

Half-year Report 2022

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Cautionary statement

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Certain statements included within this Report may 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/ 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/ 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/ 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/ 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 2022 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 2022 compared to Q2 2021 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 46.

Financial and Operational Highlights for H1 2022

ALRO Group

Indicator	H1 2022	H1 2021
Primary aluminium production (tonnes)	118,638	146,152
Processed aluminium production (tonnes)	59,328	54,736
Alumina production (tonnes)	99,487	258,491
Bauxite production (tonnes)	481,569	632,176
Sales (thousand RON)	2,136,313	1,537,911
EBITDA ¹ (thousand RON)	219,584	144,367
EBITDA margin (%)	10%	9%
Net result (thousand RON)	15,317	(47,577)
Adjusted net result ² (thousand RON)	14,691	(14,862)
Earnings per share (RON)	0.022	(0.066)

ALRO S.A.

Indicator	H1 2022	H1 2021
Primary aluminium production (tonnes)	118,638	146,152
Processed aluminium production (tonnes)	46,022	42,732
Primary aluminium sales (tonnes)	50,874	82,700
Processed aluminium sales (tonnes)	41,876	43,741
Sales (thousand RON)	1,972,884	1,424,162
EBITDA ¹ (thousand RON)	167,052	113,072
EBITDA margin (%)	8%	8%
Net result (thousand RON)	714	(27,582)
Adjusted net result ² (thousand RON)	1,675	6,958
Net result per share (RON)	0.001	(0.039)
Adjusted net result ² per share (RON)	0.002	0.010

¹ **EBITDA** Earnings before interest, taxes, depreciation, amortization and impairment. For the reconciliations of EBITDA at ALRO Group level, and for ALRO, respectively, for H1 2022 and H1 2021, please see page 23 of this Report.

² **Adjusted Net Result:** represents the 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. For the reconciliations of the Adjusted Net Result at ALRO Group level, and for ALRO, respectively, for H1 2022 and H1 2021, please see page 23 of this Report.

Letter to shareholders



*Marian NĂSTASE,
Chairman*



*Gheorghe DOBRA,
Chief Executive Officer*

Dear readers and shareholders,

ALRO has a tradition of more than 60 years in Romania and, in the first half of 2022, demonstrated once again that it can reinvent itself. In the last two years, the world has faced unprecedented challenges starting with the pandemic and new conflict in Ukraine and continuing with the actual energy crisis that further developed into a raw material crisis. In H1 2022, the situation got even more complicated as the demand slowed down, new highest levels of inflation and record levels for interest rates materialized — all these added further pressure on the companies and forced us to prove adaptability and change our business model starting 2022. Accordingly, we decided to temporarily suspend the production activity of three electrolysis halls at ALRO beginning January 2022 and the entire alumina production at ALUM for the next 17 months, starting August 2022. We took these decisive measures considering several technological measures that allow a quick and efficient restart when energy market conditions return to normal. We aim to find solutions to restore these production capacities to their initial levels as, in the long run, we consider that vertical integration represents an advantage for our Group's international positioning. Hence, at ALRO, the new business model applied in H1 2022, which means buying cold primary metal from the market to maintain or even increase the processed products output while adjusting the production of the less profitable direct aluminium products, proved successfully. Therefore, we achieved increased sales for processed aluminium products, taking advantage of the strong demand for plates for the aerospace sector and extruded products. In H1 2022, and especially

in Q2 2022, the aerospace sector has become increasingly active compared to 2021 and continued to show signs of good demand for the end of 2022. Other factors contributing to the sales increase were the favourable LME trend, the rising sales premiums and the US dollar appreciation. At the same time, we want to qualify new products (e.g. plates in alloys 7xxx and 2xxx) with significant aerospace OEMs. In this respect, we have taken further steps in H1 2022 in this direction, having in-depth technical and commercial discussions.

At ALUM, the only calcinated refinery in Romania, we know that the decision of suspending the production has considerable social implications. Still, we are facing dramatic competitive challenges in front of other European and international alumina refineries, which benefit from local advantages. We have developed several scenarios for ALRO and ALUM to operate at a minimum break-even point or reduce the financial losses by suspending certain production activities and switching some production equipment to stand-by. ALRO has reduced the primary aluminium production by 60% by shutting down three electrolysis potrooms. ALUM has revised its manufacturing schedule according to the level of calcined alumina required for ALRO. Still, with the continuous increases in prices, the cost of alumina has reached an unsustainable level. Specifically, the alumina produced by ALUM would bear a cost of more than 900 USD/tonne, while the price of alumina on the international markets is around 500 USD/tonne. The weight of energy products only in the total cost of alumina is notably

high, reaching approximately 500 USD/tonne in 2022. We will keep a key group of specialists to perform research & development activities, alumina supply logistics, maintenance, and repair work. Therefore, we will be ready for a quick restart and ramp-up of the production when the energy market conditions improve.

All these decisive measures aim to preserve the Group assets and to keep the financial stability of the Group at a sound level to be ready to face the challenges ahead in the current challenging economic environment.

On the other hand, let's not forget that aluminium and sustainability go hand in hand – the multiple reuses of aluminium significantly reduce the energy requirements for different sectors. We expect the aluminium industry to experience continuous, robust, sustainable growth worldwide. Since unrealistic arguments cannot stop this trend, the natural advantages of aluminium must prevail. Also, the energy required for aluminium processing – melting temperature, deformation strength, specific cutting force – is significantly lower than other similar materials, which translates into energy savings. Furthermore, in the context of the new EU Taxonomy, we know that aluminium is a material of the future, helping the decarbonization of other sectors and, thus, an instrument to reach the ambitions of Europe's Green Deal and support Romania's transition to a low-carbon economy. We have included all such accomplishments in the relevant sections of the ALRO Group Sustainable Value Report for 2021, the 5th Sustainability Consolidated Report prepared by ALRO, which we published on 30 June 2022.

Following our goal of becoming a green factory, innovative and sustainable, we continued to reline our pots with the AP12LE technology (Aluminium Pechiney 120 kA Low Energy). In H1 2022, we commissioned another 11 pots, expecting that we will finalize this project by 2026. Moreover, considering the energy crisis, our plan to increase the scrap recycling capacity became a top priority. In the first half of 2022, we managed to increase the Eco-Recycling Facility capacity to 47,000 tpa from 35,000 tpa at the end of 2021. We have also continued our efforts to fulfil all the criteria requested by ASI (Aluminium Stewardship Initiative) to become certified by this unique association that establishes clear sustainability criteria for the aluminium industry.

In H1 2022, we have also reported a noteworthy achievement for our Group – thus, Vimetco Extrusion, ALRO's downstream subsidiary,

has extruded the first billet on a new automatic line for aluminium profiles following a EUR 10 million investment. This new automatic extrusion line for aluminium profiles is the third one for Vimetco Extrusion. It sustains the company's strategy to increase its production capacity for high-value-added aluminium products, thus delivering an extensive portfolio of customized solutions to its customers. The 7" extrusion line is highly efficient in terms of production capabilities and reduced energy consumption. The new extrusion line will increase Vimetco Extrusion's yearly production capacity to 35,000 tpa by the end of 2022.

Moreover, considering the conflict started by Russia in Ukraine in February 2022, we did not forget that we are one of the major companies in Romania, a pillar of the society, and we provided humanitarian aid to refugees in Ukraine for RON 300,000. ALRO and ALUM donated medicines, medical goods, items for personal use and fuel for refugees, children and adults. ALRO also joined the campaign launched by the Romanian Government, "Ukraine - Together we help more", while ALUM supported the actions of local authorities to accommodate refugees. And we did not stop here – in March 2022, ALRO and Vimetco Extrusion endorsed the establishment of "Blue Dot" support centres specially designed for refugee children and their families, offering immediate and long-term solutions. Thus, ALRO joined the UNICEF in Romania campaign with RON 200,000, and Vimetco Extrusion supported this initiative with RON 100,000.

Even though we cross a current multiple-crisis environment, we will continue to pursue our strategic objectives to keep running our business and our reputation as one of the main contributors to the Romanian economy. We have several advantages that help us create value - the strategic role of aluminium in the path to decarbonization, our expertise and more than five decades of experience in this business, and the investments in innovative technology and state-of-the-art equipment. Accordingly, we know we can maintain our role as one of the most important companies in Romania and one of the top global players in the aluminium industry.

*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 2022

January – June 2022

Market Overview

LME evolution

The aluminium price continued to show mainly quotations over 3,000 USD/tonne in Q1 2022, while in Q2 2022, a descending trend was visible with values around 2,500 USD/tonne in June. The average for the first half of 2022 was 3,082 USD/tonne, higher by 37% than in H1 2021 when the average was 2,246 USD/tonne. In 2022, the highest LME value was 3,985 USD/tonne recorded in March, while in H1 2021, LME reached a maximum level of 2,565 USD/tonne in May 2021.

On the other side, the aluminium holdings in London Metal Exchange warehouses showed at the end of June 2022 the lowest level of all times, i.e. 373,275 tonnes, after dramatically decreased by 53% since the end of 2021. Compared to 30 June 2021, the aluminium holdings decreased by 76%, and estimations are in the same direction considering the latest curtailments or production suspension announcements done by the aluminium smelters worldwide.

Considering the latest legislation issued, measures and actions initiated for Europe's decarbonisation, it is even more evident that aluminium and sustainability go hand in hand – the multiple reuses of this material, specifically that it can be recycled indefinitely significantly reduces energy requirements. Thus, it is expected that the aluminium industry will experience continuous, robust and sustainable growth worldwide, and the real advantages of aluminium will inevitably prevail.

Aluminium is 100% recyclable and can be reused indefinitely, which makes it a decarbonization vector for all the other industries where it is used

Market evolution

In the first half of 2022, the local and worldwide markets were affected by an energy crisis, deepened even more by the conflict in Ukraine. This unstable context has negatively impacted the liquidity of the energy markets as participants avoided making medium and long time transactions in this period of uncertainty while putting additional pressure on the prices, which led to new record levels in the analysed period. Traders and analysts in the European markets estimate even new price records.

The exponential increase in electricity prices, starting with the second half of 2021 and the first quarter of 2022 have severely impacted Europe's aluminium producers. Thus, several European aluminium smelter plants had to reduce their production capacity or even close down completely.

Given that Europe is not secure from a gas supply perspective, while Russia can turn off the gas at any time and the conflict in Ukraine does not seem near the end, the actual crisis is deepening, and the impact on the energy market is even more significant. Germany has issued its second of the three alert levels and opened discussions over energy products' rationing.

Moreover, the COVID-19 pandemic that was followed by this energy crisis has subsequently led to a raw material crisis. Thus, since Q4 2021, a critical shortage in the supply of magnesium has been experienced by all aluminium smelters. Approximately 95% of Europe's magnesium comes from China, where this raw material has reached an all-time high level. Magnesium prices have stabilized at a double level of six months ago.

Multiple crisis environment: post-pandemic effects, conflictual context, energy products prohibitive prices, raw materials scarcity and two-digits inflation – exceptional times that requires decisive decisions

ALRO GROUP - Important events in H1 2022 - continued

EU-ETS Scheme updates

The EU-ETS scheme supports companies in the sectors and subsectors considered to be exposed to a significant risk of carbon leakage due to the transfer of greenhouse gas emissions ("GHG") costs into the electricity price introduced by the Emergency Ordinance no. 81/2019 covers the years 2019 and 2020. This scheme was based on the Communication from the Commission 2012/C 158/04 *"Guidelines on certain supporting measures in the context of the GHG trading scheme post-2012"*, which was applicable until 31 December 2020.

The Commission adopted in September 2020 the new EU-ETS Scheme Guidelines post-2021, *"Guidelines on certain supporting measures in the context of the system for GHG allowance trading post-2021"*, which entered into force on 1 January 2021, apply until 2030 and replace the Guidelines mentioned above.

For the Romanian support scheme to apply from 2021 onwards, the local authorities have to implement it in the national legislation according to the new Guideline and notify the European Commission for approval. After EC approves it, the national authorities will start implementing the scheme.

January 2022

A new business model was enforced considering the reduced production activity of primary aluminium

Considering the exceptional situation in the energy and gas markets, ALRO's Board of Directors adopted, in the meeting held on 27 December 2021, the production program for the year 2022. The production program is based on several sound economic principles, such as preserving liquidity, fulfilling all the obligations assumed by the Company, including timely payment of salaries, taxes and fees, and debt service under the loans, and adopting a business model aimed at, on the one hand, reducing the Company's dependence on electricity, and on the other hand, maintaining its product portfolio as much as possible, except for the unprofitable or very low-profit margin ones.

In this sense, the production activity of primary aluminium was reduced, from five electrolysis halls to two halls, with technological measures taken to allow a quick and efficient restart when energy market conditions return to normal. In exchange, the Group supplemented its need for aluminium by buying cold metal from the market and processing it to preserve the production as much as possible.

At the end of January 2022, the Company announced that management is focusing on finding solutions to restore the electrolytic aluminium production at the 2021 level starting with 2023, subject to energy prices on the market. Based on the Company's estimations, the restarting costs for each electrolysis potroom may be in the range of USD 10-12 million, depending on the raw material prices at that time and the period elapsed from the moment of placing them into conservation.

February 2022

Vimetco Extrusion, ALRO's downstream subsidiary, starts the implementation of an automatic packaging line

Vimetco Extrusion (VE), ALRO's downstream subsidiary in charge of the extrusion business line, started implementing a new investment project aimed at streamlining and improving production capacity. This sustainable business development project, which takes place between July 2021 and June 2023, has a total value of EUR 3.85 million, and its main objective is to apply innovation in one of VE's main processes.

Thus, the company will acquire an automatic packaging line for the extruded aluminium profiles to increase competitiveness by applying "green steps" for the extruded profiles production. This project will benefit from a grant of EUR 1.85 million (48% of the project value) from Iceland, Lichtenstein, and Norway through the EEA Grant Financial Mechanism 2014-2021 under the program "SME Development in Romania," area of interest: *Green Innovation in industry, Blue Growth, and ICT*.

Through this investment, VE takes further steps to increase the added value offered to its stakeholders. It also represents proof of using the available natural resources sustainably, reducing energy consumption rates, and increasing operational efficiency while diversifying its portfolio of customized solutions offered. Moreover, the project's results consist of growing the company's turnover and reducing the CO₂ emission, fuel consumption and waste generated in the production process.

ALRO GROUP - Important events in H1 2022 - continued

New financing facilities for ALRO Group

On 14 January 2022, the CIFGA (Interministerial Committee on Finance, Guarantees and Insurances) decision approving the Norms called "EximBank guarantees under the COVID-19 state aid" was published in the Official Gazette of Romania within the framework state-aid scheme in the form of loans with compensated interest rate and loan guarantees within the context of COVID-19 pandemics. The scheme applies also to the files submitted before 30 November 2021. It supports the large enterprises, among others, in contracting new loans (investment or working capital) secured by a state guarantee covering a maximum 90% of the facility amount for a period that may not exceed four years for working capital and six years for investment loans, respectively. Subsequently, on 15 March 2022, ALRO signed a non-revolving working-capital loan facility of RON 470 million with a syndicate of banks within this scheme dedicated to large enterprises. The loan is repayable within four years. At the same time, the Company also signed a non-cash financing facility for letters of guarantee with EximBank for RON 168 million. This facility which ends on 31 January 2024 is designated mainly to the acquisitions of electricity, and it is mainly collateralized with a state guarantee for 80% of the amount.

At the same time, ALRO Group applied for a new non-cash facility to secure its increasing costs with energy acquisitions.

In January 2022, ALRO drew the difference of USD 30 million from the loan contracted in June 2021.

March 2022

Changes in the Board of Directors composition within ALRO Group companies

In March 2022, several resignations by email were received within the Group companies. Thus, according to the legal provisions, new interim members were proposed and further elected as final Board members during the AGMs held in April 2022 (where applicable). Therefore, in ALRO, following Mr Aleksandr Barabanov, Mr Pavel Primakov and Mr Pavel Machitski's resignations, Ms Genoveva Nastase, Mr Igor Higer and Mr Dragos Adrian Voncu were appointed as new Board members. In ALUM, following the resignation of Mr Aleksandr Barabanov, Mr Igor Higer was appointed as Board member and Vice-Chairman. Mr Costel Pirvu, Vimetco Extrusion's Plant Director, was appointed as a member of Vimetco Extrusion's Board of Directors due to Mr Aleksandr Barabanov's resignation. Following the resignation of Mr Pavel Machitski from the Board of Directors of Sierra Mineral Holdings I, Ltd, the Group's subsidiary in Sierra Leone, Mr Igor Higer was appointed as a Board member of this company.

ALRO Group provides humanitarian aid of RON 300,000 to refugees in Ukraine

ALRO and ALUM joined the companies that provided humanitarian aid to refugees in Ukraine and had urgently purchased and donated sleeping bags, medicines, medical equipment and goods, clothing, personal hygiene items and fuel worth RON 300,000; this humanitarian aid was requested by the Odessa authorities.

Moreover, ALRO joined the campaign launched by the Romanian Government, "Ukraine - Together we help more", which aims to provide humanitarian assistance to refugees from Ukraine through coordination with civil society and national and international organizations. Thus, ALRO registered on the online platform of this campaign and made available to the Ukrainian refugees the eight rooms of its Guest House in Slatina, providing them with the necessary food. Moreover, at ALUM Tulcea's level, ten accommodation spaces were made available to the refugees from Ukraine through the local authorities within the Vocational Training Center inside the company, also providing the necessary food.

ALRO Group will continue to provide support and complementary to meet the needs of Ukrainian refugees, but also to support the efforts of the authorities and civil society to overcome this humanitarian crisis.

ALRO Group supports UNICEF in Romania with RON 300,000 to help children affected by the war in Ukraine

ALRO and Vimetco Extrusion joined UNICEF in Romania in supporting the Romanian Government, local authorities, UN agencies and non-governmental organizations to monitor the flow of refugees from Ukraine, their needs and vulnerabilities to provide immediate support for the real needs of children. UNICEF's response focuses on setting up and operating „Blue Dot" centres at border crossings. "Blue Dot" are support centres specially designed for refugee children and their families, and they represent an integrated model that will focus on providing services for the urgent needs of children and women. These centres will be child-friendly and offer integrated services that include: family reunification and reconnection, information and counselling offices, spaces for mothers and babies / young children, psychological therapy and first aid on hygiene, health and nutrition, essential legal advice, referral services for cases of violence or health problems, etc. Blankets, warm clothes, sanitary kits, toys, hygiene products and baby food will also be available in the "Blue Dot" centres.

Through this action, ALRO Group reaffirmed its involvement and support in responding to the needs of Ukrainian refugees,

ALRO GROUP - Important events in H1 2022 - continued

especially the most vulnerable, children and women. ALRO Group will continue to support the efforts of the authorities and civil society to overcome this humanitarian crisis.

April 2022

Annual General Meeting of Shareholders

ALRO (ALR, Premium segment): On 8 April 2022, ALRO's Ordinary ("AGSM") and Extraordinary ("EGSM") General Shareholders' Meetings took place. One of the business and administrative items included in the Ordinary meeting's agenda and subsequently voted for was the appointment of Ms Genoveva Nastase, Mr Igor Higer and Mr Dragos Adrian Voncu as Board members for a mandate valid until 25 April 2023. The EGSM amended the Articles of Incorporation of the Company following the appointment of the Board of Directors.

ALUM (BBGA, AeRO segment): ALUM held its Ordinary General Shareholders' Meeting on 8 April 2022. One of the business and administrative items included in the meeting's agenda and subsequently voted for was the appointment of Mr Igor Higer as a Board member for a mandate valid until 18 August 2023. The EGSM amended the Articles of Incorporation of the company following the appointment of one member of Board of Directors.

ALRO (ALR, Premium segment): On 28 April 2022, AGSM and EGSM took place. Some of the business and administrative items included in the Ordinary meeting's agenda and subsequently voted for were: the Directors' Report and the financial statements for 2021, Income and Expenses Budget, Investment Plan, and Activity Program for 2022. The OGSM rejected the Remuneration Policy in both versions recommended by the Company's Board of Directors. The EGSM appointed the Audit Committee's members.

ALUM (BBGA, AeRO segment): ALUM held its Ordinary General Shareholders' Meeting on 27 April 2022. Some of the business and administrative items included in the meeting's agenda and subsequently voted for were: the Directors' Report and the financial statements for 2021, Income and Expenses Budget, Investment Plan and Activity Program for 2022.

June 2022

ALRO's first participation to Sevilla Aerospace and Defence Meetings

During 7-9 June 2022, ALRO was invited to participate in the Aerospace & Defence Meetings Sevilla, the only matchmaking

program for the aerospace & defence industries which takes place in Sevilla. Through this participation, ALRO's sales team had the opportunity to discuss with important players in the aerospace industry. New leads and business opportunities have been identified, with a significant potential to materialize new business partnerships starting with the second half of 2022.

This participation validates ALRO's long-term investments and efforts to become a reputable supplier for the aerospace industry. We are confident this is just another step in attracting more customers to our new products and integrating ourselves more into the ever-shifting aerospace materials market.

ALRO supports Every Can Counts Romania for the International Recycling Tour 2022 second edition

During the World Environment Day, Every Can Counts organized an inspiring awareness campaign, the International Recycling Tour 2022, the second edition that went beyond Europe's borders, in 17 countries in Europe and Latin America. The International Recycling Tour aims to remind people that small, daily actions, such as proper waste disposal, can help us have a more sustainable life and a healthier planet. Thus, between 3-5 June 2022, over 100 recycling ambassadors actively promoted recycling in Austria, Brazil, Colombia, Czech Republic, France, Greece, Hungary, Ireland, Italy, Montenegro, The Netherlands, Poland, Romania, Serbia, Slovenia, Spain and the United Kingdom.

ALRO's involvement in Every Can Counts Romania projects is already a tradition as the Company supports circular economy initiatives that are crucial in carrying out a sustainable activity and reducing the Company's carbon footprint. ALRO encourages and supports all initiatives that have at their core the collection of aluminium cans which requires a minimal effort from each of us but with a significant impact on the quality of life and a cleaner and sustainable environment for future generations.

Vimetco Extrusion, ALRO's downstream subsidiary - first billet extruded on a new automatic line for aluminium profiles, following a EUR 10 million investment

Vimetco Extrusion, ALRO's downstream subsidiary in charge of the extrusion business, completed the installation of a new state-of-the-art 7" press extrusion line, following an investment of approximately EUR 10 million since the start of this project in March 2021. Vimetco Extrusion has successfully tested the new equipment by extruding the 1st billets on this line.

ALRO GROUP - Important events in H1 2022 - continued

This new automatic extrusion line for aluminium profiles is the third one for Vimetco Extrusion. This new press sustains Vimetco Extrusion's strategy to increase its production capacity for high-value-added aluminium products, thus delivering an extensive portfolio of customized solutions to its customers.

The 7" extrusion line is highly efficient in terms of production capabilities and reduced energy consumption. Thus, the entire process is automated, being able to extrude profiles up to a length of 60 meters, with a speed of 50 meter/minute, while having the lowest guaranteed gas consumption on the market and being equipped with an efficient energy-saving system, as well as with independently operated water and air-cooling zones designed to efficiently allocate resources.

The new extrusion line will increase Vimetco Extrusion's yearly production capacity by 10,000 tonnes, reaching a total annual capacity of 35,000 tpa by the end of 2022.

“ALong with a durable ROmania” – the main theme of 2021 ALRO's Consolidated Sustainability Report

On 30 June, ALRO published its Consolidated Sustainability Report for 2021, an overview of the Group's sustainability performance and its key achievements in 2021, such as increasing efficiency of its operations, better analysis and measures implemented to lower the impact on the environment while remaining one of the main contributors to the Romanian economy.

In 2021, the Group invested approximately USD 40 million, with a focus on energy efficiency projects to increase the quantity of molten metal from recycled aluminium scrap, improve operational reliability, and reduce the environmental footprint while providing a safe and reliable workplace. The Group kept its focus on its programme to reduce energy consumption and continued the implementation of the AP12LE project, with 87 pots being relined with this innovative technology in 2021, reaching a total of 165 pots relined since the project start-up. In 2021, the largest amount of aluminium scrap recycled in the Cast-House and Eco-Recycling Facility was reported, i.e. around 94,000 tonnes.

Investments in technology, research and development led ALRO to reduce its environmental footprint, even more, reaching a 79% water recirculation and 95.3% degree of waste recirculation and recovery in/from ALRO out of the total waste generated. Also, in 2021, the degree of traceability held by

ALRO waste documents was 100% for recoverable waste by third parties and for the eliminable waste by third parties. Moreover, the specific emission has a value of 1.36 tCO₂e/tAl (cast aluminium) at ALRO Primary Aluminium. The CO₂ emissions related to the cast aluminium production decreased five times in 2021 compared to 2001. Also, ALRO reached in 2021, the lowest DC-specific consumption in the Company's history and one of the lowest in the aluminium industry.

The employees were also a priority and ALRO Group recorded more than 62,000 training hours in 2021, including initiation, qualification, authorization, improvement, specialization programs, and health and safety courses. At the level of Olt County, ALRO is in the top three employers and companies with the highest turnovers and around 3,000 suppliers are engaged at all levels within the Group's activity, supporting the development of the Romanian economy with a significant impact on the local communities, as well.

ALRO continued to support the local communities where it activates, supporting through donations several institutions and associations in health, education, and environmental protection areas. Furthermore, ALRO Group donated, since the beginning of the COVID-19 crisis, around RON 2.5 million to institutions involved in preventing and combating the effects of the pandemic. Last year, it opened two vaccination centers for the Group's employees and their families in Slatina and Tulcea.

This report is available on the sustainability section of ALRO's website and has been prepared in accordance with the Romanian legislation regarding the non-financial reporting, Ministry of Public Finance (MPF) Orders No. 1938/ 2016 and No. 2844/2016 and in accordance with the Global Reporting Initiative (GRI) Core Option Standard and GRI G4 Mining and Metals Sector Supplement.

The prohibitive power and natural gases prices force ALRO Group to take decisive decisions for preserving the Group's assets value

The economic crisis generated by the pandemic has further escalated into an energy crisis starting in 2021 due to the accelerated increase in the electricity and natural gas prices with a negative impact on the production costs for calcined alumina and electrolytic aluminium. The gas price increased ten times from 18 EUR/MWh in Q1 2021 to over 180 EUR/MWh in Q2 2022. The electricity price followed the same trend, and from 60 EUR/MWh in Q1 2021, it reached and exceeded 500 EUR/MWh in Q2 2022. Currently, there is a market shortage of electricity and natural gas for consumers. The price of the CO₂ emission certificates has increased from approx. 25 EUR/certificate at the end of 2020 up to over 90 EUR/certificate. Thus, the natural gas cost per one tonne of alumina is significantly higher than the actual

ALRO GROUP - Important events in H1 2022 - continued

price of one tonne of alumina imported and delivered to ALRO. Specifically, the alumina produced by ALUM would reach a cost of more than 900 USD/tonne, while the price of alumina on the international markets is around 500 USD/tonne. The weight of energy products only in the total cost of alumina is notably high, reaching approximately 500 USD/tonne in 2022.

ALRO and ALUM have developed scenarios for operating at a minimum break-even point or reducing the financial losses by suspending certain production activities and switching some production equipment to standby. ALRO has reduced the primary aluminium production by 60% by shutting down three electrolysis potrooms. ALUM has revised its manufacturing schedule according to the level of calcined alumina required for ALRO. Still, with the continuous increases in prices, the cost of alumina has reached an unsustainable level.

In this context, Management proposed for the approval of the AGMS on 29 July 2022, the temporary suspension of ALUM's alumina production operations for an estimated 17 months starting August 2022. ALUM will keep the key specialists from all plant departments that will prepare for the resumption of production when the evolution of energy product prices will allow it.

ALUM will continue to perform R&D activities and alumina logistics operations and start actions to repair and revamp its equipment to be ready for a quick restart of alumina production when the market allows.

The aim of the decisive measures, fully compatible with the technology used in ALUM's alumina refinery, is to preserve the Group assets and to keep the financial stability of the Group at a sound level to be ready to face the challenges ahead in the current challenging economic environment.

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 (BSE symbol: ALR)
Total market value for each class of shares	Premium Tier Category: 999,290,789 ¹ RON

ALRO Group - entities

Company	Parent	Shareholding (%)
ALRO S.A.	Vimetco PLC	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
Vimetco Trading 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

¹ Calculated based on the BSE quotation available on 30 June 2022 - the last day of H1 2022 when ALRO's shares were traded (713,779,135 shares * 1.4 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.

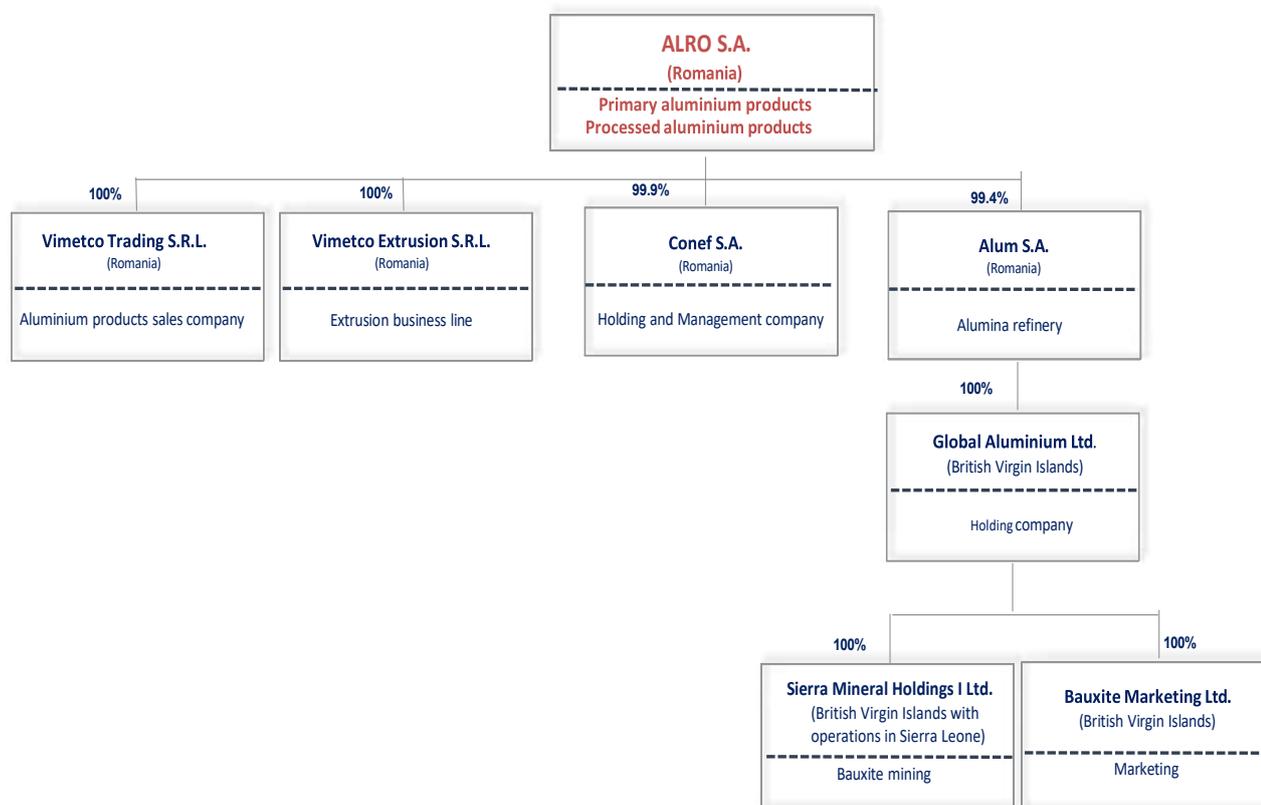
ALRO ("the Company" or "the Parent-company") was established in 1961 and founded for an unlimited period of time under the form of a joint-stock commercial company following the Romanian Government Decision no. 30 of 14 January 1991 on the establishment of commercial companies in the non-ferrous metallurgy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

The Company was registered under the trade name "ALRO S.A." and has been listed on the Bucharest Stock Exchange ("BSE") since 16 October 1997. The Company's shares are traded on BSE under the symbol "ALR". Starting from 18 March 2019, the Index Committee of BSE 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 PLC (Republic of Cyprus), which holds 54.19% of the Company's share capital. Vimetco PLC is a public limited company and its registered office is at Poseidonos 1, Ledra Business Center, Egkomi, 2406 Nicosia, Republic of Cyprus. 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);
- **Vimetco Trading** – aluminium products sales company;
- **Sierra Mineral Holdings (SMHL)** – bauxite mining;
- **Vimetco Extrusion** – extrusion business line;
- **Conef** – holding and management company;
- **Global Aluminium** – holding company, and
- **Bauxite Marketing** - marketing.



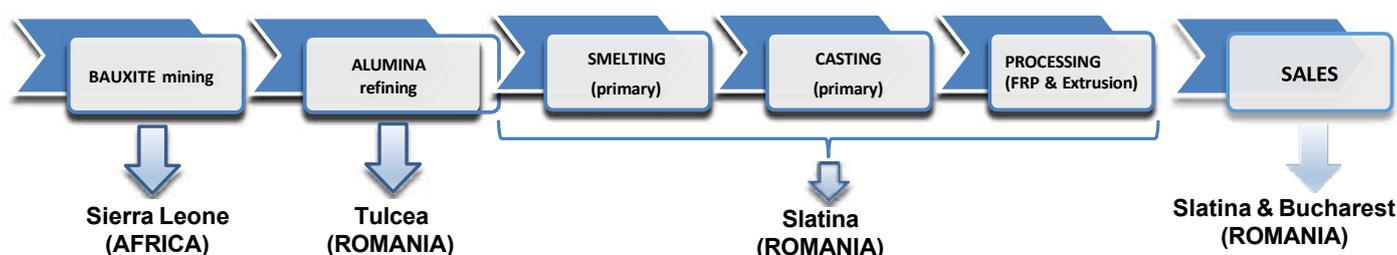
The Group is vertically-integrated, its operations being organized, for management purposes, in four segments: **Bauxite**, **Alumina**, **Primary Aluminium** and **Processed Aluminium**. In this way, the resources are efficiently allocated and the segments performance is properly evaluated, while being 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**¹ 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** develops flat rolled products ("FRPs") such as plates, sheets, coils and strips, and extruded products.

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 divisions:



Location	Segment	Capacities @ 30 June 2022
Sierra Leone	Bauxite mining	1,500,000 tpa for the washing facility of the main Wash Plant Wash Plant 1 (extension of main wash plant): 420,000 tpa Wash Plant 2 (extension of main wash plant): 204,000 tpa 720,000 tpa for the drying facility 480,000 tpa for the dry beneficiation facilities* <i>*no planned dry beneficiation operations for 2022/ 2023</i>
Tulcea	Alumina refinery	600,000 tpa of alumina ¹
Slatina	Smelting and Casting ²	265,000 tpa of electrolytic aluminium ³ 47,000 tpa of recycled aluminium, and 332,000 tpa primary cast aluminium
Slatina	Processing ⁴	100,000 tpa of FRPs ⁵ and 25,000 tpa of extruded profiles with investments in progress to extend it to 35,000 tpa by the end of 2022

Notes

(1) The impact of energy products that have increased ten times since the beginning of 2021 led to the alumina produced by ALUM to reach a cost of more than 900 USD/tonne, while the price of alumina on the international markets is around 500 USD/tonne. The weight of energy products only in the total cost of alumina is notably high, reaching approximately 500 USD/tonne in 2022; as a consequence, the company decided to suspend its activity for an estimated period of 17 months since August 2022, while keeping the key specialists from all plant departments that will prepare for the resumption of production when the evolution of energy product prices will allow it.

(2) Smelter, anode plant and cast aluminium facility.

(3) The Company announced at the end of 2021 that the production activity of primary aluminium is reduced from five electrolysis halls to two halls, with the implementation of technological measures to allow a quick and efficient restart when energy market conditions return to normal and thus 180,000 tonnes are currently in conservation

(4) Hot and cold rolling facilities and extrusion shop.

(5) 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, and comprises the anodes and electrolysis sections, the cast house, an 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 tpa of electrolytic aluminium (out of which 180,000 tpa were in conservation in H1 2022). The Eco-Recycling facility has a capacity of 35,000 tpa and reached in H1 2022 a capacity of 47,000 tpa, and the Cast-House has a capacity of 332,000 tpa. At the same time, all necessary anodes for the electrolysis of alumina are internally produced;

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

The Group's subsidiaries holds several certifications. For example, ALRO is ISO 9001, ISO 14001, ISO 45001, ISO 50001 certified for quality management and has NADCAP certification for special products, 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, too. For more information in this respect, please see the websites of ALRO and of each of the Group's subsidiaries.

In H1 2022, ALRO Group successfully passed all the quality audits. Among the essential ones, for ALRO it could be mentioned SRAC (ISO 9001, ISO 14001, ISO 45001 and ISO 50001); DQS-Aero (EN 9100); TUV SUD CE Mark; NADCAP NDT-UT (for NDT-UT process we maintained the "Supplier Merit" status granted by Nadcap); DNV for products intended for shipbuilding. Furthermore, the Company wants to qualify new products (e.g. plates in alloys 2xxx and 7xxx) with major aerospace OEMs, and in this respect, the Company's representatives continued in H1 2022 in-depth technical and commercial discussions.

Furthermore, since 2020, ALRO and Vimetco Extrusion are members of ASI (Aluminium Stewardship Initiative), an international association that contributes to enhancing sustainability in the global aluminium sector.

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

- aluminium and aluminium alloyed wire rod;
- aluminium and aluminium alloyed 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.

Regarding the products' portfolio expansion, further steps were done in H1 2022 as detailed below:

- Production of hard alloys heat-treated plates in alloys 2xxx and 7xxx, minimum thickness extension from 15 to 10 mm;
- Production of hard alloy non-heat-treated plates, in high Mg alloys, thickness/width range extension to lower thickness (8 mm) and large width (1500 mm);
- Experimental manufacturing pre-qualification programs for aerospace plates in alloys 2xxx and 7xxx;
- Production of hard alloys 5xxx sheets and coils, cold-rolled, qualification batches;
- Qualification tests for 3103 H26 sheets.

The Company receives alumina from ALUM, its own alumina refinery with an installed capacity of 600,000 tpa which is obtained by using the bauxite mined in Sierra Leone. However, due to the prohibitive power and natural gases prices ALRO Group had to take decisive decisions for preserving the Group's assets value and starting with August 2022 the Management proposed for the approval of the General Meeting of Shareholders, which took place on 29 July 2022, the temporary suspension of ALUM's alumina production operations. ALUM will keep the key specialists from all plant departments that will prepare for the resumption of production when the evolution of energy product prices will allow it.

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.

Sales

ALRO Group has a strong presence in many industry sectors of the international markets. Its expertise and increased focus on flat-rolled and extruded HVAPs enable it to meet specialized technical and production standards required by specific customers. The focus is to penetrate or increase the market share in the most sophisticated industries such as aerospace, automotive, marine, and construction with VHVAPs that embedded higher premiums during the past years.

In H1 2022, ALRO has continued its sales strategy intending to increase its presence in the most sophisticated industrial sectors and enrich its customers' portfolio with new reputable entities acting in aerospace, automotive and building & construction. With better product tailoring addressing more demanding technical requirements, we have expanded our market perspectives and identified additional growth potential primarily in the European markets. Qualifying new alloys and product specifications with reputable players in the industry remains a top priority for ALRO also for the second half of 2022. Therefore, in H1 2022, the Group continued to expand the customers' portfolio for high-value-added products, particularly for the aerospace sector.

However, the current energy crisis affecting all European markets and, more recently, the US market has significantly impacted both primary and FRPs sales activities throughout H1 2022. With increasing manufacturing costs, the ALRO sales team has taken all necessary measures to adapt the sales strategy and product mix to align it to the new market realities while maintaining the Company's competitive position toward long-term and new business partners. ALRO has concluded new processing agreements with traditional customers for wire rod produced from ingots considering the temporary suspension of electrolytic aluminium production starting in 2022.

An optimised mix of flat-rolled products has also been considered during H1 2022 to secure an increased use of scrap in the manufacturing processes. With still many uncertainties, especially in logistics, the ALRO sales team continues to focus primarily on the European markets while keeping a relatively steady presence in the overseas markets (North America and Asia).

Nevertheless, the start of the year showed a solid demand for both primary and FRPs, fuelled by robust activity in all the industrial sectors: first signs of recovery from the aerospace business, steady automotive activity and increasing consumption from building & construction, consumer products and general engineering. At the same time, the uninterrupted uptrend of the aluminium LME price in the first quarter (reaching a record level of almost 4,000 USD/tonne) and much higher sales premia (incorporating much higher costs for energy, natural gas and other raw materials) has contributed to a slowdown in demand in the second quarter of 2022. On top of this, the aggressive prices from overseas imports (primarily China for FRPs, still enjoying a suspension of the anti-dumping taxes until July 12) and much cheaper primary products offered mainly from Turkey have fuelled the deterioration of the market situation at the end of H1 2022. Two digits inflation in most European countries, higher financing costs and the fragile geopolitical context have led to a slowdown or even a halt of industrial activities with visible effects in the market.

Even in this fragile and challenging environment, in H1 2022, ALRO has continued to show a high degree of flexibility as far as the sales mix is concerned and took the necessary actions to succeed in its strategy of increasing the sales of high-value-added products. Several new alloys have already been included in the pipeline for future qualifications with important OEMs in the aerospace sector. More and more projects have been initiated for products addressing complex and sophisticated needs. Depending on how the market will look in the second half of 2022, the Management and the sales team will implement additional measures to secure ALRO sales for primary and flat-rolled products.

ALRO participated for the first time in June 2022 to Sevilla Aerospace and Defence Meetings

Production

In H1 2022, the new record levels reported by the energy prices led the Group Management to take decisive measures. Consequently, at the end of 2021, after an abnormal increase in the energy prices and lack of energy on the market, ALRO Group announced a temporary suspension in electrolytic aluminium production. Therefore, for three out of five electrolysis potrooms, the Company implemented technological measures to allow a quick and efficient restart when the energy market conditions return to normal. Also, the additional auxiliary activities in connection with these potrooms activities were stopped, such as alternating current recovery, compressed air production, alumina transportation, liquid metal and anodes transport, pots repairs, etc.

Accordingly, starting January 2022, the Management decided to adopt a business model aimed at, on one hand, reducing the Company's dependence on electricity and on the other hand, maintaining the actual products portfolio, except for the unprofitable or low profit margin products. The Investment Programme for 2022 is correlated with the production program, implementing on a priority basis those investments that will bring immediate gains and improvements to the business or those necessary to ensure safe and legal operations. Therefore, the extension of the Eco-Recycling Facility capacity continued in H1 2022 on a priority basis to provide the molten metal requirement for the production of flat-rolled products. Therefore, the Company started to buy cold metal from the market and process it (i.e. ingots) to cover the electrolytic metal needed.

Furthermore, one of the Groups' priorities in 2022 is to promote new products (e.g. plates in alloys 7xxx and 2xxx) to major aerospace OEMs, and in this respect, the Company's representatives continued in H1 2022 in-depth technical and commercial discussions.

ALRO reported in H1 2022 the largest production of FRPs for one semester in the Company's history > 46,000 tonnes

In the Eco-Recycling Facility, a new furnace for melting waste and aluminium ingots was put into operation in June, directly impacting its capacity, which increased to 47,000 tpa.

The main goals and strategy from a medium/ long-term perspective regarding the production processes in 2022 are:

- continuing to improve digitization within the organization by using systems/ applications such as: Quintiq system for planning, scheduling and tracking production, STC system for traceability and control, FLI system (electronic worksheet and inspections traceability) to have full traceability of all manufacturing activities and materials, while managing the potential events that could affect production processes and providing all relevant real-time information needed to identify root causes and possible solutions;
- achieving in FRP 120,000 tpa of high-value-added products;
- a new flow for cutting flat rolled plates at the dimensions and tolerances required by ALRO's customers (CUT TO SIZE) to produce flat-rolled products tailored at the dimensions and tolerances required by the customers.

Main investments made during H1 2022

ALRO's Investment Programme for the year 2022 of almost USD 23 million comprises investment projects which are necessary for achieving the quantity of metal following the new business model adopted by the Company for 2022 and following the needs of the business plan of ALRO and focuses on the following objectives:

- Reducing the electric power dependence by increasing the quantity of molten metal coming from recycled scrap and supporting ALRO's strategic objective of reaching 120,000 tpa of high and very high value-added products;
- Providing the conditions necessary for observing the stringent legislation enforced by the European Union on CO₂ emissions and environmental issues;
- Increasing the operational reliability of the critical equipment in ALRO Processed Aluminium Division and improving the Flat-Rolled Products quality;
- Continuing the programs for improving the energy efficiency of its equipment and technological processes by replacing the smelter pot components using the AP12LE technology for relining additional 40 smelter pots;
- Supporting the existing process and current production capacity by providing safe and reliable equipment / operating conditions for the technological processes following the maintenance schedules and standard regulations.

The main investment goal for H2 2022 is to continue the works related to the new Eco-Recycling Line and to have the equipment able to produce while the project will be gradually commissioned during H1 2023. Based on the project's approval by the Board of Directors and AGSM, as a key investment necessary for 2022-2023 to ensure the metal requirements while reducing the

dependence on the electric power supply and improving energy efficiency. Thus, the project implementation started in H1 2022 as the Company obtained all the technical permits and authorizations necessary to begin the working procedures. Hence, based on the Town Planning Certificate and Construction Permit received and the related documentation, the building construction/ fit-out works were started and are in progress. Moreover, the Company signed all the contracts for the equipment / machines included in this project (e.g. double-chamber melting furnaces, holding furnace, scrap charging machine and the fume treatment plant), and works are in progress in various stages. The holding furnace has been installed and the foundations/ architectural works are in progress to accommodate the new double-chamber melting furnaces. The civil constructions on the fume treatment plant have been started based on the prepared detail engineering. The components manufacturing is estimated to be completed, and delivery will materialize in H2 2022.

Furthermore, in terms of investments, at the Group's level, it will be continued to implement the approved necessary Maintenance CAPEX items following the Group's current production schedules and strategies.

RTA project (AP12LE – advanced low energy technology for electrolysis)

ALRO Group is committed to continuing its energy efficiency program as part of a safe, responsible, and profitable business. Thus, the above indicated CAPEX spending includes relining the smelter pots using AP12LE technology. ALRO committed to implementing AP12LE over the following years until all the pots are relined with this advanced low-energy technology implemented in collaboration with Rio Tinto Aluminium Pechiney. This innovative technology is estimated to bring energy efficiency and environmental benefits to the electrolysis sector, the highest energy-intensive sector of ALRO processes.

Therefore, the pot repair program using AP12LE repair technology continued in H1 2022 but was adapted to the number of pots in operation to ensure the smelter operation with improved energy efficiency. This project which is part of the Group's strategy for improving energy efficiency while providing a smooth and safe running of its production processes was concluded in 2018 with Rio Tinto Aluminium Pechiney to improve the smelter pot relining design.

AP12LE (Aluminium Pechiney Low-Energy) represents a state-of-the-art technology developed by Rio Tinto Aluminium Pechiney and implemented in ALRO. This project aims to reduce the specific energy consumption by approximately 300 kWh/tonne of aluminium while maintaining the same production level. The AP12LE technology targets an energy consumption below 13 MWh/tonne from an average of 13.28 MWh/tonne from the AP12 pots type currently in use at ALRO while maintaining the current efficiency (i.e. more than 95.5%). The AP12LE pots design is based on RTA's "Brick Technology" approach and uses new relining materials, cathodes, busbar assemblies, and slotted anodes. Modernization of the plant is planned in stages, hand in hand with the pot repair schedule and without impact on the aluminium production. The results obtained during the tests confirm that all the AP12LE pots work within the expected parameters.

A new set of 40 pots have been included in the 2022 Investment Programme and are planned to be relined using AP12LE technology and restarted in 2022, in correlation with the repair schedules and production requirements. Thus, in H1 2022, ALRO commissioned 11 pots with AP12LE technology. From the beginning of the project by June 2022, 176 out of 653 pots included in the contract have been fully relined and commissioned based on this new technology.

After this project is finalized, ALRO will be in the top 10 worldwide aluminium smelters (excluding China) from an energy efficiency perspective for the electrolysis area.

**In H1 2022, ALRO relined
11 pots using AP12LE
technology**

Research and Development (R&D)

The Research & Development Departments within ALRO Group carry out activities in the following areas:

- Monitor the flows & technologies to determine the influences on the processes parameters and find optimization solutions;
- Develop mathematical models to create products based on the process parameters and the desired final quality;
- Industrial research topics originating from the needs of 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 program to identify suitable projects for ALRO;
- Develop within its thermal treatment section, provided with equipment acquired through the European financing project, the technologies for the production of thin heat-treated sheets;
- Develop new analyses within its metallographic analysis laboratory following the quality requirements of customers from the aerospace and automotive industries;
- Continuation of the RemovAI, ReActiv and REEScue projects with excellent results.

Some of the main R&D projects developed in H1 2022 were:

1. Submission of a new Horizon project to the European Commission, respectively the project - "LAMA – Lasers for fast materials development and characterization" (36 months; the project value is around EUR 5 million, funding rate 100%) - under the coordination of Lulea Tekniska Universitet (Sweden);
2. a) Publication in the British journal - IOP Conference Series: Materials Science and Engineering, of the paper Influence of the processing conditions of 6061 aluminium alloy thick plates on the distortion of the machined finished parts, presented at the 25th Edition of IManEE 2021 International Conference (IMANEE 2021). This scientific paper was achieved in collaboration with the Transilvania University of Brasov;

b) Publication in the American journal - ASME QNDE of the paper Characterization of Roll-Cladded Aluminium Plates with Laser-Based Surface-Acoustic-Wave Measurements, presented at 2021 48th Annual Review of Progress in Quantitative Non-destructive Evaluation. This scientific paper was achieved in collaboration with Research Center for Non-Destructive Testing GmbH, Linz and FH OÖ Forschungs & Entwicklungs GmbH, Wels, Austria;

c) Publication in the Romanian journal - INCAS Bulletin of the paper Finite element method analysis of flow and heat transfer of ageing heat furnace for aluminium alloy plates. These scientific papers were achieved in collaboration with the Politehnica University of Bucharest;

d) Publication in the Romanian journal - Revue Roumaine des Sciences Techniques - Série Électrotechnique et Énergetique of the paper Flow and heat transfer in an ageing heat furnace for aluminium alloy plates. These scientific papers were achieved in collaboration with the Politehnica University of Bucharest;

3. In H1 2022, the internal qualifications required were finalized for two new plates products for the aerospace industry.

For H2 2022, the R&D department plans to analyze the EU Research and Innovation Horizon 2020 program to identify suitable projects for ALRO. Moreover, participating in conferences and publication of scientific papers will continue in the future, and we will also continue the qualification of additional complex products.

Procurement and Logistics ("PLD")

In H1 2022, the worldwide unfavourable circumstances determined by the geopolitical situation led to prohibitive energy prices with a knock-on effect on the aluminium sector due to the metal's high energy consumption. Further on, this energy crisis emerged at record levels for all raw material prices, the entire contracting process for ALRO Group becoming particularly challenging.

The main consequences of the actual geopolitical context from a procurement and logistics point of view are:

1. Price increases on all raw materials and all other auxiliary materials (i.e. metallurgical products, electrical and mechanical items, consumables etc.);
2. Sharp increase in lead time;
3. Availability for some specific materials (especially metallurgical products but not limited to) was extremely scarce;
4. Due to market volatility, no long or medium-term contracting is possible anymore.

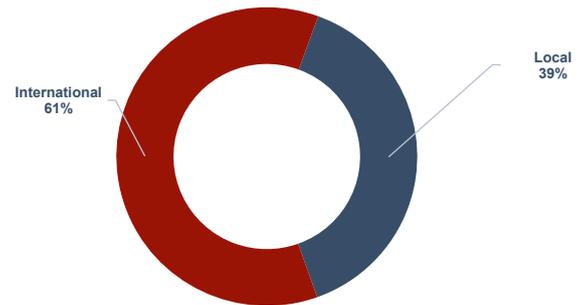
For H1 2022, the Procurement and Logistics Department's main objectives were:

- Keeping the prices of the main raw materials under control without jeopardizing the production program due to stock out (despite efforts to keep competitive purchase prices, the expenditures with the main raw materials in H1 2022 increased by 101% compared to H1 2021);
- Efficient sourcing of main raw materials: timely and with the lowest costs in terms of prices, logistics, and payment terms.

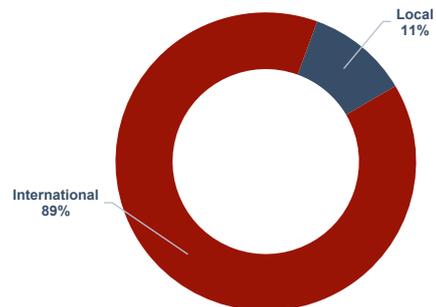
All raw materials ALRO purchases from domestic and/or foreign suppliers are in strict compliance with European Union (EU) safety and environmental protection legislation, including, but not limited to, European Commission (EC) legislation No.1907/2006 (REACH) and EC legislation no. 1272/2008 (CLP).

For details over the acquisition structure of Procurement and Logistics Department in H1 2022, please see the graphs below:

H1 2022 Acquisition structure for main Raw Materials (Alumina included)



H1 2022 Acquisition structure for main Raw Materials (Alumina excluded)



ALRO Group - figures

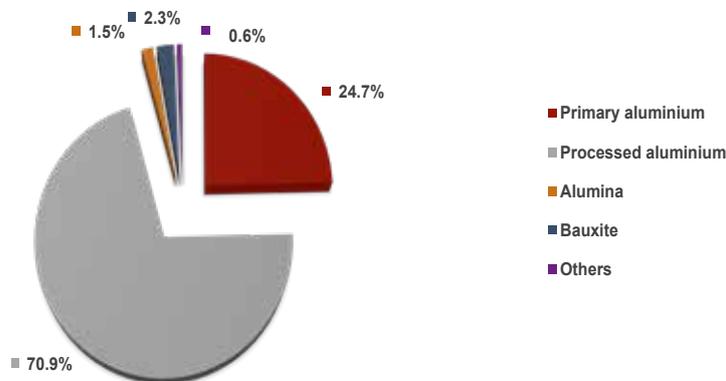
Financial and economic review

The Group's consolidated sales in H1 2022 were RON 2,136,313 thousand, higher by 39% compared to the ones reported in the similar period of 2021 (respectively 1,537,911 thousand). The Group benefited in H1 2022 from the increase in the demand for plates and extruded products, which are the Group's highest profitable products, from the upward trend of the LME quotations and the favourable exchange rate. ALRO reported sales of RON 1,972,884 thousand in H1 2022 (H1 2021: RON 1,424,162 thousand) based on a good evolution of its Primary and Processed Aluminium Divisions.

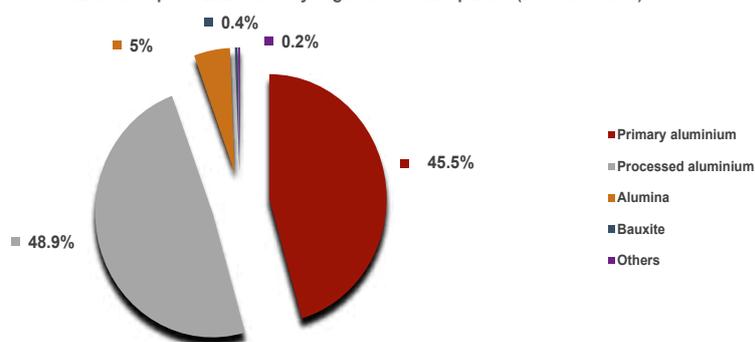
Total consolidated sales in H1 2022
RON 2,136,313 thousand



ALRO Group: H1 2022 sales by segments to third parties (RON thousand)

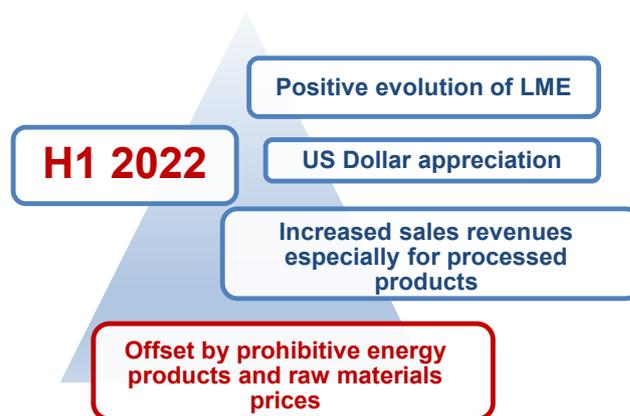


ALRO Group: H1 2021 sales by segments to third parties (RON thousand)



The contribution of the sales of the **Primary Aluminium segment to third parties** was RON 526,859 thousand in H1 2022 and represented 25% of the Group's total revenues (H1 2021: RON 700,077; 46%). **The third-party sales of Processed Aluminium** represented 71% of the Group's total revenues in H1 2022, being RON 1,514,972 thousand (H1 2021: RON 751,719 thousand; 49%). The strong demand for plates for the aerospace sector and extruded products were the main triggers for these good results in the Processed Aluminium segment. In H1 2022, especially in Q2 2022, the aerospace sector has become increasingly active compared to 2021 and continues to show signs of good demand for the end of 2022. Other factors contributing to the sales increase were the favourable LME trend, the rising sales premiums and the US dollar appreciation.

The Group net result for H1 2022 was a net profit of RON 15,317 thousand compared to a loss of RON 47,577 thousand in H1 2021. The same trend was registered at ALRO's level, which reported a net profit of RON 714 thousand in H1 2022 compared to a net loss of RON RON 27,582 thousand in the same period of last year. Even though the Group reported for the analysed period increased sales revenues due to higher demand levels supported by the excellent performance of the aerospace and extruded sectors, and benefited from the increase in the exchange rate and the favourable evolution of LME, these positive factors could only partially offset the prohibitive utilities and raw material prices faced during the first half of 2022 that negatively impacted the overall financial results.



The reconciliations of the **Adjusted Net Result** at ALRO Group level, and for ALRO, respectively, for H1 2022 and H1 2021 are detailed below:

ALRO Group

Description (RON th)	H1 2022	H1 2021
NET RESULT	15,317	(47,577)
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	2,446	31,667
Plus/(minus) deferred tax expense/(income)	(3,072)	1,151
ADJUSTED NET RESULT	14,691	(14,862)

ALRO

Description (RON th)	H1 2022	H1 2021
NET RESULT	714	(27,582)
Plus/(minus) charge/(reversal) of investments impairment expense/(income)	180	81
Plus/(minus) charge/(reversal) of non-current impairment expense/(income)	-	-
Plus/(minus) the loss/(gain) from derivative financial instruments that do not qualify for hedge accounting	2,446	31,667
Plus/(minus) deferred tax expense/(income)	(1,665)	2,792
ADJUSTED NET RESULT	1,675	6,958

The reconciliations of **EBITDA** for ALRO Group and for ALRO, for H1 2022 and H1 2021 are detailed below:

ALRO Group

Description (RON th)	H1 2022	H1 2021
EBIT	147,202	63,382
Depreciation and Amortisation	72,382	80,985
EBITDA	219,584	144,367

ALRO

Description (RON th)	H1 2022	H1 2021
EBIT	117,630	58,805
Depreciation and Amortisation	49,422	54,267
EBITDA	167,052	113,072

Regarding the **cost of goods sold**, the Group reported a higher level by 36% in H1 2022 (H1 2022: RON 1,827,953 thousand versus H1 2021: RON 1,346,042 thousand), mainly due to the increasing costs of the utilities and raw materials worldwide. At ALRO, the cost of goods sold also increased by 36% in H1 2022 compared to the similar period of last year (H1 2022: RON 1,750,194 thousand versus H1 2021: RON 1,288,490 thousand). The 36% increase in the cost of the goods sold at Group's level remained below the 39% increase in sales in H1 2022 compared to H1 2021, and thus the gross profit margin increased to 14% in H1 2022, from 12% in H1 2021.

The Group registered a **positive gross result** in H1 2022 of RON 308,360 thousand (H1 2021: RON 191,869 thousand). In line with the Group's evolution, **ALRO's gross result** in H1 2022 was a **positive gross result** of RON 222,690 thousand higher compared to H1 2021, when it was RON 135,672 thousand.

Nevertheless, to mitigate the impact on the turnover of the temporary suspension in Q1 2022 of three out of five electrolysis potrooms production, the Group has supplemented the required quantity of aluminium by buying primary cold metal from the market to process it. In the same context, the Group entered into tolling contracts with a few clients and agreed to process their metal by charging a smelting and processing fee and rendering them back a specifically ordered product, such as wire rod. Furthermore, to reduce the dependence on electricity, the Group continued in H1 2022 the investment started in 2021 in the extension of the Eco-Recycling Facility by developing the recycling capacity to ensure the molten metal required for the flat rolled products production.

Contrarily, the **Group's general, administrative and selling expenses** increased in the analyzed period (from RON 144,695 thousand in H1 2021 to RON 154,140 thousand in H1 2022); a similar trend was reported by ALRO, i.e. a 7% increase.

The **Group's operating result (EBIT)** increased from a profit of RON 63,382 thousand achieved in H1 2021 to a profit of RON 147,202 thousand in H1 2022. **ALRO reported an EBIT** for H1 2022 of RON 117,630 thousand (H1 2021: RON 58,805 thousand). However, the operating result is much lower than what could have been recorded if the Group could have registered the compensation for higher energy costs, as it did in previous years (2019 and 2020). The compensation scheme is part of Romania's plans to partially subsidize energy-intensive companies for high electricity prices due to indirect emission costs, in line with the EU Emissions Trading Scheme (ETS). Romania must first implement the relevant EU Guidelines so that companies are entitled to receive this compensation.

On the other hand, **interest expenses** at Group's and ALRO's level increased by 60% and by 64%, respectively in H1 2022 as compared to H1 2021 (ALRO Group - H1 2022: RON 33,056 thousand as compared to H1 2021: RON 20,625 thousand versus ALRO - H1 2022: RON 29,920 thousand as compared to H1 2021: RON 18,218 thousand) mainly due to the increase in LIBOR and ROBOR reference rates.

The **losses from derivative financial instruments, net** was RON 2,446 thousand in H1 2022 and is related to a fixed-for-floating swap derivative on electricity with the purpose to secure the quantity of 10,795 MWh at a fixed price against the unpredictable increase of price for electricity acquisitions during January – March 2022. This loss is related to the positions settled during the period January - March 2022, due to the fact that the market price was below the fixed price of the contract, is included in the category Gains/ (losses) from derivative financial instruments, net in the Statement of profit or loss (in H1 2021: nil). As at 30 June 2022 no swap fixed-to-floating contract was outstanding, those previously concluded being settled by the end of March 2022 (as at 31 December 2021: RON 6,004 thousand, as a liability).

Net foreign exchange gains / (losses) represent amounts with no effect on the cash flow arising from the revaluation of the Group's loans and other foreign currency liabilities. In H1 2022 the amount of RON 63,339 thousand was recorded mainly arising from the revaluation of the Group's foreign currency loans and other liabilities (H1 2021: loss of RON 27,352 thousand). At ALRO's level, RON 59,100 thousand was recorded as net foreign exchange loss for H1 2022 as compared to a net loss of RON 25,265 thousand in H1 2021.

In H1 2022, the **net cash used in operating activities** was of RON 348,345 thousand, compared to H1 2021, when it managed to generate positive cash flows of RON 51,250 thousand. A similar trend was registered at **ALRO's level, the net cash flows used in operating activities** was RON 390,648 thousand in H1 2022 (H1 2021: net cash generated by operating activities of RON 30,483 thousand). Turnovers' positive evolution in H1 2022 as compared to H1 2021 was offset by the payments made by the Group and ALRO to its utilities and raw materials suppliers as a result of the inflation trend of the purchase prices in the analysed period, this situation being also visible in the increase of the Group's inventories.

The **net cash used in investing** was at Group's level of RON 123,367 thousand in H1 2022 versus H1 2021: RON 70,301 thousand and at ALRO's level RON 99,240 thousand in H1 2022 versus RON 49,613 thousand in H1 2021. The cash used represents the purchase of the new aluminium profile extrusion line and investments aimed at reducing the Group's dependency on electric power by developing the scrap recycling capacity, payments for the smelter pots relining with AP12LE technology, furnaces overhaul, and investments for the maintenance and improvement of the Group's equipment parameters. Also, the increase in H1 2022 comes from the restricted cash of RON 66,235 thousand both at ALRO Group and ALRO's level due to the new signed facilities in the analysed period.

The **net cash flows provided by financing activities** in H1 2022 was at Group's level of RON 347,129 thousand versus RON 27,780 thousand in H1 2021, and at ALRO's level **the net cash provided by financing activities** was RON 372,715 thousand in H1 2022 while in H1 2021 it was RON 30,039 thousand. These amounts relate mainly to the credit facility drawdowns contracted in March 2022, the loan refunding of the due instalments according to the repayment schedules agreed with the financing banks, and leasing debts, in H1 2022.

As at 30 June 2022, the Group reported **cash and cash equivalents** of RON 203,949 thousand (31 December 2021: RON 328,428 thousand). At **ALRO's level, the cash and cash equivalents** were of RON 187,917 thousand (31 December 2021: RON 305,090 thousand).

The **Group's total assets** were RON 3,236,038 thousand as at 30 June 2022, higher compared to RON 2,871,867 as at 31 December 2021. **The non-current assets** were RON 1,400,331 thousand as at 30 June 2022 versus 31 December 2021: RON 1,321,627 thousand, while **the current assets** were of RON 1,835,707 thousand in H1 2022 (31 December 2021: RON 1,550,240 thousand). The equivalent trend was registered by **ALRO**, which reported higher **total assets** of RON 2,868,346 thousand as of 30 June 2022 (31 December 2021: RON 2,617,795 thousand), out of which **non-current assets** of RON 1,385,093 thousand as at 30 June 2022 (31 December 2021: RON 1,342,574 thousand) and **current assets** of RON 1,483,253 thousand as at 30 June 2022 versus RON 1,275,221 thousand as at 31 December 2021.

In June 2022, the Group's subsidiary Vimetco Extrusion extruded the first billet using the new state-of-the-art aluminium profile extrusion press, following an investment of approximately EUR 10 million since the start of this project in March 2021 (the amount spent in H1 2022 was RON 40,991 thousand and RON 4,107 thousand in H1 2021). This new press supports the Group's strategy to increase its

production capacity for high-value-added aluminium products, thus offering its customers a broad portfolio of customised solutions. The new extrusion line will increase the annual production capacity by 10,000 tonnes of extruded products, thus reaching 35,000 tpa by the end of 2022.

Furthermore, to reduce its dependence on electricity, the Group invested in H1 2022 an amount of RON 10,451 thousand (H1 2021: RON 20 thousand) for the development of the aluminium scrap melting capacity in the Eco-Recycling Facility to ensure the molten metal required for the flat rolled products production. At the same time, the Group continued its key energy efficiency project AP12LE and relined with this innovative technology another 11 electrolysis pots in H1 2022.

The variance in the **non-current assets** on 30 June 2022 as compared to 31 December 2021 of RON 66,235 thousand consists of a collateral deposit set for a new facility of RON 470,000 thousand and a non-cash facility obtained from the banks in March 2022.

The Group **inventories** have increased by 29% (from RON 1,005,891 thousand at 31 December 2021 to RON 1,301,501 thousand at 30 June 2022) at ALRO's level approx. by 37% (from RON 740,290 thousand at 31 December 2021 to RON 1,013,591 thousand at 30 June 2022). This increase was a direct result of the adverse global circumstances caused by the geo-political situation, the first half of 2022 being marked by an immediate increase in energy prices which affected the aluminium industry due to the high energy intensity of this metal. At the same time, the dramatic boost of the natural gas prices at high levels affected the cost of alumina, putting pressure on aluminium production. At the same time, the unstable economic environment has influenced the prices of all raw materials, which have reached record levels, and thus the entire contracting process became challenging. All these factors caused an increase mainly in the value of the finished products by RON 178,694 thousand and of raw materials by RON 113,849 thousand at 30 June 2022 compared to the year's beginning.

Group's total liabilities increased by 19% and reached a level of RON 2,087,284 thousand as at 30 June 2022 (31 December 2021: RON 1,755,411 thousand) mainly as a result of the new credit facilities contracted by the Group in 2022. The level of the **Group's non-current liabilities** as at 30 June 2022 was RON 1,487,018 thousand (31 December 2021: RON 1,170,010 thousand), while the **Group's current liabilities** were RON 600,026 thousand of 30 June 2022 as compared to RON 585,401 thousand at 31 December 2021. **ALRO** reported **total liabilities** of RON 1,794,446 thousand as of 30 June 2022 (31 December 2021: RON 1,544,609 thousand), out of which **non-current liabilities** of RON 1,423,152 thousand as at 30 June 2022 (31 December 2021: RON 1,058,998 thousand) and **current liabilities** of RON 371,294 thousand as at 30 June 2022 versus RON 485,611 thousand as at 31 December 2021.

Bank and other loans: In January 2022, ALRO drew down the remaining available portion of USD 30,000 thousand from the credit facility in the amount of USD 40,000 thousand, received in June 2021 from an international bank. Also, in March 2022, ALRO signed a non-revolving working capital facility in the amount of RON 470,000 thousand with a consortium of banks. At 30 June 2022, an amount of RON 290,145 thousand was drawn from this facility (for more details see also *Note 20 Borrowings and leases of the*

Unaudited interim condensed consolidated and separate financial statements for the 6-month period ended 30 June 2022 included in 2022 Half-Year Report. Moreover, the significant appreciation of the US dollar against the Romanian leu as at 30 June 2022 (4.7424 USD/RON) as compared to 31 December 2021 (4.3707 USD/RON) affected the revaluation of the loans that the Group has contracted in USD in the sense of increasing their RON equivalent.

In May 2022 the Group subsidiary in Sierra Leone extended the existing overdraft facility of USD 615 thousand contracted from a commercial bank, until 31 May 2023. Also, in H1 2022 the subsidiary obtained another overdraft facility of USD 1,782 thousand with maturity in July 2022.

At 30 June 2022, the Group had the amount of RON 216,280 thousand undrawn and available from the borrowing facilities contracted with the banks (at 31 December 2021: RON 155,377 thousand) and the amount of RON 130,766 thousand unutilized and available from the non-cash facilities for letters of credit and letters of guarantee (at 31 December 2021: RON 22,867 thousand).

Operational analysis

ALRO Group

ALRO Group reported in H1 2022 a total production of cast aluminium of 118,638 tonnes, a lower level than the one reported in H1 2021 of 146,152 tonnes. The processed aluminium production registered a higher volume in H1 2022 than the one recorded in H1 2021 (H1 2022: 59,328 tonnes versus H1 2021: 54,736 tonnes), in line with the Company's strategy to focus on the production and sales of high-value-added products.

The alumina production was 99,487 tonnes in H1 2022, significantly lower than the one reported in the same period of the last year when it was 258,491 tonnes as it was aligned to the new business model of the Group. The same situation was for the bauxite production which recorded a lower level of 481,569 tonnes in H1 2022 compared to 632,176 tonnes in H1 2021.

ALRO

In H1 2022, the Company reported a decrease of 19% in the cast aluminium production compared to H1 2021, and an increase of 8% in the processed aluminium production.

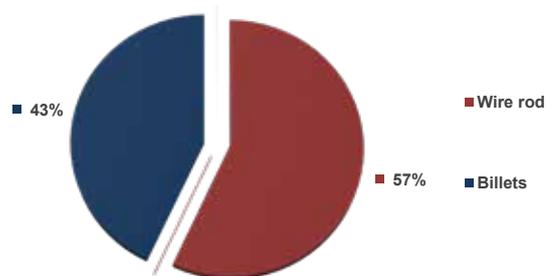
In H1 2022 the primary aluminium sales decreased and reported a level of 50,874 tonnes, compared to 82,700 tonnes in H1 2021, mainly due to the wire rod. The processed aluminium sales also decreased in the analysed period, being in H1 2022 of 41,876 tonnes compared to 43,741 tonnes in H1 2021.

Primary Aluminium segment

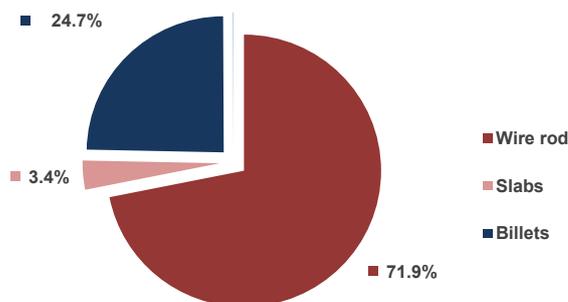
ALRO is the only producer of primary aluminium and aluminium alloys in Romania and one of the largest vertically integrated aluminium producers in Europe measured by production capacity. In H1 2022, the Company continued to improve the mix of products sold due to the implementation of the strategy focused on high value-added products. The main markets for ALRO's primary products in H1 2022 were Romania, the Czech Republic, Bulgaria, Hungary, Poland, Greece and Slovenia.

The structure of primary aluminium sales based on product types in H1 2022, compared to H1 2021 is presented below:

Primary aluminium: third party sales in H1 2022 (RON th)

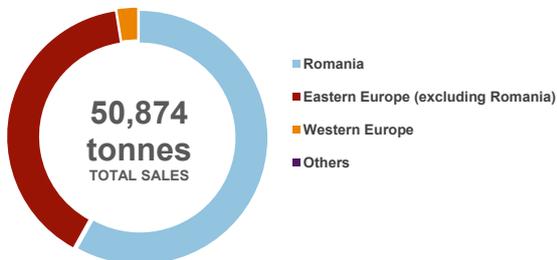


Primary aluminium: third party sales in H1 2021 (RON th)



The main primary aluminium markets in H1 2022 versus H1 2021 are detailed below:

Primary aluminium: main markets in H1 2022 (tonnes)



Primary aluminium: main markets in H1 2021 (tonnes)



Processed Aluminium Segment – FRPs and extruded products

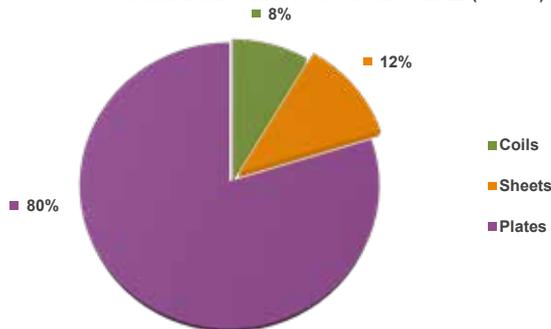
- Flat-rolled products (FRPs) -

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 plates and extruded products in H1 2022 as compared to H1 2021.

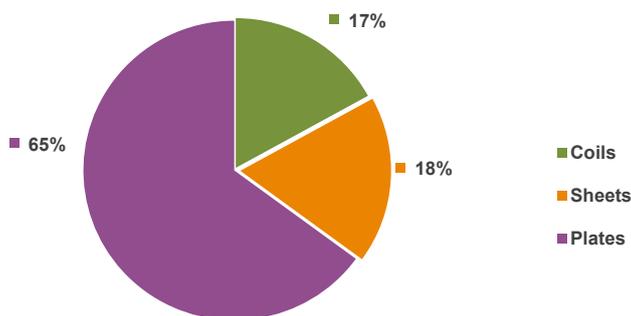
The main markets for ALRO's processed products in H1 2022 were Germany, France, Italy, the Czech Republic, Romania, Spain, Scandinavian countries, Great Britain, Turkey, Asia, and North America.

The structure of processed aluminium sales based on product types in H1 2022, compared to H1 2021 is detailed below:

Processed aluminium: Sales structure in H1 2022 (RON th)



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

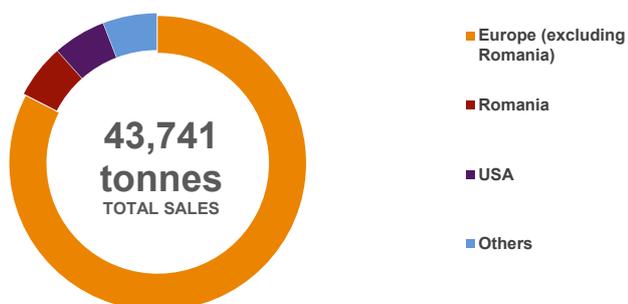


The processed aluminium markets in H1 2022 versus H1 2021 are detailed below:

Processed aluminium: main markets in H1 2022 (tonnes)



Processed aluminium: main markets in H1 2021 (tonnes)

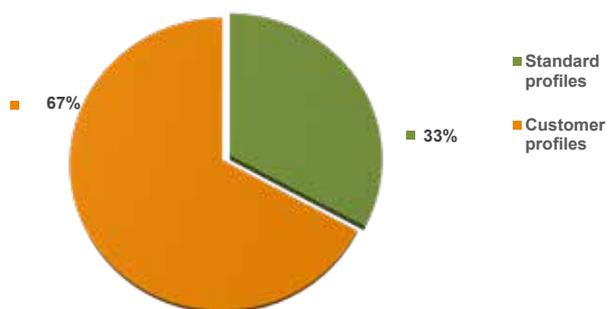


- Extruded Products (VE) -

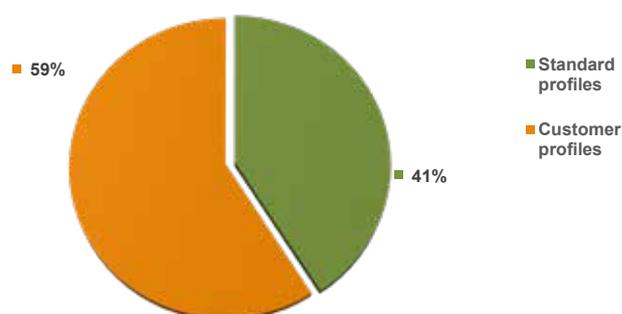
In H1 2022, Vimetco Extrusion consistently meets market demand with the right product mix by allocating the production capacity from a price and long-term profitability point of view most efficiently. Commercial conditions are adjusted on a short-term basis, in line with market evolution, keeping big players' impact on the worldwide economic environment into account. Moreover, in H1 2022, Vimetco Extrusion launched the solar roof hooks and welded beams, considered VHAVP products.

The structure of extruded products sales based on product types in H1 2022, compared to H1 2021, is detailed below:

Extruded products: Sales structure in H1 2022 (RON th)



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

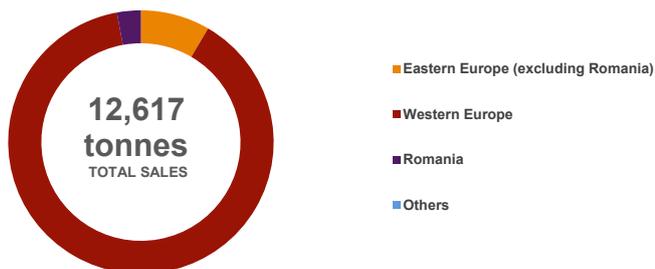


The extruded products markets in H1 2022 versus H1 2021 are detailed below:

Extruded products: main markets in H1 2022 (tonnes)



Extruded products: main markets in H1 2021 (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 2022, the Group did not buy or hold its shares;
- throughout H1 2022 no mergers or reorganizations took place;
- in H1 2022, 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

ALUM 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. Alumina is transported from Tulcea by rail to the Group's production facilities in Slatina. The refinery is located in Tulcea and uses tropical bauxite, meaning 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 utilize bauxite from other sources by implementing minor technological and equipment updates without incurring high costs or delays.

While primarily supplying alumina to the Group, ALUM sells aluminium hydrate and other alumina special products (including calcined alumina with different granulations, alumina "low soda," and alpha-alumina) to third party customers.

ALUM is listed on the ATS segment, AeRO category on the BSE, BBGA symbol since May 2015 and governed in a unitary system and the Board members are elected based on the vote of shareholders under OGSM and by full compliance with the legal requirements in force.

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), Igor Higer (member and Vice-Chairman), Marian Cilianu (Member), Mihaela Duralia (Member) and Ioan Popa (Independent Member).

In H1 2022, ALUM achieved production of alumina of 99,487 tonnes, lower by 62% than the previous year (H1 2021: 258,491 tonnes), on the background of lower demand as the company adjusted the operations at its production facility for 2022 to service ALRO's reduced needs for alumina. Consequently, the sales of alumina and hydrate to third parties decreased to RON 32,271 thousand, lower than RON 76,440 thousand in H1 2021. For H1 2022, ALUM reported a turnover of RON 333,022 thousand, lower than the level reported in H1 2021, when it was RON 387,449 thousand, as a direct consequence of the lower production.

In H1 2022, ALUM finalized the implementation of two investment projects:

- Modernization of a Digestion line by replacing the registers at the preheating and rehabilitation of two autoclaves agitation systems, and
- Acquisition and installation of steam flow measurement systems).

These investments are essential to increase the efficiency of the digestion tanks' thermal transfer and comply with the recommendations received from the Ministry of Environment and the Romanian Bureau of Legal Metrology (BRML).

The dramatic increase in energy product prices resulted in inflated calcined alumina production costs, which determined the temporary suspension of the production activity starting August 2022 and the purchase from the market of the calcined alumina necessary for ALRO's production activity. During this production activity suspension, the other auxiliary activities such as research activities, maintenance/repairs, and cleaning will be continued maintaining the certificates and authorizations. Consequently, the 2022 ALUM Investment Program has been revised and approved by BOD, which will continue only the investment objectives on the Environment line, compliance with ANRE recommendations and those strictly necessary for consolidation.

Regarding the energy efficiency projects, it was proposed and approved, the following:

- the completion of all documentation for the project „Increase the energy efficiency of ALUM power supply through the installation of a photovoltaic power station within ALUM SA (providing carbon emission reduction and complying with EU's objectives regarding the renewable source energy production)" and postponing the submission for analysis and obtaining co-financing in a session after the one closed on 15 June 2022;
- the postponement of signing the co-financing contract for the project „Implementation of an intelligent energy consumption monitoring system within ALUM" until February 2023;
- the continuation and finalization of the updated Feasibility Study and preparation following the Guide issued for PNRR of the financing documentation for the project „12MWe high-efficiency cogeneration power plant";
- the postponement for the resubmission of the documentation related to the project „Fostering investments within ALUM by acquiring high technology fixed assets".

For one of ALUM's EU projects, at the beginning of July, a team of two employees participated in an event organized at Holcim Innovation Center, Saint Quentin Fallavier.

In H1 2022, ALUM had a partnership with local Technological Highschool "Henri Coanda", Technical University of Constructions of Bucharest (for the project related to the increase of the storage capacity of the sludge dump), also with the Polytechnic University of Bucharest and "Universitatea de Vest" Timisoara (co-operation for the studies required by the EU co-financed project).

In March 2022, ALUM obtained the annual visa for the integrated environmental permit; in April 2022, it revised the integrated environmental permit. The purpose of the review was to introduce the new investments made in the authorisation.

By the end of the year, ALUM will implement the Steam flow and temperature adjustment for digestion batteries needed to support ANRE proposals to reduce specific energy consumption and ensure optimal heat transfer between steam and bauxite pulp in live steam heating autoclaves.

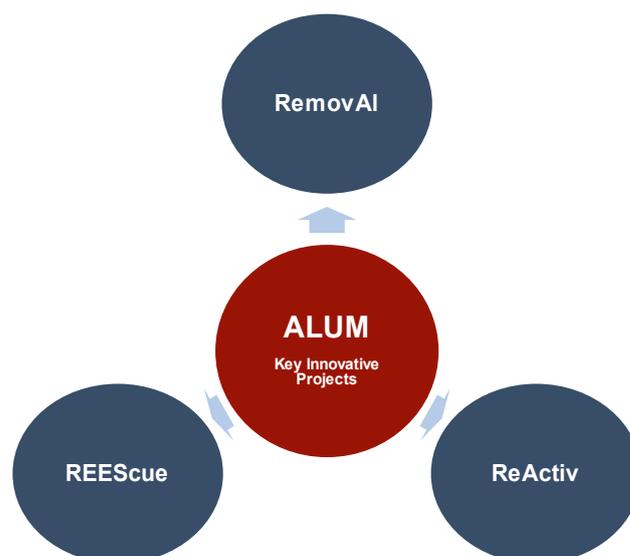
In October 2022, ALUM will recertify the integrated quality - environment - health and safety at work - energy management system according to the following reference standards: SR EN ISO 9001: 2015; SR EN ISO 14001: 2015, SR EN ISO 45001: 2018 and SR EN ISO 50001: 2019.

RemovAl Project

ALUM is an active part of RemovAl, a project consortium spanning 12 European countries (11 EU member states and one associated Country-Norway), bringing together different expertise and know-how. Among the 26 participants in the consortium, there are eight large production industries and companies, ten SMEs, six academic and research institute partners, and two industry associations. Three plants represent the alumina sector (44% of European alumina production) as the key-stakeholder and waste producers, one legacy site, the European Aluminium Association, and the International Aluminium Institute.

The ambition of RemovAL is straightforward: to overcome environmental issues and technological barriers related to the aluminium industry by combining and advancing existing technologies for the sustainable processing of BR (Bauxite Residue), SPL (Spent Pot Lining, i.e. the residue obtained in the electrolysis process) and other by-products generating revenue. The following processing technologies form the nodes through which different paths can be drawn, depending on waste characteristics, availability, and logistics among waste producers and end-users.

Currently, the project is under finalization stage. ALUM will participate at Final RemovAl Cross-Fertilisation Conference in Athens in October 2022. The project will be closed in March 2023.



REEScue Project

The industrially driven consortium of REEScue is coordinated by "The National Technical University of Athens" (Greece). At the same time, three alumina refineries (Aluminium of Greece - Greece, ETI Seydisehir Alüminyum S.A. Turkey, Alum SA Romania) take part in it with another university, "Necmettin Erbakan Üniversitesi Turke", with long track records in their field of expertise.

This project's main aim is to efficiently exploit European bauxite residues resulting from alumina production, containing appreciable concentrations of scandium and REEs (Rare Earth Elements), through developing several innovative extraction and separation technologies that can efficiently address the drawbacks of the existing solutions. An appropriate laboratory and bench-scale will validate the proposed solutions. The overall target is to develop a stable and secure EU CRM (Critical Raw Materials) supply chain to serve the needs of the EU high-tech industry.

In this respect, the starting point of the proposed research is on Technological Readiness Level (TRL 3), and after the project, completion will be Level 5 (TRL 5). This project will unlock vast potential for industrial uptake by the project partners. The project started on 1st of October 2020 and for three years (until the end of March 2023). ALUM is one of the work packages leaders, work package 8 = WP8 "Dissemination-Exploitation of Project results." It is actively involved in reducing bauxite residues and reintroducing them into the economic circuit of these by-products resulting from the alumina production process.

At the date of this report, the project is ongoing, according to the agreed schedule, and the first review and report meeting of the projects were organised in the presence of EU officers.

ReActiv Project

The Industrial Residue activation for sustainable cement production project ("ReActiv") will create a novel sustainable value chain, linking bauxite residue, the by-product of alumina production, with the cement industry. ReActiv focuses on transforming a currently unexploited industrial residue from the alumina sector, Bauxite Residue, into active material for new sustainable cement products. In ReActiv, ALUM participates as a stakeholder, providing appropriate samples of bauxite residue to be processed in the project and contributing to the feasibility studies and business plan development, especially regarding potential technology deployment at cement plants. The project is estimated to be finalized in four years after the starting date in 2021.

The ReActiv project will deploy new technologies that will transform the bauxite residue into a re-active material for low CO₂ cement production, to substitute 30% to 50% of clinker, the main component of cement. The process will provide much lower costs and produce novel cement products with equal or better performances while reducing emissions related to production by at least 30%.

Moreover, the ReActiv project's objectives are to:

- reduce by at least 30% of the primary raw material use per a tonne of cement; cut-off waste generation by at least 25%;
- provide significant energy savings and reductions in CO₂ emissions;
- establish the secure and sustainable provision of secondary resources at a total cost lower than existing solutions and to provide a sustainable method that can be replicated across industries.

The project began under Lafarge coordination. ALUM's technical and scientific report was submitted to the national financing authority (UEFSCD) and received an excellent score.

VIMETCO EXTRUSION

The extrusion shop operated by Vimetco Extrusion ("VE") represents the largest 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's administrative and managerial offices are in Romania, headquartered in 1, Milcov Street, Slatina, Ilt County, Romania.

Vimetco Extrusion Executive Management is composed of Mr Igor Higer – CEO, Mrs Stefania Yaksan – CFO. At the date of this Report, Vimetco Extrusion Board of Directors is composed of five members: Igor Higer (Chairman), Mr Arie Shimon Meisel (Member), Mr Per Lyngaa (Member), Ms Stefania Yaksan (Member) and Mr Costel Pirvu (Member).

Through Vimetco Extrusion, the Group uses the billets produced by ALRO in its primary aluminium division. VE manufactures and sells a wide range of extruded profiles, such as aluminium bars, tubes, etc. 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 most of aluminium's unique combination of physical characteristics. Its formability allows it to be easily machined and cast, 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.

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, different aluminium metal structures, photovoltaic panels. The Group's extruded products are also used in the building and interior design industries, with curtain-walling, ceilings, partitions, railings, and panels being some of the various aluminium applications. Also, extruded products are used in lighting, air conditioning/ ventilation systems, reflectors, and the photovoltaic energy industry.

Continuing the expanding strategy for HVAPs and VHVAPs and maintaining its position as the first choice for its customers, Vimetco Extrusion registered in 2021 an upward trend in volumes of customized profiles. Total sales in H1 2022 were 13,900 tonnes, of which 65% (i.e. 9,000 tonnes) represented the added-value products, a new record in sales volumes. Moreover, by offering mechanical and surface-treated profiles, Vimetco Extrusion has brought the aluminium profiles to another level: closer to extruded finished products. In cooperation with a new customer from UK, VE received the first order for welded products.

After the COVID-19 pandemic outbreak, the Russia-Ukraine conflict has hit the extrusion industry with new challenges. Thus, the aluminium extruders were also under considerable pressure considering the risk of supply disruptions followed by an energy crisis even though the LME prices have reached record levels. Overall, the conflict in Ukraine has created new uncertainties for the extrusion market. Customers were concerned with supply availability and increased prices and had chosen to stockpile, creating strong demand over the coming period after the invasion. The strong inflation, higher conversion fees and costs soon softened the demand.

If, at the end of 2021, the demand exceeded the European capacities, in H1 2022, a drawback started to be felt across all the major sectors: building & construction, transportation and general engineering, consumer and electrical. Pressured by the low demand and full warehouses, the whole traders started a high-price destocking policy. However, renewable energy supplies are still a significant sector where the growth continues.

VE is keeping up with market demand, and the products for the solar industry were developed by investing in technical capabilities, both in the extrusion line and Added Fabrication department. The solar products represent 32% (around 2,800 tonnes) of the special products sales reported for H1 2022, while in the full year 2021, these represented 12%, about 3,000 tonnes. In H1 2022, Vimetco Extrusion reported sales of 13,869 tonnes, higher by 10% compared to H1 2021, when the company sold 12,617 tonnes. The turnover to third parties more than doubled in H1 2022 and reached RON 355,220 thousand (H1 2021: RON 173,268 thousand), as the company took advantage of the higher demand for its products in the analysed period.

From a medium and long-term perspective, VE's goal is to fulfil the new 40% increased press capacity and diversify product mix and geographical distribution, i.e. reduce the dependency on the specific market such as Germany. Vimetco Extrusion's reputation in the market as a reliable, competitive, and fair partner is a strong sales point. Having a constant and consistent approach towards our customers offered them security. Our brand provides trust, durability, and reliability.

Moreover, Vimetco Extrusion has been a very active member in the business environment. It has always focused on keeping up with the market trends through participation in international exhibitions, membership in the European Aluminium Association, and the Aluminium Stewardship Initiative, supporting the best interests of the aluminium industry for sustainable growth.

Although the largest show in the Aluminium industry, the Dusseldorf Exhibition, was postponed from 2020 to September 2022, the business development continued with online conferences that replaced the face to face meetings. Most of VE's efforts went toward satisfying demand from existing partners due to limited production capacity while increasing the share of special products. We gained new customers in the solar, building and construction, transportation, engineering & furniture industries.

In H1 2022, VE achieved new markets and customers with a positive product mix and geographical distribution outcome. Hence, VE has increased the share of value-added products, including solar roof hook systems, construction beams, and aluminium hinges.

For H2 2022, Vimetco Extrusion consistently meets market demand with the right product mix by allocating the production capacity from a price and long-term profitability point of view most efficiently. The commercial conditions are adjusted on a short-term basis, in line with market evolution.

Regarding the Procurement & Logistics area, in H1 2022, Vimetco Extrusion made a EUR 760,000 investment in new equipment for Added Fabrication and Welding departments and infrastructure and repair of the floor in the factory and equipment connected to the new extrusion line.

The structure of extrusion raw material (aluminium billets) supplied in H1 2022 reached 97.2% in the local market and 2.8% in the international market.

Moreover, VE selected seven new suppliers during the analysed period.

For H2 2022, Vimetco Extrusion plans to maintain the same strategy of improving its cost structure and adding new suppliers to its database to optimize its entire Procurement & Logistics activity.

In the current context marked by a rise of commodity prices due to post-COVID 19 demand and supply shocks, the unbalanced central banks' monetary stimulus caused general inflation in the EU economy and most of the world. Since February 2022, the energy prices have become even more alarming, as the war in Ukraine and the reduction of energy supplies from Russia to the EU have caused increased pressure on energy prices in Europe. ECB is considering the removal of monetary stimulus, i.e. increase of interest rate, reducing sovereign bonds purchase, etc. But the significant reduction of stimulus to restrain the demand side of inflation is complicated due to the high debt levels of EU members, who have issues paying rising interest for sovereign bonds. VE considers all possible alternatives to obtain optimal purchasing prices and the best interest rate for debt financing. Workforce costs increase aligned with the market to keep the labour force satisfied and productive.

In H1 2022, the main investment and operations improvement projects refer to:

- Finalize installation of a new 7"Extrusion line to increase the overall capacity to 35,000 tonnes of extruded profiles;
- Re-start Automatic Packing project;
- Increase the Packing Department capacity by working 24/7 starting September;

- Increase the percentage of HVAPs and VHVAPs: HVAPs - roof hooks, solar systems, assembled parts by investing in equipment able to satisfy customer requirements in terms of Add Fab products, machines able to do more operations at the same time, and VHVAPs-welded products delivery starting September 2022 - in H1 2022, VE managed to acquire all needed equipment and other necessary machines to be able to deliver first welded project - beams and other separate projects for welded products under analysis.

Also, Vimetco Extrusion is planning to invest in increasing its final end-product portfolio. Considering the market opportunities and high demanding requests/capacities, VE invested in equipment and machines to expand its portfolio with several operations such as outsourcing for anodizing, painted profiles and CNC machining, welding operations, tumbling and threading, and final products assembly.

By the end of 2022, VE plans the commissioning for the new press. Moreover, VE will launch new products in the latest welding department, the most recent activity in VE.

In H1 2022, Vimetco Extrusion continued the digitalization project in the HR Department, with the primary goal of reducing hard copy documents.

Some of the significant programmes implemented are the annual training approved for both TESA and Production, which includes both external and internal training, created based on each department's necessity and a bonus system at the company level for TESA employees.

The recruitment program aims to bring together various talents in the company. Colleagues of other nationalities joined the Vimetco Extrusion team in H1 2022.

For H2 2022, VE is planning to finish the digitalization process of the HR department, which refers to the implementation of HR equipment, self-service in the factory for certificates and flyers and leave requests. Moreover, the company intends to offer internships to students in the relevant departments.

Furthermore, in H1 2022, Vimetco Extrusion remained an active member of society. VE offered a sponsorship within the "Energy for Life" campaign, which aims to install a photovoltaic system consisting of photovoltaic panels in five isolated households in the Vrancea Mountains.

At the end of 2020, ALRO and Vimetco Extrusion adhered to ASI (Aluminium Stewardship Initiative), 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. In 2021, ALRO and VE started the steps necessary to obtain the ASI Certification. Both companies set up dedicated multi-disciplinary teams to run a self-assessment process against ASI Performance Standards. After finishing this phase, each company will pass a certification audit.

Vimetco Extrusion remains the main supplier for the most important names in the distribution field in terms of standard profiles and customized products and for important end-users.

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 entered into 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.

The Executive Management of SMHL consists of Alexander Ivanov (Country Manager), Basudeb Datta (General Manager), and Abdul Bangura (Chief Financial Officer). The Board of Directors comprises three members, as follows: Igor Higer (Member), Steluta-Mariana Despa-Niculae (Member), and Roman Bulat (Member).

In H1 2022, SMHL produced 481,569 tonnes of bauxite, less by 24% compared to H1 2021, when it produced 632,176 tonnes in line with the new business model adopted by the Group starting in 2022. In terms of sales, the level reported in H1 2022 was RON 87,735 thousand, close to the value reported in H1 2021 of RON 82,383 thousand.

In May 2022, SMHL extended the existing overdraft limit of USD 615 thousand up to the end of May 2023, of which USD 378 thousand were used. Also, in May 2022, SMHL obtained another overdraft limit of USD 1,561 thousand to cover the transshipment expenses for third parties' sales; in June, SMHL got another overdraft facility of USD 620 thousand from a local bank. As of the end of June, the total inflow value from financing is USD 2,561 thousand.

SMHL's main goal is to secure a long-term offtake agreement(s) for bauxite with one and several external buyers. Another goal is to develop current production capacities (Washing plant, Dryer) and port and transshipment capabilities to enable SMHL to meet the requirement of loading cape-size vessels at a minimum of 12,000 tonnes daily.

For H2 2022, SMHL perseveres toward securing sales of four cape-size vessels and plans to start investing in developing its Nitti port drying, loading facilities and marine fleet to enhance its transshipment capacity.

Regarding the production activity, in H1 2022, the exploration work continued in the northern part of SMHL Concession to conclude the JORC 2012 resource and reserve estimates for SMHL. In the context of the energy and gas crisis and conflict in Ukraine, exports to the Group reduced during H1 2022. However, SMHL ramped the marketing of its bauxite to the external market for offtakes.

In the medium and long term, SMHL plans to align its operations and business strategy with the overall goal of transforming from Vertical integrated supramax supply mode to external cape supply mode to external buyers. Strike deals with reputed external buyers for bauxite sales and potential investment for developing required operations infrastructure for the Cape model.

SMHL pays close attention to its environmental footprint; thus, the effluent from the wash plant is being recycled and reused for the Wet beneficiation processes of SMHL.

In terms of sales, in H1 2022, the bauxite internal sales level reduced and finally stopped. The European consumers also became conservative about booking smaller vessels due to the overrated freight market. However, in the medium and long term, SMHL is preparing to secure long periods of reliable, reputed external bauxite sales to guarantee smooth bauxite export. Moreover, it plans to develop the required production capacity and invest in the required Nitti port infrastructure along with the transshipment fleet and drying facilities of SMHL to support Cape size sales demand.

Furthermore, in H1 2022, SMHL attended to Metal Bulletin 2022 International Bauxite Conference and secured two new external buyers for SMHL, and the company delivered trial shipments. Correspondingly, engagements are ongoing with various potential investors to develop SMHL production facilities and expand port facilities in the future to complement SMHL's Cape model.

SMHL commenced shipment in a new format - in Cape size vessels and New Castle Max vessels instead of Supramax. It influenced the frequency of sales (two big ships in June and July and another four big vessels are expected to be sold in October-December) and hence the frequency of cash inflow.

SMHL has one inflow in two months, affecting the timing of the settlement of SMHL's obligations. Also, the shipment chain changed, and in transshipment operations, rented floating cranes and an additional rented river fleet are involved. From an economic environment point of view, the denomination of leones in Sierra Leone will change since the 1st of July 2022, the new conversion rate of 1,000 old leone will be introduced: 1 SLE = 1,000 SLL).

The global energy crisis affected two significant aspects of SMHL's operations:

- Sales chain in terms of reduction of sales to ALUM from 1.5 million tonnes to 0.15 million tonnes and rearrangement of sales mode to a giant vessel;
- The increase in costs of fuel and lubricants in Sierra Leone and other items depending on fuel prices, for example, haulage rates.

Regarding its environmental impact, SMHL still relies on fuel for its Energy needs due to the Ukraine-Russia conflict, the company experienced an increase in the fuel price in the analysed period with a significant impact on the mine's operational cost.

The Ministry of Environment, through the Environment and Climate Change Department, plays an oversight role in developing legal instruments and policies relating to environmental protection, climate change, and pollution control. Sierra Leone has signed many UN framework conventions on Environment Protection & Climate Change.

In H2 2022, SMHL plans to continue with fossil fuels as the main source of energy supply. SMHL will push for carbon offsetting to replace and reduce carbon emissions by planting trees around the mine sites.

Following the scaling down of bauxite sales to ALUM, SMHL started an emergency marketing plan focusing on external bauxite sales and managed to negotiate two trial Capesize vessels during the second quarter of 2022. Therefore, SMHL had to bring back the staff previously sent on technological unemployment in the first quarter of 2022 as a part of the anti-crisis plan to support the company's production and sales volume demand during the analysed period. However, due to the significant rise in fuel price in Sierra Leone (almost double compared to previous years), SMHL production cost has been significantly impacted, causing a cash deficit. SMHL Management continues its effort to streamline its operations, manage its costs and, simultaneously, start the logistics chain transformation from Supramax set up to Capesize set up as part of its short to medium terms goals.

In H1 2022, SMHL suspended all training programs due to the financial crisis. The company did not participate in any national or international event. However, the company is partnering with JADA, a technical and vocational training centre, within its operations.

However, in March 2022, among the programs implemented in H1 2022 was the Quarterly Employee Engagement meeting called Fambul Tok. This meeting brought together top management and employees from all departments to update them on what obtains in the business, while listening to their concerns.

Regarding diversity programs, SMHL's job advertisements reach a wide range of people in the country. Certain positions (based on the skillset required) are given to candidates within our operational areas. Our company has many foreign employees from different backgrounds (India, Russia, Romania, Ghana, Nigeria, Philippines, Nepal etc.).

As a prerequisite from the Government of Sierra Leone to obtain an operating license, a quarterly audit is performed on SMHL Operations by the Environmental Protection Agency.

Through the Community Development Agreement, SMHL supports several investments and social and educational projects for local community development within the mining communities. Locally, SMHL is involved in CSR activities. For example, it built a 100-bed capacity hospital in its operational area, provided school buses and food items to the Children of the Nation Orphanage and provided fuel support to The Sierra Leone Police and Military base in its community.

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 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. carried out 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 of its entire shareholding in ALRO.

ALRO's project for vertical integration in terms of ensuring the electricity necessary for its own consumption is aimed to be developed through the Group's subsidiary, Conef SA. Thus, one of the Group's main projects is the building and commissioning inside ALRO's platform in Slatina of a combined cycle power plant on natural gas with a capacity of 470 MW. The estimated

benefits for ALRO will be reflected both in the efficiency of the company's electricity supply, but also in ensuring a safe and continuous supply for balancing the Romanian Power System by the operator of the electricity network of new renewable energy sources in the Southwest Oltenia. In addition, this project will at the same time support Romania's transition to the extensive use of clean energy, without greenhouse gas emissions, by replacing coal-fired power generation capacities with new electricity producing capacities based on natural gas. In addition, after the maturing of hydrogen/ synthetic natural gas (green gas) production technologies, these new electricity generation capacities will be able to be switched to the new type of fuel with minimal costs (hydrogen-ready gas turbines).

The Executive Management of Conef is provided by Mr. Marian Nastase – CEO, Mr. Serghei Catrinescu – Deputy CEO and Mr. Constantin Ciobanu – Sole Director.

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 2022, the Parent-Company and subsidiaries are parties to various litigations 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.

COVID-19 pandemic updates and evolution

In H1 2022, ALRO and its subsidiaries continued to follow the comprehensive measures implemented from an early stage of the coronavirus pandemic for ensuring the health of employees, their families, and friends while preventing the spreading of this virus within its facilities. The Emergency and Coordination Committees set up at each company level with the central role to supervise and monitor the health condition of all employees continued to stay on alert 24/7.

The preventive measures to limit and mitigate the spread of the COVID-19 virus within the Group companies' premises are detailed below:

- Around 70% of the Group's employees are vaccinated. In May 2021, the Group opened two vaccination points for its employees and their families, one in Slatina and one in Tulcea;
- Management implemented work-from-home, including for those TESA employees for whom it was possible from a daily activity perspective and interaction was minimized;
- Management identified the vulnerable persons (e.g., persons that are over 60 years old, pregnant women, employees having chronic diseases prone to illness) to protect them better;
- Several disinfection stations points are placed within the plants, and each company implemented regular disinfection both in the production facilities and in the offices' areas;
- All employees received masks, bottled water, visors for face protection, gloves, disinfectants, etc. and all employees have been instructed how to act to prevent their infection with COVID-19 and have to report daily their health status;
- All companies have procedures for contingency plans for the situation when one or more the employees would get infected with COVID-19, preventing thus the appearance of any disruption in their essential daily activities;
- All companies placed several materials with information to prevent and mitigate coronavirus spreading and effects inside the working areas.

Moreover, ALRO has its own private and fully operational Fire Brigade inside the production facility and its own healthcare office. ALRO has benefited from substantial support from its affiliated security company, Rivergate Fire, during the past two years. All these entities are on full alert 24/7.

EU-ETS Compensation Scheme

The State aid scheme supporting companies in the sectors and subsectors considered to be exposed to a significant risk of carbon leakage due to the transfer of the greenhouse gas emissions ("GHG") costs into the electricity price introduced by the Emergency Ordinance no. 81/2019 covers the years 2019 and 2020. This scheme was based on the Communication from the Commission 2012/C 158/04 "Guidelines on certain State aid measures in the context of the GHG trading scheme post-2012," which was applicable until 31 December 2020.

The Commission adopted in September 2020 the new ETS State Aid Guidelines post-2021 "Guidelines on certain State aid measures in the context of the system for GHG allowance trading post-2021," which entered into force on 1 January 2021, apply until 2030 and replaces the Guidelines mentioned above.

For the Romanian support scheme to apply from 2021 onwards, the local authorities must modify the national support scheme (GEO 81/2019 with the subsequent modifications and completions) according to the new Guideline and notify the European Commission for approval. After EC approves it, the national authorities will start implementing the state aid scheme. Currently, this scheme has been set by the Ministry of Energy for the period 2021-2030 and sent for approval. In line with the Guide issued by the European Commission ("Guidelines on certain State aid measures in the context of the system for GHG allowance trading post-2021"), ALRO is included in the appendix with the sectors which still qualify for this support scheme and the Company expects that once this scheme is implemented to benefit from this support during the entire period between 2021-2030.

The European Commission lifts suspension of anti-dumping duties on Chinese FRPs

On 8 July 2022, the European Commission decided not to prolong the 9-month suspension of the definitive anti-dumping duties on imports of aluminium flat-rolled products (FRPs) originating in China. Following last year's anti-dumping investigation conducted by the European Commission, the duties on the Chinese aluminium flat-rolled products are set at 14% to 25% to raise the dumped prices to market conformity and will apply as of 12 July 2022 and will generally be in place for four years and three months until October 2026. China's excessive state subsidies have played a significant role in building China's aluminium industry, which holds a 60% global market share.

This lifting represents Europe's defence against unfair trade and implements a robust industrial strategy that prioritises value chains based on their contribution to the European Green Deal.

Other information

ALUM, the upstream subsidiary of the Group and the only calcinated refinery located in Romania, faces dramatic competitive challenges in front of other European and international alumina refineries, which benefit from local advantages. The plant will keep a key group of specialists to perform R&D, alumina supply logistics, maintenance, and repair works and be ready for a quick restart and ramp up production when the energy market conditions improve. The energy crisis has escalated the economic situation generated by the pandemic from 2021 due to the accelerated increase of electricity and natural gas prices, negatively impacting the production costs for calcined alumina and electrolytic aluminium. The natural gas cost per tonne of alumina is significantly higher than the actual price of one tonne of alumina imported and delivered to ALRO.

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

Changes in the Board of Directors and Executive Management within ALRO Group

During the reporting period, the following changes took place within the Board or in the management structure of the Group:

- **ALRO:** following the resignations from the Board of Directors of Mr Aleksandr Barabanov, Mr Pavel Primakov and Mr Pavel Machitski, the Company proceeded according to the legal provisions to appoint Ms Genoveva Nastase, Mr Igor Higer and Mr Dragos Adrian Voncu as administrators;
- **ALUM:** following the resignation from the Board of Directors of Mr. Aleksandr Barabanov, the company proceeded according to the legal provisions to appoint Mr Igor Higer as Member and Vice-Chairman of the Board of Directors;
- **Vimetco Extrusion:** Mr Costel Pirvu, Vimetco Extrusion's Plant Director was appointed as a Member of Vimetco Extrusion's Board of Directors following Mr Aleksandr Barabanov's resignation from the Board.
- **SMHL:** following the resignation of Mr Pavel Machitski from the Board of Directors of Sierra Mineral Holdings I, Ltd, the Group's subsidiary in Sierra Leone, Mr Igor Higer was appointed as a member of the Board of Directors in that company.
- **Conef** – no changes;
- **Other companies** – no changes.

Other information regarding ALRO and ALRO Group

ALRO, governed in a unitary system aligns its activity with the global corporate governance best practices and 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 a member of 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 2022 there were no amendments regarding the shares owner rights.

Related Party transactions

The Group and the Company enter 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 balances of acquisitions, debts and receivables (if applicable) regarding significant transactions with related parties on 30 June 2022 are presented in the Unaudited Interim Consolidated and Separate Financial Statements for the financial year ended 30 June 2022. 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 PLC, Vimetco N.V. (in liquidation), Paval Holding SRL, 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.

For more information, about significant transactions with related parties as defined by *IAS 24 Reporting Transactions with Related Parties* under IFRS at the date of this Report, please see *Note 22 Related party transactions* of the Unaudited interim condensed consolidated and separate financial statements for the 6-month period ended 30 June 2022 included in 2022 Half-Year Report.

Corporate Social Responsibility

Corporate Social Responsibility represents the management commitment materialized in several processes, policies, procedures, actions, and initiatives that represent an integrated part of the Group's business strategy. The business contributes to developing a sustainable and performing society in every area. The concept of corporate social responsibility also refers to the companies' involvement in solving some of the communities' problems where it operates.

The benefits of implementing the social responsibility management system are:

- Demonstrates commitment to business ethics and social responsibility;
- Protects the corporate brand;
- Enhanced reputation as a responsible corporate citizen;
- Consumers' confidence and a positive perception of investors;
- Better employee morale;
- A properly working environment, safe and fair;
- Promotes the principles of professional ethics;
- Improved working conditions;
- Commercial risk management mitigation;
- Differentiation from other global competitors.

ALRO Group is actively involved in communities' lives by engaging in corporate responsibility programs, from providing social assistance or goods for events following natural disasters to education, sports, and health programs. The Group's management believes in the sustainable development of society, being constantly concerned with improving and developing partnerships and sponsorships, promoting and encouraging CSR practices and principles, protecting the environment, and contributing to the well-being of the communities' members.

The Group has a policy that constantly identifies individuals interested in its activities, recognizes their legal rights, and encourages their cooperation with the companies within the Group to create wealth jobs and ensure the sustainability of a financially sound enterprise. ALRO publishes each year a CSR Report, which details all the actions and measures implemented for the community. As described above, in H1 2022, partnerships, donations, and sponsorships were the main interaction with the community. Based on the existing internal procedure available at each company level, we have established a transparent and non-discriminatory system for selecting and granting sponsorships.

Thus, within each company, we established a Sponsorship Commission, which meets every month and analyses the requests received based on the following criteria:

- The legal nature and object of activity of the applicant
- The value of the sponsorship
- The use and justification of the sponsorship
- Other specific criteria

We have established a specific department within each company that is responsible for receiving, registering, and submitting sponsorship requests. All requests are redirected to the Sponsorship Commission's Secretary to be analysed by the members of the Commission. To verify the purposes for which the various sponsorships were granted, we established a monitoring and verification system that contains both specific contractual clauses and the realization by the beneficiaries of detailed implementation reports and on-site visits.

ALRO Group believes in sustainable development, which contributes to the Group's growth and represents a step forward to developing innovative aluminium solutions. The Group supplies VHVP to technically demanding customers in the aerospace and automotive industries. It is proud to report that its lightweight aluminium contributes to the fuel efficiency of planes and vehicles, thus reducing emission levels.

The Group is aware of the critical role in the communities in which it activates, so it acts with the responsibility to positively influence them through its operations ALRO has a decisive role in the community's economic, social, cultural, and sports life.

Moreover, ALRO, the Parent-Company, due to its economic and financial potential and 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 for the entire Romanian industry. ALRO is an example of how technical and financial management are blended 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 and the development of the national economy while ensuring a large number of jobs. ALRO is also a significant contributor to the local and national budgets.

In H1 2022, ALRO continued to contribute and provide support in various cultural, sports and educational actions and activities as well as social activities. ALRO made several 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.

The other Group's subsidiaries are actively involved, as well, in the activity and welfare of the communities in which they operate.

ALUM is a company present in the local community through events or activities with a strong social character. Also, it maintained a continuous dialogue with the local community. ALUM's representatives are involved as active members in various organizations such as The Red Cross in Romania, the County Commission for Equal Opportunities for Women and Men, the Local Development Committee of the Tulcea Social Partnership, the Tripartite Consultative Council set up at Tulcea County Labour Inspectorate, etc. Furthermore, in H1 2022, ALUM has been involved in the relationship with the community by providing material support to disadvantaged groups.

At the initiative of ALUM's employees, during the Easter holidays voluntary actions were taken to collect material goods (clothes, sweets, books, toys, etc.) for children from disadvantaged families and food for a few needy families. Also, during the holidays, ALUM offered food and gifts to institutionalized children and older people.

The other Group's subsidiary, SMHL, is also an active member of Sierra Leone communities. More attention is paid to environmental protection considering the environmental footprint of mining and to projects that support the social and educational activities in this area.

Furthermore, the downstream subsidiary, Vimetco Extrusion, plays an essential role in the local community through different educational, cultural, and corporate social responsibility actions.

Human resources development

The Group encourages and promotes projects aimed to ensure the personal and professional development of its employees, as well as the communities in which they operate. Commercial relations with local suppliers are supported and encouraged within the Group, contributing to their development.

The Company has implemented annual employee performance assessments to track specific indicators of employee activity, and subsequently, those with outstanding performances can be encouraged and rewarded.

The Group's human resources policy has the following objective:

- Establishing the organisational framework within each Company (i.e. organisational chart, internal regulations, code of conduct, job descriptions, operational procedures, assessment forms, etc.);
- Quantitative and qualitative dimensioning of the necessary workforce by each activity sector, training and continuous development of professional skills, harmonising the employees flow, inputs, outputs and internal mobility;
- Knowing the external business environment to identify opportunities and threats which can determine, positively or negatively, the personnel recruiting and selection activities, as well as identifying the strengths and weaknesses in the internal environment;
- Optimising the use of personnel by allocating employees on positions based on training, skills and professional competencies for them to complete their tasks and duties efficiently;
- Training and professional development, professional assessment and career management;
- Motivating the employees to increase satisfaction and commitment in reaching goals and completing their tasks;
- Developing an organisational culture based on harmonising the organization's interest with those of its employees, including competence, commitment, collaboration, care, loyalty, order and discipline, non-discrimination. The labour law and internal regulations are strictly followed to manage potential labour disputes, individual or collective, to prevent the events that may disrupt the organization's activities;
- Employees' involvement in decision-making activities by developing horizontal and vertical communication, promoting a transparent and fair social dialogue with trade unions, conformation with the commitments assumed in the collective labour agreement;

- Ensuring the conditions for employees to carry their day-to-day activities in a 'zero-risk' environment;
- Banning any form of direct or indirect discrimination against employees based on gender, sexual orientation, genetic characteristics, age, national origin, race, colour, ethnicity, religion, political beliefs, disability, family situation or responsibility, trade union membership or activity, as well as acts and deeds of exclusion, distinction, restriction or preference based on one or more of the above criteria, which have the purpose or effect of denial, restriction or elimination of recognition, use or exercise of rights stipulated in the labour legislation.

ALRO Group promotes values such as the responsibility of own actions, respect between team members, the priority of the common interest, appeal to honour, creative initiative, the right to a second chance, continuous professional and personal development.

At the Group's level, it aims to develop and implement a culture and business accountability regarding both the environmental responsibility and the community. The Group's management considers that implementing healthy principles of sustainable development and a firm corporate social responsibility policy is meant to generate long-term positive and sustainable results. In this way, the Group can get in the position to generate "win-win" situations for the entire organization and its shareholders, the environment, and, last but not least, for the communities in which it operates.

Moreover, ALRO complies with all applicable laws and regulations, internal instructions and guidelines, and contractual agreements. ALRO Group is interested in building long-term and profitable contractual relationships with its partners, customers and employees. It thus acts with integrity, supporting its business partners to respect the law and fundamental values, such as human and labour rights, equal treatment and non-discrimination.

In H1 2022, the following documents were prepared or revised:

- Code of Ethics and Conduct;
- Human Rights Policy;
- CSR Policy;
- Anti-bribery and Anti-corruption Policy;
- Procedure for combating bribery and corruption;
- Procedure for resolving requests, notifications and complaints.

Moreover, internal safety and health audits are performed daily at ALRO's level.

ALRO's position is to show mutual respect for the dignity of the other and not tolerate any form of abusive behaviour, harassment, threat or violence. Employees are welcomed and encouraged to report any irregularities, abuses or violations to their supervisor, management, HR or any other department. ALRO undertakes to respect the principles of national and international legal requirements of human rights as stipulated in the Labour Law, European Convention on Human Rights, Universal Declaration of Human Rights, Declaration of the International Labour Organization on fundamental principles and rights at work, the United Nations Global Compact and the UN Guiding Principles on Business and Human Rights.

ALRO continued to invest in 2022 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.

In H1 2022, ALRO continued to be a partner of the society and granted several sponsorships and donations:

- ALRO supported UNICEF in Romania with donations to help children affected by the conflict in Ukraine;
- ALRO supported the establishment of "BLUE DOT" support centres, specially designed for refugee children and their families through donations. UNICEF Romania has set up two centres at the border crossing points in Sighetu Marmatiei and Siret, and ALRO's donations will support the establishment of similar centres at the border crossing points between Ukraine and Romania;
- ALRO joined the campaign "Ukraine- together we help more" and provided humanitarian aid for refugees from Ukraine, consisting of medical goods, items for personal use etc.
- ALRO supported the activities carried out by the Future Begins in School Association within the National Olympiad in the electrotechnical and electromechanical fields, in which students and teachers from 26 counties participated;
- Within the "Energy for life" campaign, ALRO supported the installation of a photovoltaic system consisting of photovoltaic panels for five isolated households in the Vrancea Mountains;
- ALRO supported the events carried out by ALUCRO by supporting the activities within the project – International Recycling Tour 2022.

Until now, no complaints or 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 the urban area.

In H1 2022, the communication with the employees was made through:

- written and electronic notices and notifications (e.g. 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 specific 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;
- 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.

ALRO Group training policy

The professional training of the employees is carried out based on the annual professional training program approved by the ALRO management. Its main objective is to increase professional skills to improve employees' individual and team performance.

The manner of organizing and performing the training activity is based on the following principles:

- The Group's human resources policy which is linked with the Group's development programmes in the short, medium and long-term;
- The Labour Code, republished, and the regulation in force regarding continuing professional development for adults;
- Other legal stipulations in force.

In H1 2022, the professional training of the employees was carried out according to the Annual Training Program. ALRO's employees also participated in conferences, such as AROEND Symposium – NDT International Non-Destructive Examination Seminar, Fire Safety Conference – Renewable Seminar in the Romanian Energy Market etc.

The training activity within the Group is based on:

- Annual programmes for professional development;
- Operational procedures on professional development, competencies, awareness and training, certifications and professional assessments;
- Collective Labour Agreement;
- Human resources – specialized organizational structure within the Parent-Company and each subsidiary.

Continuous professional development of ALRO Group's employees is carried out based on the annual training programmes, which consist of a diverse range of implementation ways:

- Periodical professional training;
- Programs for initiation, qualification, re-qualification, authorization and specific certifications carried out in-house or in collaboration with specialized companies;
- Training and specialization, organized with well-known consulting companies "in-house" or outside the organization;
- Participation in different programmes of comprehensive studies, postgraduate programmes, MBA etc.;
- Participation in activities such as team-building, symposiums, conferences, workshops, fairs and exhibitions, and competitions in Romania and abroad;
- Consultancy services provided by well-known specialists in the aluminium/ alumina/ extruded products etc. production fields;
- Additional training courses using formal and informal methods;
- Advanced programs for professional training through partnerships with the Technical Metallurgical High School from Slatina's students by setting up dual educational classrooms.

TESA employees from all areas of activity (such as technical, industrial automation, IT, economic and others) followed professional development training programmes or specialization programmes to access the most advanced information, best technical and financial practices, and 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, and improving communication with support and guidance from external consultants.

In H1 2022 were organized qualification and re-qualification professional courses. Furthermore, courses for authorizing employees to practice occupations that require additional qualifications besides the document that certifies the respective occupation (for example, training and authorization courses for NDT operators, ISCIR authorizations, authorization of operators carrying out activities in the field of natural gas, etc.) have also been 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 positions in the organizational chart with well-trained employees. In this way, the Company has skilled employees who 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 organizational structure of the Company would be required.

Anticipated professional training

The main goal is to offer advanced training to future potential employees (i.e. pupils from vocational and high schools, 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 students who followed internship programs at ALRO were hired after graduation and soon became basic specialists in manufacturing 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 The Academy Skills Project

ALRO and the Slatina Metallurgical Technical College started in 2017 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 and 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, the student and the parent/person/guardian who exercises parental authority for the minor student. ALRO provides 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 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

ALRO carries out activities for the early professional training of future employees, whose main objective is to train potential employees (such as students from a vocational school or technical colleagues, and other categories of young people, etc.).

- Numerous partnerships with high schools, post-secondary schools and universities (for example, Slatina Technical Metallurgical College, Polytechnical University of Bucharest, University of Craiova, University of Pitesti" University etc.), to facilitate the practice of students, documentary visits at ALRO, doing year papers, bachelor's, master's, doctorate, various research topics, etc.
- Internships within ALRO's production facilities & offices - each year, more than 50 students from different universities and specializations have conducted professional training inside the Company. In H1 2022, around ten students from universities in Bucharest, Craiova and Pitesti carried out internships within ALRO;
- Realization 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 in 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 nonferrous metallurgy.

Subsequent events

On 24 July 2022, a fire broke out at the Eco-Recycling Facility in Slatina. The only damaged production facility was the gas filtering equipment. Thus, the filters have to be replaced to continue using the ovens, and this replacement is estimated to take a few weeks. During this time, the Company will procure aluminium ingots and melt them instead of scrap aluminium to compensate for the missing liquid aluminium output. The damage was notified to the insurance company.

For details regarding the events that could impact the financial statements, please see *Note 24 - Events after the reporting date* of the Interim condensed consolidated and separate financial statements for the six months ended 30 June 2022 included in this Report.

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 2022 for ALRO is RON 999,290,789 (calculated based on the BSE quotation available on 30 June 2022 - the last day of H1 2022 when ALRO's shares were traded: 713,779,135 shares * 1.4 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 2022

Average USD per RON 4.5242
End of period USD per RON 4.7424
Average EUR per RON 4.9408
End of period EUR per RON 4.9707

LME average in H1 2022: 3,082 USD/tonne

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

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EVENT	DATE
Publication of 2021 Preliminary Annual Financial Results	25 February
Conference Call for 2021 Annual Results proposed for shareholders approval	28 March
Annual General Shareholders Meeting ("GSM") for the approval of 2021 results	28 April
Publication of the Annual Report as at 31 December 2021	28 April
Publication of the Quarterly Report for the first quarter of 2022, i.e. 1 January - 31 March 2022 ("Quarter I 2022")	16 May
Quarter I 2022 Results Conference Call	18 May
Publication of the Half-Year Report for the six-month period ending 30 June 2022, i.e. 1 January - 30 June 2022 ("2022 Half-Year")	10 August
2022 Half-Year Results Conference Call	12 August
Publication of the Quarterly Report for the third quarter 2022, i.e. 1 January - 30 September 2022 ("Quarter III 2022")	14 November
Quarter III 2022 Results Conference Call	16 November

Outlook for H2 2022

The aluminium industry continues to face challenging times, especially in Romania, where the EU-ETS support scheme to apply from 2021 onwards, the local authorities have to implement it in the national legislation according to the new Guideline and notify the European Commission for approval. After EC approves it, the national authorities will start implementing the scheme. We are expecting to see the legislation implemented during September-October 2022.

The current energy and raw material crisis, the conflict between Russia and Ukraine with no signs of ending too soon, two-digits inflation, increased interest rates, reduced levels of sovereign bond purchases and the additional pressure on decarbonisation mean challenging times for the European aluminium producers. Several European aluminium smelter plants had to reduce their production capacity or even close down completely in 2022, and the situation shows the same trend for H2 2022. A relieving measure came in July from the European Commission that has decided not to prolong the 9-month suspension of the definitive anti-dumping duties on imports of aluminium flat-rolled products originating in China and this decision should be in place for four years and three months until October 2026. China's excessive state subsidies have played a significant role in building China's aluminium industry, which holds a 60% global market share. This lifting represents Europe's defence against unfair trade and implements a robust industrial strategy that prioritises value chains based on their contribution to the European Green Deal.

With the shortfall in gas, risks for a sufficient energy supply in the coming winter increased significantly, and hence governments across the continent activated the next level of emergency preparations. In many countries, this means the reactivation of coal power plants. In the days with lower temperatures during the winter of 2022/2023, it is possible to reach the situation in which a rationalization of the natural gas supply will be achieved as provided by the "Emergency Plan for the security of natural gas supply in Romania".

Therefore, ALRO is looking toward as many possibilities for power sourcing as possible, covering the whole spectrum of the Romanian market. ALRO has also considered the import possibilities from neighbouring countries as an alternative means for purchase. Moreover, Management analyses several energy projects to provide energy supply independence for ALRO and ALUM, including hydrogen use. Considering that the stringent regulations for climate neutrality have entailed disturbances in the energy market, both in terms of price and availability, ALRO intends to develop its energy generation sources in the following years to secure the electric power necessary for the technological process.

Considering the significant decline of the industrial activity that started in Q2 and continues to dominate most of the markets nowadays, as well as the LME downtrend (with aluminium price going below 2,400 USD/tonne), H2 2022 is expected to be a challenging one for both primary and flat rolled products sales. Demand is estimated to remain weak in Q3, predicting a steady recovery starting with Q4, in line with stock depletion and industrial activity resuming to a normal pace. With the travel restrictions being lifted throughout most of the world regions, we expect a robust demand from the aerospace sector, in light of the production programme ramp-ups announced by the main OEMs. Automotive and general engineering should also recover close to normal levels starting with Q4. The geopolitical context is still uncertain and will have a crucial say in the overall market situation - from energy and natural gas markets to the end users of primary and flat-rolled products.

All these uncertainties and the prohibitive power and natural gas prices reached by June 2022 forced ALRO Group to take decisive decisions to preserve the Group's assets value. ALRO and ALUM have developed scenarios for operating at a minimum break-even point or reducing the financial losses by suspending certain production activities and switching some production equipment to standby. ALRO has reduced the primary aluminium production by 60% by shutting down three electrolysis potrooms and ALUM has revised its manufacturing schedule according to the level of calcined alumina required for ALRO. Still, with the continuous increases in prices, the cost of alumina has reached an unsustainable level.

On 29 July 2022, the General Shareholders' Meeting of ALUM approved the Activity Program for 2022, revised to consider the updated economic developments. Specifically, the revised activity plan for 2022 foresees the temporary suspension of alumina production starting August 2022, simultaneously with the continuation of some activities in the plant, such as maintenance and upgrading works and R&D activities. ALUM will start purchasing alumina from the market at much more efficient prices, and it will sell it to ALRO according to its needs for ALRO to be able to assure its production requirements.

At the same time, in line with these developments, the Group will also adjust its activity in Sierra Leone by directing the production to third-party clients. The management is closely monitoring the international environment to be prepared to adjust in real time the production capacities of the Group to respond to the market requirements in the most beneficial way.

These decisive measures, which are fully compatible with the technology used in ALUM's alumina refinery, are to preserve the Group assets and to keep the financial stability of the Group at a sound level to be ready to face the challenges ahead in the current challenging economic environment. Moreover, through these measures, ALRO and ALUM have significantly contributed to the national energy and gas consumption decrease.

By the end of the year, ALUM will implement the Steam flow and temperature adjustment for digestion batteries needed to support ANRE proposals to reduce specific energy consumption and ensure optimal heat transfer between steam and bauxite pulp in live steam heating autoclaves.

In October 2022, ALUM will recertify the integrated quality - environment - health and safety at work - energy management system according to the following reference standards: SR EN ISO 9001: 2015; SR EN ISO 14001: 2015, SR EN ISO 45001: 2018 and SR EN ISO 50001: 2019.

In terms of investments, in H2 2022, the Group will continue its main project, AP12LE and extend the Eco-Recycling Facility capacity. Thus, the rest of the 40 pots included in the 2022 Investment Programme will be relined using AP12LE technology in H2 2022, in correlation with the repair schedules and production requirements. Also, it is planned to continue the works related to the new Eco-Recycling Line and have the equipment to produce while the project will be gradually commissioned during H1 2023. Furthermore, the new flow for cutting flat-rolled plates at the dimensions and tolerances required by ALRO's customers (CUT TO SIZE) to produce flat-rolled products tailored at the dimensions and tolerances required by the customers remains one of the key projects for H2 2022, too.

In H2 2022, the Group's main targets are the following ones:

- Better control of main raw materials prices, costs optimization and decrease the level of inventories;
- Optimized planning and scheduling to avoid stockouts or over stocks and, where possible dual and multiple sourcing to improve supply assurance;
- Ensure the quality of goods and services acquired and provided;
- Call analysis within the EU Research and Innovation Horizon 2020 program to identify suitable projects for ALRO;
- Participation in conferences and publication of scientific papers;
- Continue the qualification of additional complex products.

The Group's Management closely monitors the evolution of the current context to take all necessary measures to adapt and improve its performance in real-time while keeping the investors and the interested public informed about the most recent evolutions in its activity.

Abbreviations and definitions used in this report

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
CIFGA	Interministerial Committee on Finance, Guarantees and Insurances
EBIT	Earnings before interest and taxes
EBITDA	Earnings before interest, taxes, depreciation, amortization and impairment
ECB	European Central Bank
EGSM	Extraordinary General Shareholders Meeting
EU ETS	European Union's Emissions Trading System
EUID	The European Unique Identifier
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
IFRS	International Financial Reporting Standards
IMNR	The Research Institute of Research and Development for non-ferrous and rare metals
IO	Intermediate Body
ISO	International Organization for Standardization
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
RTA	Rio Tinto Aluminium Pechiney
TPA	Tonnes per annum
U.S.A	United States of America

**Interim condensed consolidated and separate financial
statements for the six months ended 30 June 2022**

Alro S.A. and its subsidiaries

Interim consolidated and separate statement of profit or loss and other comprehensive income for the six months ended 30 June 2022 - unaudited

in RON '000,
except per share data

	Note	Alro Group		Alro	
		Six months ended 30 June 2022	Six months ended 30 June 2021	Six months ended 30 June 2022	Six months ended 30 June 2021
Revenue from contracts with customers	5	2,136,313	1,537,911	1,972,884	1,424,162
Cost of goods sold		-1,827,953	-1,346,042	-1,750,194	-1,288,490
Gross result		308,360	191,869	222,690	135,672
General, administrative and selling expenses	7	-154,140	-144,695	-101,934	-95,696
Impairment of investments		-	-	-180	-81
Other operating income	8	7,654	21,110	6,339	20,186
Other operating expenses	8	-14,672	-4,902	-9,285	-1,276
Operating result (EBIT)		147,202	63,382	117,630	58,805
Interest expenses	9	-33,056	-20,625	-29,920	-18,218
Gains (losses) from derivative financial instruments, net	15	-2,446	-31,667	-2,446	-31,667
Other financial income		2,638	1,892	3,530	1,849
Other financial costs		-16,229	-11,057	-15,419	-10,140
Net foreign exchange gains / (losses)		-63,339	-27,352	-59,100	-25,265
Result before income taxes		34,770	-25,427	14,275	-24,636
Income tax	10	-19,453	-22,150	-13,561	-2,946
Result for the period		15,317	-47,577	714	-27,582
Other comprehensive income / (expense), net of tax:					
Items that will not be reclassified subsequently to profit or loss:					
Remeasurements of post-employment benefit obligations		-30	-16	-	-
Items that may be reclassified subsequently to profit or loss:					
Translation adjustment		17,011	10,871	-	-
Other comprehensive income / (expense) for the period, net of tax		16,981	10,855	-	-
Total comprehensive income / (expense) for the period		32,298	-36,722	714	-27,582
Result attributable to:					
Shareholders of Alro S.A.		15,357	-47,441	714	-27,582
Non-controlling interest		-40	-136	-	-
		15,317	-47,577		
Total comprehensive income / (expense) attributable to:					
Shareholders of Alro S.A.		32,235	-36,651	714	-27,582
Non-controlling interest		63	-71	-	-
		32,298	-36,722		
Earnings per share					
Basic and diluted (RON)	11	0.022	-0.066	0.001	-0.039

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 9 August 2022.

Interim consolidated and separate statement of financial position as at 30 June 2022 - unaudited

in RON '000

	Note	Alro Group		Alro	
		30 June 2022	31 December 2021	30 June 2022	31 December 2021
Assets					
Non-current assets					
Property, plant and equipment	12	1,100,135	1,097,788	753,692	778,151
Investment properties		618	633	3,957	4,118
Intangible assets		4,041	4,532	3,390	4,070
Investments in subsidiaries		-	-	466,877	467,057
Goodwill	13	103,151	96,308	-	-
Right-of-use assets		7,565	8,197	5,147	5,048
Deferred tax asset	10	56,655	52,238	23,864	22,199
Other non-current assets	16	128,166	61,931	128,166	61,931
Total non-current assets		1,400,331	1,321,627	1,385,093	1,342,574
Current assets					
Inventories	17	1,301,501	1,005,891	1,013,591	740,920
Trade receivables, net		169,777	75,014	159,679	121,956
Current income tax receivable		1,845	2,024	-	-
Other current assets	18	158,386	138,732	122,066	107,255
Restricted cash		249	151	-	-
Cash and cash equivalents	19	203,949	328,428	187,917	305,090
Total current assets		1,835,707	1,550,240	1,483,253	1,275,221
Total assets		3,236,038	2,871,867	2,868,346	2,617,795
Shareholders' Equity and Liabilities					
Shareholders' equity					
Share capital		370,037	370,037	370,037	370,037
Share premium		86,351	86,351	86,351	86,351
Other reserves		360,145	342,823	306,191	306,191
Retained earnings		314,326	288,344	310,607	275,397
Result for the period		15,357	26,426	714	35,210
Equity attributable to shareholders of Alro S.A.		1,146,216	1,113,981	1,073,900	1,073,186
Non-controlling interest		2,538	2,475	-	-
Total shareholders' equity		1,148,754	1,116,456	1,073,900	1,073,186
Non-current liabilities					
Bank and other loans, non-current	20	1,358,530	1,040,321	1,353,838	987,886
Leases, non-current	20	3,805	4,364	2,838	2,834
Provisions, non-current		45,509	43,291	2,598	2,541
Post-employment benefit obligations		40,573	40,888	32,715	32,867
Government grants, non-current portion		37,303	39,436	30,581	32,303
Other non-current liabilities		1,298	1,710	582	567
Total non-current liabilities		1,487,018	1,170,010	1,423,152	1,058,998
Current liabilities					
Bank and other loans, current	20	231,288	135,704	156,749	88,895
Leases, current	20	2,344	2,664	1,871	1,854
Provisions, current	7	4,653	2,176	-	-
Trade and other payables	21	262,028	314,919	151,391	285,207
Contract liabilities	5	16,105	45,662	14,140	45,456
Derivative financial instruments liability, current	15	-	6,004	-	6,004
Current income taxes payable		20,769	5,447	15,226	3,360
Government grants, current portion		4,267	4,267	3,442	3,442
Other current financial liabilities		58,812	68,558	28,475	51,393
Total current liabilities		600,266	585,401	371,294	485,611
Total liabilities		2,087,284	1,755,411	1,794,446	1,544,609
Total shareholders' equity and liabilities		3,236,038	2,871,867	2,868,346	2,617,795

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 9 August 2022.

Interim consolidated statement of changes in shareholders' equity for the six months ended 30 June 2022 ALRO Group - unaudited

	Share capital	Share premium	Other reserves
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
Balance at 1 January 2022	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	-	-	414
Balance at 30 June 2022	370,037	86,351	376,280

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 9 August 2022.

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
-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
-33,043	342,823	288,344	26,426	1,113,981	2,475	1,116,456
-	-	-	15,357	15,357	-40	15,317
16,908	16,908	-	-	16,908	103	17,011
-	-	-30	-	-30	-	-30
16,908	16,908	-30	-	16,878	103	16,981
16,908	16,908	-30	15,357	32,235	63	32,298
-	414	26,012	-26,426	-	-	-
-16,135	360,145	314,326	15,357	1,146,216	2,538	1,148,754

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 9 August 2022.

Interim separate statement of changes in shareholders' equity for the six months ended 30 June 2022 - ALRO - unaudited

in RON '000

	Share capital	Share premium	Other reserves	Retained earnings	Result for the period	Total
Balance at 1 January 2021	370,037	86,351	306,191	-25,823	295,206	1,031,962
Result for the period	-	-	-	-	-27,582	-27,582
Total comprehensive income / (expense)	-	-	-	-	-27,582	-27,582
Transactions with owners of the company recognized directly in equity						
Distributions to owners of the company						
Appropriation of prior year result	-	-	-	295,206	-295,206	-
Balance at 30 June 2021	370,037	86,351	306,191	269,383	-27,582	1,004,380
Balance at 1 January 2022	370,037	86,351	306,191	275,397	35,210	1,073,186
Result for the period	-	-	-	-	714	714
Total comprehensive income / (expense)	-	-	-	-	714	714
Transactions with owners of the company recognized directly in equity						
Distributions to owners of the company						
Appropriation of prior year result	-	-	-	35,210	-35,210	-
Balance at 30 June 2022	370,037	86,351	306,191	310,607	714	1,073,900

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 9 August 2022.

Interim consolidated and separate statement of cash flows for the six months ended 30 June 2022 - unaudited

in RON '000

	Note	Alro Group		Alro	
		Six months ended 30 June 2022	Six months ended 30 June 2021	Six months ended 30 June 2022	Six months ended 30 June 2021
Cash flow from operating activities					
Result before income taxes		34,770	-25,427	14,275	-24,636
<i>Adjustments for:</i>					
Depreciation and amortisation		72,382	81,088	49,242	54,186
Impairment of investments		-	-	180	81
Impairment of property, plant and equipment		-	-103	-	-
Movement in provisions		2,475	1,045	-	1,052
Change in allowance for impairment of inventory	17	12,352	-19,863	12,352	-19,863
Change in allowance for impairment of doubtful receivables	7	-172	-1,005	-317	-963
Losses/(gains) on disposal of property, plant and equipment		535	1,986	345	196
Net foreign exchange (gains)/ losses on loans revaluation		64,633	31,381	59,518	26,357
Interest income		-2,519	-1,877	-2,452	-1,847
Interest expense	9	33,056	20,625	29,920	18,218
Dividend income		-	-2	-1,078	-2
(Gain)/loss on derivative instruments at fair value through profit or loss	15	2,446	31,667	2,446	31,667
<i>Changes in working capital:</i>					
Change in inventories		-296,612	32,582	-281,757	2,316
Change in trade receivables and other assets		-112,495	-23,323	-53,271	-7,451
Change in trade and other payables		-105,550	-18,598	-171,968	-21,897
Income taxes (paid)/refunded		-6,895	-38,511	-3,360	-8,235
Interest paid	9	-29,928	-15,528	-27,900	-13,809
Cash receipts/ (Payments) from derivatives, net		-16,823	-4,887	-16,823	-4,887
Net cash generated by / (used in) operating activities		-348,345	51,250	-390,648	30,483
Cash flow from investing activities					
Purchase of property, plant and equipment and intangible assets, net		-60,231	-56,581	-36,570	-34,731
Proceeds from sale of property, plant and equipment		683	1,162	35	-
Dividends		-	2	1,078	2
Change in restricted cash	16	-66,333	-16,733	-66,235	-16,731
Interest received		2,514	1,849	2,452	1,847
Net cash used in investing activities		-123,367	-70,301	-99,240	-49,613
Cash flow from financing activities					
Proceeds from loans	20	431,266	91,137	420,052	73,463
Repayment of loans and leases	20	-84,136	-63,331	-47,336	-43,398
Dividends paid	11	-1	-26	-1	-26
Net cash provided by/(used in) financing activities		347,129	27,780	372,715	30,039
Net change in cash and cash equivalents		-124,583	8,729	-117,173	10,909
Cash and cash equivalents at beginning of period		328,428	105,500	305,090	88,750
Effect of exchange rate differences on cash and cash equivalents		104	72	-	-
Cash and cash equivalents at end of period	19	203,949	114,301	187,917	99,659

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 9 August 2022

Notes to the interim condensed consolidated and separate 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.

At 30 June 2022, the majority shareholder of Alro S.A. was Vimetco PLC, a private limited liability company registered under the laws of Cyprus, based in Poseidonos 1, Ledra Business Center, Egkomi, 2406, Nicosia, Cyprus. The company is ultimately controlled by 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 and separate financial statements were authorised for issue by the Board of Directors on 9 August 2022.

2. Basis of preparation

Statement of compliance

These interim condensed consolidated and separate financial statements of Alro and its subsidiaries (further named *Condensed financial statements*) for the 6 months ended 30 June 2022 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 and the Company since the last annual consolidated and separate financial statements as at and for the year ended 31 December 2021. These interim condensed consolidated and separate 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 and the Company for the year ended 31 December 2021.

The condensed 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 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. These exceptions do not affect the compliance of the financial statements of the Group and the Company with IFRS adopted by the EU.*

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 2022	31 December 2021
USD exchange rate at the end of the period**	4.7424 USD/RON	4.3707 USD/RON
	Six months ended 30 June 2022	Six months ended 30 June 2021
USD average exchange rate***	4.5242 USD/RON	4.0674 USD/RON

** as communicated by the 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 and separate financial statements are consistent with those followed in the preparation of the Group's and the company's annual consolidated and separate financial statements for the year ended 31 December 2021. The Group and the company have not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Standards and interpretations effective in 2022 that the Group and the Company have applied to these financial statements:

The Group and the Company have adopted the following new standards and amendments to standards, including any consequential amendments to other standards, with a date of initial application of 1 January 2022:

- *Amendments to IFRS 3 Business Combinations* (issued on 14 May 2020). The amendments update a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations. Amendment also add a requirement that, for transactions and other events within the scope of IAS 37 or IFRIC 21, an acquirer applies IAS 37 or IFRIC 21 (instead of the Conceptual Framework) to identify the liabilities it has assumed in a business combination; and add to IFRS 3 an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination. The amendments are effective for annual periods beginning on or after 1 January 2022. There is no impact from the application of these amendments, on the Group's financial statements.

- *Amendments to IAS 16 Property, Plant and Equipment* (issued on 14 May 2020). The amendments prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss. The amendments are effective for annual periods beginning on or after 1 January 2022. There is no impact from the application of these amendments, on the Group's financial statements.

- *Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets* (issued on 14 May 2020). Amendments specify which costs a company includes when assessing whether a contract will be loss-making. The amendments are effective for annual periods beginning on or after 1 January 2022. There is no impact from the application of these amendments, on the Group's financial statements.

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

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

- *IFRS 9 Financial Instruments*. The amendment clarifies which fees an entity includes when it applies the '10 per cent' test in assessing whether to derecognise a financial liability. An entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf.

- *IFRS 16 Leases*. The proposed amendment to Illustrative Example 13 accompanying IFRS 16 would remove from the example the illustration of the reimbursement of leasehold improvements by the lessor. The proposed amendment would resolve any potential confusion regarding the treatment of lease incentives that might arise because of how lease incentives are illustrated in that example.

- *IAS 41 Agriculture*. The amendment aligns the fair value measurement requirements in IAS 41 with those in other IFRS Standards.

4. Estimates

The preparation of interim condensed consolidated and separate 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 financial statements, the significant judgements made by the management in applying the Group's and the Company'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 2021.

5. Revenue from contracts with customers

Set out below is the disaggregation of the Group's revenue from contract with customers, including intra-group sales:

Segments						Six months ended	
	Bauxite	Alumina	Primary aluminium	Processed aluminium	Others	Total	30 June 2022
Type of good or service							-
Sale of bauxite	64,194	-	-	-	-	-	64,194
Sale of alumina	-	332,093	-	-	-	-	332,093
Sale of primary aluminium	-	-	752,323	-	-	-	752,323
Sale of processed aluminium	-	-	-	1,516,807	-	-	1,516,807
Other revenues and services performed	7,248	929	-	224	61,032	-	69,433
Total revenue from contracts with customers	71,442	333,022	752,323	1,517,031	61,032	-	2,734,850

Segments						Six months ended	
	Bauxite	Alumina	Primary aluminium	Processed aluminium	Others	Total	30 June 2021
Type of good or service							
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

During the first six months of 2022, the Group's revenue increased mainly due to the Processed Aluminium segment following the increase in the demand for plates and extruded products, which are our most profitable products, due to the upward trend of the LME quotations and due to favourable exchange rate.

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

	Six months ended 30 June 2022					
Revenue	Bauxite	Alumina	Primary aluminium	Processed aluminium	Others	Total
Revenue from contracts with customers	71,442	333,022	752,323	1,517,031	61,032	2,734,850
Inter-segment transactions	-23,372	-300,751	-225,464	-2,059	-46,891	-598,537
Total Group revenue (Note 6)	48,070	32,271	526,859	1,514,972	14,141	2,136,313

	Six months ended 30 June 2021					
Revenue	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

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.

Contract liabilities

During the first six months of 2022, the Group recognized the amount of RON 44,687 thousand from the existing balance at 31 December 2021 under *Contract liabilities* as revenue from performance obligations satisfied (RON 45,662 thousand balance as of 31 December 2021). The balance of RON 16,105 thousand existing at 30 June 2022 under *Contract liabilities* will be recognized from performance obligations that will be satisfied subsequently.

6. Segment information

For management purposes, the Group is organized on a vertically integrated basis into four segments: bauxite, alumina, primary aluminium and processed aluminium. For the purpose of resource allocation and assessment of segment performance, the segments 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. Most of the slabs are used in the Processed aluminium segment to manufacture flat rolled products, such as sheets, plates, coils that are further sold to external clients. Additionally, the Processed segment of the Group includes the extrusion plant in Slatina, which makes extruded aluminium products out of the billets acquired from the Parent company. 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 2022 and 2021 by segment, were as follows:

Alro Group	Bauxite	Alumina	Primary aluminium	Processed aluminium	Others	Inter-segment operations	Total
Six months ended 30 June 2022							
Sales to external customers	48,070	32,271	526,859	1,514,972	14,141	-	2,136,313
Inter-segment transfers	39,665	364,328	1,221,397	2,059	46,891	-1,674,340	-
Total sales revenues	87,735	396,599	1,748,256	1,517,031	61,032	-1,674,340	2,136,313
Segment results (gross profit)	10,226	81,450	105,921	96,513	13,896	354	308,360
Other operating income & expenses, net	-17,699	-18,327	-62,825	-60,078	-1,738	-491	-161,158
Operating result (EBIT)	-7,473	63,123	43,096	36,435	12,158	-137	147,202
Total depreciation, amortisation and impairment	8,890	10,559	32,238	21,038	41	-384	72,382
EBITDA	1,417	73,682	75,334	57,473	12,199	-521	219,584
Interest and other finance costs, net							-49,093
Net foreign exchange gains / (losses)							-63,339
Result before income taxes							34,770
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

The processed aluminium segment achieved healthy sales, on one side due to the upward evolution of the LME, but on the other side also due to the Group's efforts to increase the processed products share in the portfolio, to adjust its sales and production mix into a balanced and efficient one. Although the Group grasped every opportunity in the market, this was not reflected in higher revenue to external customers for the Primary aluminium segment in H1 2022 compared to the same period of the last year.

The Group put in place the plan for 2022 to produce less electrolytic aluminium and gradually closed 3 out of its 5 electrolysis potrooms in January- February 2022. In exchange, it supplemented its need of aluminium by buying cold metal from the market and processing it. As for the alumina, contracts with third parties were kept at the minimum, having in view the performance of these international markets, and at the same time the inter-segment deliveries were aligned to the new production capacity in place with Alro.

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 2022 and 31 December 2021, respectively, were as follows:

Alro Group	Bauxite	Alumina	Primary aluminium	Processed aluminium	Others	Inter-segment operations	Total
30 June 2022							
Total assets	221,327	580,940	1,236,006	954,358	1,329,758	-1,086,351	3,236,038
Total liabilities	106,211	163,809	153,136	215,762	1,574,462	-126,096	2,087,284
31 December 2021							
Total assets	164,881	592,285	1,116,208	689,600	1,350,709	-1,041,816	2,871,867
Total liabilities	36,163	171,345	333,605	186,991	1,148,300	-120,993	1,755,411

The property, plant and equipment located in Sierra Leone amounts to RON 89,332 thousand (at 31 December 2021: RON 91,938 thousand).

As at 30 June 2022, the total assets representing *Others* include mainly investments in subsidiaries of RON 768,507 thousand (as at 31 December 2021: RON 745,070 thousand), cash and restricted cash of RON 316,081 thousand (as at 31 December 2021: RON 367,021 thousand), administrative buildings of RON 41,938 thousand (as at 31 December 2021: RON 41,527 thousand), deferred tax asset of RON 56,655 thousand (as at 31 December 2021: RON 22,199 thousand) and derivative financial instruments, when applicable.

As at 30 June 2022, the total liabilities representing *Others* include mainly borrowings and leases of RON 1,515,296 thousand (as at 31 December 2021: RON 1,081,469 thousand), post-employment benefit obligations and provisions of RON 35,313 thousand (as at 31 December 2021: RON 35,408 thousand), derivative financial instruments liabilities (nil at 30 June 2022 and RON 6,004 thousand as at 31 December 2021), and, when applicable, dividends.

Inter-segment operations include intercompany eliminations.

7. General, administrative and selling expenses

	Alro Group		Alro	
	Six months ended 30 June 2022	Six months ended 30 June 2021	Six months ended 30 June 2022	Six months ended 30 June 2021
Staff costs	-75,142	-62,788	-40,342	-38,345
Third party services	-24,421	-31,563	-24,538	-23,358
Consulting and audit	-15,235	-14,920	-11,992	-11,723
Consumables	-7,438	-6,117	-4,658	-3,408
Taxes other than income taxes	-5,166	-5,094	-4,008	-3,315
Depreciation and amortisation	-4,602	-4,808	-3,011	-3,326
Insurance	-4,608	-3,487	-3,034	-2,163
Marketing and public relations	-2,454	-3,414	-755	-1,593
Travelling	-2,504	-983	-256	-93
Research and development costs	-8,706	-9,272	-7,374	-7,976
Other	-4,036	-3,254	-2,283	-1,359
Change in allowance for doubtful debts	172	1,005	317	963
Total	-154,140	-144,695	-101,934	-95,696

In the first 6 months of 2022 the category *Staff costs* for the Group is higher than the amount for the first 6 months of 2021 mainly due to the fact that starting 2022, the Group consolidates also the newly acquired subsidiary Vimetco Trading (the subsidiary was acquired in December 2021).

Staff costs for the 6 months ended 30 June 2022 include also a provision of RON 2,790 thousand (in H1 2021: nil) booked by one of the Group subsidiaries for the good results it obtained during the period and with the aim to boost the sales and financial performance of the subsidiary for the rest of the year.

8. Other operating income and Other operating expenses

Other operating income	Alro Group		Alro	
	Six months ended 30 June 2022	Six months ended 30 June 2021	Six months ended 30 June 2022	Six months ended 30 June 2021
Other operating income	7,654	21,110	6,339	20,186

In H1 2021, the category *Other operating income* included penalties charged by the Group and the Company to electricity suppliers that had cancelled the delivery contracts, of RON 11,673 thousand. No such amounts were recognized in H1 2022.

Other operating expenses

Other operating expenses	Alro Group		Alro	
	Six months ended 30 June 2022	Six months ended 30 June 2021	Six months ended 30 June 2022	Six months ended 30 June 2021
Other operating expenses	-14,672	-4,902	-9,285	-1,276

In H1 2022, the category *Other operating expenses* included depreciation of idle plants of RON 8,713 thousand for the Group and RON 7,641 thousand for Company, having in view the suspension of the operation of 3 electrolysis halls in 2022 (in H1 2021, the idle depreciation expense of the Group and Company was of RON 318 thousand).

9. Interest expenses

Interest expense	Alro Group		Alro	
	Six months ended 30 June 2022	Six months ended 30 June 2021	Six months ended 30 June 2022	Six months ended 30 June 2021
Interest expense	-33,056	-20,625	-29,920	-18,218
Total	-33,056	-20,625	-29,920	-18,218

Interest expense increased during the first six months of 2022 compared to the same period of the previous year mainly due to higher LIBOR and ROBOR benchmark interest rates, and also due to the increase of the loans balance of the Group and the Company.

Interest expense includes the amount of RON 3,558 thousand for the Group and RON 3,372 thousand for the Company (in H1 2021: RON 3,171 thousand for the Group and RON 2,922 thousand for the Company) 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 2022 for loans was of RON 4,882 thousand for the Group and RON 4,811 thousand for the Company and it is included in the Statement of cash flows under *Interest paid* (in H1 2021: RON 214 thousand were paid for the Group and RON 184 thousand for the Company).

10. Income tax

At 30 June 2022, the Group and the Company had a net deferred tax asset of RON 56,655 thousand at Group level and RON 23,864 thousand at Company level (at 31 December 2021: RON 52,238 thousand for Group and RON 22,199 thousand for Company), as the management believes there will be sufficient taxable profits in future against which these fiscal losses carried forward could be used.

Segment assets and liabilities at 30 June 2022 and 31 December 2021, respectively, were as follows:

During the 6-month period of 2022, the total expenses of RON 55,066 thousand (6 months of 2021: RON 29,055 thousand) for the Group and the Company 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 8,811 thousand (6 months of 2021: RON 4,649 thousand). 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. 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 2022, 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 statement of profit or loss and comprehensive income* are:

	Alro Group		Alro	
	Six months ended 30 June 2022	Six months ended 30 June 2021	Six months ended 30 June 2022	Six months ended 30 June 2021
Income tax				
Current income tax	-22,525	-20,999	-15,226	-154
Deferred income tax	3,072	-1,151	1,665	-2,792
Total income taxes	-19,453	-22,150	-13,561	-2,946

Current income tax for the Company was higher in the 6 months ended 30 June 2022 compared to the same period of 2021 due to the fact that in 2022 the Parent Company had a higher amount of fiscal profit compared to the same period of last year and the non-deductible exceeding borrowing costs mentioned above.

In 2021, a Group subsidiary incurred a tax expense of RON 19,643 thousand following a tax audit. The subsidiary contested the income tax imposed by the Romanian authorities and continues to defend its position via Court actions.

11. Earnings per share

	Alro Group		Alro	
	Six months ended 30 June 2022	Six months ended 30 June 2021	Six months ended 30 June 2022	Six months ended 30 June 2021
Net result attributable to the owners of the Entity	15,357	-47,441	714	-27,582
Weighted average number of ordinary shares	713,779,135	713,779,135	713,779,135	713,779,135
Basic and diluted earnings per share (RON/share)	0.022	-0.066	0.001	-0.039

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 Parent Company related to the 6 months ended 30 June 2022.

During the 6 months ended 30 June 2022, the Parent Company paid dividends amounting to RON 1 thousand to the shareholders in respect of dividends declared for the previous years (in the same period of 2021 the Parent Company paid RON 26 thousand of the dividends declared for the previous years).

The dividends distributed in 2018 and yet uncollected by the shareholders were prescribed during the reporting period, in line with the regulations in force. These amounts are included under *Other operating income* in the Consolidated statement of profit or loss (H1 2022: RON 1,849 thousand, H1 2021: nil).

12. Property, plant and equipment

At 30 June 2022, the book value of *Property, plant and equipment* was RON 1,100,135 thousand at Group level (at 31 December 2021: RON 1,097,788 thousand) and RON 753,692 thousand at Company level (at 31 December 2021: RON 778,151 thousand). During the

6-month period ended 30 June 2022, the Group and the Company purchased property, plant and equipment amounting to RON 73,617 thousand at Group level and RON 26,225 thousand at Company level (during the 6 months ended 30 June 2021: RON 54,978 thousand for Group and RON 34,215 thousand for Company).

Starting January 2022, the Management decided to adopt a business model aimed at, on one hand, reducing the Group's dependence on electricity and on the other hand, maintaining the actual products portfolio, except for the unprofitable or low profit margin products. The Investment Programme for 2022 is correlated with the production program, and its purpose is implementing on a priority basis those investments that will bring immediate gains and improvements to the business or those necessary to ensure safe and legal operations. Therefore, in the first semester of 2022 the acquisitions of property, plant and equipments focused primarily on developing the capacity of the Eco-Recycling Facility to provide the molten metal requirement for the production of flat-rolled products.

The Group also continued its program of using AP12LE repair technology and refurbished another 11 electrolysis pots in the first semester of 2022 to ensure the smelter operation with improved energy efficiency (during the same period of 2021: 49 electrolysis pots).

In June 2022, the Group successfully tested a new state-of-the-art 7" press extrusion line, by extruding the first billet on this line, following an investment of approximately EUR 10 million since the start of this project in March 2021 (RON 40,991 thousand were spent for this project in H1 2022 and RON 4,107 thousand in H1 2021). This line is highly efficient in terms of production capabilities and reduced energy consumption. Thus, the entire process is automated, being able to extrude profiles up to a length of 60 meters, with a speed of 50 meter/minute, while having the lowest guaranteed gas consumption on the market and being equipped with an efficient energy-saving system, as well as with independently operated water and air-cooling zones designed to efficiently allocate resources.

Depreciation expense of PPE for the 6 months of 2022 was of RON 77,309 thousand at the Group level and RON 50,304 thousand at the Company level (during the 6 months ended 30 June 2021: RON 78,114 thousand for Group and RON 51,204 thousand for Company).

At 30 June 2022, the net book value of *Property, plant and equipment* pledged for securing the Group and Company's borrowings amounts to RON 891,586 thousand for Group and RON 699,332 thousand for Company (at 31 December 2021: RON 899,063 thousand at Group level and RON 723,751 thousand at Company level).

Impairment tests for property, plant and equipment

The Group performs its annual impairment test in December and when circumstances indicate that the carrying value may be impaired. As at 30 June 2022, due to the presence of internal and external indications of impairment, such as increasing prices and scarce availability of energy products and other raw materials with a negative impact on the production costs, which caused the Group to take a decision to temporary suspense the alumina production operations and reorientate the sales of bauxite, a test of the property, plant and equipment of Alum and unit operating in Sierra Leone (Global Aluminium Ltd.) was carried out. The resulting recovery value of the property, plant and equipment of the alumina and bauxite cash generating units was higher than their net book value, so no impairment expense was recognized.

The recovery value of the cash generating unit (CGU) Alum was determined based on a fair value of CGU less costs to sell calculation by using future cashflows extracted from budgets estimated by the management of the company. The cashflows in perpetuity beyond this period were extrapolated by using a growth rate of 2.0% per annum (at 31 December 2021: 2.0%), in line with forecast long term inflation.

The key assumptions for the cash-generating unit Alum used during the impairment test performed as at 30 June 2022 were:

	30 June 2022	31 December 2021
Discount rate	11.0%	11.0%
Growth rate, average of next five years	2.27%	3.31%
EBITDA margin, average of next five years	6.34%	5.09%
EBITDA margin, terminal value	5.67%	6.12%

The estimated recoverable amount of the CGU Alum exceeded its carrying amount by approximately RON 9,300 thousand (at 31 December 2021: was below by RON 5,532 thousand). The following table shows the amount up to which the key assumptions used would need to change individually for the estimated recoverable amount to be equal to the carrying amount:

	30 June 2022	31 December 2021
Discount rate	11.3%	10.4%
Growth rate, average of next five years	2.15%	2.93%
EBITDA margin, average of next five years	5.45%	4.52%
EBITDA margin, terminal value	5.54%	5.62%

The recoverable value of the cash generating units (CGU) operating in Sierra Leone (Global Aluminium Ltd.) was determined based on a fair value of CGU less costs to sell calculation by using future cashflows extracted from budgets estimated by the management of the company. Financial forecasts estimated by the directors at 30 June 2022 cover a five-year period. The cash flows beyond the five-year period have been extrapolated until the year 2074, when according to a new independent mineral resources evaluation report, the estimated reserves (proved and probable) will be depleted at a 2.0% growth rate in line with the forecast inflation (in 2021: 2.0%), except for the terminal year when a reduced production is foreseen at the level of the remaining reserves.

The key assumptions for the cash-generating unit (Global Aluminium Ltd.) used during the impairment test performed as at 30 June 2022 were:

	30 June 2022	31 December 2021
Discount rate	18.4%	18.4%
Growth rate, average of next five years	7.06%	7.30%
EBITDA margin, average of next five years	18.23%	17.30%

The estimated recoverable amount of the CGU Global Aluminium Ltd. exceeded its carrying amount by approximately RON 30,550 thousand (31 December 2021: RON 29,400 thousand), so no impairment expense was recognized as a result of impairment assessment.

	30 June 2022	31 December 2021
Discount rate	22.1%	21.4%
Growth rate, average of next five years	4.62%	1.20%
EBITDA margin, average of next five years	12.31%	14.90%

13. Goodwill

The goodwill is allocated to the cash generating units at 30 June 2022 and 31 December 2021 as follows (after conversion into RON at the period end exchange rate):

	30 June 2022	31 December 2021
Alro Group	80,915	75,781
Global Aluminium Ltd.	21,810	20,101
Vimetco Extrusion	426	426
Total	103,151	96,308

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 2021 and no impairment was recognized as a result of this analysis. As at 30 June 2022, for the goodwill allocated to Alro Group and Vimetco Extrusion, the management has not identified impairment indicators additional to those for which the test as at 31 December 2021 was performed, therefore no separate impairment tests of the goodwill was made as at 30 June 2022. The variation of the Goodwill balance between 30 June 2022 and 31 December 2021 is due to translation differences from operations in foreign countries.

Impairment test

For the goodwill allocated to Global Aluminium Ltd., the global decline of the economic environment generated by the Russian-Ukrainian conflict and continuing coronavirus pandemic, which had a significant impact on the increase in cost of fuel, utilities and other raw materials, forced the management of the group to curtail or partially suspend certain activities at Alro and Alum. This had a negative effect on the results of bauxite segment for the first half of the year 2022 and could indicate to a lower than expected economic performances of its assets. The management performed an impairment test of the goodwill allocated to Global Aluminium CGU and as a result of the analysis, its recoverable value was higher than the carrying value as at 30 June 2022, therefore no impairment was recognized.

The recoverable amount of cash-generating units operating in Sierra Leone (Global Aluminium Ltd.) was determined based on fair value less costs of disposal, estimated using discounted cash-flow techniques and applying a market-based measurement. Financial forecasts estimated by the directors at 30 June 2022 cover a five-year period. The cash flows beyond the five-year period have been extrapolated until the year 2074, when according to a new independent mineral resources evaluation report, the estimated reserves (proved and probable) will be depleted at a 2.0% growth rate in line with the forecast inflation (in 2021: 2.0%), except for the terminal year when a reduced production is foreseen at the level of the remaining reserves. The after-tax discount rate is of 18.4% per annum until 2030, being the estimated period of depletion for proved reserves and of 20.4% per annum thereafter for probable mineral reserves due to the higher risk or uncertainty (in 2021: 18.4% and 20.4% per annum respectively). The fair value measurement was categorized as a Level 3 fair value based on the inputs in the valuation technique used.

The key assumptions for the cash-generating unit Global Aluminium Ltd. are:

	30 June 2022	31 December 2021
Discount rate, after-tax	18.4%	18.4%
Growth rate (average of next five years)	7.1%	7.3%
EBITDA margin (average of next five years)	18.2%	17.3%

The discount rate is the CGU weighted-average cost of equity of 18.9% (in 2021: 18.9%), calculated based on the average unlevered betas of comparable companies within the industry and of a cost of debt after tax of 5.7% (in 2021: 5.7%), using the CGU's debt leverage of 3.7% (in 2021: 3.7%).

Growth rates during the next five years are based on the current contract with Alum reflecting the price in the market for long term contracts and on the company's intention to develop sales to third party clients.

EBITDA margin is the average margin as a percentage of revenue over the five-year forecast period. It is based on the external analysis and the expected future sales volumes and prices, coupled with CGU's cost cutting efforts.

The estimated recoverable amount of the CGU Global Aluminium Ltd. exceeded its carrying amount by approximately RON 30,550 thousand (31 December 2021: RON 29,400 thousand), so no impairment expense was recognized as a result of impairment assessment.

The most sensitive key assumption used in impairment test of CGU Global Aluminium Ltd. are the discount rate, average growth rate for the next five years and EBITDA margin (2021: the discount rate, average growth rate for the next five years and EBITDA margin). An increase of the discount rate to 22.1%, a decrease of the next five years growth rate to 4.6% and a decrease of EBITDA margin to 12.3% applied separately, would cause the estimated recoverable amount to be equal to the carrying amount (2021: an increase of the discount rate to 21.4%, a decrease of the next five years growth rate to 1.2% and a decrease of EBITDA margin to 14.9%). For the other assumptions management considered that there are no reasonably possible modifications that would lead to an impairment of the goodwill allocated to CGU Global Aluminium Ltd.

14. Financial instruments

Set out below, is an overview of financial assets and financial liabilities held by the Group as at 30 June 2022 and 31 December 2021.

Categories of financial instruments

	Alro Group		Alro	
	30 June 2022	31 December 2021	30 June 2022	31 December 2021
Financial assets				
At amortised cost				
Cash and bank balances	204,198	328,579	187,917	305,090
Receivables	377,209	224,282	321,258	243,721
Fair value through profit or loss (FVTPL)				
Designated as at FVTPL	21,726	15,792	21,726	15,726
Total financial assets	603,133	568,653	530,901	564,537

	Alro Group		Alro	
	30 June 2022	31 December 2021	30 June 2022	31 December 2021
Financial liabilities				
Fair value through profit or loss (FVTPL)				
Designated as at FVTPL	-	6,004	-	6,004
Amortised cost:				
Trade and other payables	341,609	388,924	195,092	339,960
Non-current bank and other loans	1,362,335	1,044,685	1,356,676	990,720
Current bank and other loans	233,632	138,368	158,620	90,749
Total financial liabilities	1,937,576	1,577,981	1,710,388	1,427,433

Fair value of financial instruments

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

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

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

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

The Group and the Company do 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 and leases.

15. Derivative financial instruments

Swap fixed-to-floating

In December 2021, the Group entered into a fixed-for-floating swap derivative on electricity with a trader. Its purpose was to secure the quantity of 10,795 MWh at a fixed price against the unpredictable increase of price for electricity acquisitions during January – March 2022. The contract was cash-settled, denominated in EUR, and for settlement it used the floating price valid on OPCOM (Electricity - Day - Ahead - Hourly – OPCOM).

The loss recorded in H1 2022 of RON 2,446 thousand related to the positions settled during the period January - March 2022, due to the fact that the market price was below the fixed price of the contract, is included in the category *Gains/ (losses) from derivative financial instruments, net* in the Statement of profit or loss (in H1 2021: nil).

As at 30 June 2022 no swap fixed-to-floating contract was outstanding, those previously concluded having been settled by the end of March 2022 (as at 31 December 2021: RON 6,004 thousand, as a liability).

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

Commodity options

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.

The unrealized net loss of RON 31,667 thousand 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.

As at 30 June 2022 and at 31 December 2021 the Group and the Company had no outstanding option contract.

16. Other non-current assets

	Alro Group		Alro	
	30 June 2022	31 December 2021	30 June 2022	31 December 2021
Collateral deposits	128,166	61,931	128,166	61,931
Total	128,166	61,931	128,166	61,931

Collateral deposits at 30 June 2022 represent cash pledged to a bank until November 2023 for two loans and until February 2024 for a non-cash facility contracted by the Parent Company. The variation of RON 66,235 thousand between 30 June 2022 and 31 December 2021, represents collateral deposits placed for a new facility of RON 470,000 thousand and for a non-cash facility obtained from banks in March 2022. For further details please see also *Note 20 Borrowings and leases*.

17. Inventories

	Alro Group		Alro	
	30 June 2022	31 December 2021	30 June 2022	31 December 2021
Raw and auxiliary materials	550,505	436,656	435,354	288,990
Work in progress	298,037	281,617	183,482	200,924
Finished goods	510,575	331,881	439,572	283,471
Less: allowance for obsolescence	-57,616	-44,263	-44,817	-32,465
Total	1,301,501	1,005,891	1,013,591	740,920

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.

The increase in value of raw and auxiliary materials as at 30 June 2022 compared to 31 December 2021 was mainly generated by the increase in natural gas prices, which was influenced by the unstable economic environment. This affected the alumina costs, with pressure on the operating cash flow of the Group.

At the same time, in the first half of 2022, a significant increase in value of finished products can be noted compared to the beginning of the year, as a result of high prices of raw materials that are used in production, but also by the increase in electricity prices that affect the aluminum industry sector, which is an energy intensive process.

The value of inventories pledged for securing the Group's and the Company's borrowings amounts to RON 1,245,784 thousand for the Group and RON 1,013,591 thousand for the Company at 30 June 2022 (at 31 December 2021: RON 932,937 thousand for the Group and RON 740,920 thousand for the Company).

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

	Alro Group		Alro	
	Six months ended 30 June 2022	Six months ended 30 June 2021	Six months ended 30 June 2022	Six months ended 30 June 2021
Balance at beginning of the year	-44,263	-38,431	-32,465	-27,767
(Charge) to cost of goods sold	-13,172	-247	-13,172	-247
Reversal to cost of goods sold	495	17,858	495	17,858
Utilization	325	2,252	325	2,252
Translation adjustments	-1,001	-472	-	-
Balance at end of the period	-57,616	-19,040	-44,817	-7,904

18. Other current assets

	Alro Group		Alro	
	30 June 2022	31 December 2021	30 June 2022	31 December 2021
VAT recoverable	76,250	90,270	42,937	71,494
Other current assets	23,359	10,566	13,407	4,200
Advances to suppliers	26,665	7,518	40,048	3,389
Prepayments	32,236	30,502	25,677	28,175
Allowance for sundry doubtful debtors	-124	-124	-3	-3
Total	158,386	138,732	122,066	107,255

At 30 June 2022 the category *Advances to suppliers* contains down-payments to one company under common control for the acquisition of gas in amount of RON 23,364 thousand at the Group level and RON 10,548 thousand at the Company level (at 31 December 2021: RON 2,173 thousand were prepaid by the Group, while for the Company no advance was paid to the gas supplier).

19. Cash and cash equivalents

	Alro Group		Alro	
	30 June 2022	31 December 2021	30 June 2022	31 December 2021
Cash at banks in RON	158,801	237,393	147,139	221,710
Cash at banks in other currencies	45,074	90,928	40,767	83,379
Petty cash and cash equivalents	74	107	11	1
Total	203,949	328,428	187,917	305,090

At 30 June 2022 and 31 December 2021, a great part of cash was held in current accounts opened with reputable private banks in Romania or with State owned banks.

A part of the Group's bank accounts (RON 188,411 thousand as at 30 June 2022 and RON 305,676 thousand as of 31 December 2021) and of the Company (RON 187,906 thousand as at 30 June 2022 and RON 305,089 thousand as of 31 December 2021) are pledged to guarantee the borrowings from banks.

20. Borrowings and leases

	Alro Group		Alro	
	30 June 2022	31 December 2021	30 June 2022	31 December 2021
Long-term borrowings				
Long-term bank loans	1,564,597	1,163,262	1,510,587	1,076,781
Less: Short-term portion of long-term bank loans	-206,067	-122,941	-156,749	-88,895
Bank loans, non-current	1,358,530	1,040,321	1,353,838	987,886
Leases, non-current	3,805	4,364	2,838	2,834
Total long-term borrowings and leases	1,362,335	1,044,685	1,356,676	990,720
Short-term borrowings				
Short-term bank loans	25,221	12,763	-	-
Short-term portion of long-term bank loans	206,067	122,941	156,749	88,895
Bank loans, current	231,288	135,704	156,749	88,895
Short-term loans, total	231,288	135,704	156,749	88,895
Leases, current	2,344	2,664	1,871	1,854
Total short-term borrowings and leases	233,632	138,368	158,620	90,749
Total borrowings and leases	1,595,967	1,183,053	1,515,296	1,081,469

The bank borrowings of the Group and the Company will mature until 2028. Their related interest rates ranged between 2.80% for EUR and 19% for SLL (Sierra Leone Leones) in 2022 and 2021 at Group level and between 2.80% for EUR and 7.90% for RON in 2022 at Company level (2021: between 2.80% for EUR and 4.11% for USD).

In January 2022, the Parent Company drew down the remaining part of USD 30,000 thousand from the credit facility of USD 40,000 thousand that it had received in June 2021 from an international bank.

In March 2022, the Parent Company signed a non-revolving working capital loan facility of RON 470,000 thousand with a syndicate of banks within the framework of state-support scheme in the form of loans with compensated interest rate and loan guarantees within the context of Covid-19 pandemics. The loan is repayable within 4 years. This scheme supports the large enterprises, among others, in contracting new loans (investment or working capital) secured by a state guarantee covering maximum 90% of the facility amount. At the same time, in March 2022, the Parent Company also signed a non-cash financing facility for letters of guarantee with EximBank for the amount of RON 168,000 thousand. This facility ends on 31 January 2024, it is designated mainly for the acquisitions of electricity, and it is collateralized with a state guarantee for 80% of the amount.

In May 2022, the Group subsidiary from Sierra Leone extended the existing overdraft facility of USD 615 thousand contracted from a commercial bank, until 31 May 2023. Also in H1 2022 the subsidiary obtained another overdraft facility of USD 1,782 thousand with the maturity in July 2022, to temporarily cover its working capital needs.

At 30 June 2022, the Group had the amount of RON 216,280 thousand undrawn and available from the borrowing facilities contracted with the banks (at 31 December 2021: RON 155,377 thousand) and the amount of RON 130,766 thousand unutilized and available from the non-cash facilities for letters of credit and letters of guarantee (at 31 December 2021: RON 22,867 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, net financial debt to shareholders equity, solvency ratio, interest cover ratio, total net leverage ratio. At 30 June 2022, the Parent Company was in breach of some of the covenants in respect of its loans. The Company discussed the situation with the banks and received the necessary waivers. A breach of covenants in respect of a liability that entitles the creditor 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 and the Company borrowings and leases are secured with accounts receivable amounting to RON 83,649 thousand for the Group and RON 135,556 thousand for the Company (at 31 December 2021: RON 51,617 thousand for the Group and RON 101,028 thousand for the Company), with their current accounts opened with banks (see Note 19), with collateral deposits of RON 128,166 thousand for the Group and the Company (at 31 December 2021: RON 61,931 thousand), with property, plant and equipment (land, buildings, equipment) with a net book value of RON 894,277 thousand for the Group and RON 699,750 thousand for the Company (including for lease contracts), (2021: RON 902,582 thousand for the Group and RON 724,632 thousand for the Company) and with inventories of RON 1,245,784 thousand for the Group and RON 1,013,591 thousand for the Company (2021: RON 932,937 thousand for the Group and RON

740,920 thousand for the Company), a letter of guarantee issued in the name and account of the State in favour of the lending State bank for 70% of the 180 million RON loan, and also a guarantee from the State for 90% of the 167 million RON loan signed in 2021 as mentioned above, which is based on the Framework support scheme provided by the Romanian State in the form of compensated interest and loan guarantees in the context of the Covid-19 pandemic.

The Group has estimated that the fair value of the borrowings and the leases equals their carrying amount, mainly due to the fact that the loans have variable interest rates, and they are at margins similar to the ones in the loans recently contracted. Their fair value belongs to the level 3 of the fair value measurement hierarchy.

21. Trade and other payables

	Alro Group		Alro	
	30 June 2022	31 December 2021	30 June 2022	31 December 2021
Foreign trade and other payables	96,201	85,152	47,181	71,242
Domestic trade and other payables	113,841	173,458	57,122	160,380
Accrued trade and other payables	51,986	56,309	47,088	53,585
Total	262,028	314,919	151,391	285,207

Domestic trade payables are payables towards suppliers located in the countries where the Group operates (in Romania and Sierra Leone, respectively).

At Company level, the category *Domestic trade and other payables* at 31 December 2021 contained an amount of RON 41,019 thousand for electricity acquired in December 2021 and an amount of RON 32,369 thousand due to one of its subsidiaries for the acquisition of raw materials, which were paid in the first semester of 2022, according to the agreements concluded.

22. Related party transactions

The Group and the Company enter 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 and the Company had transactions during the period are:

Related party	
Vimetco PLC	Major shareholder starting November 2021
Vimetco N.V. (in liquidation)	Major shareholder until November 2021
Paval Holding SRL	Shareholder
Alum S.A.	Subsidiary
Vimetco Extrusion SRL	Subsidiary
Conef S.A.	Subsidiary
Sierra Mineral Holdings 1, Ltd	Subsidiary
Global Aluminum Ltd.	Subsidiary
Bauxite Marketing Ltd.	Subsidiary
Vimetco Trading SRL	Subsidiary since December 2021, before under 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

In November 2021, Vimetco N.V., the majority shareholder of ALRO S.A., transferred its shares in ALRO S.A., representing 54.1898% of the share capital of ALRO S.A., to the company Vimetco PLC, a private limited liability company incorporated under the laws of Cyprus, (99.998% held by Vimetco N.V. before the transfer). See also *Note 1 Organisation and nature of business*.

Group transactions are eliminated on consolidation.

The primary related party transactions are described below:

	Alro Group		Alro	
	Six months ended 30 June 2022	Six months ended 30 June 2021	Six months ended 30 June 2022	Six months ended 30 June 2021
Sales of goods and services				
Subsidiaries	-	-	274,218	142,919
Vimetco PLC	-	-	-	-
Companies under common control	496	765	457	719
Total goods and services provided to related parties	496	765	274,675	143,638

During the 6 months ended 30 June 2022, the category Sales of goods and services mainly includes income obtained by the Parent Company from the sale of billets to its subsidiary Vimetco Extrusion in the amount of RON 225,464 thousand (during 6-month period ended 30 June 2021: RON 121,303 thousand) and from the sale of electricity to its subsidiaries in the amount of RON 46,398 thousand (during 6-month period ended 30 June 2021: RON 19,635 thousand). Additionally, this category includes income booked by the Group from renting office space and various administrative services provided to companies under common control.

	Alro Group		Alro	
	Six months ended 30 June 2022	Six months ended 30 June 2021	Six months ended 30 June 2022	Six months ended 30 June 2021
Goods and services purchased from related parties:				
Subsidiaries	-	-	-310,226	-312,012
Vimetco PLC	-	-	-	-
Companies under common control	-257,293	-137,531	-108,907	-50,224
Total goods and services purchased from related parties	-257,293	-137,531	-419,133	-362,236

The purchases from related parties include acquisitions of alumina by the Parent Company from its subsidiary Alum, in amount of RON 300,751 thousand during the 6 months ended 30 June 2022 and RON 311,009 thousand during the 6 months ended 30 June 2021 and acquisitions of gas for the production process by the Group companies from their related party Conef Gaz (during H1 2022: RON 234,538 thousand at the Group level and RON 90,747 thousand at the Company level; during H1 2021: RON 107,645 thousand at the Group level and RON 24,569 thousand at the Company level). The acquisitions of gas in H1 2022 were higher compared to H1 2021 mainly due to the increasing price of the gas as a result of the scarce availability of energy products. 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 2022 and 31 December 2021:

	Alro Group		Alro	
	30 June 2022	31 December 2021	30 June 2022	31 December 2021
Trade and other accounts receivable:				
Subsidiaries	-	-	107,782	58,190
Vimetco PLC	-	-	-	-
Companies under common control	27,000	5,819	10,697	168
Allowance for doubtful receivables	-3,562	-3,562	-111	-111
Total trade and other accounts receivable from related parties	23,438	2,257	118,368	58,247
- non-current	-	-	-	-
- current	23,438	2,257	118,368	58,247

	Alro Group		Alro	
	30 June 2022	31 December 2021	30 June 2022	31 December 2021
Trade and other accounts payable:				
Subsidiaries	-	-	6,392	37,097
Vimetco PLC	-	15,444	-	15,444
Companies under common control	18,580	8,488	5,424	6,839
Total trade and other accounts payable to related parties	18,580	23,932	11,816	59,380

At Company level, the category *Trade and other accounts payable* contains amounts owed to one of its subsidiaries located in Romania for the acquisition of alumina under normal payment terms and conditions (at 30 June 2022: nil, at 31 December 2021: RON 32,369 thousand).

In December 2021, the Parent Company acquired the company Vimetco Trading SRL from its major shareholder, Vimetco PLC and its subsidiary, Vimetco Management Romania. The amount payable as at 30 June 2022 in respect of this acquisition is RON 156 thousand to Vimetco Management Romania (at 31 December 2021 the amounts payable were the following: RON 15,444 thousand to Vimetco PLC and RON 156 thousand to Vimetco Management Romania, of which RON 15,444 thousand were paid to Vimetco PLC in H1 2022).

Dividends

In the first semester of the year 2022, one of the group's subsidiaries declared dividends of RON 1,078 thousand from the profit of the year 2021.

Management compensation

The total compensation of the Group and the Company'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 6,364 thousand (during the 6 months of year 2021: RON 5,097 thousand) at Group level and to RON 4,152 thousand at Company level (during the 6 months of year 2021: RON 4,057 thousand), respectively, while the expense for determined contribution plan (social contributions) for the first 6 months of 2022 was RON 1,338 thousand for the Group and RON 950 thousand for the Company (the first 6 months of year 2021: RON 1,055 thousand at Group level and RON 862 thousand at Company level).

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 and the Company during the period. 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 Company and their related parties were as follows:

	Alro Group		Alro	
	Six months ended 30 June 2022	Six months ended 30 June 2021	Six months ended 30 June 2022	Six months ended 30 June 2021
Goods and services purchased from entities controlled by key management personnel or their close family members	98	9	11	7
Total	98	9	11	7

23. Commitments and contingencies

Commitments

Investment commitments

As at 30 June 2022, the Group's and the Company's commitments pertaining to the investments amounted to RON 48,017 thousand (31 December 2021: RON 81,039 thousand) at the Group level and to RON 41,256 thousand (31 December 2021: RON 52,279 thousand) at the Company level.

Raw material purchase contracts

As at 30 June 2022, the Group and the Company had contracts for purchases of raw materials, other consumables and utilities in amount of RON 1,295,124 thousand (31 December 2021: RON 1,399,784 thousand) for the Group and in amount of RON 1,355,010 thousand (31 December 2021: RON 1,510,301 thousand) for the Company.

Contingencies

Litigations

As at 30 June 2022 the Group was subject to a number of lawsuits resulting from the normal course of the business. The 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. The disputes are ongoing before the competent Courts of Law. The appeal against the sanction decision issued by the Competition Council was rejected by the Primary Court - the Bucharest Court of Appeal and, as a result of the communication of the motivated decision by this Court, it filed an appeal in the case, which will be judged by the High Court of Cassation and Justice, during the year 2023, provided that the steps to change the term for a closer date were rejected. The Company will use all legal remedies to defend its position in the case.

Taxation

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 on income tax and RON 32 thousand on VAT, which the subsidiary recognized as an expense in 2021, in the category Current income tax expense, and paid within the legal time frame. Subsequently, the Group's subsidiary filed a tax appeal to the National Agency for Fiscal Administration against the Fiscal Inspection Report. The appeal was rejected by the National Agency for Fiscal Administration, so that the subsidiary continues to defend its position by opening the Court of Law action as of today.

24. Events after the reporting date

On 29 July 2022, the General Shareholders' Meeting of Alum approved the Activity Program for 2022, revised so as to consider the updated economy developments. Specifically, the revised activity plan for 2022 foresees the temporary suspension of alumina production starting August 2022, concomitantly with the continuation of some activities in the plant such as maintenance and upgrading works, and R&D activities. Alum will start purchasing alumina from the market at much more efficient prices and it will sell it to Alro according to its needs, for Alro to be able to assure its production requirements. Mirroring these measures, the activity in Sierra Leone will also be adjusted by directing the production to third-party clients. The management are closely monitoring the international environment in such a way that it will permanently be prepared to adjust the production capacities of the Group to respond to the market requirements in the most beneficial way.

On 24 July 2022, a fire broke out at the Eco recycling section of the aluminium plant in Slatina. The only damaged production facility was the gas filtering equipment. The filters need to be replaced before the ovens of the section can be used again, in a few weeks' time. During this time, the Company will procure aluminium ingots and melt them instead of scrap aluminium to compensate for the missing liquid aluminium output. The damage was notified to the insurance company.

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

**CONSOLIDATED AND SEPARATE QUARTERLY REPORT
Q2/2022**

**Consolidated and Separate Financial Results
for the Second Quarter of 2022 (Q2/2022)
as Compared to the Second Quarter of 2021 (Q2/2021)
(unaudited)**

ALRO S.A. and its subsidiaries

in RON '000, except per share data

Alro Group			Alro Group	
Q2 2022	Q2 2021		Six months ended 30 June 2022	Six months ended 30 June 2021
1,034,162	793,963	Revenue from contracts with customers	2,136,313	1,537,911
-822,768	-666,979	Cost of goods sold	-1,827,953	-1,346,042
211,394	126,984	Gross result	308,360	191,869
-82,163	-70,561	General, administrative and selling expenses	-154,140	-144,695
2,806	18,578	Other operating income	7,654	21,110
-7,872	-3,111	Other operating expenses	-14,672	-4,902
124,165	71,890	Operating result (EBIT)	147,202	63,382
-19,947	-10,681	Interest expenses	-33,056	-20,625
-	-27,538	Gains (losses) from derivative financial instruments, net	-2,446	-31,667
1,304	921	Other financial income	2,638	1,892
-8,088	-5,505	Other financial costs	-16,229	-11,057
-48,387	8,444	Net foreign exchange gains / (losses)	-63,339	-27,352
49,047	37,531	Result before income taxes	34,770	-25,427
-15,621	-23,251	Income tax	-19,453	-22,150
33,426	14,280	Result for the period	15,317	-47,577
		Other comprehensive income / (expense), net of tax:		
		<i>Items that will not be reclassified subsequently to profit or loss</i>		
-22	5	Remeasurements of post-employment benefit obligations	-30	-16
		<i>Income tax on items that will not be reclassified</i>	-	-
		<i>Items that may be reclassified subsequently to profit or loss:</i>		
13,268	93	Translation adjustment	17,011	10,871
13,246	98	Other comprehensive income / (expense) for the period, net of tax	16,981	10,855
46,672	14,378	Total comprehensive income / (expense) for the period	32,298	-36,722
		Result attributable to:		
33,455	14,409	Shareholders of Alro SA	15,357	-47,441
-29	-129	Non-controlling interest	-40	-136
33,426	14,280	Total comprehensive income / (expense) attributable to:	15,317	-47,577
46,622	14,506	Shareholders of Alro S.A.	32,235	-36,651
50	-128	Non-controlling interest	63	-71
46,672	14,378		32,298	-36,722
		Earnings per share		
0.047	0.020	Basic and diluted (RON)	0.022	-0.066

Quarterly Report Q2 2022

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

in RON '000, except per share data

Alro			Alro	
Q2 2022	Q2 2021		Six months ended 30 June 2022	Six months ended 30 June 2021
922,656	735,724	Revenue from contracts with customers	1,972,884	1,424,162
-746,076	-637,262	Cost of goods sold	-1,750,194	-1,288,490
176,580	98,462	Gross result	222,690	135,672
-56,888	-45,506	General, administrative and selling expenses	-101,934	-95,696
-137	-52	Impairment of investments	-180	-81
2,197	18,137	Other operating income	6,339	20,186
-3,173	-486	Other operating expenses	-9,285	-1,276
118,579	70,555	Operating result (EBIT)	117,630	58,805
-18,139	-9,496	Interest expenses	-29,920	-18,218
-	-27,538	Gains (losses) from derivative financial instruments, net	-2,446	-31,667
2,230	893	Other financial income	3,530	1,849
-7,788	-4,966	Other financial costs	-15,419	-10,140
-45,457	8,485	Net foreign exchange gains / (losses)	-59,100	-25,265
49,425	37,933	Result before income taxes	14,275	-24,636
-13,769	-4,500	Income tax	-13,561	-2,946
35,656	33,433	Result for the period	714	-27,582
-	-	Other comprehensive income / (expense) for the period, net of tax	-	-
35,656	33,433	Total comprehensive income / (expense) for the period	714	-27,582
		Result attributable to:		
35,656	33,433	Shareholders of Alro SA	714	-27,582
		Non-controlling interest	-	-
		Total comprehensive income / (expense) attributable to:		
35,656	33,433	Shareholders of Alro S.A.	714	-27,582
		Non-controlling interest	-	-
		Earnings per share		
0.050	0.047	Basic and diluted (RON)	0.001	-0.039

in RON '000

	Alro Group	
	30 June 2022	31 December 2021
Assets		
Non-current assets		
Property, plant and equipment	1,100,135	1,097,788
Investment properties	618	633
Intangible assets	4,041	4,532
Goodwill	103,151	96,308
Right-of-use assets	7,565	8,197
Deferred tax asset	56,655	52,238
Other non-current assets	128,166	61,931
Total non-current assets	1,400,331	1,321,627
Current assets		
Inventories	1,301,501	1,005,891
Trade receivables, net	169,777	75,014
Current income tax receivable	1,845	2,024
Other current assets	158,386	138,732
Restricted cash	249	151
Cash and cash equivalents	203,949	328,428
Total current assets	1,835,707	1,550,240
Total assets	3,236,038	2,871,867
Shareholders' Equity and Liabilities		
Shareholders' equity		
Share capital	370,037	370,037
Share premium	86,351	86,351
Other reserves	360,145	342,823
Retained earnings	314,326	288,344
Result for the period	15,357	26,426
Equity attributable to shareholders of Alro S.A.	1,146,216	1,113,981
Non-controlling interest	2,538	2,475
Total shareholders' equity	1,148,754	1,116,456
Non-current liabilities		
Bank and other loans, non-current	1,358,530	1,040,321
Leases, non-current	3,805	4,364
Provisions, non-current	45,509	43,291
Post-employment benefit obligations	40,573	40,888
Government grants, non-current portion	37,303	39,436
Other non-current liabilities	1,298	1,710
Total non-current liabilities	1,487,018	1,170,010
Current liabilities		
Bank and other loans, current	231,288	135,704
Leases, current	2,344	2,664
Provisions, current	4,653	2,176
Trade and other payables	262,028	314,919
Contract liabilities	16,105	45,662
Derivative financial instruments liability, current	-	6,004
Current income taxes payable	20,769	5,447
Government grants, current portion	4,267	4,267
Other current financial liabilities	58,812	68,558
Total current liabilities	600,266	585,401
Total liabilities	2,087,284	1,755,411
Total shareholders' equity and liabilities	3,236,038	2,871,867

in RON '000

	Alro	
	30 June 2022	31 December 2021
Assets		
Non-current assets		
Property, plant and equipment	753,692	778,151
Investment properties	3,957	4,118
Intangible assets	3,390	4,070
Investments in subsidiaries	466,877	467,057
Right-of-use assets	5,147	5,048
Deferred tax asset	23,864	22,199
Other non-current assets	128,166	61,931
Total non-current assets	1,385,093	1,342,574
Current assets		
Inventories	1,013,591	740,920
Trade receivables, net	159,679	121,956
Other current assets	122,066	107,255
Cash and cash equivalents	187,917	305,090
Total current assets	1,483,253	1,275,221
Total assets	2,868,346	2,617,795
Shareholders' Equity and Liabilities		
Shareholders' equity		
Share capital	370,037	370,037
Share premium	86,351	86,351
Other reserves	306,191	306,191
Retained earnings	310,607	275,397
Result for the period	714	35,210
Equity attributable to shareholders of Alro S.A.	1,073,900	1,073,186
Total shareholders' equity	1,073,900	1,073,186
Non-current liabilities		
Bank and other loans, non-current	1,353,838	987,886
Leases, non-current	2,838	2,834
Provisions, non-current	2,598	2,541
Post-employment benefit obligations	32,715	32,867
Government grants, non-current portion	30,581	32,303
Other non-current liabilities	582	567
Total non-current liabilities	1,423,152	1,058,998
Current liabilities		
Bank and other loans, current	156,749	88,895
Leases, current	1,871	1,854
Trade and other payables	151,391	285,207
Contract liabilities	14,140	45,456
Derivative financial instruments liability, current	-	6,004
Current income taxes payable	15,226	3,360
Government grants, current portion	3,442	3,442
Other current financial liabilities	28,475	51,393
Total current liabilities	371,294	485,611
Total liabilities	1,794,446	1,544,609
Total shareholders' equity and liabilities	2,868,346	2,617,795

Alro Group	Share capital	Share premium	Other reserves
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
Balance at 1 January 2022	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	-	-	414
Balance at 30 June 2022	370,037	86,351	376,280

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
-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
-33,043	342,823	288,344	26,426	1,113,981	2,475	1,116,456
-	-	-	15,357	15,357	-40	15,317
16,908	16,908	-	-	16,908	103	17,011
-	-	-30	-	-30	-	-30
16,908	16,908	-30	-	16,878	103	16,981
16,908	16,908	-30	15,357	32,235	63	32,298
-	414	26,012	-26,426	-	-	-
-16,135	360,145	314,326	15,357	1,146,216	2,538	1,148,754

Alro	Share capital
Balance at 1 January 2021	370,037
Result for the period	-
Total comprehensive income / (expense)	-
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
Balance at 1 January 2022	370,037
Result for the period	-
Total comprehensive income / (expense)	-
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 2022	370,037

in RON '000

Share premium	Other reserves	Retained earnings	Result for the period	Total
86,351	306,191	-25,823	295,206	1,031,962
-	-	-	-27,582	-27,582
-	-	-	-27,582	-27,582
-	-	-	-	-
-	-	295,206	-295,206	-
86,351	306,191	269,383	-27,582	1,004,380
86,351	306,191	275,397	35,210	1,073,186
-	-	-	714	714
-	-	-	714	714
-	-	-	-	-
-	-	35,210	-35,210	-
86,351	306,191	310,607	714	1,073,900

Quarterly Report Q2 2022
Interim consolidated statement of cash flows - unaudited

in RON '000

Alro Group			Six months ended	Six months ended
Q2 2022	Q2 2021		30 June 2022	30 June 2021
		Cash flow from operating activities		
49,047	37,531	Result before income taxes	34,770	-25,427
		<i>Adjustments for:</i>		
35,110	39,027	Depreciation and amortisation	72,382	81,088
-	-103	Impairment of property, plant and equipment	-	-103
1,982	1,052	Movement in provisions	2,475	1,045
13,291	-4,952	Change in allowance for impairment of inventory	12,352	-19,863
-257	-933	Change in allowance for impairment of doubtful receivables	-172	-1,005
395	1,817	Losses/(gains) on disposal of property, plant and equipment	535	1,986
49,575	-7,000	Net foreign exchange (gains)/ losses on loans revaluation	64,633	31,381
-1,196	-910	Interest income	-2,519	-1,877
19,947	10,681	Interest expense	33,056	20,625
-	-	Dividend income	-	-2
-	27,538	Gain/loss on derivative instruments at fair value through profit or loss	2,446	31,667
		<i>Changes in working capital:</i>		
-168,737	-15,400	Change in inventories	-296,612	32,582
24,874	-2,462	Change in trade receivables and other assets	-112,495	-23,323
-38,531	-17,744	Change in trade and other payables	-105,550	-18,598
-6,895	-29,340	Income taxes (paid)/refunded	-6,895	-38,511
-16,717	-8,685	Interest paid	-29,928	-15,528
-1,894	-	Cash receipts/ (Payments) from derivatives, net	-16,823	-4,887
-40,006	30,117	Net cash generated by / (used in) operating activities	-348,345	51,250
		Cash flow from investing activities		
-29,526	-29,983	Purchase of property, plant and equipment and intangible assets, net	-60,231	-56,581
318	636	Proceeds from sale of property, plant and equipment	683	1,162
-	-	Dividends received	-	2
-100	-16,731	Change in restricted cash	-66,333	-16,733
1,214	895	Interest received	2,514	1,849
-28,094	-45,183	Net cash used in investing activities	-123,367	-70,301
		Cash flow from financing activities		
203,612	75,088	Proceeds from loans	431,266	91,137
-72,531	-48,087	Repayment of loans and leases	-84,136	-63,331
-	-9	Dividends paid	-1	-26
131,081	26,992	Net cash provided by/(used in) financing activities	347,129	27,780
62,981	11,926	Net change in cash and cash equivalents	-124,583	8,729
140,904	102,457	Cash and cash equivalents at beginning of period	328,428	105,500
64	-82	Effect of exchange rate differences on cash and cash equivalents	104	72
203,949	114,301	Cash and cash equivalents at end of period	203,949	114,301

Quarterly Report Q2 2022
Interim separate statement of cash flows - unaudited

in RON '000

Alro			Six months ended 30 June 2022	Six months ended 30 June 2021
Q2 2022	Q2 2021			
		Cash flow from operating activities		
49,425	37,933	Result before income taxes	14,275	-24,636
		<i>Adjustments for:</i>		
23,053	25,924	Depreciation and amortisation	49,242	54,186
136	52	Impairment of investments	180	81
-	1,052	Movement in provisions	-	1,052
13,291	-4,952	Change in allowance for impairment of inventory	12,352	-19,863
-285	-947	Change in allowance for impairment of doubtful receivables	-317	-963
232	98	Losses/(gains) on disposal of property, plant and equipment	345	196
45,690	-7,758	Net foreign exchange (gains)/ losses on loans revaluation	59,518	26,357
-1,152	-893	Interest income	-2,452	-1,847
18,139	9,496	Interest expense	29,920	18,218
-1,078	-	Dividend income	-1,078	-2
-	27,538	Gain/loss on derivative instruments at fair value through profit or loss	2,446	31,667
		<i>Changes in working capital:</i>		
-182,493	-30,333	Change in inventories	-281,757	2,316
58,700	-461	Change in trade receivables and other assets	-53,271	-7,451
-87,904	-35,121	Change in trade and other payables	-171,968	-21,897
-3,360	-7,927	Income taxes (paid)/refunded	-3,360	-8,235
-15,121	-7,165	Interest paid	-27,900	-13,809
-1,894	-	Cash receipts/ (Payments) from derivatives, net	-16,823	-4,887
-84,621	6,536	Net cash generated by / (used in) operating activities	-390,648	30,483
		Cash flow from investing activities		
-19,558	-18,179	Purchase of property, plant and equipment and intangible assets, net	-36,570	-34,731
-	-	Proceeds from sale of property, plant and equipment	35	-
1,078	-	Dividends	1,078	2
-1	-16,731	Change in restricted cash	-66,235	-16,731
1,152	893	Interest received	2,452	1,847
-17,329	-34,017	Net cash used in investing activities	-99,240	-49,613
		Cash flow from financing activities		
200,449	70,563	Proceeds from loans	420,052	73,463
-36,525	-33,154	Repayment of loans and leases	-47,336	-43,398
-	-9	Dividends paid	-1	-26
163,924	37,400	Net cash provided by/(used in) financing activities	372,715	30,039
61,974	9,919	Net change in cash and cash equivalents	-117,173	10,909
125,943	89,740	Cash and cash equivalents at beginning of period	305,090	88,750
187,917	99,659	Cash and cash equivalents at end of period	187,917	99,659

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.

At 30 June 2022, the majority shareholder of Alro S.A. was Vimetco PLC, a private limited liability company registered under the laws of Cyprus, based in Poseidonos 1, Ledra Business Center, Egkomi, 2406, Nicosia, Cyprus. The company is ultimately controlled by 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 2022 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 quarterly report as those applied in preparing the Group's financial statements as at 31 December 2021, except for the adoption of new standards effective as of 1 January 2022

This 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. These exceptions do not affect the compliance of the financial statements of the Group with IFRS adopted by the EU.*

4. Explanatory notes

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

Revenues from contracts with customers

Q2 2022	Q2 2021		Six months ended 30 June 2022	Six months ended 30 June 2021
45,675	3,031	Revenues from the bauxite segment	48,070	5,881
11,548	45,420	Revenues from the alumina segment	32,271	76,440
221,157	362,899	Revenues from the primary aluminium segment	526,859	700,077
746,304	380,585	Revenues from the processed aluminium segment	1,514,972	751,719
9,478	2,028	Other	14,141	3,794
1,034,162	793,963	Total	2,136,313	1,537,911

While in 2021, the global economy started to show signs of recovery after the COVID-19 pandemics, another shock wave was sent to the world once the Russia - Ukraine conflict outburst, in February 2022. The economic impact of the conflict was felt worldwide, slowing down the economic activity and contributing to the inflation increase. Although the utilities and raw material prices recorded an unprecedented growth towards the end of 2021, from the low levels recorded during the pandemic, the disturbances generated in the commercial flows, determined by the military conflict, pushed the prices up in Q2 2022 and increased their volatility.

The rise in electricity and gas prices started last year with a peak increase in the second half of 2021, the energy crisis being worsened by the Russian-Ukrainian conflict. This had a strong impact on aluminium producers in Europe and many primary aluminium production plants had to reduce their production capacities or even close their production facilities completely. In addition, the drastic measures taken to limit the spread of COVID-19 led to a raw material crisis, amplified by supply chain uncertainties. Under these conditions, Alro Group developed scenarios for operating at a break-even point or reducing financial losses by suspending certain production activities and putting some production equipment on stand-by. ALRO reduced its primary aluminium output by temporarily suspending the operation of three electrolysis potrooms, ALUM revised its production schedule based on the level of calcined alumina required by ALRO, and Sierra Mineral Holdings I, Ltd reduced its production to ensure the delivery of bauxite in accordance with Alum's requirements.

The average LME cash-seller quotation (aluminium price on the London Metal Exchange) in Q2 2022 was 2,875 USD /tonne, i.e. by 475 USD /tonne higher than the LME average reported in Q2 2021 (2,400 USD /tonne). However since production capacities were supplemented in the rest of the world, except for Europe, this put pressure on the LME causing a downward trend in Q2 2022 as compared to Q1 2022 when the LME average was 3,280 USD / tonne.

The energy market mainly affected the European market, with a significant impact on the sale of primary and processed products. The increase of energy, natural gas and raw material costs forced the Group to adapt its strategy and sales mix so as to be in line with the new market conditions. As a result of the temporary suspension in Q1 2022, of three out of five electrolysis potrooms, the Group purchased primary metal from the market for the wire rod deliveries to our traditional customers.

The market of flat-rolled products continued to deteriorate in Q2 2022 with strong pressure on premiums, mainly due to imports of Chinese products in Europe, for which no anti-dumping taxes were imposed. However, in July 2022, the European Union cancelled the suspension of anti-dumping duties on flat rolled products from China, which is an encouraging signal for European aluminium producers in the medium to long term. The negative market development in Q2 2022 was somehow offset by a good demand in the aerospace sector, thus the Group sold by 9% more plates, in Q2 2022 as compared to Q2 2021 with the plates being our most profitable product.

In this complex and unfavourable context, the Group recorded a 30% increase in the sales revenue in Q2 2022 as compared to Q2 2021 (Q2 2022: RON 1,034,162 thousand versus Q2 2021: RON 793,963 thousand), thanks to a positive trend of the aluminium price (LME), increasing demand for high value-added products, especially in the aero sector, and also thanks to the appreciation of the US dollar, with the Group being an exporter.

The main contribution to the Group's turnover in Q2 2022 came from the sales of processed products, which doubled in Q2 2022 (RON 746,304 thousand) as compared to the same quarter of 2021 (RON 380,585 thousand). This very good performance of the Processed

Aluminium segment was supported by a good demand for plates, our highest value-added products, of which the Group sold over 1,250 tonnes more in Q2 2022 as compared to Q2 2021, especially for the aero sector. The aerospace sector, which has become increasingly active towards the end of 2021 and the beginning of 2022, continues to show signs of good demand for the end of 2022. Other factors contributing to the sales increase were the favourable LME progress, the rising sales premiums and the depreciation of RON to USD.

At the same time, sheets and coils deliveries decreased by 62% in Q2 2022 as compared to Q2 2021, amid declining demand for these product lines. The large imports of flat-rolled products from China, have resulted in record stock levels at major European distributors, causing demand for these products in European markets to decrease significantly. However, the lifting of suspension of anti-dumping taxes on Chinese flat-rolled products is expected to cause the demand to remain weak for a while, at least short term with a steady recovery in line with stocks depletion and industrial activity resuming close to a normal pace.

A positive progress was also recorded in the quantity of extruded products sales; the Group seized opportunities arising from favourable market conditions and delivered over 670 tonnes more standard and custom profiles in the second quarter of 2022 than in the second quarter of the previous year.

Revenues from sales of primary products decreased by 39% in Q2 2022 as compared to Q2 2021 amid lower quantitative sales of wire rod and billets as a result of the decrease in the Group's production capacity, offset by the increase in LME and foreign exchange gains. However, in 2022 the wire rod sales were above the budgeted ones and as regards the billet production, there have been signs of slackening demand for the extruded sector for this product since December 2021, especially in South East Europe. In Q2 2022, the market participants continued to note a lower to no level of liquidity in the billets spot market and put this inactivity on the account of the LME volatility, higher energy costs and the existence of the uncertainty about the supply of Russian metal to the market. At the same time, the Group did not sell slabs in Q2 2022 and the entire slab production was directed for internal consumption, in line with the Group's objectives to increase sales of flat rolled products.

At the same time, the bauxite segment also managed to perform better in Q2 2022 as compared to Q2 2021 and reported a quantitative increase of almost 171,200 tonnes in bauxite sales to third parties and an increase of RON 42,644 thousand in the sales revenue, as the Group's subsidiary in Sierra Leone focused on external market sales, as a result of the revised production schedule in Alum.

Cost of goods sold increased by 23% in Q2 2022 as compared to Q2 2021 (Q2 2022: RON 822,768 thousand versus Q2 2021: RON 666,979 thousand), mainly due to the increase in prices of utilities and raw materials on the global market. The high pressure put on the energy decarbonisation in Romania and Europe led to anomalies on the local energy market especially in the second half of 2021, which led to the increase in electricity supply prices and the same high energy prices level continued in the year 2022. Furthermore, in Q2 2022, the energy crisis was amplified by the conflict in Ukraine and the impact on the energy market was major. The conflict affected many areas of the global economy and created a volatile economic environment that led to rising inflation and disrupted supply chains in Q2 2022. As a result, the prices of all the raw materials have reached record levels, making the entire contracting process extremely difficult.

In order to mitigate the impact of the temporary suspension in Q1 2022 of three electrolysis potrooms production on the turnover, the Group has supplemented the necessary quantity of metal by purchasing primary cold aluminium from the market and processing it. The quantities of primary metal that were no longer produced were partially offset by purchasing more than 11,400 tonnes of primary cold metal from third parties in Q2 2022, the price of which is linked to the LME quotation (Q2 2021: 0). In the same context, the Group entered into tolling contracts with a few clients and agreed to process the metal brought in by these clients by charging a smelting and processing fee, and rendering them back a specific ordered product, such as wire rod (Q2 2022: more than 5,000 tonnes; Q2 2021:0). At the same time, in order to reduce the dependence on electricity, in 2022 the Group continued the investment started in 2021 in the extension of the Eco Recycling Facility, by developing the recycling capacity so as to ensure the molten metal required for the flat rolled products production.

However, the 23% increase in cost of goods sold in Q2 2022 as compared to the same period last year remained below the 30% increase in sales revenue in the analyzed periods, therefore **the gross profit margin** increased to 20% in Q2 2022 from the 16% gross margin recorded in the same period of last year.

The positive LME evolution in Q2 2022 as compared to Q2 2021, the increase in the sales of flat rolled products and extruded products with better profitability margins and the exchange rate that positively influenced the turnover, these all reflected in the reported results. Thus, the Gross profit of the Group increased from a profit amounting to RON 126,984 thousand as recorded in Q2 of the previous year to a profit amounting to RON 211,394 thousand in Q2 of the current year.

The Group's operating result increased from a profit of RON 71,890 thousand achieved in Q2 2021 to a profit of RON 124,165 thousand in Q2 2022. However, the operating result is much lower than what could have been if the Group could have booked a compensation for higher energy costs, as it did in previous years (2019 and 2020). The compensation scheme is part of Romania's plans to partially subsidise energy-intensive companies for high electricity prices due to indirect emission costs, in line with the EU Emissions Trading Scheme (ETS). Romania must first implement the relevant EU Guidelines so that companies are entitled to receive this compensation.

On the other hand, **interest expenses** increased by 87% in Q2 2022 as compared to Q2 2021 (Q2 2022: RON 19,947 thousand as compared to Q2 2021: RON 10,681 thousand) mainly due to the increase in LIBOR and ROBOR reference rates.

In Q2 2021, **the gains / (losses) from derivative financial instruments, net** were related to the 100% collar option contracts concluded by the Group in March 2021. 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.

A significant influence on the Group's net result was **the net foreign exchange loss**, in the amount of RON 48,387 thousand, recorded in Q2 2022 mainly arising from the revaluation of the Group's foreign currency loans and other liabilities once the RON strongly depreciated in front of USD. In Q2 2021, the Group recorded net gains from foreign exchange rate differences in the amount of RON 8,444 thousand.

With increasing sales revenues, due to higher demand levels supported by a good performance of the aerospace and extruded sectors, the increase in the exchange rate and due to the positive evolution of aluminium prices on the international markets, partially offset by accelerated increases in utilities and raw material prices in the global economic context, in Q2 2022 the Group achieved a net profit of RON 33,426 thousand, i.e. higher by RON 19,146 thousand than the net profit of RON 14,280 thousand reported in Q2 2021.

The reconciliation between the net result and the adjusted net result for Q2 2022 and Q2 2021 is detailed below:

		in RON '000	
Q2 2022	Q2 2021	Six months ended 30 June 2022	Six months ended 30 June 2021
33,426	14,280	15,317	-47,577
-	-103	-	-103
-	27,538	2,446	31,667
-3,210	3,680	-3,072	1,151
30,216	45,395	14,691	-14,862

4.2. Consolidated Statement of Financial Position

Non-current assets

In June 2022, the Group's subsidiary Vimetco Extrusion completed the installation of a new state-of-the-art aluminium profile extrusion press, following an investment of approximately EUR 10 million since the start of this project in March 2021 (the amount spent in H1 2022 was RON 40,991 thousand and RON 4,107 thousand in H1 2021). The subsidiary successfully tested the new equipment by extruding the first extruded billet. The new press supports the Group's strategy to increase its production capacity for high value-added aluminium products, thus offering its customers a wide portfolio of customised solutions. The new extrusion line will increase the annual production capacity by 11,000 tonnes of extruded products, thus making it reach a total annual capacity of 35,000 tonnes of extruded products by the end of 2022.

In order to reduce the dependence on electricity, in H1 2022 the Group invested an amount of RON 10,451 thousand (H1 2021: RON 20 thousand) for the development of the aluminium scrap melting capacity in the Eco Recycling Facility to ensure the molten metal required for the flat rolled products production. At the same time, the Group continued its smelter pot repair programme using AP12LE technology and refurbished other 11 electrolysis pots in H1 2022 to ensure the Electrolysis potrooms operation with improved energy efficiency.

The variance in *Other non-current assets* at 30 June 2022 as compared to 31 December 2021, in the amount of RON 66,235 thousand consists of a collateral deposit that was pledged for a new facility of RON 470,000 thousand and for a non-cash facility obtained from the banks in March 2022. For further details, see also *Note 20 Borrowings and leases* in the Interim Condensed Financial Statements for the 6-month period 2022.

Current assets

Inventories increased from RON 1,005,891 thousand at 31 December 2021 to RON 1,301,501 thousand at 30 June 2022. As a result of unfavourable global circumstances caused by the geo-political situation, the first half of 2022 was marked by a fast increase in energy prices, which affected the aluminium industry due to the high energy intensity of this metal. At the same time, the increase of the natural gas prices at high levels affected the cost of alumina, putting pressure on the aluminium production. At the same time, the unstable economic environment has influenced the prices of all raw materials that have reached record levels, and thus the entire contracting process became very difficult. All these factors caused an increase of inventories by RON 295,610 thousand at 30 June 2022 as compared to the beginning of the year, with the major part of the variation coming from the higher value of the finished products and of the purchased materials.

Liabilities

The Group's *total liabilities* increased by 19% and reached a level of RON 2,087,284 thousand at 30 June 2022 (31 December 2021: RON 1,755,411 thousand), mainly as a result of the new credit facilities contracted by the Group in 2022. In January 2022, the Group's Parent Company also drew down the remaining available portion of USD 30,000 thousand from the credit facility in the amount of USD 40,000 thousand, received in June 2021. Also, in March 2022, the Parent Company signed a non-revolving working capital facility in the amount of RON 470,000 thousand with a syndicate of banks. At 30 June 2022, an amount of RON 290,145 thousand was drawn down from this facility (for more details see also *Note 20 Borrowings and leases* in the Interim consolidated financial statements for the 6-month period 2022). Moreover, the significant appreciation of the US dollar against the Romanian leu as at 30 June 2022 (4.7424 USD/RON) as compared to 31 December 2021 (4.3707 USD/RON) affected the revaluation of the loans that the Group has contracted in USD in the sense of increasing their RON equivalent.

4.3. Consolidated Statement of Cash Flows

As at 30 June 2022, the Group had cash and cash equivalents amounting to RON 203,949 thousand, i.e. lower by RON 124,479 thousand compared to the beginning of the year and higher by RON 89,648 thousand compared to the same period of the previous year.

In Q2 2022, the net cash flow used in the operational activity was RON 40,006 thousand (in Q2 2021 the cash flow generated from the operations was RON 30,117 thousand). The positive evolution of the turnover in Q2 2022 as compared to Q2 2021 was reduced by the payments made by the Group to its utilities and raw materials suppliers as a result of the inflation trend of the purchase prices in the analysed period, this situation being also seen in the increase of the Group's inventories.

The net cash outflows related to the investment activities in Q2 2022 in amount of RON 28,094 thousand represent the acquisition of the new aluminium profile extrusion line and investments aimed at reducing the Group's dependency on the electric power by developing the scrap recycling activity, payments for relining of the smelter pots and furnaces overhaul, as well as investments for the maintenance and improvement of Group's equipment parameters.

The net cash flow from the financing activity in Q2 2022 was positive, amounting to RON 131,081 thousand, coming mainly from the amounts drawn down from the aforementioned credit facility contracted in March 2022, as well as from the refunding of the due loan instalments according to the repayment schedules agreed with the banks, and from leasing debts, in the reporting period.

**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	Alro Group		Alro	
		Six months ended 30 June 2022	Six months ended 30 June 2021	Six months ended 30 June 2022	Six months ended 30 June 2021
Current ratio	Current assets/ Current liabilities	3.06	2.46	3.99	2.21
Gearing ratio	Long-term borrowings/ Equity x 100	118.59	86.88	126.33	86.33
	Long-term borrowings/ Capital employed x 100	54.25	46.49	55.82	46.33
Receivables turnover	Receivables average balance/ Turnover x180	10.31	8.00	12.85	11.46
Non-current assets turnover	(Turnover x 360/180)/ Non-current assets	3.05	2.39	2.85	2.16

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 and separate financial statements of ALRO Group for the period ended on 30 June 2022 and ALRO Group quarterly financial results for Q2 2022 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 2022;

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 2022.

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.	Vasile Iuga	Member
5.	Marinel Burduja	Member
6.	Laurentiu Ciocirlan	Member
7.	Oana-Valentina Truta	Member
8.	Voicu Cheta	Member
9.	Genoveva Nastase	Member
10.	Igor Higer	Member
11.	Dragos-Adrian Voncu	Member

The interim condensed consolidated and separate financial statements of ALRO Group for the period ended on 30 June 2022 and ALRO Group quarterly financial results for Q2 2022 are not audited.

Chairman of the Board of Directors
Marian Daniel Nastase

Chief Executive Officer
Gheorghe Dobra

Chief Financial Officer
Genoveva Nastase

9 August 2022