

**Interim Condensed Separate Financial Statements for the
Six Months ended 30 June 2021**

Alro S.A.

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

in RON '000,
unless otherwise stated

	Note	Six months ended 30 June 2021	Six months ended 30 June 2020
Revenue from contracts with customers	5	1,424,162	1,222,845
Cost of goods sold		-1,288,490	-1,295,704
Gross result		135,672	-72,859
General, administrative and selling expenses	7	-95,696	-92,218
Impairment of investments		-81	-1,004
Other operating income	8	20,186	455,378
Other operating expenses		-1,276	-843
Operating result (EBIT)		58,805	288,454
Interest expenses	9	-18,218	-29,072
Gains (losses) from derivative financial instruments, net	16	-31,667	-
Other financial income		1,849	1,917
Other financial costs		-10,140	-9,542
Net foreign exchange gains / (losses)		-25,265	-13,557
Result before income taxes		-24,636	238,200
Income tax	10	-2,946	-26,428
Result for the period		-27,582	211,772
Other comprehensive income / (expense), net of tax:			
<i>Items that will not be reclassified subsequently to profit or loss:</i>			
Other comprehensive income / (expense) for the period, net of tax		-	-
Total comprehensive income / (expense) for the period		-27,582	211,772
Earnings per share			
Basic and diluted (RON)	11	-0.039	0.297

Dr. Ing Gheorghe DOBRA
Chief Executive Officer

Ec. Genoveva NĂSTASE
Chief Financial Officer

The accompanying notes are an integral part of these interim condensed separate financial statements.

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

		in RON '000	
	Note	30 June 2021	31 December 2020
Assets			
Non-current assets			
Property, plant and equipment	12	775,853	790,878
Investment properties		4,279	4,439
Intangible assets		4,726	5,653
Investments		451,570	451,651
Right-of-use assets		6,400	8,496
Deferred tax asset	10	15,791	18,583
Other non-current assets	13	62,060	45,329
Total non-current assets		1,320,679	1,325,029
Current assets			
Inventories	14	493,367	473,979
Trade receivables, net		101,663	79,719
Other current assets		452,733	469,686
Cash and cash equivalents	17	99,659	88,750
Total current assets		1,147,422	1,112,134
Total assets		2,468,101	2,437,163
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		269,383	-25,823
Result for the period		-27,582	295,206
Equity attributable to shareholders of Alro S.A.		1,004,380	1,031,962
Non-controlling interest		-	-
Total shareholders' equity		1,004,380	1,031,962
Non-current liabilities			
Bank and other loans, non-current	18	864,130	806,244
Leases, non-current	18	2,903	2,726
Provisions, non-current		1,416	1,389
Post-employment benefit obligations		40,568	41,278
Government grants, non-current portion		34,024	35,745
Other non-current liabilities		509	422
Total non-current liabilities		943,550	887,804
Current liabilities			
Bank and other loans, current	18	84,853	80,141
Leases, current	18	2,475	2,742
Provisions, current		29,672	28,620
Trade and other payables		322,657	318,954
Contract liabilities		19,859	31,745
Derivative financial instruments liability, current	16	26,631	-
Current income taxes payable		-	8,081
Government grants, current portion		3,442	3,442
Other current financial liabilities		30,582	43,672
Total current liabilities		520,171	517,397
Total liabilities		1,463,721	1,405,201
Total shareholders' equity and liabilities		2,468,101	2,437,163

The comparative figures for the year 2020 were reclassified in accordance with the presentation adopted in 2021. The amount of RON 31,745 thousand representing contract liabilities and the amount of RON 9,603 thousand representing trade payables for fixed assets which were reported at 31 December 2020 under the category *Other current financial liabilities* are now included under *Contract liabilities* and *Trade and other payables*, respectively.

The accompanying notes are an integral part of these interim condensed separate financial statements.

Dr. Ing Gheorghe DOBRA
Chief Executive Officer

Ec. Geneveta NĂSTASE
Chief Financial Officer

Interim separate statement of changes in shareholders' equity for the six months ended 30 June 2021 - unaudited

	Share capital
Balance at 1 January 2020	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 2020	370,037
Balance at 1 January 2021	370,037
Result for the period	-
Total other comprehensive income / (expense)	-
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

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in RON '000

Share premium	Other reserves	Retained earnings	Result for the period	Total
86,351	306,191	131,868	-152,901	741,546
-	-	-	211,772	211,772
-	-	-	211,772	211,772
-	-	-152,901	152,901	-
86,351	306,191	-21,033	211,772	953,318
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

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Chief Financial Officer

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

in RON '000

	Note	Six months ended 30 June 2021	Six months ended 30 June 2020
Cash flow from operating activities			
Result before income taxes		-24,636	238,200
<i>Adjustments for:</i>			
Depreciation and amortisation		54,186	56,569
Impairment of investments		81	1,004
Movement in provisions		1,052	-
Change in allowance for impairment of inventory	14	-19,863	5,129
Change in allowance for impairment of doubtful receivables	7	-963	259
Losses/(gains) on disposal of property, plant and equipment		196	(96)
Net foreign exchange (gains)/ losses on loans revaluation		26,357	12,564
Interest income		-1,847	-1,915
Interest expense	9	18,218	29,072
Dividend income		-2	-2
Effect of derivative financial instruments	16	31,667	-
<i>Changes in working capital:</i>			
Change in inventories		2,316	148,721
Change in trade receivables and other assets		-7,451	-462,910
Change in trade and other payables		-21,897	53,330
Income taxes (paid)/refunded		-8,235	5,917
Interest paid		-13,809	-27,664
Cash receipts/ (Payments) from derivatives, net		-4,887	-701
Net cash generated by / (used in) operating activities		30,483	57,477
Cash flow from investing activities			
Purchase of property, plant and equipment and intangible assets, net		-34,731	-21,337
Proceeds from sale of property, plant and equipment		-	41
Dividends received		2	2
Change in restricted cash	17	-16,731	-30,000
Interest received		1,847	1,915
Net cash used in investing activities		-49,613	-49,379
Cash flow from financing activities			
Proceeds from loans	18	73,463	100,000
Repayment of loans and leases	18	-43,398	-57,903
Dividends paid	11	-26	-32
Net cash provided by/(used in) financing activities		30,039	42,065
Net change in cash and cash equivalents		10,909	50,163
Cash and cash equivalents at beginning of period		88,750	72,546
Cash and cash equivalents at end of period	17	99,659	122,709

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Chief Executive Officer

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Chief Financial Officer

The accompanying notes are an integral part of these interim condensed separate financial statements.

Notes to the Separate Financial Statements - unaudited

in RON '000, except per share data

1. Organisation and nature of business

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

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

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

Alro S.A. and its subsidiaries 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. Alro has its customers primarily in Central and Eastern Europe.

2. Basis of preparation

Statement of compliance

These interim condensed separate financial statements of Alro (further named *Condensed financial statements*) for the 6 months ended 30 June 2021 are unaudited and have been prepared in accordance with *IAS 34 Interim financial reporting* as adopted by the European Union (EU). The accounting policies are in accordance with the Ministry of Public Finance Order no. 2844/2016, with subsequent amendments, which is in accordance with the International Financial Reporting Standards (IFRS) adopted by the European Union (EU)*.

Selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in financial position and performance of the Company since the last annual consolidated and separate financial statements as at and for the year ended 31 December 2020. These interim condensed 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 Company for the year ended 31 December 2020.

Going concern

These financial statements have been prepared on a going concern basis, which assumes the Company will be able to realize their assets and discharge their liabilities in the normal course of business.

Functional and presentation currency

The functional currency of the Company is the Romanian leu (RON).

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

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

	30 June 2021	31 December 2020
USD exchange rate at the end of the period**	4.1425 USD/RON	3.9660 USD/RON
	Six months ended 30 June 2021	Six months ended 30 June 2020
USD average exchange rate***	4.0674 USD/RON	4.3726 USD/RON

**) as communicated by National Bank of Romania

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

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

3. Application of the new and revised international financial reporting standards

The accounting policies adopted in the preparation of the interim condensed unconsolidated financial statements are consistent with those followed in the preparation of the Company's annual unconsolidated financial statements for the year ended 31 December 2020, except for the adoption of new standards effective as of 1 January 2021. The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

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

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

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

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

- Amendments to *IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates* (issued on 12 February 2021), not yet adopted by the EU. The amendments are effective for annual reporting periods beginning on or after 1 January 2023, with earlier application permitted. The amendments aim to further clarify the difference between accounting policies and accounting estimates as enforcers have identified divergent practices in this respect. The changes to IAS 8 focus entirely on accounting estimates and as a result, the definition of a change in accounting estimates is replaced with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty". Amendments clarify that a change in accounting estimate that results from new information or new developments is not the correction of an error. The effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period error and it may affect only the current period's profit or loss, or the profit or loss of both the current period and future periods. The directors do not anticipate that the application of the standard in the future will have an impact on the Company's financial statements.

- Amendments to *IFRS 16 Leases: Covid-19-Related Rent Concessions beyond 30 June 2021* (issued on 31 March 2021), not yet

endorsed by the EU. The amendment extends, by one year, the May 2020 amendment that provides lessees with an exemption from assessing whether a COVID-19-related rent concession is a lease modification. The amendments are not expected to have an impact on the Company's financial statements.

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

4. Estimates

The preparation of interim condensed unconsolidated 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 unconsolidated financial statements, the significant judgements made by the management in applying 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 2020.

5. Revenue from contracts with customers

Set out below is the disaggregation of the Company's revenue from contract with customers:

Segments	Six months ended			
	Primary aluminium	Processed aluminium	Others	Total
Type of good or service				
Sale of primary aluminium	821,380	-	-	821,380
Sale of processed aluminium	-	578,076	-	578,076
Other revenues and services performed	-	-	24,706	24,706
Total revenue from contracts with customers	821,380	578,076	24,706	1,424,162

Segments	Six months ended			
	Primary aluminium	Processed aluminium	Others	Total
Type of good or service				
Sale of primary aluminium	682,043	-	-	682,043
Sale of processed aluminium	-	515,809	-	515,809
Other revenues and services performed	-	-	24,993	24,993
Total revenue from contracts with customers	682,043	515,809	24,993	1,222,845

6. Segment information

For management purposes, the segments on which it reports information to the chief operating decision maker are organized in two divisions: primary aluminium and processed aluminium. The Primary aluminium division manufactures primary aluminium products like wire rod, slabs, billets and ingots and the Processed aluminium segment develops and sells flat rolled products, such as sheets, plates, coils. Both the Primary and Processed aluminium divisions are located in Slatina, Romania.

The management monitors the Company's segments results by their sales and gross profit performance. Segment revenues are the sales to third party clients realized by each segment. Expenses are the production costs and additional costs incurred for the sale of the inventories, directly attributable to the segments or allocated on a reasonable basis.

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

The Company's revenues and results for the six months ended 30 June 2021 and 2020 by segment, were as follows:

	Primary aluminium	Processed aluminium	Others	Total
Six months ended 30 June 2021				
Total sales revenues	821,380	578,076	24,706	1,424,162
Segment results (gross profit)	76,441	60,146	-914	135,672
Other operating income & expenses, net				-76,867
Operating result (EBIT)				58,805
Interest and other finance costs, net				-58,176
Net foreign exchange gains / (losses)				-25,265
Result before income taxes				-24,636
Six months ended 30 June 2020				
Total sales revenues	682,043	515,809	24,993	1,222,845
Segment results (gross profit)	-104,922	30,411	1,652	-72,859
Other operating income & expenses, net (Note 8)				361,313
Operating result (EBIT)				288,454
Interest and other finance costs, net				-36,697
Net foreign exchange gains / (losses)				-13,557
Result before income taxes				238,200

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

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 is allocated to the segments on a reasonable basis. Segment liabilities include all operating liabilities and consist principally of trade payables, wages and taxes payable and accrued liabilities. Segment assets and liabilities do not include deferred income taxes, borrowings, financial liabilities and other un-allocatable items.

Segment assets and liabilities at 30 June 2021 and 31 December 2020, respectively, were as follows:

Alro Company	Primary aluminium	Processed aluminium	Others	Inter-segment balances	Total
30 June 2021					
Total assets	1,093,107	647,309	727,685	-	2,468,101
Total liabilities	335,006	73,103	1,055,612	-	1,463,721
31 December 2020					
Total assets	1,063,844	650,748	722,571	-	2,437,163
Total liabilities	345,556	80,485	979,160	-	1,405,201

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

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

7. General, administrative and selling expenses

	Six months ended 30 June 2021	Six months ended 30 June 2020
Staff costs	-38,345	-36,906
Third party services	-23,358	-22,207
Consulting and audit	-11,723	-9,196
Consumables	-3,408	-3,438
Taxes other than income taxes	-3,315	-3,236
Depreciation and amortisation	-3,326	-4,630
Insurance	-2,163	-2,278
Marketing and public relations	-1,593	-842
Travelling	-93	-126
Research and development costs	-7,976	-6,373
Other	-1,359	-2,727
Change in allowance for doubtful debts	963	-259
Total	-95,696	-92,218

8. Other operating income

	Six months ended 30 June 2021	Six months ended 30 June 2020
Other operating income		
Rental income	960	940
Government grants	1,501	443,625
Income from sale of emission certificates	-	9,259
Income from claims and penalties	12,027	751
Other income	5,698	803
Total other operating income	20,186	455,378

Other operating income

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

During the 6 months ended 30 June 2021, *Other income* includes an amount of RON 5,051 thousand, representing dividends distributed before the year 2018 and yet uncollected by the shareholders, which were prescribed as of 30 June 2021, in line with the regulations in force.

In H1 2020 in the category *Government grants*, the Company recognized an amount of RON 441,904 thousand as *Government grants* representing a compensation to which it is entitled for its high electricity costs. The compensation scheme is a part of Romania's plans to partly compensate large energy-consuming enterprises for higher electricity prices resulting from their indirect emission costs, in accordance with the EU Emissions Trading Scheme (ETS). The amount represents the compensation for indirect emission costs included in the energy expenses incurred by the Company in the year 2019, and, on an accrual basis, for 6 months of 2020. In 2021 the Company did not recognize such subsidies, although it is qualified to obtain them according to the EU regulations, but Romania needs to first implement the relevant EU Guide for the companies to be entitled to receive the compensation.

In H1 2020, the Company sold CO₂ emission certificates of RON 9,259 thousand and included them under *Income from sale of emission certificates*, benefiting from the increase in the price of CO₂ emission certificates. The Company was in the position to have a surplus of emission certificates as it made numerous efforts to invest in energy efficiency in the latest years.

9. Interest expense

	Six months ended 30 June 2021	Six months ended 30 June 2020
Interest expense	-18,218	-29,072
Total	-18,218	-29,072

Interest expense decreased in H1 2021 compared to the same period of the previous year mainly due to lower LIBOR and ROBOR benchmark interest rates.

Interest expense includes the amount of RON 2,922 thousand (in H1 2020: RON 5,511 thousand) representing transaction costs on loans, which are recognized during the period as interest expense based on the effective interest rate method. The cash effectively paid as transaction costs in 2021 for loans was of RON 184 thousand and it is included in the Statement of cash flows under *Interest paid* (in H1 2020: RON 3,044 thousand).

10. Income tax

At 30 June 2021, the Company had a net deferred tax asset of RON 15,791 thousand (at 31 December 2020: RON 18,583 thousand), as the management believes there will be sufficient taxable profits in future against which these fiscal losses carried forward could be used.

Income tax expense is recognized based on management's best estimate of the annual income tax rate expected for the full financial year applied to the pre-tax income of the interim period. The effective income tax rate for the 6 months ended 30 June 2021 is -12.0% (for the same period of 2020: 11.1%).

During the 6-month period of 2021, the total expenses of RON 29,055 thousand representing interest expenses and items related to interest in respect of the exceeding borrowing costs, were treated as being non-deductible for tax purposes, and resulted in a negative income tax effect of RON 4,649 thousand (6 months of 2020: nil). According to the Romanian Fiscal Code, which transposes the EU Directive no. 2016/1164, issued in 2016, the exceeding borrowing costs include interest, expenses for obtaining finance and leasing, capitalized interest and foreign exchange losses above a threshold of EUR 1,000,000 per annum are deductible only up to the level of 30% of calculated fiscal EBITDA. Romania implemented the above mentioned EU directive starting 1 January 2018. The Company incur borrowing costs related to loans obtained from banks for capital expenditure and development purposes. As these loans are mainly expressed in foreign currency, due to the devaluation of RON against major currencies in the first quarter of 2021, these resulted in significant foreign exchange losses, which have limited deductibility for income tax purposes.

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

	Six months ended 30 June 2021	Six months ended 30 June 2020
Income tax		
Current income tax	-154	-18,195
Deferred income tax	-2,792	-8,233
Total income taxes	-2,946	-26,428

11. Earnings per share

	Six months ended 30 June 2021	Six months ended 30 June 2020
Net result attributable to the owners of the Entity	-27,582	211,772
Weighted average number of ordinary shares	713,779,135	713,779,135
Basic and diluted earnings per share (RON/share)	-0.039	0.297

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 Company related to the 6 months ended 30 June 2021.

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

12. Property, plant and equipment

At 30 June 2021, the book value of *Property, plant and equipment* of the Company is RON 775,853 thousand (at 31 December 2020: RON 790,878 thousand). During the 6-month period ended 30 June 2021, the Company purchased property, plant and equipment of RON 34,215 thousand (during the 6-month period of the year 2020: RON 19,536 thousand).

One of the main long-term objectives is the optimization of the energy consumption. The Company continued to invest in this direction during the 6-month period ended 30 June 2021. AP12LE (Aluminium Pechiney Low Energy), implemented by the Company in 2018, represents a state of the art technology, the latest innovative measures that could be applied in respect of energy efficiency and environmental protection within the electrolysis sector. Another benefit resulting from this technology is that more operating cycles are available for the AP12LE pots. The investment programme will be continued in the following years until all the pots are relined according to the new technology.

Depreciation expense of PPE for 6 months of 2021 was of RON 51,204 thousand, while in the same period of the year 2020, it was of RON 49,269 thousand.

During the 6-month period ended 30 June 2021 no borrowing costs were capitalized under *Property, plant and equipment* of the Company (the borrowing costs capitalized in the *Property, plant and equipment* during the 6 months ended 30 June 2020 were of RON 533 thousand at an average interest rate of 5.71% p.a.).

At 30 June 2021, the net book value of *Property, plant and equipment* pledged for securing the Company's borrowings amounts to RON 738,394 thousand (at 31 December 2020: RON 751,995 thousand).

13. Other non-current assets

	30 June 2021	31 December 2020
Collateral deposits	61,931	45,200
Amounts paid in advance	129	129
Total	62,060	45,329

Collateral deposits represent cash pledged to a bank until November 2023 for two loans and until February 2024 for a non-cash facility contracted by the Company. The variation at 30 June 2021 compared to 31 December 2020, represents a collateral deposit placed for a new facility of RON 167,312 thousand signed with a commercial bank in June 2021. For further details please see also *Note 18 Borrowings and leases*.

14. Inventories

	30 June 2021	31 December 2020
Raw and auxiliary materials	221,076	182,689
Work in progress	142,020	119,397
Finished goods	138,175	199,660
Less: allowance for obsolescence	-7,904	-27,767
Total	493,367	473,979

In the category *Raw and auxiliary materials* are included alumina, petroleum coke and other raw and auxiliary materials needed for aluminium production.

The value of inventories pledged for securing the Company's borrowings amounts to RON 493,367 thousand at 30 June 2021 (at 31 December 2020: RON 473,979 thousand).

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

	Six months ended 30 June 2021	Six months ended 30 June 2020
Balance at beginning of the year	-27,767	-31,540
(Charge) to cost of goods sold	-247	-6,866
Reversal to cost of goods sold	20,110	1,737
Balance at end of the period	-7,904	-36,669

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

15. Financial instruments

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

Categories of financial instruments

	30 June 2021	31 December 2020
Financial assets		
At amortised cost		
Cash and bank balances	161,590	133,950
Receivables	512,877	517,290
Fair value through profit or loss (FVTPL)		
Designated as at FVTPL	18,848	14,715
Total financial assets	693,315	665,955

	30 June 2021	31 December 2020
Financial liabilities		
Fair value through profit or loss (FVTPL)	26,631	-
Derivative financial instruments	26,631	-
Amortised cost:		
Trade and other payables	353,239	370,707
Non-current bank and other loans	867,033	808,970
Current bank and other loans	87,328	82,883
Total financial liabilities	1,334,231	1,262,560

Fair value of financial instruments

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

- The fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets is determined with reference to quoted market prices (includes listed redeemable notes, bills of exchange, debentures and perpetual notes).
- The fair value of other financial assets and financial liabilities (excluding derivative instruments) is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.
- Financial assets mandatory at FVTPL represent trade receivables covered by factoring contracts that were not yet sold to the factor at the reporting date. These are used within the business' model to manage the financial assets with the objective of realising cashflows mainly through the sale of the assets, therefore they are classified as at fair value through profit or loss, and are subsequently measured at fair value. Their fair value measurement is classified within Level 2 of the fair value measurement hierarchy. Net gains and losses, if any, are recognised in profit or loss. Due to the very short term between their issuance and the settlement, their cost is a fair approximate of their fair value, and the gain or loss on disposal is nil.

• The fair value of derivative instruments is calculated using quoted prices. Where such prices are not available, the fair value of financial instruments is determined by using valuation techniques. The Company uses a variety of methods and makes assumptions that are based on market conditions existing at each reporting date. Refer to Note 16 for the specific models used to value outstanding derivatives.

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

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

The Company does not have level 3 financial instruments.

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

The Management consider that the fair values of financial assets and financial liabilities recognised at amortised cost in the financial statements approximate their carrying amounts largely due to the short term maturities, low transaction costs of these instruments as of financial position date, and for the long-term borrowings due to the fact that they have variable interest and the bank margins are similar with those for the recently contracted bank loans.

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

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

16. Derivative financial instruments

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

	Assets	Liabilities
30 June 2021		
Commodity options	-	26,631
Total	-	26,631
Thereof:		
Non-current	-	-
Current	-	26,631
31 December 2020		
Commodity options	-	-
Total	-	-
Thereof:		
Non-current	-	-
Current	-	-

Commodity options

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

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

As at 30 June 2021 the fair value of the options is a liability of RON 26,631 thousand (31 December 2020: nil).

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

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

17. Cash and cash equivalents

	30 June 2021	31 December 2020
Cash at banks in RON	60,933	13,066
Cash at banks in other currencies	38,721	75,678
Petty cash and cash equivalents	5	6
Total	99,659	88,750

At 30 June 2021 and at 31 December 2020, a great part of cash was held in current accounts opened with reputable private banks in Romania or with State owned banks.

Company's bank accounts (RON 99,654 thousand as at 30 June 2021 and RON 88,744 thousand as of 31 December 2020) are pledged to guarantee the borrowings from banks.

18. Borrowings and leases

	30 June 2021	31 December 2020
Long-term borrowings		
Long-term bank loans	948,983	886,385
Less: Short-term portion of long-term bank loans	-84,853	-80,141
Bank loans, non-current	864,130	806,244
Leases, non-current	2,903	2,726
Total long-term borrowings and leases	867,033	808,970
Short-term borrowings		
Short-term bank loans	-	-
Short-term portion of long-term bank loans	84,853	80,141
Bank loans, current	84,853	80,141
Leases, current	2,475	2,742
Total short-term borrowings and leases	87,328	82,883
Total borrowings and leases	954,361	891,853

The bank borrowings of the Company will mature until 2028. Their related interest rates ranged between 2.80% for EUR and 4.11% for USD in 2021 and between 2.80% for EUR and 5.77% for USD in 2020.

In June 2021, the Company signed a credit facility with a commercial bank of RON 167,312 thousand for working capital, repayable in 4 installments starting January 2023 and which has the maturity in November 2023. At 30 June 2021 the Company had the amount of RON 96,750 thousand undrawn and available from this facility.

In June 2021, the Company also signed a credit facility with the Black Sea Trade and Development Bank for the amount of USD 40,000 thousand to support the investment program. The loan has a maturity of 7 years, with a grace period of 2 years for payment of instalments. On 30 June 2021 no amount was drawn down from this loan.

Additionally, at 30 June 2021, the Company had the amount of RON 826 thousand undrawn and available from the borrowing facilities contracted with the banks (at 31 December 2020: RON 1 thousand) and the amount of RON 79,730 thousand unutilized and available from the non-cash facilities for letters of credit and letters of guarantee (at 31 December 2020: RON 66,912 thousand).

According to the existing borrowing agreements, the Company is subject to certain restrictive covenants. These covenants require the Company, 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. At 30 June 2021, the Company was in breach of one of the covenants in respect of its loans. It discussed the situation with the banks and received the necessary waivers within the specified testing period. A breach of covenants in respect of a liability that entitles the creditors to require repayment at a future date within one year from the reporting date is unlikely, and therefore the amounts that are not expected to be paid within one year are classified as long-term liabilities.

The Company's borrowings and leases are secured with accounts receivable amounting to RON 80,294 thousand (at 31 December 2020: RON 61,877 thousand), with their current accounts opened with banks (see Note 17), with collateral deposits of RON 61,931 thousand (at 31 December 2020: RON 45,200 thousand), with property, plant and equipment (land, buildings, equipment) with a net book value of RON 739,467 thousand (including for lease contracts) (31 December 2020: RON 756,178 thousand) and with inventories of RON 493,367 thousand (31 December 2020: RON 473,979 thousand).

The Company has estimated that the fair value of the borrowings and the leases equals their carrying amount, mainly due to the fact that most of bank loans have variable interest and have been recently contracted. Their fair value belongs to the level 3 of the fair value measurement hierarchy.

19. Related party transactions

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

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

Related party	
Vimetco N.V.	Major shareholder
Alum S.A.	Subsidiary
Vimetco Extrusion SRL	Subsidiary
Conef S.A.	Subsidiary
Sierra Mineral Holdings 1, Ltd	Subsidiary
Vimetco Trading SRL	Common control
Vimetco Management Romania SRL	Common control
Vimetco Power Romania SRL	Common control
Conef Gaz SRL	Common control
Conef Energy SRL	Common control
Centrul Rivergate SRL	Common control
Rivergate Rating Company	Common control
Rivergate Fire SRL	Common control

The primary related party transactions are described below:

Sales of goods and services	Six months ended 30 June 2021	Six months ended 30 June 2020
Subsidiaries	142,919	125,009
Vimetco N.V.	-	-
Companies under common control	719	717
Total goods and services provided to related parties	143,638	125,726

The category *Sales of goods and services* mainly includes income of RON 124,343 thousand obtained by the Company from the sale of billets to its subsidiary Vimetco Extrusion (during 6 months of 2020: RON 108,995 thousand).

Goods and services purchased from related parties:

Subsidiaries	-312,012	-283,601
Vimetco N.V.	-	-
Companies under common control	-50,224	-50,453
Total goods and services purchased from related parties	-362,236	-334,054

The purchases from related parties include acquisitions of alumina from its subsidiary Alum (during H1 2021: RON 311,009 thousand; during H1 2020: RON 282,819 thousand) and acquisitions of gas for the production process from its related party Conef Gaz (during H1 2021: RON 24,569 thousand; during H1 2020: RON 26,272 thousand). Additionally, the Company received services of a supportive nature from other entities under common control, such as advisory services, sales agency services, guard, logistics and administrative services.

The following balances were outstanding at 30 June 2021 and 31 December 2020:

Trade and other accounts receivable:

	30 June 2021	31 December 2020
Subsidiaries	42,583	35,220
Vimetco N.V.	-	-
Companies under common control	643	396
Allowance for doubtful receivables	-140	-140
Total trade and other accounts receivable from related parties	43,086	35,476
- non-current	-	-
- current	43,086	35,476

Trade and other accounts payable:

	30 June 2021	31 December 2020
Subsidiaries	103,112	120,173
Vimetco N.V.	-	-
Companies under common control	9,655	8,568
Total trade and other accounts payable to related parties	112,767	128,741

Management compensation

The total compensation of 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 4,057 thousand (during the 6 months of the year 2020: RON 4,542 thousand), while the expense for determined contribution plan (social contributions) during the 6 months of the year 2021 was RON 862 thousand (during the 6 months of the year 2020: RON 870 thousand).

Key management personnel transactions

A number of key management personnel, or their close family members, hold positions in other companies that result in them having control or significant influence over these companies.

A number of these companies transacted with the Group during the year. The terms and conditions of these transactions were no more favourable than those available, or which might reasonably be expected to be available, in similar transactions with non-key management personnel related companies on an arm's length basis.

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

	Six months ended 30 June 2021	Six months ended 30 June 2020
Goods and services purchased from entities controlled by key management personnel or their close family members	7	11
Total	7	11

20. Commitments and contingencies

Commitments

Investment commitments

As at 30 June 2021, the Company's commitments pertaining to the investments amounted to RON 37,417 thousand (31 December 2020: RON 37,727 thousand).

Raw material purchase contracts

As at 30 June 2021, the Company had contracts for purchases of raw materials, other consumables and utilities amounting to RON 982,513 thousand (31 December 2020: RON 1,468,360 thousand).

Contingencies

The Company has a commitment concluded with the financing bank of one of its subsidiaries (Vimetco Extrusion) where it is mentioned, among others, that the Company should not, by its actions, cause circumstances in which the subsidiary might not be able to discharge its liabilities towards the financing bank. The Management does not expect that this commitment might materialize into cash outflows from the Company, as the conditions imposed by it are totally under the control of Alro.

Litigations

As at 30 June 2021 the Company was subject to a number of lawsuits resulting from the normal course of the business. Management believes that these actions will not have a significant impact on the financial performance and financial position of the Company.

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

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

States Commission on International Trade (USITC) voted to implement these taxes. The Company continues to consider the petition as unfounded and intends to vigorously defend its position in front of the American authorities involved.

Taxation

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

21. Events after the reporting date

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

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

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

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Ratios

Ratio description	Formula	Six months ended 30 June 2021	Six months ended 30 June 2020
Current ratio	Current assets/ Current liabilities	2.21	1.01
Gearing ratio	Long-term borrowings/ Equity x 100	86.33	23.18
	Long-term borrowings/ Capital employed x 100	46.33	18.82
Receivables turnover	Receivables average balance/ Turnover x 180	11.46	10.40
Non-current assets turnover	(Turnover x 360/ 180)/ Non-current assets	2.16	1.87

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

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

Adjusted ratios

Ratio description	Formula	Six months ended 30 June 2021	Six months ended 30 June 2020
Adjusted current ratio	Current assets/ Current liabilities	2.21	2.40
Adjusted gearing ratio	Long-term borrowings/ Equity x 100	86.33	96.81
	Long-term borrowings/ Capital employed x 100	46.33	49.19