

Current Report

No.43/12.08.2019

To: Financial Supervisory Authority
Bucharest Stock Exchange

Current report in compliance with the stipulations of the Law no. 24/2017 and of the FSA Regulation no.5/2018 regarding the issuers of financial instruments and market operations

Date of report: **August 12, 2019**

Name of issuer: **Alro S.A.**

Headquarters: **Slatina, 116 Pitesti Street, Ilt County**

Telephone/ fax number: **+40 249 431 901 / +40 249 437 500**

Sole registration number at the Trade Register Office: **RO 1515374**

Trade Register Number: **J28/8/1991**

The European Unique Identifier (EUID): **ROONRCJ28/8/1991**

Legal Entity Identifier (LEI): **5493008G6W6SORM2JG98**

Subscribed and paid-in share capital: **356,889,567.5 RON**

Regulated market on which the issued shares are traded: **Bucharest Stock Exchange – Premium Tier Category** (market symbol: **ALR**)

We hereby inform all persons who may be interested about the following **important event to be reported**:

Press Release

ALRO registered a consolidated turnover of over RON 1.5 billion in H1 2019 due to lower aluminium prices on the international markets

ALRO Group

Indicator	H1 2019	H1 2018
Primary aluminium production (tonnes)	142,667	144,962
Processed aluminium production (tonnes)	54,575	55,839
Alumina production (tonnes)	226,679	273,235
Bauxite production (tonnes)	1,117,240	1,131,608
Sales (thousand RON)	1,506,218	1,563,610
EBITDA ¹ (thousand RON)	235,117	275,211
EBITDA margin (%)	16%	18%
Adjusted net result ² (thousand RON)	76,427	166,717
Net result (thousand RON)	79,708	154,151

ALRO S.A.

Indicator	H1 2019	H1 2018
Primary aluminium production (tonnes)	142,667	144,962
Processed aluminium production (tonnes)	43,911	43,811
Primary aluminium sales (tonnes)	78,147	81,449
Processed aluminium sales (tonnes)	43,769	43,519
Sales (thousand RON)	1,330,783	1,376,854
EBITDA ¹ (thousand RON)	106,253	217,100
EBITDA margin (%)	8%	16%
Adjusted net result ² (thousand RON)	43,752	174,213
Net result (thousand RON)	(1,481)	161,169
Adjusted net result ² per share (RON)	0.061	0.244
Net result per share (RON)	(0.002)	0.226

Slatina, August 12 2019 – ALRO S.A. (BVB: ALR, “the Company” or “ALRO”), one of the largest vertically integrated aluminium producers, by capacity, in Europe, announces today its consolidated financial results for the first half-year of 2019. The Group's turnover registered a slight decrease, but standing at around RON 1.5 billion in H1 2019, being affected mainly by the market conditions that had an impact on all players in the aluminium industry. ALRO Group's net profit was of almost RON 80 million in H1 2019 (H1 2018: RON 154 million) and the operating result (EBIT) was of RON 166 million in H1 2019 (H1 2018: RON 211 million), mainly as a result of the weaker aluminium quotations on London Metal Exchange (LME) and higher energy prices.

“In the first half of 2019, the LME showed decreased quotations and this descending trend and combined with higher costs for raw materials had impacted the financial results of all major companies in the aluminium industry, which reported either significant reduction of profits or losses in H1 2019”, said Marian NASTASE, Chairman of ALRO's Board of Directors. “This was the case for ALRO Group, too, that registered a decrease of the net result. However, our long-term development strategy, the investments we made helped us maintain a good EBITDA margin, that stood at 16% and a gross profit margin of 11% in H1 2019, at Group level, while ALRO S.A registered an EBITDA margin 8% in H1 2019. During these challenging times, we remained committed to our shareholders and distributed in full a gross dividend of RON 0.45756 for one share for the financial year 2018”, added Marian NASTASE.

ALRO Group continued its strategy of achieving the *Green Factory, Next Generation Factory, Innovating and Sustainable* status, with close to zero waste and emissions. A big step further within ALRO's strategy of becoming greener, more sustainable and more energy efficient is represented by the agreement signed with Aluminium Pechiney, part of Rio Tinto Aluminium (“RTA”) in September 2018, which shows its first results, as in H1 2019 the first five pots with the AP12LE technology were commissioned. This year ALRO intends to put in execution 32 electrolysis pots based on AP12LE Technology.

“Based on our long-term experience in producing aluminium, we do what we promise using a step-by-step approach to achieve the maximum efficiency level for our class”, said Gheorghe DOBRA, ALRO CEO. “The standards regarding the best available techniques in the aluminium industry set by the European Union translated at ALRO into the AP12LE Technology project signed with RTA. This shows our commitment to act as a leader for our industry while implementing innovative technologies to further optimize our operations and to be the best in class within the aluminium industry”, added Gheorghe DOBRA.

Market Update

In the first half of 2019, the LME continued its decreasing trend as showed at the end of 2018, leading to an average price for the six-month period ended on 30 June 2019 of 1,826 USD/tonne, compared to the LME average price of 2,209 USD/tonne, recorded for the similar period of 2018. In H1 2019 the highest LME value registered was of 1,923 USD/tonne in March 2019, while the highest value for H1 2018 was of 2,603 USD/tonne in April 2018.

During H1 2019, the global market continued to look fragile, with lower LME and higher raw material prices, influenced also by several factors such as: the risks of higher production output in China, the US Government policies regarding the imposed aluminium tariffs and potential new imposed barriers, Alunorte curtailment, macro uncertainty, estimated aluminium global deficit for 2019 etc. Also, the aluminium industry was impacted by an increased political unpredictability at a global level regarding law and regulations, taxes, environmental protection, CO₂ and green certificate prices and allocations.

Locally, the energy supply remains a challenge, as approximately 40% of the national electricity consumption is covered by supply from transactions on the day ahead market (PZU), leading to price distortions. Being a highly volatile market, the spot prices have reached very high levels, with a negative impact on final consumers in general, and on energy-intensive users, in particular. Besides, no compensation for indirect emission is available in Romania or a steady-state energy consumption profile to help National Energy Transport System in Romania as it happens in countries that have active players in the aluminium industry.

Financial and Operational Review

The adverse market conditions, namely lower LME and higher costs of raw materials that are not under ALRO Group's control impacted H1 2019 costs and earnings. Thus, the Group reported a 11% higher level of the costs of goods sold in H1 2019, compared to the same period of 2018 (H1 2019: RON 1,342,519 thousand versus H1 2018: RON 1,207,340 thousand), mainly due to the extremely high electricity price. The consolidated sales in the first half year of 2019 were of RON 1,506,218 thousand, a decrease compared to the level reported in the similar period of 2018 (respectively RON 1,563,610 thousand). ALRO's sales were of RON 1,330,783 thousand in H1 2019 (H1 2018: RON 1,376,854 thousand).

The Group net result for the first half of 2019 was of RON 79,708 thousand, a lower level compared to H1 2018, when it was of RON 154,151 thousand. In its turn, ALRO reported a net loss of RON 1,481 thousand opposed to a net profit of RON 161,169 thousand in the same period of last year.

ALRO Group registered in H1 2019 a total production of primary aluminium of 142,667 tonnes, a lower level compared to the one reported in the same period of last year (H1 2018: 144,962 tonnes). The processed aluminium production reported for H1 2019 a lower quantity as the one registered in H1 2018 (H1 2019: 54,575 tonnes versus H1 2018: 55,839 tonnes).

Significant Events

ALRO recycled more than 400,000 tonnes of aluminium scrap

In line with the worldwide attitude in respect of environmental footprint limitation, creating value by running sustainable businesses and aiming to have green facilities in the aluminium industry, as well, ALRO put an emphasis on increasing the capacity of its Eco-Recycling facility, while being aware that this would also reduce the higher energy costs burden in the future. In this way, in H1 2019, the Company managed to reach a level of 400,000 tonnes of aluminium scrap recycled and re-melted metal until now, out of which 30,000 tonnes in the new Eco Recycling Facility and 370,000 tonnes in the existing Cast House. ALRO aims to increase even more the processing capacity of the Eco-Recycling Facility to reach a total waste processing capacity of 100,000 metric tonnes per year, by 2020.

A new investment project to be started in Sierra Leone

The Group's subsidiary, SMHL intends to start in H2 2019 an alumina tri-hydrate plant construction project with a capacity of 200,000 tonnes per annum ("ATH project"). In February 2019 a pre-feasibility study was concluded and approved by SMHL's shareholders and a bankable feasibility study has commenced, which will continue until the end of 2019. As a part of this feasibility study, SMHL undertook in 2019 extensive exploration programs in the northern part of its concession area to establish JORC compliant bauxite ore reserves and mineral resources suitable for ATH project. The total investments done for this project in H1 2019 is of USD 0.4 million. For starting the implementation of this new investment project, the company signed a Tripartite Agreement in the form of Memorandum of Understanding between Afreximbank, SMHL and Government of Sierra Leone on 21st of June 2019.

These financial results are available in a separate document on the Company's website, Investor Relations category, Reports section: <http://www.alro.ro/en/reports> and at the below link:

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

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

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Notes to the Editors:

ALRO Group

The companies part of ALRO Group are: ALRO S.A. – manufacturer of aluminium, Alum S.A. – producer of alumina, Sierra Mineral Holdings I, Ltd. – bauxite mining, Vimetco Extrusion S.R.L. – extrusion business line, Conef S.A. – holding and management company, Global Aluminium Ltd. – holding company and Bauxite Marketing Ltd - marketing. Having this structure, the Group created an integrated production chain assuring the raw materials for ALRO.

ALRO

ALRO is a subsidiary of Vimetco N.V., a global, vertically-integrated primary and processed aluminium producer. ALRO is one of the largest vertically integrated aluminium producers, by capacity, in Europe, having an installed production capacity of 265,000 tonnes per year.

The main market for ALRO products is represented by the European Union; the Company exports its products to the USA and Asia, as well. ALRO is ISO 9001 certified for quality management and has NADCAP and EN 9100 certificates for aerospace production organizations, ALRO's products adhere to the quality standards for primary aluminium on the LME, as well as international standards for flat rolled products.

Starting from 18 March 2019, the Index Committee of the Bucharest Stock Exchange approved the inclusion of ALRO (code ALR) in BET, the main index of the market, and in BET-TR, the total return version of BET. The BET index will thus include 16 companies, which is a first time in the history of the local capital market, and it represents an unprecedented diversification of the sectors reflected by the index. ALRO's shares have been listed on the Bucharest Stock Exchange since October 1997, and following this decision ALRO becomes the first company in the aluminium industry present in the two indices.