. Nowadays, like all industries, companies operating in the aluminium industry have to face the cybersecurity challenge and strongly secure their defence strategies to protect their assets from possible cyber-attacks. Studies show that since the onset of the COVID-19 pandemic, the percentage of cyber-attacks has increased alarmingly.

Thus, one of the main objectives of the Group in 2021 and onwards is the alignment of our actions with the European regulations and global recommendations on protection against cyber-attacks and implement appropriate IT security measures to safeguard our business, employees, customers, and suppliers. At the same time, as we value the business relationship with our partners and customers, cybersecurity represents a priority for us and we are constantly implementing measures to upgrade our IT hardware to improve cyber protection.

Abbreviations and definitions used in this report

| | |
|--------------------|---|
| AACR | The Romanian Civil Aeronautical Authority |
| ASF | Romanian Financial Supervisory Authority |
| ASI | Aluminium Stewardship Initiative |
| ATS | Alternative trading system on BSE |
| BAT | Best Available Techniques |
| BoD | Board of Directors |
| BSE | Bucharest Stock Exchange |
| BSE Code | Corporate Governance Code issued by BSE and applicable to listed companies |
| DAM | Day-ahead Market |
| EBIT | Earnings before interest and taxes |
| EBITDA | Earnings before interest, taxes, depreciation, amortization and impairment |
| EGSM | Extraordinary General Shareholders Meeting |
| EU ETS | European Union's Emissions Trading System |
| EUID | The European Unique Identifier |
| EURIBOR | Euro Interbank Offered Rate |
| FRP | Flat Rolled Product |
| FSA | Financial Supervisory Authority, Romania |
| GD | Government Decision |
| GSM | General Shareholders Meeting |
| H1/H2 | Half-year |
| HVAPs | High value added products |
| IATF | International Automotive Task Force |
| IAS | International Accounting Standards |
| ICIM | The Research Institute of the Ministry of Environment |
| IFRS | International Financial Reporting Standards |
| IMNR | The Research Institute of Research and Development for non-ferrous and rare metals |
| KPI | Key Performance Indicator |
| ISO | International Organization for Standardization |
| LC | Letter of credit |
| LIBOR | London Interbank Offered Rate |
| LME | London Metal Exchange |
| NADCAP | National Aerospace and Defense Contractor Accreditation Program of Performance Review Institute |
| OEM | Original Equipment Manufacturer |
| OGSM | Ordinary General Shareholders Meeting |
| ROBOR | Romanian Interbank Offered Rate |
| VHVAPs | Very high value added products |
| Q1/Q2/Q3/Q4 | Quarter 1/Quarter 2/Quarter 3/Quarter 4 |
| QR Code | Quick response code |
| RES | Renewable Energy Sources |
| RTA | Rio Tinto Aluminium Pechiney |
| U.S.A | United States of America |

*This is a free translation from the original
Romanian binding version*

**Interim condensed consolidated financial statements for
the six months ended 30 June 2021**

Alro S.A. and its subsidiaries

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

in RON '000,
unless otherwise stated

| | Note | Six months ended 30 June 2021 | Six months ended 30 June 2020 |
|--|------|----------------------------------|----------------------------------|
| Revenue from contracts with customers | 5 | 1,537,911 | 1,360,942 |
| Cost of goods sold | | -1,346,042 | -1,364,710 |
| Gross result | | 191,869 | -3,768 |
| General, administrative and selling expenses | 7 | -144,695 | -141,448 |
| Other operating income | 8 | 21,110 | 492,352 |
| Other operating expenses | | -4,902 | -3,715 |
| Operating result (EBIT) | | 63,382 | 343,421 |
| Interest expenses | 9 | -20,625 | -33,750 |
| Gains (losses) from derivative financial instruments, net | 17 | -31,667 | - |
| Other financial income | | 1,892 | 1,982 |
| Other financial costs | | -11,057 | -10,325 |
| Net foreign exchange gains / (losses) | | -27,352 | -14,132 |
| Result before income taxes | | -25,427 | 287,196 |
| Income tax | 10 | -22,150 | -33,534 |
| Result for the period | | -47,577 | 253,662 |
| 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 | | -16 | - |
| <i>Items that may be reclassified subsequently to profit or loss:</i> | | | |
| Translation adjustment | | 10,871 | -766 |
| Other comprehensive income / (expense) for the period, net of tax | | 10,855 | -766 |
| Total comprehensive income / (expense) for the period | | -36,722 | 252,896 |
| Result attributable to: | | | |
| Shareholders of Alro SA | | -47,441 | 253,439 |
| Non-controlling interest | | -136 | 223 |
| | | -47,577 | 253,662 |
| Total comprehensive income / (expense) attributable to: | | | |
| Shareholders of Alro S.A. | | -36,651 | 252,678 |
| Non-controlling interest | | -71 | 218 |
| | | -36,722 | 252,896 |
| Earnings per share | | | |
| Basic and diluted (RON) | 11 | -0.066 | 0.355 |

The comparative figures for 6-month period of 2020 were reclassified in accordance with the presentation adopted in the Financial Statements for the year 2020. RON 10,325 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 10 August 2021.

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

in RON '000

| | Note | 30 June 2021 | 31 December 2020 |
|---|------|------------------|------------------|
| Assets | | | |
| Non-current assets | | | |
| Property, plant and equipment | 12 | 1,068,736 | 1,089,217 |
| Investment properties | | 649 | 664 |
| Intangible assets | | 5,009 | 5,957 |
| Goodwill | 13 | 92,106 | 88,856 |
| Right-of-use assets | | 8,369 | 10,731 |
| Deferred tax asset | 10 | 47,669 | 48,027 |
| Other non-current assets | 14 | 62,060 | 45,329 |
| Total non-current assets | | 1,284,598 | 1,288,781 |
| Current assets | | | |
| Inventories | 15 | 670,055 | 678,441 |
| Trade receivables, net | | 85,396 | 51,389 |
| Current income tax receivable | | 950 | 642 |
| Other current assets | | 491,762 | 504,571 |
| Restricted cash | | 97 | 95 |
| Cash and cash equivalents | 18 | 114,301 | 105,500 |
| Total current assets | | 1,362,561 | 1,340,638 |
| Total assets | | 2,647,159 | 2,629,419 |
| Shareholders' Equity and Liabilities | | | |
| Shareholders' equity | | | |
| Share capital | | 370,037 | 370,037 |
| Share premium | | 86,351 | 86,351 |
| Other reserves | | 345,922 | 335,116 |
| Retained earnings | | 293,550 | -40,723 |
| Result for the period | | -47,441 | 334,289 |
| Equity attributable to shareholders of Alro S.A. | | 1,048,419 | 1,085,070 |
| Non-controlling interest | | 2,524 | 2,595 |
| Total shareholders' equity | | 1,050,943 | 1,087,665 |
| Non-current liabilities | | | |
| Bank and other loans, non-current | 19 | 909,457 | 848,285 |
| Leases, non-current | 19 | 3,580 | 3,712 |
| Provisions, non-current | | 38,580 | 37,463 |
| Post-employment benefit obligations | | 48,747 | 49,430 |
| Government grants, non-current portion | | 41,571 | 43,703 |
| Other non-current liabilities | | 1,151 | 1,148 |
| Total non-current liabilities | | 1,043,086 | 983,741 |
| Current liabilities | | | |
| Bank and other loans, current | 19 | 122,960 | 120,293 |
| Leases, current | 19 | 3,214 | 3,401 |
| Provisions, current | | 34,322 | 33,276 |
| Trade and other payables | | 265,582 | 245,929 |
| Contract liabilities | | 20,644 | 31,742 |
| Derivative financial instruments liability, current | 17 | 26,631 | - |
| Current income taxes payable | | 4,606 | 21,797 |
| Government grants, current portion | | 4,267 | 4,267 |
| Other current financial liabilities | | 70,904 | 97,308 |
| Total current liabilities | | 553,130 | 558,013 |
| Total liabilities | | 1,596,216 | 1,541,754 |
| Total shareholders' equity and liabilities | | 2,647,159 | 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.

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 10 August 2021.

Interim consolidated statement of changes in shareholders' equity for the six months ended 30 June 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 | - | - | - |
| 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 | - | - | 1,558 |
| Balance at 30 June 2020 | 370,037 | 86,351 | 373,955 |
| 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 June 2021 | 370,037 | 86,351 | 375,866 |

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 10 August 2021.

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 |
| - | - | - | 253,439 | 253,439 | 223 | 253,662 |
| -761 | -761 | - | - | -761 | -5 | -766 |
| -761 | -761 | - | - | -761 | -5 | -766 |
| -761 | -761 | - | 253,439 | 252,678 | 218 | 252,896 |
| - | 1,558 | -69,292 | 67,734 | - | - | - |
| -30,491 | 343,464 | -32,846 | 253,439 | 1,020,445 | 2,403 | 1,022,848 |
| -40,750 | 335,116 | -40,723 | 334,289 | 1,085,070 | 2,595 | 1,087,665 |
| - | - | - | -47,441 | -47,441 | -136 | -47,577 |
| 10,806 | 10,806 | - | - | 10,806 | 65 | 10,871 |
| - | - | -16 | - | -16 | - | -16 |
| 10,806 | 10,806 | -16 | - | 10,790 | 65 | 10,855 |
| 10,806 | 10,806 | -16 | -47,441 | -36,651 | -71 | -36,722 |
| - | - | 334,289 | -334,289 | - | - | - |
| -29,944 | 345,922 | 293,550 | -47,441 | 1,048,419 | 2,524 | 1,050,943 |

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 10 August 2021.

Interim consolidated statement of cash flows for the six months ended 30 June 2021 - unaudited

in RON '000

| | Note | Six months ended 30 June 2021 | Six months ended 30 June 2020 |
|--|-----------|----------------------------------|----------------------------------|
| Cash flow from operating activities | | | |
| Result before income taxes | | -25,427 | 287,196 |
| <i>Adjustments for:</i> | | | |
| Depreciation and amortisation | | 81,088 | 86,839 |
| Reversal of impairment of property, plant and equipment | | -103 | - |
| Movement in provisions | | 1,045 | 727 |
| Change in allowance for impairment of inventory | 15 | -19,863 | 5,129 |
| Change in allowance for impairment of doubtful receivables | 7 | -1,005 | -56 |
| Losses/(gains) on disposal of property, plant and equipment | | 1,986 | 446 |
| Net foreign exchange (gains)/ losses on loans revaluation | | 31,381 | 11,201 |
| Interest income | | -1,877 | -1,980 |
| Interest expense | 9 | 20,625 | 33,750 |
| Dividend income | | -2 | -2 |
| Effect of derivative financial instruments | 17 | 31,667 | - |
| <i>Changes in working capital:</i> | | | |
| Change in inventories | | 32,582 | 193,518 |
| Change in trade receivables and other assets | | -23,323 | -461,057 |
| Change in trade and other payables | | -18,598 | 8,150 |
| Income taxes (paid)/refunded | | -38,511 | 4,468 |
| Interest paid | | -15,528 | -31,368 |
| Cash receipts/ (Payments) from derivatives, net | | -4,887 | -701 |
| Net cash generated by / (used in) operating activities | | 51,250 | 136,260 |
| Cash flow from investing activities | | | |
| Purchase of property, plant and equipment and intangible assets, net | | -56,581 | -40,712 |
| Proceeds from sale of property, plant and equipment | | 1,162 | 245 |
| Dividends received | | 2 | 2 |
| Change in restricted cash | 18 | -16,733 | -30,013 |
| Interest received | | 1,849 | 1,917 |
| Net cash used in investing activities | | -70,301 | -68,561 |
| Cash flow from financing activities | | | |
| Proceeds from loans | 19 | 91,137 | 103,063 |
| Repayment of loans and leases | 19 | -63,331 | -95,721 |
| Dividends paid | 11 | -26 | -32 |
| Net cash provided by/(used in) financing activities | | 27,780 | 7,310 |
| Net change in cash and cash equivalents | | 8,729 | 75,009 |
| Cash and cash equivalents at beginning of period | | 105,500 | 83,182 |
| Effect of exchange rate differences on cash and cash equivalents | | 72 | -67 |
| Cash and cash equivalents at end of period | 18 | 114,301 | 158,124 |

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 10 August 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, Romania.

Vimetco N.V. (the Netherlands) is the major shareholder of Alro S.A., holding 54.19% of the Company's share capital at 30 June 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 Board on 10 August 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 6 months ended 30 June 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 financial statements have been prepared on a going concern basis, which assumes the Group will be able to realize their assets and discharge their liabilities in the normal course of business.

*The Ministry of Public Finance Order no. 2844/2016, with subsequent amendments, is in accordance with the International Financial Reporting Standards (IFRS) adopted by the European Union (EU), except for IAS 21 *The effects of changes in foreign exchange rates regarding functional currency*, except for the provisions of IAS 20 *Accounting for Government Grants regarding the recognition of revenue from green certificates*, except for the provisions of IFRS 15 *Revenue from contracts with customers regarding the revenue from taxes of connection to the distribution grid*.

Functional and presentation currency

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

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

| | 30 June 2021 | 31 December 2020 |
|--|----------------------------------|----------------------------------|
| USD exchange rate at the end of the period** | 4.1425 USD/RON | 3.9660 USD/RON |
| | Six months ended 30 June 2021 | Six months ended 30 June 2020 |
| USD average exchange rate*** | 4.0674 USD/RON | 4.3726 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), not yet endorsed by the EU. 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:

| Segments | | | | | | Six months ended | |
|--|---------------|----------------|-------------------|---------------------|---------------|------------------|--|
| | Bauxite | Alumina | Primary aluminium | Processed aluminium | Others | 30 June 2021 | |
| Type of good or service | | | | | | Total | |
| Sale of bauxite | 81,320 | - | - | - | - | 81,320 | |
| Sale of alumina | - | 386,824 | - | - | - | 386,824 | |
| Sale of primary aluminium | - | - | 821,380 | - | - | 821,380 | |
| Sale of processed aluminium | - | - | - | 751,344 | - | 751,344 | |
| Other revenues and services performed | 5,881 | 625 | - | 1,378 | 24,706 | 32,590 | |
| Total revenue from contracts with customers | 87,201 | 387,449 | 821,380 | 752,722 | 24,706 | 2,073,458 | |

| Segments | | | | | | Six months ended | |
|--|----------------|----------------|-------------------|---------------------|---------------|------------------|--|
| | Bauxite | Alumina | Primary aluminium | Processed aluminium | Others | 30 June 2020 | |
| Type of good or service | | | | | | Total | |
| Sale of bauxite | 112,696 | - | - | - | - | 112,696 | |
| Sale of alumina | - | 337,968 | - | - | - | 337,968 | |
| Sale of primary aluminium | - | - | 682,043 | - | - | 682,043 | |
| Sale of processed aluminium | - | - | - | 676,019 | - | 676,019 | |
| Other revenues and services performed | 8,356 | 800 | - | 1,116 | 24,993 | 35,265 | |
| Total revenue from contracts with customers | 121,052 | 338,768 | 682,043 | 677,135 | 24,993 | 1,843,991 | |

The Group's revenue increased on 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.

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

| Revenue | Six months ended 30 June 2021 | | | | | |
|---------------------------------------|----------------------------------|---------------|-------------------|---------------------|--------------|------------------|
| | Bauxite | Alumina | Primary aluminium | Processed aluminium | Others | Total |
| Revenue from contracts with customers | 87,201 | 387,449 | 821,380 | 752,722 | 24,706 | 2,073,458 |
| Inter-segment transactions | -81,320 | -311,009 | -121,303 | -1,003 | -20,912 | -535,547 |
| Total Group revenue (Note 6) | 5,881 | 76,440 | 700,077 | 751,719 | 3,794 | 1,537,911 |

| Revenue | Six months ended 30 June 2020 | | | | | |
|---------------------------------------|----------------------------------|---------------|-------------------|---------------------|--------------|------------------|
| | Bauxite | Alumina | Primary aluminium | Processed aluminium | Others | Total |
| Revenue from contracts with customers | 121,052 | 338,768 | 682,043 | 677,135 | 24,993 | 1,843,991 |
| Inter-segment transactions | -75,008 | -282,819 | -105,951 | -782 | -18,489 | -483,049 |
| Total Group revenue (Note 6) | 46,044 | 55,949 | 576,092 | 676,353 | 6,504 | 1,360,942 |

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

6. Segment information

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

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

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

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

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

| | Bauxite | Alumina | Primary aluminium | Processed aluminium | Others | Inter-segment operations | Total |
|---|----------------|----------------|-------------------|---------------------|----------------|--------------------------|------------------|
| Six months ended 30 June 2021 | | | | | | | |
| Sales to external customers | 5,881 | 76,440 | 700,077 | 751,719 | 3,794 | - | 1,537,911 |
| Inter-segment transfers | 76,502 | 301,351 | 576,856 | 1,003 | 20,912 | -976,624 | - |
| Total sales revenues | 82,383 | 377,791 | 1,276,933 | 752,722 | 24,706 | -976,624 | 1,537,911 |
| Segment results (gross profit) | 16,162 | 8,530 | 92,362 | 71,923 | 3,922 | -1,030 | 191,869 |
| Other operating income & expenses, net | -18,409 | -18,588 | -61,466 | -48,424 | 18,763 | -363 | -128,487 |
| Operating result (EBIT) | -2,247 | -10,058 | 30,896 | 23,499 | 22,685 | -1,393 | 63,382 |
| Total depreciation, amortisation and impairment | 10,575 | 12,901 | 35,763 | 22,336 | - | -590 | 80,985 |
| EBITDA | 8,328 | 2,843 | 66,659 | 45,835 | 22,685 | -1,983 | 144,367 |
| Interest and other finance costs, net | | | | | | | -61,457 |
| Net foreign exchange gains / (losses) | | | | | | | -27,352 |
| Result before income taxes | | | | | | | -25,427 |
| Six months ended 30 June 2020 | | | | | | | |
| Sales to external customers | 46,044 | 55,949 | 576,092 | 676,353 | 6,504 | - | 1,360,942 |
| Inter-segment transfers | 74,021 | 275,595 | 558,675 | 782 | 18,489 | -927,562 | - |
| Total sales revenues | 120,065 | 331,544 | 1,134,767 | 677,135 | 24,993 | -927,562 | 1,360,942 |
| Segment results (gross profit) | 24,865 | 13,008 | -53,665 | 1,499 | 5,903 | 4,622 | -3,768 |
| Other operating income & expenses, net | -20,805 | -11,033 | 58,114 | 31,185 | 289,197 | 531 | 347,189 |
| Operating result (EBIT) | 4,060 | 1,975 | 4,449 | 32,684 | 295,100 | 5,153 | 343,421 |
| Total depreciation, amortisation and impairment | 13,643 | 13,137 | 39,304 | 21,300 | - | -546 | 86,838 |
| EBITDA | 17,703 | 15,112 | 43,753 | 53,984 | 295,100 | 4,607 | 430,259 |
| Interest and other finance costs, net | | | | | | | -42,093 |
| Net foreign exchange gains / (losses) | | | | | | | -14,132 |
| Result before income taxes | | | | | | | 287,196 |

In the first semester of the year 2021, the aluminium segments recorded higher revenues compared to the same period of last year reflecting an increased LME quotation but also the Group's efforts to identify every opportunity in the market and match its own production to market demands. In H1 2021, alumina 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.

In H1 2021, the Group did not recognise revenues from subsidies related to the indirect carbon emissions in the category *Other operating income*, as Europe entered a new phase of ETS legislation, namely Phase 4, valid for the period 2021-2030; the Romanian authorities need to implement the European Guide ETS post 2021, no. C (2020) 6400 final in the Romanian legislation, and only afterwards will we be entitled to recognize revenue from indirect emissions subsidies. The category *Other operating income and expenses, net* in H1 2020 includes government grants of cumulatively RON 453,761 thousand, which the Group was entitled to receive as a compensation for costs incurred in 2019 and in the 6 months ended 30 June 2020. The government grant was receivable as a result of the adoption by the EU of the Romanian plans to partially compensate large energy-consuming enterprises for higher electricity prices resulting from their indirect emission costs. The subsidies for the 6 months ended 30 June 2020 of RON 198,655 thousand were allocated per segments based on the electricity costs incurred directly and indirectly (through the raw materials produced by one segment and transferred to another segment, such as the aluminium metal). The subsidies for the year 2019 of RON 255,106 thousand are not allocated per segments, being related to the costs of the entire year 2019, and are included in the column *Others* in 2020. Also, the category *Other operating income and expenses, net* included revenues from the sale of CO₂ emission certificates by the Group from its surplus: in H1 2020 in Alum a total amount of RON 23,538 thousand and in Alro a total amount of RON 9,259 thousand in H1 2020.

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

| Alro Group | Bauxite | Alumina | Primary aluminium | Processed aluminium | Others | Inter-segment balances | Total |
|-------------------------|---------|---------|-------------------|---------------------|-----------|------------------------|------------------|
| 30 June 2021 | | | | | | | |
| Total assets | 150,295 | 602,462 | 1,093,107 | 768,263 | 833,555 | -800,523 | 2,647,159 |
| Total liabilities | 282,358 | 176,030 | 335,006 | 148,551 | 1,058,892 | -404,621 | 1,596,216 |
| 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 79,358 thousand (at 31 December 2020: RON 82,203 thousand).

As at 30 June 2021, the total assets representing *Others* include mainly investments in subsidiaries of RON 451,570 thousand (as at 31 December 2020: RON 451,651 thousand), cash and restricted cash of RON 161,590 thousand (as at 31 December 2020: RON 133,950 thousand), administrative buildings of RON 44,475 thousand (as at 31 December 2020: RON 43,874 thousand), deferred tax asset of RON 15,791 thousand (as at 31 December 2020: RON 18,583 thousand).

As at 30 June 2021, the total liabilities representing *Others* include mainly borrowings of RON 948,983 thousand (as at 31 December 2020: RON 886,385 thousand), post-employment benefit obligations and provisions of RON 71,656 thousand (as at 31 December 2020: RON 71,287 thousand), derivative financial instruments of RON 26,631 thousand (as at 31 December 2020: nil) and, when applicable, dividends.

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

Inter-segment operations include intercompany eliminations.

7. General, administrative and selling expenses

| | Six months ended 30 June 2021 | Six months ended 30 June 2020 |
|--|----------------------------------|----------------------------------|
| Staff costs | -62,788 | -62,107 |
| Third party services | -31,563 | -30,733 |
| Consulting and audit | -14,920 | -12,034 |
| Consumables | -6,117 | -6,196 |
| Taxes other than income taxes | -5,094 | -4,350 |
| Depreciation and amortisation | -4,808 | -6,176 |
| Insurance | -3,487 | -3,930 |
| Marketing and public relations | -3,414 | -2,441 |
| Travelling | -983 | -690 |
| Research and development costs | -9,272 | -7,609 |
| Other | -3,254 | -5,238 |
| Change in allowance for doubtful debts | 1,005 | 56 |
| Total | -144,695 | -141,448 |

8. Other operating income

| | Six months ended 30 June 2021 | Six months ended 30 June 2020 |
|---|----------------------------------|----------------------------------|
| Other operating income | | |
| Rental income | 537 | 537 |
| Government grants | 1,913 | 455,894 |
| Income from sale of emission certificates | - | 32,797 |
| Income from claims and penalties | 11,840 | 721 |
| Reversal of impairment of property, plant and equipment | 103 | - |
| Other income | 6,717 | 2,403 |
| Total other operating income | 21,110 | 492,352 |

Other operating income

In the category *Income from claims and penalties* in H1 2021 is included income from penalties from the suppliers of electricity of RON 11,673 thousand, charged to them for the early cancellation of the contracts (in H1 2020: RON 440 thousand).

During the 6 months ended 30 June 2021, *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 as of 30 June 2021, in line with the regulations in force.

In H1 2020 in the category *Government grants*, the Group recognized an amount of RON 453,761 thousand as *Government grants* representing a compensation to which it is 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 represents the compensation for indirect emission costs included in the energy expenses incurred by the Group in the year 2019, and, on an accrual basis, for 6 months of 2020. In 2021 the Group did not recognize such subsidies, although it is qualified to obtain them according to the EU regulations, but Romania needs to first implement the relevant EU Guide for the companies to be entitled to receive the compensation.

In H1 2020, the Group sold CO₂ emission certificates of RON 32,797 thousand and included them under *Income from sale of emission certificates*, benefiting from the increase in the price of CO₂ emission certificates. The Group was in the position to have a surplus of emission certificates as it made numerous efforts to invest in energy efficiency in the latest years.

9. Interest expense

| | Six months ended 30 June 2021 | Six months ended 30 June 2020 |
|------------------|----------------------------------|----------------------------------|
| Interest expense | -20,625 | -33,750 |
| Total | -20,625 | -33,750 |

Interest expense decreased in H1 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 3,171 thousand (in H1 2020: RON 5,854 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 214 thousand and it is included in the Statement of cash flows under *Interest paid* (in H1 2020: RON 3,044 thousand).

10. Income tax

At 30 June 2021, the Group had a net deferred tax asset of RON 47,669 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 6 months ended 30 June 2021 is -87.1% (for the same period of 2020: 11.7%). The negative effective tax rate for the reported period is due to the fact that one of the Group subsidiary recognized in profit or loss an amount of RON 19,643 thousand representing income tax imputed by tax authorities as a result of a fiscal inspection completed in May 2021.

During the 6-month period of 2021, the total expenses of RON 29,055 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 4,649 thousand (6 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 the first quarter of 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 interim consolidated statement of profit or loss and comprehensive income are:

| | Six months ended 30 June 2021 | Six months ended 30 June 2020 |
|---------------------------|----------------------------------|----------------------------------|
| Income tax | | |
| Current income tax | -20,999 | -25,415 |
| Deferred income tax | -1,151 | -8,119 |
| Total income taxes | -22,150 | -33,534 |

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.

11. Earnings per share

| | Six months ended 30 June 2021 | Six months ended 30 June 2020 |
|---|----------------------------------|----------------------------------|
| Net result attributable to the owners of the Entity | -47,441 | 253,439 |
| Weighted average number of ordinary shares | 713,779,135 | 713,779,135 |
| Basic and diluted earnings per share (RON/share) | -0.066 | 0.355 |

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 6 months ended 30 June 2021.

During the 6 months ended 30 June 2021, the Group paid dividends amounting to RON 26 thousand to the shareholders in respect of dividends declared for the previous years (in the same period of 2020 the Group paid RON 32 thousand of the dividends declared for the previous years).

12. Property, plant and equipment

At 30 June 2021, the book value of *Property, plant and equipment* of the Group is RON 1,068,736 thousand (at 31 December 2020: RON 1,089,217 thousand). During the 6-month period ended 30 June 2021, the Group purchased property, plant and equipment of RON 54,978 thousand (during the 6-month period of the year 2020: RON 38,475 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 6-month period ended 30 June 2021. 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 6-month period ended 30 June 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 6-month period of the year 2021: RON 4,107 thousand were spent; during the 6-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 equipment necessary to support the mining activity in Sierra Leone.

Depreciation expense of PPE for 6 months of 2021 was of RON 78,114 thousand, while in the same period of the year 2020, it was of RON 78,845 thousand.

During the 6-month period ended 30 June 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 6 months ended 30 June 2020 were of RON 533 thousand at an average interest rate of 5.71% p.a.).

At 30 June 2021, the net book value of *Property, plant and equipment* pledged for securing the Group's borrowings amounts to RON 916,138 thousand (at 31 December 2020: RON 929,262 thousand).

13. Goodwill

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

| | 30 June 2021 | 31 December 2020 |
|-----------------------|---------------|------------------|
| Alro Group | 72,629 | 70,190 |
| Global Aluminium Ltd. | 19,051 | 18,240 |
| Vimetco Extrusion | 426 | 426 |
| Total | 92,106 | 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 the result of this analysis. As at 30 June 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 June 2021. The variation of the Goodwill balance between 30 June 2021 and 31 December 2020 is due to translation differences from operations in foreign countries.

14. Other non-current assets

| | 30 June 2021 | 31 December 2020 |
|-------------------------|---------------|------------------|
| Collateral deposits | 61,931 | 45,200 |
| Amounts paid in advance | 129 | 129 |
| Total | 62,060 | 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 June 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 June 2021 | 31 December 2020 |
|----------------------------------|----------------|------------------|
| Raw and auxiliary materials | 309,988 | 293,427 |
| Work in progress | 210,864 | 192,839 |
| Finished goods | 168,243 | 230,606 |
| Less: allowance for obsolescence | -19,040 | -38,431 |
| Total | 670,055 | 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 first half of 2021, on the one side, the Group management continued to develop its strategy to reduce the level of inventories that was placed in operation in 2020, and on the other side it 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 630,522 thousand at 30 June 2021 (at 31 December 2020: RON 641,790 thousand).

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

| | Six months ended 30 June 2021 | Six months ended 30 June 2020 |
|-------------------------------------|----------------------------------|----------------------------------|
| Balance at beginning of the year | -38,431 | -42,879 |
| (Charge) to cost of goods sold | -247 | -6,866 |
| Reversal to cost of goods sold | 20,110 | 1,737 |
| Translation adjustments | -472 | -165 |
| Balance at end of the period | -19,040 | -48,173 |

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 June 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 June 2021 and 31 December 2020.

Categories of financial instruments

| | 30 June 2021 | 31 December 2020 |
|--|----------------|------------------|
| Financial assets | | |
| At amortised cost | | |
| Cash and bank balances | 176,329 | 150,795 |
| Receivables | 527,870 | 520,211 |
| Fair value through profit or loss (FVTPL) | | |
| Designated as at FVTPL | 20,658 | 14,782 |
| Total financial assets | 724,857 | 685,788 |

| | 30 June 2021 | 31 December 2020 |
|--|------------------|------------------|
| Financial liabilities | | |
| Fair value through profit or loss (FVTPL) | 26,631 | - |
| Derivative financial instruments | 26,631 | - |
| Amortised cost: | | |
| Trade and other payables | 341,092 | 365,034 |
| Non-current bank and other loans | 913,037 | 851,997 |
| Current bank and other loans | 126,174 | 123,694 |
| Total financial liabilities | 1,406,934 | 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 June 2021 | | |
| Commodity options | - | 26,631 |
| Total | - | 26,631 |
| Thereof: | | |
| Non-current | - | - |
| Current | - | 26,631 |
| 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.

The unrealized net loss of RON 31,667 thousand (in H1 2020: nil) included in the category *Gains/ (losses) from derivative financial instruments, net* in the *Consolidated statement of profit or loss* in H1 2021 resulted from the mark-to-market of these options at 30 June 2021, when the LME forecast used for the valuation was higher than the cap of the collar. However, such a loss from hedging, if realized at the settlement dates, will be eventually offset by the higher LME embedded in the price of the aluminium sold to clients.

As at 30 June 2021 the fair value of the options is a liability of RON 26,631 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 June 2021 | 31 December 2020 |
|-----------------------------------|----------------|------------------|
| Cash at banks in RON | 68,780 | 20,993 |
| Cash at banks in other currencies | 45,416 | 84,445 |
| Petty cash and cash equivalents | 105 | 62 |
| Total | 114,301 | 105,500 |

A part of the Group's bank accounts (RON 100,525 thousand as at 30 June 2021 and RON 94,018 thousand as of 31 December 2020) are pledged to guarantee the borrowings from banks.

19. Borrowings and leases

| | 30 June 2021 | 31 December 2020 |
|--|------------------|------------------|
| Long-term borrowings | | |
| Long-term bank loans | 1,024,131 | 968,162 |
| Less: Short-term portion of long-term bank loans | -114,674 | -119,877 |
| Bank loans, non-current | 909,457 | 848,285 |
| Leases, non-current | 3,580 | 3,712 |
| Total long-term borrowings and leases | 913,037 | 851,997 |
| Short-term borrowings | | |
| Short-term bank loans | 8,286 | 416 |
| Short-term portion of long-term bank loans | 114,674 | 119,877 |
| Bank loans, current | 122,960 | 120,293 |
| Leases, current | 3,214 | 3,401 |
| Total short-term borrowings and leases | 126,174 | 123,694 |
| Total borrowings and leases | 1,039,211 | 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 June 2021 the drawn amount from the revolving facility was RON 8,285 thousand, i.e. the equivalent of USD 2 million, while the undrawn amount available for any of these two facilities was of USD 430 thousand (the equivalent of RON 1,782 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 June 2021 the Company had the amount of RON 96,750 thousand undrawn and available from this facility.

In June 2021, the Parent Company also signed a credit facility with the Black Sea Trade and Development 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 payment of instalments. On 30 June 2021 the entire amount was undrawn.

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.

Additionally, at 30 June 2021, the Group had the amount of RON 30,835 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 79,730 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. At 30 June 2021, the Parent Company was in breach of one of the covenants in respect of its loans. The Company discussed the situation with the banks and received the necessary waivers within the specified testing period. A breach of covenants in respect of a liability that entitles the creditors to require repayment at a future date within one year from the reporting date is unlikely, and therefore the amounts that are not expected to be paid within one year are classified as long-term liabilities.

The Group borrowings and leases are secured with accounts receivable amounting to RON 48,716 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 919,189 thousand (including for lease contracts) (31 December 2020: RON 934,852 thousand) and with inventories of RON 630,522 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 | Six months ended 30 June 2021 | Six months ended 30 June 2020 |
|---|----------------------------------|----------------------------------|
| Vimetco N.V. | - | - |
| Companies under common control | 765 | 763 |
| Total goods and services provided to related parties | 765 | 763 |

Goods and services purchased from related parties:

| | | |
|--|-----------------|-----------------|
| Vimetco N.V. | - | - |
| Companies under common control | -137,531 | -114,689 |
| Total goods and services purchased from related parties | -137,531 | -114,689 |

The purchases from related parties include acquisitions of gas for the production process by the Group companies from their related party Conef Gaz (during H1 2021: RON 107,645 thousand; during H1 2020: RON 86,819 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 June 2021 and 31 December 2020:

Trade and other accounts receivable:

| | 30 June 2021 | 31 December 2020 |
|---|--------------|------------------|
| Vimetco N.V. | - | - |
| Companies under common control | 4,945 | 3,851 |
| Allowance for doubtful receivables | -416 | -416 |
| Total trade and other accounts receivable from related parties | 4,529 | 3,435 |
| - non-current | - | - |
| - current | 4,529 | 3,435 |

Trade and other accounts payable:

| | 30 June 2021 | 31 December 2020 |
|--|---------------|------------------|
| Vimetco N.V. | - | - |
| Companies under common control | 10,530 | 10,206 |
| Total trade and other accounts payable to related parties | 10,530 | 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 5,097 thousand (during the 6 months of the year 2020: RON 5,260 thousand), while the expense for determined contribution plan (social contributions) during the 6 months of the year 2021 was RON 1,055 thousand (during the 6 months of the year 2020: RON 1,003 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:

| | Six months ended 30 June 2021 | Six months ended 30 June 2020 |
|---|----------------------------------|----------------------------------|
| Goods and services purchased from entities controlled by key management personnel or their close family members | 9 | 13 |
| Total | 9 | 13 |

21. Commitments and contingencies

Commitments

Investment commitments

As at 30 June 2021, the Group's commitments pertaining to the investments amounted to RON 79,712 thousand (31 December 2020: RON 44,894 thousand).

Raw material purchase contracts

As at 30 June 2021, the Group had contracts for purchases of raw materials, other consumables and utilities amounting to RON 898,376 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 June 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. The Company will use legal remedies to defend its position in the case.

The Group as a defendant: in March 2020, the Parent Company of the Group was notified by the United States International Trade Commission that several companies in the United States filed a petition for the establishment of antidumping tariffs for certain aluminium products originating from 18 countries, including Romania, imported in United States between 2017 and 2019. The petition is filed by the US Aluminium Association and is concerning the aluminium sheets between 0.2 mm and 6.3 mm, made from common alloys (1xxx, 3xxx and 5xxx series). In case of the sheets of Romanian origin, produced by Alro S.A., the preliminary antidumping tariff, determined by the US Department of Commerce and applicable immediately, was of 83.94%. The tariffs which are the subject of the petition must be paid by the importers, not by the producers and they are not imposed retroactively. For Alro Group, the potential loss would be the decrease of future sales to USA market, since the American importers are thus discouraged to continue buying from us. As a result of the firm position taken and additional arguments presented by the Company, the US Department of Commerce announced their position on the final calculation of the antidumping tariff by revising their initial position and reducing this tariff from 83.94% to 37.26% and the United States Commission on International Trade (USITC) voted to implement these taxes. The Company continues to consider the petition as unfounded and intends to vigorously defend its position in front of the American authorities involved.

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. At the date when these financial statements were authorised for issue the fiscal audit was not finalized. The management of the Group cannot estimate the impact of this control.

22. Events after the reporting date

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 embed also a surge in the prices of emission certificates (the quantities for H2 are now traded for almost 500 RON/MWh, compared to the reference of 220 - 260 RON/MWh at the moment of contracting, while the emission rights prices have increased to over 55 EUR/CO2 certificate, i.e. by more than 24 EUR/tonne of CO2 from the moment we contracted the energy until today), and some of the Group's suppliers of electricity claimed the modification of prices contracted in advance by the Group, diminishing of quantities and terms of payment, while a few of them declined the contracts completely. The situation started in the beginning of the second quarter of 2021 and continued after the end of the reporting date. The Group is currently taking all the possible actions to mitigate the effect of this event.

In June 2021, one of the Group subsidiaries received the approval letter for a grant of EUR 1,851 thousand for the purchase of an automatic packing line for extruded aluminium profiles. The approval letter was received from the *Innovation Norway* (the Norwegian Government's most important instrument for innovation and development of Norwegian enterprises and industry), and the grant was approved on the terms and conditions on EEA and Norway Grants 2014 - 2021, with the acceptance letter being signed in July 2021. The project is aimed at increasing the competitiveness of the company, and the total project value is around EUR 3.8 million. The new automatic packing line is expected to be commissioned in November 2022.

In July 2021, the Group subsidiary in Sierra Leone signed the extension until July 2022 of the overdraft facility of USD 400 thousand with a local commercial bank.

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

*This is a free translation from the original
Romanian binding version*

CONSOLIDATED QUARTERLY REPORT Q2/2021

**Consolidated Financial Results
for the Second Quarter of 2021 (Q2/2021)
as Compared to the Second Quarter of 2020 (Q2/2020)
(unaudited)**

ALRO S.A. and its subsidiaries

Quarterly Report Q2 2021

Consolidated interim statement of profit or loss and other comprehensive income - unaudited

in RON '000, except per share data

| Q2 2021 | Q2 2020 | | Six months ended 30 June 2021 | Six months ended 30 June 2020 |
|----------------|----------------|---|----------------------------------|----------------------------------|
| 793,963 | 648,671 | Revenue from contracts with customers | 1,537,911 | 1,360,942 |
| -666,979 | -649,672 | Cost of goods sold | -1,346,042 | -1,364,710 |
| 126,984 | -1,001 | Gross result | 191,869 | -3,768 |
| -70,561 | -69,818 | General, administrative and selling expenses | -144,695 | -141,448 |
| 18,578 | 489,787 | Other operating income | 21,110 | 492,352 |
| -3,111 | -983 | Other operating expenses | -4,902 | -3,715 |
| 71,890 | 417,985 | Operating result (EBIT) | 63,382 | 343,421 |
| -10,681 | -16,826 | Interest expenses | -20,625 | -33,750 |
| -27,538 | - | Gains (losses) from derivative financial instruments, net | -31,667 | - |
| 921 | 778 | Other financial income | 1,892 | 1,982 |
| -5,505 | -4,464 | Other financial costs | -11,057 | -10,325 |
| 8,444 | 12,104 | Net foreign exchange gains / (losses) | -27,352 | -14,132 |
| 37,531 | 409,577 | Result before income taxes | -25,427 | 287,196 |
| -23,251 | -45,895 | Income tax | -22,150 | -33,534 |
| 14,280 | 363,682 | Result for the period | -47,577 | 253,662 |
| | | Other comprehensive income / (expense), net of tax: | | |
| | | <i>Items that will not be reclassified subsequently to profit or loss</i> | | |
| 5 | -2 | Remeasurements of post-employment benefit obligations | -16 | - |
| | | <i>Items that may be reclassified subsequently to profit or loss:</i> | | |
| 93 | -4,138 | Translation adjustment | 10,871 | -766 |
| 98 | -4,140 | Other comprehensive income / (expense) for the period, net of tax | 10,855 | -766 |
| 14,378 | 359,542 | Total comprehensive income / (expense) for the period | -36,722 | 252,896 |
| | | Result attributable to: | | |
| 14,409 | 363,504 | Shareholders of Alro SA | -47,441 | 253,439 |
| -129 | 178 | Non-controlling interest | -136 | 223 |
| 14,280 | 363,682 | | -47,577 | 253,662 |
| | | Total comprehensive income / (expense) attributable to: | | |
| 14,506 | 359,390 | Shareholders of Alro S.A. | -36,651 | 252,678 |
| -128 | 152 | Non-controlling interest | -71 | 218 |
| 14,378 | 359,542 | | -36,722 | 252,896 |
| | | Earnings per share | | |
| 0.020 | 0.509 | Basic and diluted (RON) | -0.066 | 0.355 |

The comparative figures for 6-month period of 2020 were reclassified in accordance with the presentation adopted in the Financial Statements for the year 2020. RON 10,325 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*.

Quarterly Report Q2 2021

Consolidated interim statement of financial position - unaudited

| | in RON '000 | |
|---|------------------|------------------|
| | 30 June 2021 | 31 December 2020 |
| Assets | | |
| Non-current assets | | |
| Property, plant and equipment | 1,068,736 | 1,089,217 |
| Investment properties | 649 | 664 |
| Intangible assets | 5,009 | 5,957 |
| Goodwill | 92,106 | 88,856 |
| Right-of-use assets | 8,369 | 10,731 |
| Deferred tax asset | 47,669 | 48,027 |
| Other non-current assets | 62,060 | 45,329 |
| Total non-current assets | 1,284,598 | 1,288,781 |
| Current assets | | |
| Inventories | 670,055 | 678,441 |
| Trade receivables, net | 85,396 | 51,389 |
| Current income tax receivable | 950 | 642 |
| Other current assets | 491,762 | 504,571 |
| Restricted cash | 97 | 95 |
| Cash and cash equivalents | 114,301 | 105,500 |
| Total current assets | 1,362,561 | 1,340,638 |
| Total assets | 2,647,159 | 2,629,419 |
| Shareholders' Equity and Liabilities | | |
| Shareholders' equity | | |
| Share capital | 370,037 | 370,037 |
| Share premium | 86,351 | 86,351 |
| Other reserves | 345,922 | 335,116 |
| Retained earnings | 293,550 | -40,723 |
| Result for the period | -47,441 | 334,289 |
| Equity attributable to shareholders of Alro S.A. | 1,048,419 | 1,085,070 |
| Non-controlling interest | 2,524 | 2,595 |
| Total shareholders' equity | 1,050,943 | 1,087,665 |
| Non-current liabilities | | |
| Bank and other loans, non-current | 909,457 | 848,285 |
| Leases, non-current | 3,580 | 3,712 |
| Provisions, non-current | 38,580 | 37,463 |
| Post-employment benefit obligations | 48,747 | 49,430 |
| Government grants, non-current portion | 41,571 | 43,703 |
| Other non-current liabilities | 1,151 | 1,148 |
| Total non-current liabilities | 1,043,086 | 983,741 |
| Current liabilities | | |
| Bank and other loans, current | 122,960 | 120,293 |
| Leases, current | 3,214 | 3,401 |
| Provisions, current | 34,322 | 33,276 |
| Trade and other payables | 265,582 | 245,929 |
| Contract liabilities | 20,644 | 31,742 |
| Derivative financial instruments liability, current | 26,631 | - |
| Current income taxes payable | 4,606 | 21,797 |
| Government grants, current portion | 4,267 | 4,267 |
| Other current financial liabilities | 70,904 | 97,308 |
| Total current liabilities | 553,130 | 558,013 |
| Total liabilities | 1,596,216 | 1,541,754 |
| Total shareholders' equity and liabilities | 2,647,159 | 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 | - | - | - |
| 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 | - | - | 1,558 |
| Balance at 30 June 2020 | 370,037 | 86,351 | 373,955 |
| 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 June 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 |
| - | - | - | 253,439 | 253,439 | 223 | 253,662 |
| -761 | -761 | - | - | -761 | -5 | -766 |
| -761 | -761 | - | - | -761 | -5 | -766 |
| -761 | -761 | - | 253,439 | 252,678 | 218 | 252,896 |
| - | 1,558 | -69,292 | 67,734 | - | - | - |
| -30,491 | 343,464 | -32,846 | 253,439 | 1,020,445 | 2,403 | 1,022,848 |
| -40,750 | 335,116 | -40,723 | 334,289 | 1,085,070 | 2,595 | 1,087,665 |
| - | - | - | -47,441 | -47,441 | -136 | -47,577 |
| 10,806 | 10,806 | - | - | 10,806 | 65 | 10,871 |
| - | - | -16 | - | -16 | - | -16 |
| 10,806 | 10,806 | -16 | - | 10,790 | 65 | 10,855 |
| 10,806 | 10,806 | -16 | -47,441 | -36,651 | -71 | -36,722 |
| - | - | 334,289 | -334,289 | - | - | - |
| -29,944 | 345,922 | 293,550 | -47,441 | 1,048,419 | 2,524 | 1,050,943 |

Quarterly Report Q2 2021
Interim consolidated statement of cash flows - unaudited

in RON '000

| Q2 2021 | Q2 2020 | | Six months ended 30 June 2021 | Six months ended 30 June 2020 |
|----------------|----------------|--|----------------------------------|----------------------------------|
| | | Cash flow from operating activities | | |
| 37,531 | 409,577 | Result before income taxes | -25,427 | 287,196 |
| | | <i>Adjustments for:</i> | | |
| 39,027 | 42,903 | Depreciation and amortisation | 81,088 | 86,839 |
| -103 | - | Reversal of impairment of property, plant and equipment | -103 | - |
| 1,052 | 746 | Movement in provisions | 1,045 | 727 |
| -4,952 | -8,303 | Change in allowance for impairment of inventory | -19,863 | 5,129 |
| -933 | 185 | Change in allowance for impairment of doubtful receivables | -1,005 | -56 |
| 1,817 | 177 | Losses/(gains) on disposal of property, plant and equipment | 1,986 | 446 |
| -7,000 | -11,616 | Net foreign exchange (gains)/ losses on loans revaluation | 31,381 | 11,201 |
| -910 | -777 | Interest income | -1,877 | -1,980 |
| 10,681 | 16,826 | Interest expense | 20,625 | 33,750 |
| - | -2 | Dividend income | -2 | -2 |
| 27,538 | - | Effect of derivative financial instruments | 31,667 | - |
| | | <i>Changes in working capital:</i> | | |
| -15,400 | 78,387 | Change in inventories | 32,582 | 193,518 |
| -2,462 | -460,068 | Change in trade receivables and other assets | -23,323 | -461,057 |
| -17,744 | -9,482 | Change in trade and other payables | -18,598 | 8,150 |
| -29,340 | 5,132 | Income taxes (paid)/refunded | -38,511 | 4,468 |
| -8,685 | -13,932 | Interest paid | -15,528 | -31,368 |
| - | - | Cash receipts/ (Payments) from derivatives, net | -4,887 | -701 |
| 30,117 | 49,753 | Net cash generated by / (used in) operating activities | 51,250 | 136,260 |
| | | Cash flow from investing activities | | |
| -29,983 | -22,027 | Purchase of property, plant and equipment and intangible assets, net | -56,581 | -40,712 |
| 636 | 94 | Proceeds from sale of property, plant and equipment | 1,162 | 245 |
| - | 2 | Dividends received | 2 | 2 |
| -16,731 | -3 | Change in restricted cash | -16,733 | -30,013 |
| 895 | 751 | Interest received | 1,849 | 1,917 |
| -45,183 | -21,183 | Net cash used in investing activities | -70,301 | -68,561 |
| | | Cash flow from financing activities | | |
| 75,088 | 238 | Proceeds from loans | 91,137 | 103,063 |
| -48,087 | -60,185 | Repayment of loans and leases | -63,331 | -95,721 |
| -9 | -9 | Dividends paid | -26 | -32 |
| 26,992 | -59,956 | Net cash provided by/(used in) financing activities | 27,780 | 7,310 |
| 11,926 | -31,386 | Net change in cash and cash equivalents | 8,729 | 75,009 |
| 102,457 | 189,591 | Cash and cash equivalents at beginning of period | 105,500 | 83,182 |
| -82 | -81 | Effect of exchange rate differences on cash and cash equivalents | 72 | -67 |
| 114,301 | 158,124 | Cash and cash equivalents at end of period | 114,301 | 158,124 |

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, Romania.

Vimetco N.V. (the Netherlands) is the major shareholder of Alro S.A., holding 54.19% of the Company's share capital at 30 June 2021. Vimetco N.V. is a privately held company and its registered office is at Strawinskyiaan 403, World Trade Center, A Tower, 4th floor, 1077 XX Amsterdam, The Netherlands. The Company's ultimate controlling entity is Maxon Limited (Bermuda).

2. Basis of preparation

These financial figures have been prepared in accordance with the International Financial Reporting Standards as adopted by the European Union ("EU"), which is in accordance with the Public Finance Minister's Order no. 2844/2016, with subsequent amendments, which is in accordance with the International Financial Reporting Standards (IFRS) adopted by the European Union (EU)*. The Group's functional and reporting currency is the Romanian leu (RON). This consolidated quarterly report is prepared in RON thousand, rounded to the nearest unit.

The financial information for the 6-month period ended 30 June 2021 has not been audited and has not been subject to an external auditor's review.

3. Significant accounting policies

The same accounting policies and methods of computation have been followed in this consolidated quarterly report as those applied in preparing the Group's consolidated financial statements as at 31 December 2020, except for the adoption of new standards effective as of 1 January 2021

This consolidated quarterly report has been prepared on a going concern basis, which assumes the Group will be able to continue in operation for the foreseeable future and to discharge its liabilities in the normal course of business.

*The Ministry of Public Finance Order no. 2844/2016, with subsequent amendments, is in accordance with the International Financial Reporting Standards (IFRS) adopted by the European Union (EU), except for IAS 21 The effects of changes in foreign exchange rates regarding functional currency, except for the provisions of IAS 20 Accounting for Government Grants regarding the recognition of revenue from green certificates, except for the provisions of IFRS 15 Revenue from contracts with customers regarding the revenue from taxes of connection to the distribution grid.

4. Explanatory notes

4.1. Consolidated statement of profit or loss and other comprehensive income

Revenues from contracts with customers

| Q2 2021 | Q2 2020 | | Six months ended 30 June 2021 | Six months ended 30 June 2020 |
|----------------|----------------|---|----------------------------------|----------------------------------|
| 3,031 | 16,105 | Revenues from the bauxite segment | 5,881 | 46,044 |
| 45,420 | 39,157 | Revenues from the alumina segment | 76,440 | 55,949 |
| 362,899 | 271,873 | Revenues from the primary aluminium segment | 700,077 | 576,092 |
| 380,585 | 316,900 | Revenues from the processed aluminium segment | 751,719 | 676,353 |
| 2,028 | 4,636 | Other | 3,794 | 6,504 |
| 793,963 | 648,671 | Total | 1,537,911 | 1,360,942 |

In the second quarter of 2021, the Group reported a 22% higher turnover as compared to the same quarter of 2020 (Q2 2021: RON 793,963 thousand versus Q2 2020 RON: 648,671 thousand).

The increase in sales revenues was supported by the favourable dynamics of the aluminium price at London Metal Exchange (LME), which continued its upward trend in Q2 2021 that it had in the first part of 2021, recording an average of 2,400 USD/ tonne, i.e. 903 USD/ tonne higher than the level reported in Q2 2020, when the average cash-seller LME quotation was 1,497 USD/ tonne.

Being in a difficult period and under pressure due to the de-carbonization of energy in Romania and Europe, the energy market in Q2 2021 was dominated by an accelerated increase in electricity supply prices, which embed also an increase in emission certificate prices. Under these conditions, some electricity suppliers of the Group requested the modification of the prices for the electricity quantities contracted by the Group in advance, deductions of quantities and tighter payment deadlines and in some cases they preferred to terminate the contracts and pay the related penalties. The Group has taken all possible measures to reduce the effect of these events.

After Q1 2021, when the European governments of countries where the Group sells most of its products, were forced to impose restrictions on the movement of goods and people, due to a new epidemic wave that burst out at the beginning of the year, in Q2 2021 the progress of vaccination campaigns and the decrease in the number of Covid-19 diseases allowed the restrictive measures to be lifted. Thus, the businesses recovered significantly, especially in the automotive and construction industries, and the demand for our products designed for these sectors grew. However, the aero sector, where the Group sells flat-rolled products, continued to record low levels of demand in Q2 2021, with low prospects for short-term recovery.

Under these still difficult conditions, Alro Group has proven to all stakeholders, as it did every time it had to cope with a challenging business environment, that the Group is a reliable partner: from employees - through the permanent care for their and their families' health, through the establishment of operational, administrative and health protocols within the Group's premises to prevent infection and through the opening of vaccination centers within its units in Slatina and Tulcea - to the public authorities, to which it has paid all due taxes; from creditors to which the Group duly pays its debts, to customers to whom Alro Group provides high quality products that meet international standards and a diversified product portfolio, thus managing to serve strategic industries globally with our products.

The value of the primary products sales increased in Q2 2021 by 33% as compared to Q2 2020, in the context of a clear economic recovery. The increase was mainly due to the billets sales, whose value increased by 78% and whose quantity was over 1,660 tons higher as compared to Q2 2020. Thus, the Group sold billets above the budgeted level, and we expect a strong demand for this product line at least until the end of 2021. This high demand was generated by a good performance of the automotive and construction sectors, by a limited supply, by the anti-dumping duties imposed by the European Union on Chinese extruded products, as well as by the stocks recovery at the end users.

Furthermore, good results were registered on the aluminium wire rod, another category of primary products with a stable demand and a high level of orders; thus, in Q2 2021, the deliveries for this product were higher by 24% in terms of value as compared to the same quarter of the previous year. However, in May-June 2021 the Group limited aluminium wire sales in favour of billets sales which had a higher profitability.

The sales of processed products increased by 20% in the second quarter of 2021, as compared to the same quarter of 2020. In Q2 2021, the business in most industrial areas, from automobiles, to buildings and constructions and consumer goods, significantly recovered, and the Group managed to sell over 2,200 tons more sheets and coils as compared to Q2 2020. The aerospace industry is still far from recovering, in spite of some weak signs of market recovery recorded in June 2021, which limited the sales plates, which are the highest added value processed product.

At the same time, the alumina segment managed to obtain better performances in Q2 2021 as compared to Q2 2020 and reported a quantitative increase by almost 4,500 tons and a value increase by 16% in alumina sales in the analyzed period.

The Group's **cost of goods sold** was of RON 666,979 thousand in Q2 2021 and of RON 649,672 thousand in Q2 2020. The 3% increase was determined mainly by the growth of the utilities purchase prices and aluminium scrap prices, in line with their specific market prices. The price of aluminium scrap used in the production of liquid aluminium is based on LME quotation, which increased during the analyzed period. In the same time, the Group purchased from the market higher aluminium scrap quantities in Q2 2021 as compared to Q2 2020 in order to assure the raw materials for its liquid aluminium production, that increased by 22% during the reported period, in line with the Group's strategy to increase the Eco-Recycling production and capacity and reduce Alro's dependence on energy supply. However, the 3% increase in the cost of good sold was way below the 22% sales growth recorded in the second quarter, hence the gross resut margin increased to 16% in Q2 2021 as compared to a negative gross margin reported in Q1 2020.

The increase in the quantities of finished products sold and the higher levels of the aluminium price reported in Q2 2021, of 2,400 USD/ tonne, but partially weakened by the significant increase in utility prices, resulted in a **gross profit** of RON 126,984 thousand, as compared to a gross loss recorded in Q2 2020, in amount of RON 1,001 thousand.

In Q2 2020, *Other operating income* mainly included the state aid requested by the Group for 2019 and H1 2020 for indirect emission costs included in the energy expenses, in amount of RON 453,761 thousand, and the sale of greenhouse gas emission certificates in amount of RON 32,797 thousand. See also *Note 8 Other operating income* in the interim consolidated financial statements for the period of 6 months 2021. In Q2 2021, the Group did not record income from subsidies related to the indirect emissions in the category *Other operating income*, as Europe entered into a new phase of ETS legislation, namely Phase 4, valid for the period 2021-2030. The Romanian authorities need to implement the European Guide ETS post 2021, no. C (2020) 6400 final* in the Romanian legislation, and only afterwards will we be entitled to recognise income from indirect emissions subsidies (*Communication from the Commission Guidelines on certain State aid measures in the context of the system for greenhouse gas emission allowance trading post 2021).

In this context, although the turnover recorded a considerable improvement in the analyzed period, **the operating result (EBIT)** was a lower profit in amount of RON 71,890 thousand in Q2 2021 as compared to a profit of RON 417,985 thousand reported in the same period of last year.

The gains / (losses) from derivative financial instruments, net are related to the 100% collar option contracts concluded by the Group in March 2021 for a quantity of 60,000 tons of aluminium, defending at the minimum the budgeted level for the second half of the year. In Q2 2021, the unrealized net loss resulting from the mark-to-market of the outstanding options at 30 June 2021 was of RON 27,538 thousand (in Q2 2020: nil).

The amount of RON 8,444 thousand reported in Q2 2021 representing **net foreign exchange gains** results mainly from the revaluation of the loans and other liabilities of the Group in foreign currencies due to the appreciation of RON at 30 June 2021 compared to 31 March 2021 (in Q2 2020: a gain of RON 12,104 thousand).

Amid rising sales revenues, thanks to higher levels of demand generated by a good performance of the automotive and construction sectors and to the positive evolution of aluminium prices on the international markets, but reduced by the accelerated growth of electricity and gas costs, the Group obtained a **net profit** of RON 14,280 thousand in Q2 2021. In Q2 2020, the net profit was of RON 363,682 thousand, thanks to favourable factor of recognising the indirect carbon emissions subsidies.

The reconciliation between the net result and the adjusted net result for Q2 2021 and Q2 2020 is detailed below:

| Q2 2021 | Q2 2020 | | Six months ended 30 June 2021 | Six months ended 30 June 2020 |
|---------------|----------------|---|----------------------------------|----------------------------------|
| 14,280 | 363,682 | Net result of the period | -47,577 | 253,662 |
| -103 | - | Impairment of other non-current assets | -103 | - |
| 27,538 | - | Derivative financial instruments for which hedge accounting was not applied | 31,667 | - |
| 3,680 | 21,875 | Deferred income tax | 1,151 | 8,119 |
| 45,395 | 385,557 | Adjusted net result | -14,862 | 261,781 |

4.2. Consolidated Statement of Financial Position

Non-current assets

In 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 6 months ended 30 June 2021, RON 4,107 thousand were spent; in 2020: nil). In 2021, the Group also continued to invest in its key project, AP12LE (Aluminium Pechiney Low Energy), which is an advanced technology that comprises some of the latest innovative measures applied in terms of energy efficiency and environmental protection in the electrolysis sector. At the same time, the Group continued its investments aimed at reducing production costs and increasing competitiveness and efficiency.

The variation of *Other non-current assets* at 30 June 2021 as compared to 31 December 2020 consists of a collateral deposit that was created 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* in the Interim Condensed Consolidated Financial Statements for 6 months 2021.

Current assets

Inventories decreased from RON 678,441 thousand at 31 December 2020 to RON 670,055 thousand as of 30 June 2021, as a result of the Group Management's strategy to reduce the inventories level. In 2021, the Group has identified opportunities on the market for the supply of wire rod, billets, flat rolled products and alumina, so that the stock of finished goods decreased by RON 62,363 thousand as of the reporting date, as compared to the beginning of the year (30 June 2021: RON 168,243 thousand as compared to 31 December 2020: RON 230,606 thousand). This decrease was offset by the increase in the stock of raw and auxiliary materials, and work in progress by RON 53,977 thousand at 30 June 2021, as compared to 31 December 2020, amid a high level of orders for the Group's products.

The category *Other current assets* as of 30 June 2021 includes government grants receivable amounting to RON 396,837 thousand (31 December 2020: 397,297 thousand) that represent compensations for high electricity prices incurred in 2020, resulting from emissions indirect costs, according to the EU emissions Trading Scheme (ETS). In 2021, the Group did not record any government grants receivable, as the Guidelines on Post 2021 European ETS will be implemented by the Romanian authorities in the local legislation and only then we will be entitled to recognise the subsidy for indirect emission, similarly to the procedure applied in 2020.

Equity

As at 30 June 2021, the equity decreased to RON 1,050,943 thousand from RON 1,087,665 thousand at 31 December 2020 due to the net loss of RON 47,577 thousand generated during the reporting period.

Liabilities

The *total liabilities* of the Group increased by 4% and reached RON 1,596,216 thousand at 30 June 2021 (31 December 2020: RON 1,541,754 thousand), mainly as a result of the new credit facilities contracted by the Group in 2021. In February 2021, Alum, a subsidiary of the Group, signed a credit facility agreement with a commercial bank for the working capital requirements, which includes a revolving facility and a non-cash facility, for a cap of USD 3,000 thousand be used for any of the facilities, and in June 2021 the Parent Company signed two credit facilities with commercial banks, one amounting to RON 167,312 thousand, for the working capital, and the other in the amount of USD 40,000 thousand, for supporting its investment program. At 30 June 2021, an amount of RON 78,847 thousand was drawn down from these contracted facilities (for more details, please see also *Note 19 Borrowings and leases* in the interim

consolidated financial statements for 6 months 2021). In addition, the significant appreciation of the American dollar against the RON at 30 June 2021 (4.1425 USD/RON) compared to 31 December 2020 (3.9660 USD/RON) influenced the re-evaluation of the Group's borrowings denominated in USD, which generated an increase in their RON equivalent balance.

4.3. Consolidated Statement of Cash Flows

As at 30 June 2021, the Group recorded cash and cash equivalents amounting to RON 114,301 thousand, higher by RON 8,801 thousand, compared to the beginning of the year and lower by RON 43,823 thousand compared to the same period of the previous year.

In Q2 2021, the Group achieved positive cash flows in amount of RON 30,117 thousand from its operating activity, lower compared to the positive cash flow recorded in Q2 2020 which amounted to RON 49,753 thousand. The favourable evolution of the turnover in Q2 2021 was curtailed by the Group's payments to the utilities and scrap aluminium suppliers, as a result of the significant increase in the purchase prices during this period. Moreover, in Q2 2021 a subsidiary of the Group paid RON 19,675 thousand representing income tax and VAT according to the Fiscal Inspection Report drawn up by the National Agency for Fiscal Administration, following the tax inspection which the subsidiary was subject to in 2019 -2021 (for more details please see also *Note 10 Income tax* in the Interim Consolidated Financial Statements for 6 months 2021).

The net cash outflows related to the investment activity in Q2 2021 in amount of RON 45,183 thousand include an amount of RON 29,983 thousand, representing projects for improving the performance of the electrolysis sector, payments for electrolysis pots and furnaces reconditioning in Alro, payments for acquisition of a new extrusion line, as well as investments for the maintenance and improvement of the Group's equipment parameters. The variance in the restricted cash, amounting to RON 16,731 thousand, represents the cash pledged to a commercial bank for a new loan contracted by the Group in June 2021.

The net cash flow from the financing activity in Q2 2020 was positive, in amount of RON 26,992 thousand, and was the result of contracting by the Group of new credit facilities and the repayment of the due credit instalments according to the repayment schedules agreed with the financing banks, and from leasing debts.

*This is a free translation from the original
Romanian binding version*

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

*This is a free translation from the original
Romanian binding version*

Ratios

| Ratio description | Formula | Six months ended 30 June 2021 | Six months ended 30 June 2020 |
|-----------------------------|--|----------------------------------|----------------------------------|
| Current ratio | Current assets/ Current liabilities | 2.46 | 1.11 |
| Gearing ratio | Long-term borrowings/ Equity x 100 | 86.88 | 27.73 |
| | Long-term borrowings/ Capital employed x 100 | 46.49 | 21.71 |
| Receivables turnover | Receivables average balance/ Turnover x 180 | 8.00 | 9.50 |
| Non-current assets turnover | (Turnover x 360/ 180)/ Non-current assets | 2.39 | 2.12 |

At 30 June 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 June 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 | Six months ended 30 June 2021 | Six months ended 30 June 2020 |
|------------------------|--|----------------------------------|----------------------------------|
| Adjusted current ratio | Current assets/ Current liabilities | 2.46 | 2.35 |
| Adjusted gearing ratio | Long-term borrowings/ Equity x 100 | 86.88 | 96.36 |
| | Long-term borrowings/ Capital employed x 100 | 46.49 | 49.07 |

Statement of the Persons in Charge

*This is a free translation from the original
Romanian binding version*

Statement of the Persons in Charge

Pursuant to the legal stipulations of the Regulation no. 5/2018 issued by the Financial Supervisory Authority (FSA) for issuers and operations with securities, the management of the Group and of the Company states that:

1. We confirm to the best of our knowledge that the interim condensed consolidated financial statements of ALRO Group for the period ended on 30 June 2021 and ALRO Group quarterly financial results for Q2 2021 prepared in accordance with the applicable set of accounting standards give a true and fair view of the financial position, financial performance and cash-flow of the Group for the six months ended 30 June 2021;

2. The Consolidated Directors' Report gives a true and fair view of the development and the performance of ALRO Group for the six months ended 30 June 2021.

The Board of Directors represents the interests of the Group, of the Parent-company and of its shareholders and is responsible for the overall management of the Group and of the Company.

At the date of this report, the Board of Directors of the Parent-company consists of 11 members as follows:

| | | |
|-----|-----------------------|----------------|
| 1. | Marian-Daniel NASTASE | Chairman |
| 2. | Svetlana PINZARI | Vice-President |
| 3. | Gheorghe DOBRA | Member |
| 4. | Pavel MACHITSKI | Member |
| 5. | Aleksandr BARABANOV | Member |
| 6. | Vasile IUGA | Member |
| 7. | Marinel BURDUJA | Member |
| 8. | Laurențiu CIOCIRLAN | Member |
| 9. | Oana-Valentina TRUTA | Member |
| 10. | Voicu CHETA | Member |
| 11. | Pavel PRIYMAKOV | Member |

The interim condensed consolidated financial statements of ALRO Group for the period ended on 30 June 2021 and ALRO Group quarterly financial results for Q2 2021 are not audited.

Chairman of the Board of Directors
Marian Daniel Nastase

Chief Executive Officer
Gheorghe Dobra

Chief Financial Officer
Genoveva Nastase

10 August 2021