

Half-year report 2019

Content

ALRO Group – Overview

Financial and Operational Highlights for H1 2019	4
Letter to shareholders	5
ALRO Group - Major events in H1 2019	7

Directors' Consolidated Report

General information	12
Overview	13
Sales	16
Production	17
Procurement and Logistics	18
Financial Review	20
Operational analysis	23
Analysis of the trends or events that might have an impact over ALRO Group's activity	28
Main investments / strategic projects / research and development	29
Other information regarding the Group's activity	31
Corporate Social Responsibility	32
Changes with impact on share capital and the management of the Group's companies	34
Significant transactions	35
Outlook for H2 2019	36
Abbreviations and definitions used in the report	37

Financial results of ALRO Group for H1 2019 (unaudited)

Interim condensed consolidated financial statements for the six months ended 30 June 2019	39
Financial Results for Q2 2019 compared to Q2 2018	63
Ratios in accordance with FSA regulation 5/2018	73

Statement of Management Responsibilities

75

Cautionary statement

This Report is being supplied to you solely for your information and may not be reproduced in any form, redistributed or passed on, directly or indirectly, to any other person or published, in whole or in part, by any medium or for any purpose. Failure to comply with this restriction may constitute a violation of applicable securities laws.

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

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

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

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

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

The Half-Year Report (including Directors' Report and Interim condensed consolidated financial statements of ALRO and its subsidiaries) for the 6 months ended 30 June 2019 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 2019 compared to Q2 2018 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 37.

Financial and Operational Highlights for H1 2019

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

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.

Letter to shareholders



*Marian NĂSTASE,
Chairman*



*Gheorghe DOBRA,
Chief Executive Officer*

Dear readers and shareholders,

Nowadays, we live in a world of limited natural resources, which indicates that “acting green” has to become the mind-set of each organization, which further translates in reaching the status of a greener, sustainable and innovative production facilities. This is feasible by investing in recycling, more efficient and state-of-the-art technologies.

Aluminium is a unique and extraordinary material with “permanent” properties, as it can be recycled infinitely without losing its properties, which ensures its sustainable utilisation. Recycling aluminium saves 95% of the energy needed for primary production, therefore the potential for decarbonisation might be tremendous. In the same time, aluminium offers several benefits for the most efficient current technologies and the future innovative solutions – it has a very low specific weight, it is very resistant against multiple forms of corrosion, it is a good thermal and electrical conductor, it cannot be magnetized or burnt, it offers a high diffuse reflectivity and low secondary heat emission factor etc. – all these incredible properties make aluminium a “star material” in various industries such as aerospace, transportation, constructions, food.

At ALRO, in the first half of 2019, we acknowledged once more all these advantages of the aluminium and we stayed focused on the sustainable growth of our business in an environment which continued to be challenging during this period. The whole aluminium industry

was marked by unpredictability considering the US administration import tariffs, lower levels of LME, higher costs for raw materials and utilities, while on the upstream side, Alunorte announced restarting its production and new alumina facilities were being commissioned worldwide – all these external factors negatively affected the Group’s results and most probably they will impact H2 2019 results, as well.

Locally, ALRO Group and particularly ALRO which is the main electricity consumer in Romania continued to be deeply exposed to the electricity prices volatility. ALRO is dependent on the local energy system and electricity accounts for the foremost portion of our total costs and this means we have to continue implementing most advanced technologies to maximize our performance and to reduce the consumption rates at a minimum possible level. The electricity price evolution in Romania represents one of the main topics in our agenda and we are paying attention to all developments in this area to assure that we can take in real-time the most suitable measures to mitigate any additional risks that might have an impact on our business.

As an immediate effect of the above-stated factors, our H1 2019 results showed a descending trend and we reported a slowdown in the Group's profits. However, EBITDA margin was 16% with a level of RON 235 million in H1 2019 and the Group's gross profit margin was of 11%, RON 164 million, respectively. This is in line with what happened to our competitors, as well, which also reported a decline in profits or even losses in H1 2019. On the operational side, for the first half of 2019 we had ambitious goals about the level of both primary and FRP productions and even though we kept our focus to report higher HVHAPs production levels and market share, due to certain delays in commissioning of Cold Rolling Mill no. 2 and due to the market slowdown we managed to report only steady levels. However, we demonstrated that we have a solid business and during the first six months ended on 30 June 2019, the Group's cash generated by operations was of RON 194 million, cash used in investing activities was RON 75 million and cash provided by financing activities was RON 102 million. Furthermore, during the OGSM held on 25 April 2019 a gross dividend of RON 0.45756 for one share for the financial year 2018 was distributed in full which shows once more that ALRO makes sustained efforts to create shareholders value.

Notwithstanding the unfavourable market conditions, in H1 2019 we continued the investments started in the prior years in higher efficiency projects while keeping our focus on the research and development areas. Hence, we succeeded to do a big step further within ALRO's strategy of becoming greener, more sustainable and more energy-efficient by successfully commissioning the first five pots with the AP12LE technology. This project agreement was signed with Aluminium Pechiney, part of Rio Tinto Aluminium back in September 2018 and its implementation was the outcome of a solid collaboration between ALRO's and AP Technology teams. The collaboration will continue during the coming months to demonstrate the efficiency of this technology which includes an energy consumption below 13 MWh/tonne (DC) from an average of 13.28 MWh/tonne (DC). This year ALRO intends to put in execution 32 electrolysis pots based on AP12LE Technology.

Furthermore, in our alumina plant, ALUM we continued in H1 2019 the strategic project for converting the red mud into a commercially viable product in different industries, primarily to be used in agriculture to neutralize acidic soils, enhancing its chemical properties and thus, improve crop's productivity. The research work on this subject started on 2011 and numerous monitoring reports, research and laboratory tests have been carried out on the storage

and use of red mud by prestigious research institutes in Romania, while the operations are carried out in agricultural research facilities located in Albota Pitesti, Arges which have an albic luvisol, that is a common acid soil with moderate pH and improper agrochemical features from the perspective of intensive agriculture. This is another example of the strong sustainability concern of the Group with the ultimate purpose to reduce its environmental footprint.

Another achievement reached by ALRO in the first half of 2019 is represented by its inclusion in the main indices of the Bucharest Stock Exchange, respectively BET and BET-TR (the total return version of BET). As of now, BET index includes 16 companies, a local capital market premiere and it represents an unprecedented diversification of the sectors reflected by BET 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 these two indices.

On the operational side, we achieved a major milestone, too and in H1 2019 ALRO which produced the first batch of Romanian aluminium back in 1965, in May 2019 reached the impressive level of 10 million tonnes of electrolytic aluminium produced until now.

Besides all these, in H1 2019 the Company's structure and administration were significantly changed and not only that the number of seats in the Management Board was extended to 11 persons, but new and experienced experts from various industries such as banking, law, consultancy joined the Company for a four-year mandate. This action is in line with the Company's strategy to strengthen its transparency and visibility on the Romanian capital market and worldwide.

At ALRO - a top European company, we believe that aluminium is part of our future and this is in line with the European Aluminium Vision 2050, association in which the Company is an active player and an important contributor. Challenges are omnipresent and most probably are here to stay; but challenges are making us stronger and determine us to strengthen our efforts to remain committed to our long-term strategy of achieving sustainable and organic growth. Even though the recovery signs derived from the market are still unpredictable, we will continue to set for us challenging objectives and deliver them to an extent that is achievable considering the current and future market developments, for the benefit of our shareholders, investors and employees.

*Marian NASTASE,
Chairman of the Management Board*

*Gheorghe DOBRA,
Member of the Management Board
(Chief Executive Officer)*

ALRO GROUP - Major events in H1 2019

- **January - June 2019**

ALRO Group: *Market overview*

LME evolution

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 recorded for the similar period of 2018 of 2,209 USD/tonne, while for the same period of 2017 a similar level was reported, i.e. an average of 1,880 USD/tonne. In H1 2019 the highest LME value reported was of 1,923 USD/tonne in March, while the highest value for H1 2018 was of 2,603 USD/tonne in April.

Market evolution

During the first six months of 2019, the global market continued to look fragile and reported decreased aluminium prices quoted at the London Metal Exchange (LME) and higher raw material prices, levels 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.

The LME decreased quotations altogether with the above mentioned external factors impacted negatively the financial results of all major companies in the aluminium industry, which reported either significant reduction of profits or losses in the first half of 2019.

However, the analysts estimate a potential recovery of the aluminium market, later this year, based on the metal balance deficit registered at this point.

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. For ALRO this situation translates in higher production costs, which negatively impacted the final results reported for the six months ended on 30 June 2019.

- **June 2019**

ALRO Group publishes 2018 Sustainability Report

The Group published its Sustainability Report for 2018 which covers, among others, ALRO Group's accomplishments in respect of the environment, health and safety, education and involvement in the local communities, with emphasis on ALRO, the Parent-company during the financial year 2018.

The Group continued in 2018 to consolidate its strategy of increasing the high and very high-value products' percentage in the total production and continued to invest in research and development and in state-of-the-art equipment and technology, with the purpose of improving the products' quality and quantity, while reducing the total resource consumption rates and, in the same time, the impact on the environment. One of the Group's main objectives regarding its production facilities remains to achieve the Green Factory, Next Generation Factory, Innovating and Sustainable status, with close to zero waste and emissions. The first steps in this direction have already been taken as ALRO signed, in 2018, an agreement with Aluminium Pechiney (Rio Tinto Aluminium) to implement, at its plant in Slatina, a technology that will allow a further reduction in electricity consumption rates.

Involvement of ALRO Group in the communities in which it activates continued in 2018 through countless sponsorships in education (including the dual-training program continuation for preparing the future specialists) or financial support for sporting and cultural events, as well as the internship programs for students at specialized faculties within the Group companies.

ALRO GROUP - Major events in H1 2019 - continued

ALRO appoints a new Chairman of the Audit Committee

In line with the Corporate Governance best practices and with the Bucharest Stock Exchange Code, ALRO has in place an Audit Committee which decided during the meeting that took place on 6th of June 2019 to appoint *Mr. Vasile Iuga (Independent Non-Executive Member of the Board of Directors)* for the position of Chairman of the Audit Committee.

ALRO, one of the elite eight Romanian companies which participated in the International Paris Air Show, Le Bourget

Each year ALRO is present at the main events organized for the aerospace and aluminium industries. Thus, during the period 17–23 June 2019, the Company participated in the International Paris Air Show – Le Bourget 2019, altogether with other seven companies from the aerospace industries under the Romanian flag.

Romania has been present at the International Paris Air Show - Le Bourget since the 1960s, participating in all editions. The constant participation of the Romanian aerospace industry representatives at the event led during the past years to several contracts for the Romanian companies. This participation is organized by the Ministry for the Business Environment, Commerce and Entrepreneurship through the Export Promotion Program, in collaboration with the Association of Romanian Aeronautical Companies (OPIAR).

The previous edition of the fair was attended by 2,381 exhibitors from 48 countries, presenting their products to a record number of more than 350,000 visitors.

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.

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.

ALRO makes further steps to implement Low Energy technologies

As previously announced, ALRO started to implement in 2018 a project together with Aluminium Pechiney, part of Rio Tinto Aluminium (RTA) regarding the AP12LE technology for upgrading the electrolysis pots to reduce the specific energy consumption by approximately 300 kWh/tonne of aluminium, while maintaining the current production. The AP12LE technology implementation is part of the Company's long term programme for increasing the energy efficiency of the technological processes, targeting an energy consumption below 13 MWh/tonne.

Thus, in May and June 2019, five pots AP12 Low Energy were put into operation within this new program to reduce specific electricity consumption. The AP12LE technology targets an energy consumption below 13 MWh/tonne, from an average of 13.28 MWh/tonne, while maintaining current efficiency at its current level (more than 95.5%). The AP12LE pots design is based on the "Technology Brick" approach, developed by RTA and uses new relining materials, new cathodes and metallic bar assemblies and slotted anodes. Modernization of the plant will be performed in stages, in compliance with the pot repair schedule, and will not impact the aluminium production.

In 2019, ALRO plans to put in operation 32 electrolysis pots based on AP12 LE technology.

Vimetco Extrusion, new financing contracted

In line with Vimetco Extrusion's plans to optimize its processes and to achieve more efficient operations and thus to better respond to their customers' requests, on 27th of June 2019, ALRO's subsidiary, Vimetco Extrusion contracted an overdraft facility amounting EUR 9 million from ING Bank.

ALRO GROUP - Major events in H1 2019 - continued

• May 2019

Vimetco Extrusion proudly sustains Barwell Motorsport team in achieving great results

Vimetco Extrusion is actively involved in sustaining performance and remains one of the main partners of the Barwell Motorsport team on their way of achieving excellent results. Thus, on 14th of May 2019, the defending Blancpain GT Series AM Cup champions Leonid Machitski, Adrian Amstutz and Miguel Ramos were back in action and finished an impressive 1st place at the end of the 3 hours' endurance race at the historic venue and "Home of British Motorsport", the famous Silverstone Circuit in the UK. Vimetco Extrusion backed #77 Lamborghini which scored as many points as possible in the first two races of the season. The Silverstone win became the fourth win in a row, which started after their triumphs in the 2018 Spa 24h.

Vimetco Extrusion proudly sustains Barwell Motorsport team and wish them great success in all future challenges.

ALRO reaches 10 million tonnes of electrolytic aluminium produced

ALRO produced the first batch of Romanian aluminium back in 1965 and since that historical moment, on 18th of May 2019, the Company reached an impressive level of 10 million tonnes of electrolytic aluminium produced. 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.

• April 2019

ALRO re-confirms the Chairman and the Vice-President of the Board of Directors

Following a resolution of the Board of Directors meeting that took place on 25th of April 2019, two new appointments took place, as follows: Mr. Marian Daniel Nastase was reconfirmed in the position of Chairman of the Board of Directors and Mr. Serghei Gheorghe was re-elected in the position of Vice-President of the Board of Directors.

ALRO's Ordinary and Extraordinary General Shareholders Meetings took place

In accordance with the current legislation, ALRO organized the OGSM and EGSM in April 2019 during which several business and administrative items for ensuring a smooth running of the business in 2019 included in the agenda were

approved, such as: the amendment of the Articles of Incorporation, updates regarding the Company's working points, a new shareholders structure based on the latest transactions, Audit Committees" members appointment and remuneration, new Board of Directors structure and composition (i.e. increase of the number of seats in the Board from seven to 11, appointment of a new Board of Directors of 11 members for a mandate of four years, following the application of the cumulative voting method), approval of the Annual Report for 2018 (including Directors' Report, Auditor's Report and consolidated and separate financial statements of ALRO for financial year ended on 31 December 2018, 2019 Investment Plan, appointment of the auditor for financial year 2019 etc.

ALUM held its Annual General Shareholders Meeting

In accordance with the legislation's requirements, ALUM held on 24th of April 2019 the Ordinary General Meeting of Shareholders of Alum S.A. and the following items were approved among others: Directors' Report and Financial Auditor's Report for financial year 2018, the consolidated and separate financial statements of ALUM for financial year 2018, 2019 Budget and Investment Plan, Directors' remuneration for 2019, appointment of the auditor for financial year 2019 etc.

• March 2019

ALRO approves a new method for the Board of Directors members' selection

On 22nd of March, following Mr. Adrian Manaicu (Independent Non-Executive Member of the Board of Directors) resignation from the Board of Directors of ALRO and by following the current legal requirements, a new General Shareholders Meeting had to be summoned for the appointment of a new member in ALRO's Board of Directors. In addition to this resolution, at the request made by Vimetco N.V., the majority shareholder of ALRO, it was approved that the election of the members of ALRO's Board of Directors to be organized using the cumulative vote method, at the next GSM.

ALRO GROUP - Major events in H1 2019 - continued

ALRO announces the resignation of Board of Directors' and Audit Committee's members

On 21st of March, the Company announced that it had received and registered both the resignation of Mr. Adrian Manaicu (Independent Non-Executive Member of the Board of Directors), from his position as member of the Board of Directors of ALRO, as well as the resignation of Mr Serghei Catrinescu, from his position as member of the Audit Committee of ALRO.

We thank to Mr. Manaicu for his valuable contribution in ALRO's Board of Directors and he remains in full connection with ALRO by having him as a member in the Company's Audit Committee.

ALRO (BSE: ALR) enters the main index of the market, BET

The capital market recognized ALRO's sound development and strong long-term strategy by successfully closing the largest private placement of shares on the Bucharest Stock Exchange at the end of 2018 and 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 the first time in the history of the local capital market, and it represents an unprecedented diversification of the sectors reflected by BET 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 these two indices.

ALUM continues the investments for identifying solutions to convert the red mud into a commercially usable product

On 6th of March 2019, ALUM, the only producer of calcined alumina in Romania, announced that it allocated more than one million USD, in 2018, in safely storing the red mud derived from bauxite processing. ALUM continues its strategic program of converting the red mud into a commercially viable product in other industries, especially to be used in agriculture to neutralize acidic soils and increase crop's productivity. This is an example of the investments with the final aim to reduce the environmental footprint of the Company. In 2018, ALUM invested in the modernization of the mud dump, while it continued the strategic program for identifying solutions and

opportunities to use this secondary product in agriculture and very good results in terms of soil fertilization were obtained. The annual program is implemented by the National Institute for Research and Development for Soil Science, Agro-Chemistry and Environmental Protection (ICPA Bucharest), and the experiments are carried out in agricultural research facilities located in Albota Pitesti, Arges which have an albic luvisol, that is a typical acid soil with moderate pH and inappropriate agrochemical properties from the perspective of intensive agriculture. Until now, different amounts of red mud have been used in combination with organic and chemical fertilizers in different experimental versions of the quantities used. Thus, usage of red mud on moderate acid soils increases the alkalinity of the soil, transforming naturally acidic soil in conventional alkaline soil, by increasing the content of its chemical properties.

ALUM initiated the research work on the variable composition of the mud in 2011 intending to find new technologies to convert the red residue obtained from the processing of the bauxite, in a product commercially viable. In recent years, several monitorization, research and laboratory tests have been carried out on the storage and use of red mud by prestigious research institutes in Romania, such as ICIM Bucharest (The Research Institute of the Ministry of Environment), ECOIND Bucharest, IMNR Bucharest, IPROCHIM SA Bucharest etc.

• February 2019

The final decision in the litigation S.P.E.E.H. Hidroelectrica S.A. -ALRO S.A. was announced

On the hearing dated 28th of February 2019, the Court dismissed, as being ungrounded, the second appeal filed by the plaintiff S.P.E.E.H. Hidroelectrica against the civil action decision no. 1346/A of 26 September 2017, ruled by the Court of Appeal Bucharest Section V Civil Law in the case file no. 13264/3/2015 and this decision is final.

Therefore, ALRO made a public announcement in this respect, as it was published on the Courts of Law web portal and on the High Court of Cassation and Justice of Romania website.

ALRO GROUP - Major events in H1 2019 - continued

ALUM Completion of Project co-funded by the European Fund for Regional Development

ALUM implemented the project "Endowment of Alum's Research and Development Department with independent reliable research installations to support the increase in economic competitiveness and business development", co-funded by EU grants within the European Regional Development Fund through the Competitiveness Operational Programme 2014-2020: „Investment in Sustainable Development".

The project was started on 8th of September 2016 and the main purpose of the project was the enhancement of the research, development and innovation capacity, in order to increase the level of innovation and market competitiveness of the company by purchasing and putting into use research and development equipment. The implementation period of this project was of 24 months; the total value of the project amounted to RON 20 million, out of which, more than six million RON represented non-refundable grants.

- **January 2019**

ALRO completed a Project co-funded by the European Fund for Regional Development

ALRO implemented the project "Investments for the Research Development Department of ALRO aiming at improving

the research/ innovation infrastructure for the aluminium alloy heat treated plates with high qualification industrial applications", co-funded by EU grants within the Research and Development Programme ("Project co-funded by the European Fund for Regional Development through the Competitiveness Operational Programme 2014-2020").

The project was started on 5th of September 2016 with a deadline set at the beginning of March 2019. The project's main objective was to increase the research, development and innovation capacity within the Company with the aim to increase the business competitiveness, as well as to improve the research and development infrastructure, to develop new products while improving the Company's scientific capacity in intelligent specialization areas.

The project involved the purchase of heat treatment and stretching research equipment amounting to approximately RON 115 million, out of which approximately RON 35 million represented non-refundable grants.

The equipment purchased under this project was commissioned and put into service in 2019 and is expected to provide ALRO advanced means of research in the field of plates designed for highly specialized industrial applications, thus increasing the Company's know-how and ability to manufacture highly specialized products which may generate benefits for the Company and increase ALRO's competitiveness on the market.

General information

ALRO S.A.

Company's address	116 Pitesti Street, Slatina, Olt County
Telephone number	+40 249 431 901
Fax number	+40 249 437 500
Registration number in the Trade Register	J28/8/1991 of 31.01.1991
Fiscal code	RO1515374
Class, type, number and main features of the financial instruments issued by the company	Registered dematerialised and ordinary shares
Subscribed share capital, fully paid up	RON 356,889,567.5
The European Unique Identifier (EUID)	ROONRCJ28/8/1991
Legal Entity Identifier (LEI) Code	5493008G6W6SORM2JG98
Organised market on which shares and stocks are traded	Bucharest Stock Exchange - Regulated Market (market symbol: ALR)
Total market value for each class of shares	Premium Tier Category - 1,534,625,140 ¹ RON

ALRO Group - entities

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

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

¹ Calculated based on the BSE quotation available on 28 June 2019 - the last day of H1 2019 when ALRO's shares were traded (713,779,135 shares * RON 2.15/share)

Directors' Consolidated Report

Overview

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

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

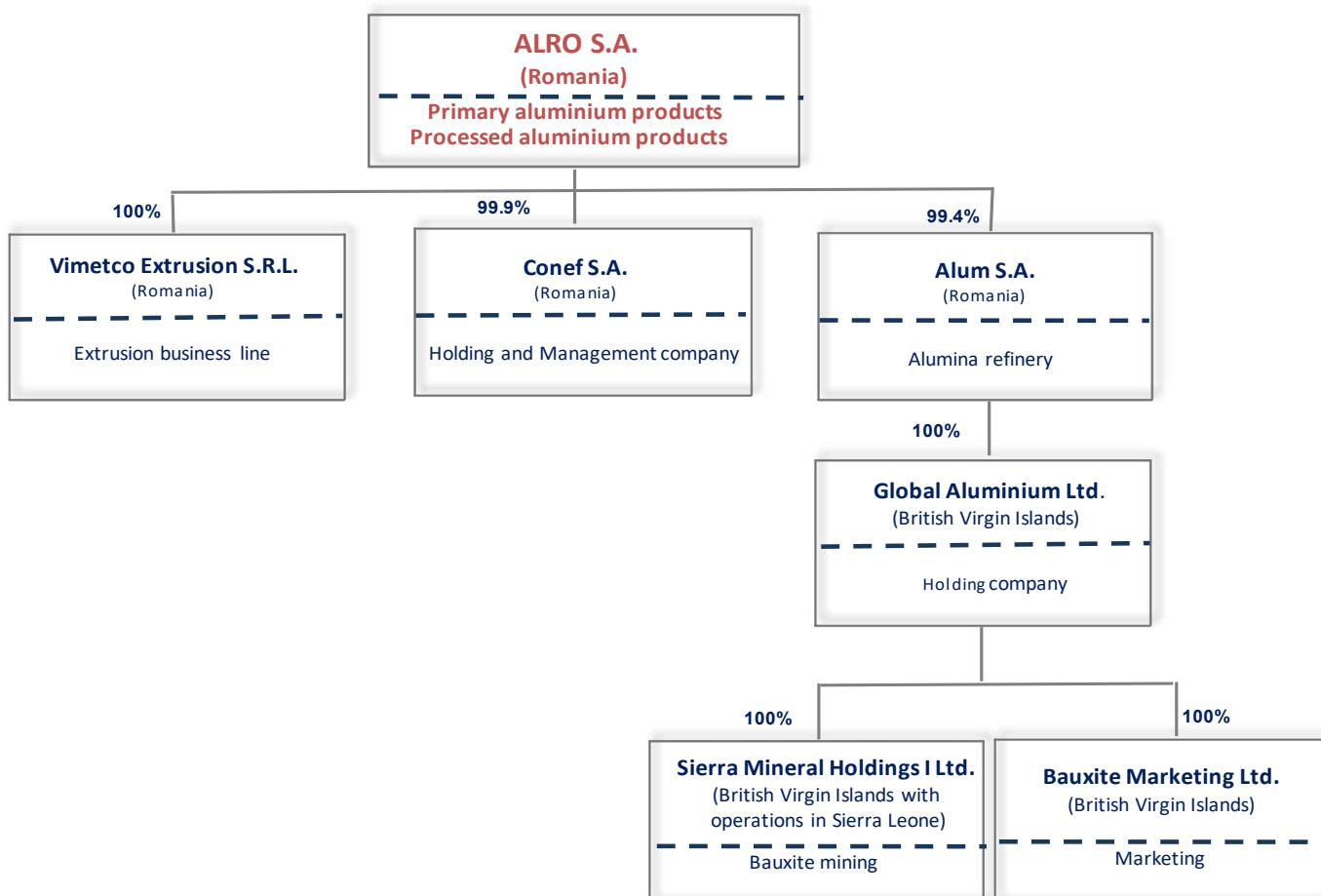
ALRO is part of an integrated Group that produces aluminium, which covers the entire technological process, from bauxite mining to obtaining processed products. The Company was registered under the trade name "ALRO S.A." and has been listed on the Bucharest Stock Exchange since 16 October 1997. The Company's Shares are traded on the Bucharest Stock Exchange under the symbol "ALR".

The major shareholder of ALRO S.A. is Vimetco N.V. (the Netherlands), which holds 54.19% of the Company's share capital (as of 31 December 2018). Vimetco N.V. is a privately held company and its registered office is at Strawinskylaan 403, World Trade Center, A Tower, 4th floor, 1077 XX Amsterdam, The Netherlands. The Company's ultimate controlling entity is Maxon Limited (Bermuda).

ALRO Group includes the following companies:

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

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



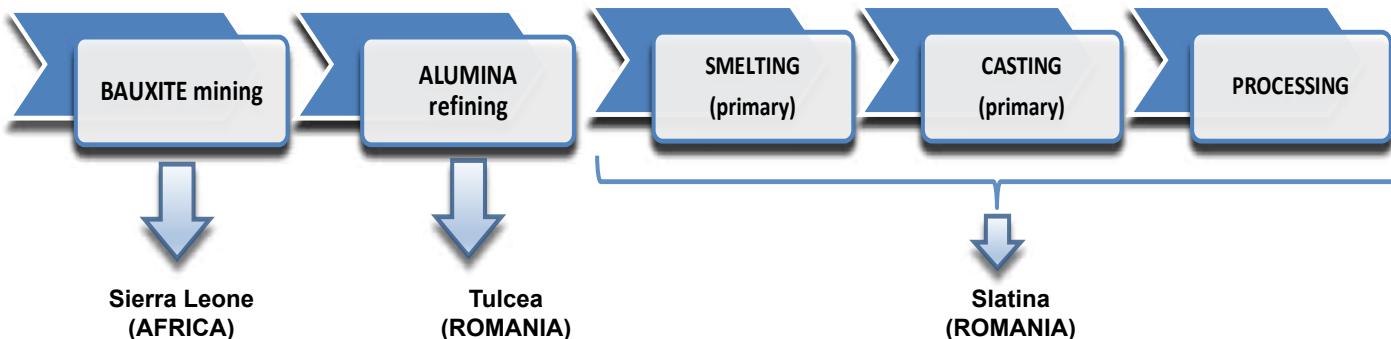
The Group is vertically-integrated, its operations being organized, for management purposes, in four segments: **Bauxite, Alumina, Primary Aluminium** and **Processed Aluminium**. In this way, the resources are efficiently allocated and the segments performance is properly evaluated, while being the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

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

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



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 section, the electrolysis section, the casting house, the aluminium Eco Recycling Facility, repairs and spare parts production units, road and rail transportation and other ancillary sections. After investing in modernizing its equipment and in new technology, ALRO reached a production capacity of 265,000 tonnes of electrolytic aluminium per annum having the possibility to produce in six potrooms the same quantities produced 20 years ago in ten potrooms. The Eco Recycling Facility has a capacity of 35,000 tonnes of recycled solid aluminium and a total primary cast aluminium capacity of 340,000 tonnes per annum. At the same time all necessary anodes for the electrolysis of alumina are internally produced;

- **Processed Aluminium Division ("FRP Division")** depends on the specific product range produced at any one time, the Group's facilities generally have a capacity of 100,000 tonnes per annum of FRPs and 25,000 tonnes per annum of extruded profiles. The Group intends to increase its FRP production capacity from 100,000 tonnes per year in 2018 to 120,000 tonnes per year by 2022.

The Group's subsidiaries hold several certifications. For example, ALRO is ISO 9001, ISO 14001, OHSAS 18001, ISO 50001 certified for quality management and has NADCAP, as well as EN 9100 certifications for aerospace production, and also the ISO TS/IATF 16949 certification for automotive industry, its products being certified by the international standards for quality assurance for primary aluminium as set by the London Stock Exchange and those for flat rolled products, as well.

Location	Function	Certification
Tulcea	Alumina refinery	ISO 9001:2015, ISO 14001:2015, SR OHSAS 18001:2008 (BS OHSAS 18001:2007), SR EN ISO 50001:2011 (ISO 50001:2011)
Slatina	Smelting and Casting.	<p>Management Systems</p> <p>Quality SR ISO 9001: 2015, certificate no. 10, valid until 16.03.2020 EN 9100:2018, certificate no. 359559 AS0018D, valid until 02.07.2022 IATF 16949:2016, certificate no. 359559 IATF16, valid until 11.09.2020</p> <p>Environmental SR ISO 14001:2015, certificate no. 11, valid until 16.03.2020</p> <p>Occupational health and safety SR ISO 45001:2018, certificate no. 116, valid until 16.03.2020</p> <p>Energy ISO 50001:2015, certificate no. 24, valid until 30.08.2021</p>
Slatina	Processing (FRPs and extrusion).	<p>Management Systems</p> <p>Quality SR ISO 9001: 2015, certificate no. 10, valid until 16.03.2020 EN 9100:2018, certificate no. 359559 AS0018D, valid until 02.07.2022 IATF 16949:2016, certificate no. 498033 IATF16, valid until 11.09.2020</p> <p>Environmental SR ISO 14001:2015, certificate no. 11, valid until 16.03.2020</p> <p>Occupational health and safety: SR ISO 45001:2018, certificate no. 116, valid until 16.03.2020</p> <p>Energy ISO 50001:2015, certificate no. 24, valid until 30.08.2021</p> <p>Product certifications Pressure Equipment European Directive, AD 2000 Merkblatt W 0 EN 764-5, certificate no. DGR-0036-QS-W 717/2015/MUC, valid through October 2021 Structural products for construction, CE Mark EN 15088, certificate no. 0036 - CPR - M - 084 – 2015, valid until 29.06.2021</p> <p>ALRO Rolled Products for Marine Applications Alloys 5083 and 5754, certificate no. SMS.W. II/66597/B.0, valid until 25.07.2019 Alloys 5083 and 5754, certificate no. 10714/D0 BV, valid until 26.09.2021 Alloys VL 5083 and VL 5754, certificate no. AMMM00000N7, valid until 30.05.2022</p> <p>Special Process Accreditation NADCAP Heat Treatment and Laboratory Testing, certificate no. 8680171137, valid until 31.10.2019 NADCAP Non-Destructive Ultrasonic Testing, certificate no. 8680171457, valid until 31.01.2020</p>
Sierra Leone	Bauxite mining	ML/F/SA/400 dated 11.03.2019 - certification of factory name for 2019 "GONDAMA PLANT SITE" for bauxite mining ML/F/SA/401 dated 11.03.2019 - certification of factory name for 2019 "MATTA CAMP" for bauxite mining ML/F/SA/402 dated 11.03.2019 - certification of factory name for 2019 "NITTI HARBOUR SITE" for bauxite mining ML/F/SA/403 dated 11.03.2019 - certification of factory name for 2019 "CAT GARAGE (GONDAMA PLANT SITE)" for maintenance of CAT machines - new ML/F/SA/404 dated 11.03.2019 - certification of factory name for 2019 "HEAVY VEHICLE GARAGE (GONDAMA PLANT SITE)" for maintenance of heavy duty vehicles – new Transportable Moisture Limit (TML) Certificate for SMHL bauxite cargo dated 04.03.2019 ML/F/SA/217 dated 11.06.2018 - certification of factory name for 2018 "MATTA CAMP" for storage of petroleum products (AGO) for use by the institution (in progress) ML/F/SA/215 dated 11.06.2018 - certification of factory name for 2018 "GONDAMA PLANT SITE" for storage of petroleum products (AGO) for use by the institution (in progress) ML/F/SA/216 dated 11.06.2018 - certification of factory name for 2018 "NITTI HARBOUR SITE" for storage of petroleum products (AGO) for use by the institution (in progress)

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

- aluminium and aluminium alloyed wire rod;
- homogeneous aluminium and AlMgSi billets;
- aluminium and aluminium alloyed slabs;
- aluminium and aluminium alloyed ingots;
- aluminium and aluminium alloyed plates (heat treated and not heat treated);
- aluminium and aluminium alloyed sheets and coils;
- aluminium alloyed cladded sheets and coils.

The Company receives alumina from ALUM, its own alumina refinery with an installed capacity of 600,000 tonnes per year which is obtained by using the bauxite mined in Sierra Leone. ALRO produces value added primary aluminium products for its customers and the primary aluminium is also used as raw material by the processed aluminium production facilities. Moreover, the Company sells aluminium alloys billets to its subsidiary, Vimetco Extrusion that further produces extruded products.

Sales

The main markets for the aluminium produced by the Group are in the European Union (including Romania), but the Group also sells its FRPs in Turkey, North and South America and Asia. The global aluminium market has been lately characterised by significant consolidation in the last decade and competition is mainly driven by sale price and product quality. The Group's main competitors on the international aluminium market are Amag, Constellium, Arconic, Kaiser, Impol, Aleris, Hulamin, Kumz, Egyptalum and several Chinese producers for FRPs, and Trimet, Hydro Aluminium, Alcoa, Rusal, 9Dubal, Alba and Egyptalum for its primary aluminium product like aluminium wire rod and billets. In addition to global competitors, the Group competes with Slovalco-Hydro Aluminium, ADG, Talum and Aluminij Mostar in Central, as well as Southern and Eastern Europe and with KUMZ (Russia) and Arconic (worldwide).

In H1 2019 the aluminium demand has continued globally its growth trend. Nevertheless, in some market segments and areas especially in the second quarter of 2019, the aluminium demand has gone down as a result of:

- *The general economic slowdown in Europe* with a negative impact on the equipment and machinery sector;
- *USA construction sector softened*, as well as the European construction sector especially individually housing;
- *The auto industry started to weaken in China* but also in Europe with Germany one of the main concerns;
- *A strong slowdown of the semiconductor market in Asia* and to a certain extent also in the USA;
- *Turkey continued to pass through economical turbulences*, high inflation, devaluation of local currencies, political conflicts with EU and USA resulting in reduced economic activity;
- *Overall increasing political and world trade conflictual situation between USA, China, EU, UK, Turkey, Iran, North Korea.*

USA Antidumping measurements for Chinese common aluminium alloys has stopped more or less the import to the USA but increased the Chinese FRP imports to Europe resulting in much lower premiums than Western suppliers not only for common alloys 5xxx alloy but also for plates 2xxx, 6xxx, 7xxx alloys. In the first four months of 2019, the Chinese imports to Europe nearly doubled compared to the same period of 2018.

The final lifting of USA sanctions against Rusal in Q1 2019 brought back more aluminium into the market on one side but put premiums under pressure for billets with strong premium decrease end of Q 2 2019 on the other side.

LME downwards trend might be a result of this contrasted situation although worldwide aluminium primary metal deficit still exists and should support an upwards trend of LME.

ALRO sales policy in this challenging environment focused in H1 2019 on:

- Defending its position in wire rod as a leading producer in Europe and conclude yearly contracts with main European cable producers;
- Consolidate its position in sheets and coils despite the fact that due to the modernization of one of the cold mills only a limited product range in the first 6 months of 2019 has been available to serve ALRO clients. As a result, fewer quantities could be sold;
- Further development of ALRO aerospace plates sales for Aircraft industry which enjoys a still positive outlook and solid growth potential. The participation of ALRO at "Le Bourget Airshow in Paris in June 2019" has been a success opening further development perspectives with key aerospace customers and reflects ALRO growth ambitions in this important market segment;
- Increasing its market position for heat-treated plates on the USA market has been achieved but sales suffered in Europe and especially SE Asia;
- Taking advantage of USA anti-dumping on Chinese common alloy coils and serve USA clients for this product with increasing quantities;
- Limiting losing quantities on the heat exchanger market that is suffering due to the weakening of the auto industry and some difficult market areas as described before.

ALRO sales focus in this context will be on:

- operating at full capacity its aluminium primary division with a focus on wire rod sales;
- increasing sales in sheets and coils due to finalizing and start up the revamped cold mill and try to compensate part of the missing quantities in the first half of 2019;

- focus on first trial lots of new product range in sheets, coils, stripes once revamped cold mill will be fully operational;
- consolidate its position on the heat exchanger market, finalize qualification with important clients and enter into new qualification process with key players on the market;
- increase its market position on overseas markets for plates and to certain extend for coils and sheets;
- beside ALRO sales to aerospace and heat exchanger end-user markets focus will be given on suitable development based on the additional product range available in Q4 2019 once revamped cold mill will be fully operational.

Production

In H1 2019, the Company continued its strategy of increasing its high value added products ("HVAPs") and very high value added products ("VHVAPs") sales in terms of volume, especially FRPs, compared to the similar period of 2018. The Group considers all of its FRPs to be HVAPs and refers to products such as cladded sheets and coils, and aero heat-treated plates as VHVAPs. Within extruded products, the Group considers its special products to be HVAPs and the machined, painted and anodized or powder coated products to be VHVAPs.

In particular, the Group is aiming at increasing its FRPs production capacity from 100,000 tonnes per year to 120,000 tonnes per year by 2022. Amongst the investments that are currently in progress, the Group is increasing its production capacities and exposure to HVAPs and VHVAPs for instance by improving the quantity of hot-rolled products with higher value added and higher premium, in particular the production of heat-treated plates, sheets and cladded products, in order to diversify its product range and meet the most demanding quality requirements of its customers in sophisticated industries. Therefore, the Company's focus in the first six months of 2019 was to increase the percentage of the HVAPs and VHVAPs in the production mix. For example, for the aerospace industry, the production increased in H1 2019 by 233% compared with the similar period of 2018. In addition, the FRPs production increased mainly due to an increased level of plates' production. All the production efforts within the FRPs Division were directed to improve the overall efficiency, this being a measure part of the commitment to satisfy ALRO's customers' requirements with the aim to increase the Company's presence in the aerospace and automotive industries.

During the first six months of 2019, the FRP Division continued several major projects for its facilities production such as: revamping Cold Mill no.2, implementation of the Advanced Production Planning Systems for flat rolled production, continuing the implementation of the marking and traceability system for flat rolled production. Additionally, in H1 2019, the Company continued to focus on its main strategic goals, namely reducing ALRO's energy dependence, extending its clients portfolio, improving the efficiency and reliability of existing equipment and increasing ALRO's competitiveness and production safety.

Following AGM's resolution that took place in April 2019, ALRO allocated more than USD 35 million for 2019 ALRO's Investment Plan, for Primary and Processed Aluminium Divisions. Part of the approved investment budget is directed towards completing investment projects started during the previous years and the amount invested during H1 2019 was of almost USD 8 million.

Moreover, ALRO Group has a long-standing commitment to sustainability. For this reason, several projects with the aim to reduce the energy consumption were continued in 2019. Within the Primary Division, the implementation of the pot relining AP12LE technology developed by Aluminium Pechiney, part of Rio Tinto Aluminium (RTA) for upgrading the electrolysis pots has been started, and a number of five pots were relined according to this technology within H1 2019. This project aims at reducing the specific energy consumption by approximately 300 kWh/tonne of aluminium, while maintaining the current production. The AP12LE technology implementation is part of the Company's long term programme for increasing the energy efficiency of the technological processes, targeting an energy consumption below 13 MWh/tonne. This project represents one of the steps already implemented by the Group to mitigate the electricity prices volatility risk as ALRO, the Parent-Company is one of the main electricity consumers in Romania and is highly exposed to energy prices evolution. ALRO Group Management has a bidirectional approach regarding this subject: on one side through these types of projects is aiming to maximize the Group's performance and thus to reduce the consumption rates at a minimum possible level and, on the other side the energy prices evolution is one of the main topics on Management's agenda who investigates any new trends, regulations and new legislative updates that might further have an influence on the current business and operational activities.

In H1 2019, the Company continued two major investment projects one involving the upgrading of the Cold Rolling Mill no.2 and the other involving the implementation of two slab homogenizing furnaces and one cooling chamber. The Cold Rolling Mill no. 2 is an important equipment for the Processed Aluminium Division and has been subject to an intensive upgrading process, after which, ALRO will be able to cover the technical and quality requirements and a much wider range of cold rolled products, which will allow the Company to consolidate its position on the dedicated market. During the first six months of 2019, the cold tests as well as the hot tests with material have been completed, and at present, the rolling mill is under final tuning to meet all the contract parameters.

As regards the homogenizing furnace project, the first phase of the contract - homogenizing furnace no.1 and the cooling chamber - was successfully completed and it was commissioned within H1 2019, the second furnace being under performance tests as at the date of this report.

The upgrading of the existing facilities during the first semester of the year 2019 included also the modernization of the mill roll grinding machine so as to provide the critical components for the rolling mills and the proper quality of the rolled products, providing ALRO the equipment capacity for the FRP increase.

In H1 2019, the investment project "Investments in the research and development department of ALRO aiming at improving the research infrastructure for the aluminium alloy heat treated plates with high qualification industrial applications" was completed. ALRO has implemented this project with EU funds under the Competitiveness Operational Programme - Research, Technological Development and Innovation (RDI) to Support Economic Competitiveness and Business Development. The three state of the art equipment put into service within this project, namely: independent equipment for the research of the aluminium alloy sheets quenching, independent equipment for the research of the residual stress removal process for the aluminium alloy sheets with thickness lower than 20 mm, independent equipment for the research of the aluminium alloy plates aging process, will develop ALRO's research infrastructure so that the Company can increase its capacity for products demanded in highly specialised areas – automotive industry, aircraft industry and thus extend its client portfolio while maintaining the existing customers and sales volume for the heat treated products. This project was co-funded by the European Union and ALRO received approximately RON 35 million as non-refundable grants.

ALRO Group has a strong presence in many industry sectors of the international markets and its expertise and increased focus on flat rolled and extruded HVAPs enables it to meet specialized technical and production standards demanded by certain customers. It also increasingly targets sophisticated industries such as the aeronautic, automotive, marine and construction industries with products the Group considers to be VHVAPs and for which it is able to negotiate higher premiums. The Group has an increasingly diverse customer base. In H1 2019, the Group sold the majority of its primary products to end-users, and the majority of its processed aluminium products to service centres, metal traders and distributors. In the same period, the Group's primary products, FRPs and extruded products measured by revenues were exported, predominantly within Europe.

In line with the Group's objective of implementing a new aluminium plant concept based on research and development, a high degree of digitalization and automation, eco-friendly technologies, close to zero emissions and close to zero waste, the Group aims at reducing the Group's energy consumption rates. Given that aluminium recycling requires only approximately 5% of the energy required to produce primary aluminium, the Group is currently increasing the use of recycled metal quantities. To this end, the Group is focusing on increasing the processing capacity of the Eco Recycling Facility, with the objective to reach a total waste processing capacity of 100,000 metric tonnes per year by 2020. Through this new facility, the Group has managed to ensure some liquid aluminium from alternative sources, partially replacing the aluminium produced by electrolysis. In addition, the Group is currently implementing new technologies in its alumina refinery for the research and production of dry aluminium hydroxide, for the grinding and sorting of dry aluminium hydroxide, and for the classification of wet aluminium hydroxide, all of which are new alumina products with special destination. The Group is continuing technological upgrading programmes within all its divisions, with the main objective of improving the efficiency of the existing equipment and its day-to-day operations.

For all the Group's companies, ongoing improvement of product quality and range of products are done and the audits performed up to now in 2019, had as a result the approval and renewal of all the certifications in place.

Procurement and Logistics

Procurement and Logistics Department ("PLD") followed the Group strategy in continuously improving activities and competitiveness in a high cost industry and unpredictable macroeconomic environment with ongoing trade wars and global economy growth at a slower pace.

PLD main objectives are:

- *Effectiveness* in sourcing in a professional manner, well-timed and with the lowest costs as possible, in terms of prices, logistics, and payment terms;
- *Permanent and objective analysis* of own results based on of key performance indicators ("KPI") to assess the performance, optimize activities and finally to realize the targeted cost-cutting parameters;
- *Cost reduction* by negotiating raw materials acquisition prices and logistics tariffs; special attention is paid for ensuring an efficient purchasing of aluminium scrap, which is a key driver in achieving lower energy costs;
- *Improving inventory management* by targeting Raw Materials Inventory Turns (RMIT) at the top performers level by using predictive planning and scheduling, to avoid both stock outs or overstock;
- *Back-up strategy* - whenever possible providing at least two suppliers for the same item, to improve supply safety and timely backup;
- *Extending e-tendering* to all similar/ comparable materials and services, as this approach proved to be a major source of savings;
- *Detailed analysis of suppliers' performance* for goods and services deliveries by monitoring suppliers' performance; their KPIs are evaluated based on several criteria: quality, deadlines, price, and payment terms, faults occurrence;
- *Digitalization* - completion of switching from paperwork to electronic documents enabling 100% traceability of documents and materials flow;
- *Timely analysis of information* offered by GPS based monitoring of the whole internal transportation fleet and prompt reaction whenever the case may occur.

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

PLD acquires two categories of commodities each with its specifics. The first one includes commodities traded with no restrictions (barriers), such as calcined petroleum coke and coal tar pitch mainly sourced from abroad (i.e. Europe, USA, Asia). For these, in the first half of 2019, PLD managed to obtain competitive prices in line with one of the representatives benchmarks reports published for the aluminium industry.

Electrical energy and natural gas, some of the most important cost items for ALRO, are included in the second category and the trading of these commodities is subject to domestic markets particulars. According to *CRU Aluminium Costs Q1 updates - Electricity price trends - Current developments and view to 2023* "Power tariffs paid by commodity-producing sectors are usually not based on the market price of power. Rather, they are negotiated with the utility or government responsible for setting the power tariffs". No matter of the above statement, things are very different for ALRO, which is highly exposed to the market electricity price risk.

Another way to asses PLD's activity in H1 2019 is using prices key performance indicators. The high KPI's for the main raw materials prices in H1 2019 show the competitiveness of ALRO's acquisition prices. The price KPI criteria grounds on savings compared to the market prices in benchmark reports such as: CRU Limited UK, Metal Bulletin, Platts. For the first six months of 2019, high indicators were achieved based on price savings of 10% - 15% comparing to relevant markets' prices.

In H1 2019 the acquisition prices for most of the main raw materials sourced from third parties (such as caustic soda, calcined petroleum coke, coal tar pitch, aluminium scrap and others) decreased significantly. As a result, the expenses with such materials are about USD 8 million lower compared to the same period of 2018 (considering the price variation only). Considering the status of the current negotiations and contracting, the expectations are YoY cost savings due to prices only to reach about USD 20 million. That will only partially offset the increment of costs with energy and natural gas, because the acquisition prices of energy inherently followed the ascendant trend of the domestic market.

ALRO is struggling to offset the massive upsurge of electrical energy and natural gas prices by several measures. One of them is represented by the efficient recycling of aluminium scrap, both internally generated and sourced from domestic and European suppliers.

In respect to scrap acquisition, ALRO managed to keep in the first semester of 2019 the same level of price as percentage of the LME as in H1 2018 while delivered quantities increased by 21%. Thus, ALRO managed to secure a reliable and cost efficient alternative source of liquid metal.

ALRO will continue and will intensify the ascending trend of scrap processing ("Eco-Facility Project") in H2 2019 and further on.

PLD is also involved in ALUM sales of alumina and hydrate sales outside the Group. Sales to third parties aim to increase the Group's profitability and to improve the overall Group's cash flow.

Alumina price formation basis on indexes such as PAX, CRU, and Metal Bulletin; PAX decreased by about 17% in the first semester of 2019, compared to the same period of 2018. The price decrease is mainly due to increased supply/ availability due to several events:

- One of the World's biggest alumina refinery Alunorte located in South America resumed its operations from 50%, targeting to reach by the end of the year full capacity (about 6 million tonnes);
- EGA commissioned in April its two million capacity refinery in Al Taweeleah (Middle East);
- There are several other projects expected to restart or increase the output in 2019 such as Alpart in Jamaica, India Vedanta's Lanjigarh refinery and Frigua refinery in Guinea.

ALUM sales to third parties are mainly (over 90%) driven by export sales to Europe (including Turkey, South America, Asia and Africa) for both metallurgical and non-metallurgical applications, therefore the alignment of ALUM sales prices to benchmark indexes is essential. Under above-mentioned terms (oversupplied and bearish market), an efficient sale process of alumina in 2019 represents a major challenge.

Nevertheless, ALUM succeeded to negotiate and close sales transactions with 20 clients in 16 countries for about 89,000 MT of hydrate and 56,000 MT of alumina which further translates in significant cash inflows and, in the same time, lower fixed costs.

Financial review

The Group's consolidated sales in the first half year of 2019 were of RON 1,506,218 thousand, a slight decrease compared to the level reported in the similar period of 2018 (respectively RON 1,563,610 thousand), mainly due to the unfavourable market conditions that affected all players in the aluminium industry during H1 2019. ALRO's sales were of RON 1,330,783 thousand in H1 2019 (H1 2018: RON 1,376,854 thousand).

Consolidated sales

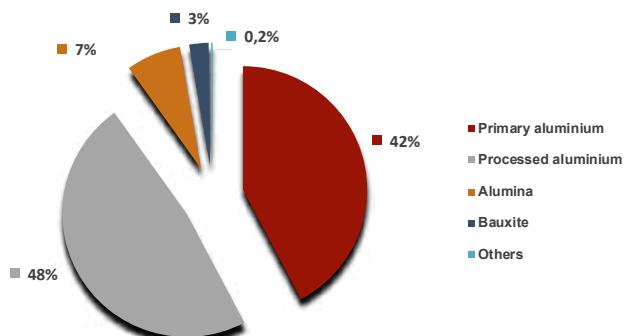
H1 2019: RON 1,506,218 thousand

H1 2018: RON 1,563,610 thousand



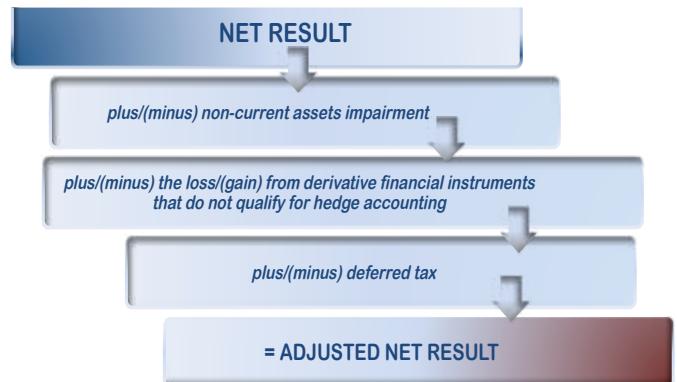
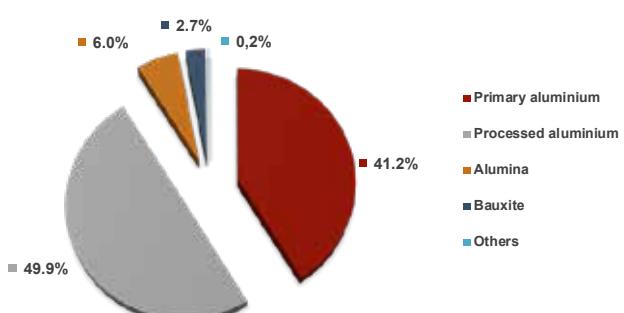
The contribution of the sales on the Primary Aluminium segment to third parties was RON 621,118 thousand in H1 2019 and represented 41% of the Group's total revenues (H1 2018: RON 661,037 thousand; 42%). Third party sales of Processed Aluminium segment represented 50% of the Group's total revenues in H1 2019, being of RON 751,123 thousand (H1 2018: RON 748,366 thousand; 48%), in line with the Group's strategy of increasing the percentage of the HVAPs and VHAPs sales.

ALRO Group: H1 2018 sales by segments to external customers



The **Group net result** for the first half of 2019 was a net profit of RON 79,708 thousand, a lower level compared to H1 2018, when it was of RON 154,151 thousand due to unfavourable circumstances during the first six months of 2019, as the LME showed lower levels, while the electricity prices continued to report tremendous levels. A slight descending trend was confirmed by the turnover level which was lower by 4%, mainly due to weaker demand within the second quarter of 2019, LME downwards trends in H1 2019, alumina lower prices and due to lower quantities produced. 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, as an immediate result of the adverse market circumstances – weaker sales prices and higher raw materials costs, especially for the electricity prices which continue to report remarkably great levels and remain extremely volatile and thus, remain a burden for ALRO, which is the main energy consumer in Romania.

ALRO Group: H1 2019 sales by segments to external customers



The reconciliation between the **Net Result** and the **Adjusted Net Result** at ALRO Group level and at ALRO's level for H1 2019 and H1 2018 are detailed below:

ALRO Group

Description (RON th)	H1 2019	H1 2018
NET RESULT	79,708	154,151
Plus/(minus) charge/ (reversal) of non-current impairment expense/ (income)	(4,790)	(1,262)
Plus/(minus) the loss/(gain) from derivative financial instruments that do not qualify for hedge accounting	(710)	(16,692)
Plus/(minus) deferred tax expense/ (income)	2,219	30,520
ADJUSTED NET RESULT	76,427	166,717

ALRO S.A.

Description (RON th)	H1 2019	H1 2018
NET RESULT	(1,481)	161,169
Plus/(minus) charge/(reversal) of investments impairment expense/ (income)	48,300	-
Plus/(minus) charge/(reversal) of non-current impairment expense/(income)	(4,754)	(522)
Plus/(minus) the loss/(gain) from derivative financial instruments that do not qualify for hedge accounting	(710)	(16,692)
Plus/(minus) deferred tax expense/ (income)	2,397	30,258
ADJUSTED NET RESULT	43,752	174,213

Regarding the **cost of goods sold**, the Group reported a higher level by 11% in H1 2019 (H1 2019: RON 1,342,519 thousand versus H1 2018: RON 1,207,340 thousand), mainly due to more high-priced raw materials costs, especially electricity costs. The corresponding trend was displayed at ALRO's level, also, where the cost of goods sold is by 14% higher in H1 2019 compared to the equivalent period of last year (H1 2019: RON 1,258,520 thousand versus H1 2018: RON 1,107,488 thousand).

The **Group's gross profit** dropped by more than 50% in H1 2019 compared to H1 2018 while the gross profit margin was 11% from 23% in H1 2018, principally due to the adverse influence of the power market that continued to experience higher rates in H1 2019, which was directly translated into ALRO's gross profit for H1 2019 of RON 72,263 thousand correlated to RON 269,366 thousand in H1 2018.

The **operating income** level in H1 2019 was of RON 144,667 thousand as compared to RON 5,040 thousand in H1 2018, mainly due to one-off items realised during the six months ended on 30 June 2019, as detailed below:

- The Group wanted to benefit from the favourable market conditions and obtained an income of almost RON 108 million from sale of emission certificates;
- a reversal of a provision of RON 15,228 thousand for employees and management remuneration;

The **interest expenses** level increased by 82% at Group's level in H1 2019 compared to the corresponding period of last year (H1 2019: RON 38,630 thousand versus H1 2018: RON 21,210 thousand) principally as a result of the next matters:

- the supplementary loans signed by ALRO in January 2019 as additions of existing loans (with a new non-revolving facility of USD 20,000 thousand and a USD 50,000 thousand CAPEX facility);
- Alum's draw-down of the outstanding USD 10,000 thousand from the loan undertaken in May 2018, and
- also due to the rise in the LIBOR and ROBOR benchmark interest rates.

For further details, see also **Note 9 Interest Expenses** and **Note 19 Borrowings and lease liabilities** from the Unaudited Condensed Consolidated Financial Statements for the six months ended on 30 June 2019 included in this Report.

The **Group's operating result** for H1 2019 pointed a descending trend, mainly because of the adverse impact of the electricity market volatility and due to weaker LME quotations. In these circumstances, the Group reported for H1 2019 a lower **EBIT** of RON 166,358 thousand compared to RON 211,146 thousand in H1 2018. The corresponding development was noticeable also at ALRO's level, **the Parent-company**, which recorded an **EBIT** of RON 13,019 thousand in the first half of 2019 compared to RON 173,956 thousand in H1 2018.

In H1 2019 the Group managed to generate **positive cash flows from its operating activities** of RON 193,529 thousand. However, this level was lower than the one reported for the similar period of last year (H1 2018: RON 259,788 thousand) mainly due to higher interest paid during H1 2019 as higher levels were registered for LIBOR, ROBOR rates and due to higher outstanding balances for the Group's bank loans as at 30 June 2019. At **ALRO's level**, **the cash flows generated from the operating activities** was RON 250,084 thousand in H1 2019 (H1 2018: RON 315,655 thousand). A drop in **cash used in investing** was recorded in H1 2019 compared to H1 2018, both at Group's level (H1 2019: RON 74,616 thousand versus H1 2018: RON 75,830 thousand) and at ALRO's level (H1 2019: a positive cash-flow of RON 8,207 thousand versus H1 2018: RON 58,420 thousand used) mainly due to lower amounts utilised for the acquisition of property, plant and equipment and intangible assets in H1 2019 compared to the similar period of last year.

The **cash flows provided by financing activities** for the six months ended on 30 June 2019 shows mainly the proceeds from loans contracted by the Group in H1 2019 and by the payment of the dividends done for the financial year 2018. During the OGSM held on 25 April 2019 a gross dividend of RON 0.45756 for one share for the financial year 2018 was distributed in full, according to the decision of the Ordinary General Shareholders Meeting no. 608/13.12.2018, therefore no payments or reimbursements had to be done in line with the regularization of the interim dividends as approved for 2018 based on the new legislation specifications.

As of 30 June 2019, the Group reported **cash and cash equivalents** of RON 424,658 thousand and restricted cash of RON 9,579 thousand, compared to RON 203,609 thousand and restricted cash of RON 8,370 thousand at 31 December 2018. The rise in cash reflects mainly the Group's capacity to generate cash from its operations and also, the additional financing undertaken during H1 2019 by the Group's subsidiaries and by the Parent-Company with the objective to enhance the working-capital and thus to further optimize the Group's processes and operations. For more details, see also **Note 19 Borrowings and lease liabilities** from the Unaudited Condensed Consolidated Financial Statements for the six months ended on 30 June 2019 included in this Report.

Group's total assets reported as at 30 June 2019 were in amount of RON 2,803,975 thousand, a slightly lower level compared to RON 2,939,444 thousand as at 31 December 2018, due to interim dividends declared as per applicable regulations for the nine months ended 30 September 2018 distributed by the Parent-Company from the net accounting profit of the period, and from retained earnings carried forward from prior years. In April 2019 after approving by the General Shareholders' Meeting of the annual financial statements for 2018 and declaring the final dividends, the interim dividends were settled on the account of annual dividends and were debited to the Parent Company's equity.

The **Group's non-current assets** recorded a similar amount as at 30 June 2019, i.e. RON 1,393,509 thousand (31 December 2018: RON 1,391,132 thousand). The **Group's current assets** contracted by 9% in the examined period compared to the level reported as at 31 December 2018 (H1 2019: RON 1,410,466 thousand versus 31 December 2018: RON 1,548,312 thousand) due to payment of dividends out of cash. The equivalent trend was reported by **ALRO** which reported **total assets** of RON 2,491,029 thousand as at 30 June 2019 (31 December 2018: RON 2,784,095 thousand), out of which **non-current assets** of RON 1,348,880 thousand as at 30 June 2019 (31 December 2018: RON 1,400,481 thousand) and **current assets** of RON 1,142,149 thousand as at 30 June 2019 versus RON 1,383,614 thousand as at 31 December 2018.

Group's total liabilities slightly increased by 7% and reached a level of RON 1,883,158 thousand at 30 June 2019 (31 December 2018: RON 1,766,620 thousand), principally due to the loans taken by the Parent-Company and Group's subsidiaries, Alum and Vimetco Extrusion in H1 2019. The level of the **Group's non-current liabilities** as at 30 June 2019 was RON 1,242,170 thousand (31 December 2018: RON 1,003,352 thousand), while the **Group's current liabilities** were of RON 640,988 thousand at 30 June 2019 opposed to RON 763,268 thousand at 31 December 2018. The same trend was reported by **ALRO** which reported **total liabilities** of RON 1,595,471 thousand as at 30 June 2019 (31 December 2018: RON 1,560,456 thousand), out of which **non-current liabilities** of RON 1,060,717 thousand as at 30 June 2019 (31 December 2018: RON 894,622 thousand) and **current liabilities** of RON 534,754 thousand as at 30 June 2019 versus RON 665,834 thousand as at 31 December 2018.

In August 2019, ALRO paid to Vimetco N.V. the remaining part of the dividends declared for the year 2018 during the GSM held in April 2019, namely the amount of RON 87,243 thousand. For further details, see also **Note 23 Events after the reporting date** from the Unaudited Condensed Consolidated Financial Statements for the six months ended on 30 June 2019 included in this Report.

In H1 2019, the Group continued its **sustainable and long-term investment strategy and commitment** to reducing its energy dependency, raising energy efficiency and strengthening its clients' portfolio for enhancing the competitiveness and the quality of the VHVAPs products, particularly. ALRO Investment Programme for 2019 is of USD 35 million, out of which more than USD 12 million represents strategic projects, such as: finishing the 60,000 tpa line for aluminium scrap processing; substituting the main drive on the Hot Rolling Mill and Profile command system for hot-rolled products, and the extension of the Gas Treatment Station in the Cast House. In H1 2019, some of the projects included in the Company's Investment Programme have been advanced, while other projects have been started both in the Primary and in the Processed Aluminium Divisions. The amount spent in H1 2019 is of USD 8 million. For additional details, please see also the sections related to Alum, Vimetco Extrusion and SMHL, the main subsidiaries of ALRO Group, included in the next chapter Operational analysis.

Operational analysis

ALRO Group

ALRO Group reported in H1 2019, a total production of primary aluminium of 142,667 tonnes, a slightly lower level compared to the one reported in the same period of last year (H1 2018: 144,962 tonnes) due to unfavourable market conditions that further translated in lower production levels. 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) mainly coming from Vimetco Extrusion which started to increase its customer profiles production that brings more added-value, but which requires a longer production period due to the technological process.

The alumina production was of 226,679 tonnes in H1 2019, by 17% lower compared to the one reported in the same period of the last year when it was 273,235 tonnes due to two main combined reasons: the market conditions with Alunorte restarting the full production in 2019, and thus the price of alumina decreased in H1 2019 by 17% compared to the same period of last year that led to lower sales to third parties which further translated into lower production levels and, secondly, due to repairing works done at the alumina dome (the main alumina storage facility located in Slatina) which led to lower deliveries to ALRO in H1 2019. Bauxite production recorded a level of 1,117,240 tonnes in H1 2019 (H1 2018: 1,131,608 tonnes), in line with the Group's necessities and strategy.

ALRO

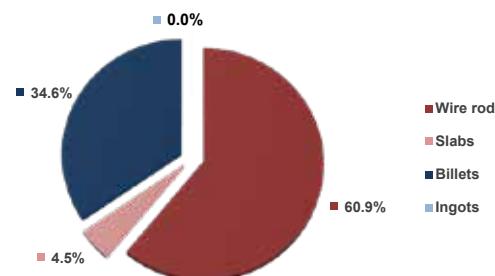
In the first six months of 2019, the Company reported a slight decrease in the primary aluminium production compared to the same period of 2018, respectively a decrease of 2% (while the processed aluminium production remained steady, being of approximately 44,000 tonnes). In H1 2019 the primary aluminium sales slightly decreased and reported a level of 65,155 tonnes, compared to 66,853 tonnes in H1 2018, while the processed aluminium sales slightly increased in the analysed period, being in H1 2019 of 43,769 tonnes compared to 43,519 tonnes in H1 2018.

Primary Aluminium

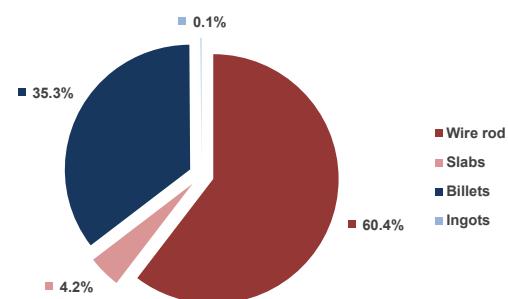
ALRO is the only producer of primary aluminium and aluminium alloys in Romania and one of the largest vertically integrated aluminium producers in Europe measured by production capacity. In H1 2019, the Company continued to improve the mix of products sold, as a result of the implementation of the strategy that is focused on high value added products. The main markets for ALRO's primary products in H1 2019 were besides Romania, Czech Republic, Poland, Bulgaria, Italy, Hungary, and Germany.

The structure of primary aluminium sales based on product types in H1 2019, compared to H1 2018 is presented below:

Primary aluminium: sales structure in H1 2019 (RON th)



Primary aluminium: sales structure in H1 2018 (RON th)

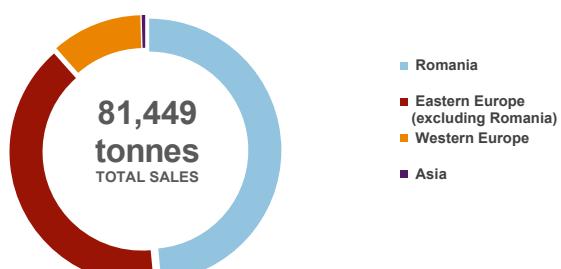


The main primary aluminium markets in H1 2019 versus H1 2018 are detailed below:

Primary aluminium: main markets in H1 2019 (tonnes)



Primary aluminium: main markets in H1 2018 (tonnes)



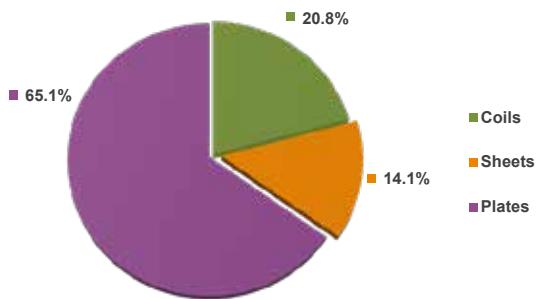
Processed Aluminium (FRP)

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

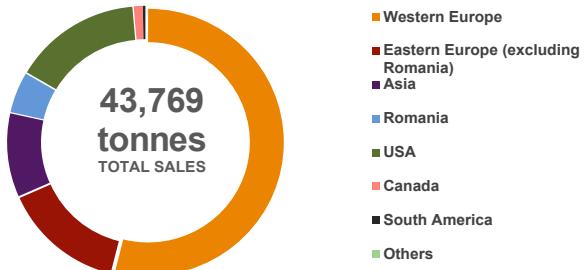
The processed aluminium sales recorded increased levels for plates and coils in H1 2019 as compared to H1 2018 (i.e. in quantitative terms, aluminium coils increased by 25% in H1 2019 compared to the similar period of last year). The main markets for ALRO's processed products in H1 2019 were besides Romania, Germany, France, Turkey, Italy, Poland, Czech Republic, Great Britain, Asia and USA.

The structure of processed aluminium sales based on product types in H1 2019, compared to H1 2018, is detailed below:

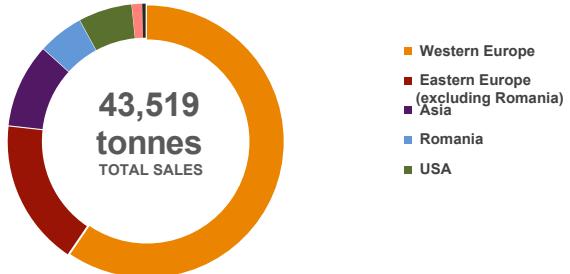
Processed aluminium: Sales structure in H1 2019 (RON th)



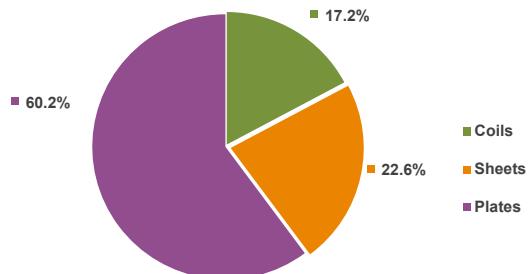
Processed aluminium: main markets in H1 2019 (tonnes)



Processed aluminium: main markets in H1 2018 (tonnes)



Processed aluminium: Sales structure in H1 2018 (RON th)



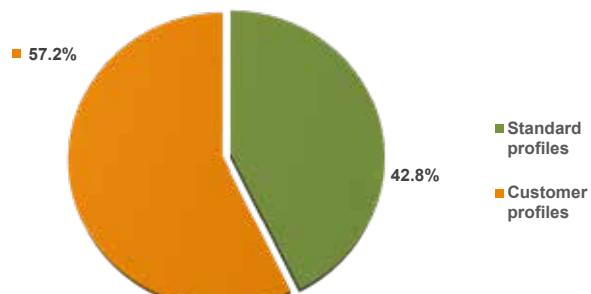
Extruded Products

Vimetco Extrusion sells a wide range of extruded profiles, such as aluminium bars, tubes and profiles, both on domestic and external markets. Currently, 95% of Vimetco Extrusion products are sold abroad.

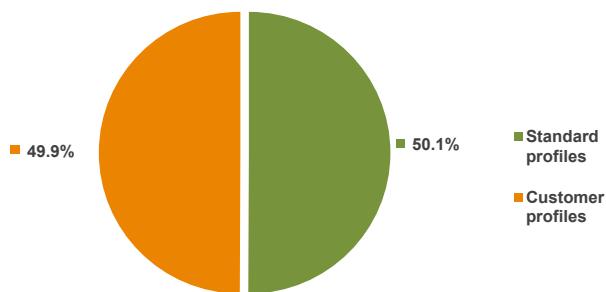
Vimetco Extrusion's special products are considered to be HVAPs and the machined, painted and anodized or powder coated products to be VHVPAs.

The structure of extruded products sales based on product types in H1 2019, compared to H1 2018, is detailed below:

Extruded products: Sales structure in H1 2019 (RON th)

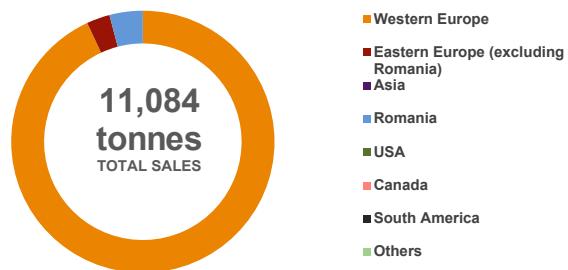


Extruded products: Sales structure in H1 2018 (RON th)

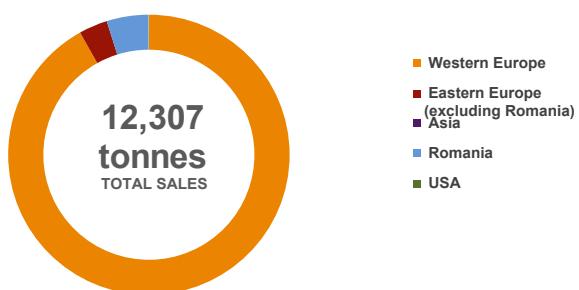


The extruded products markets in H1 2019 versus H1 2018 are detailed below:

Extruded products: main markets in H1 2019 (tonnes)



Extruded products: main markets in H1 2018 (tonnes)



Other information

- the Group is not dependent on a client or a group of clients due to its diversified portfolio;
- during the six months ended 30 June 2019, the Group did not buy or hold its shares;
- during H1 2019 no mergers or reorganizations occurred;
- during the six months ended 30 June 2019, there were no increases or decreases of the shares held in affiliated entities;
- the equipment status ensures safe operation and the achievement of the proposed objectives, with no problems related to the ownership of the Parent-Company or other Group's subsidiaries tangible assets;

- by upgrading its production machines and equipment, the Parent-Company and/or other Group's subsidiaries are technically and technologically similar to the main aluminium producers on the international market.

ALUM

The Group's refinery is represented by Alum which has a production capacity of 600,000 tonnes of alumina per year making it the sole alumina producer in Romania and one of the largest in Central and Eastern Europe. Alumina is transported from Tulcea by rail to the Group's production facilities in Slatina. The refinery is located in Tulcea and is currently using tropical bauxite, such as the bauxite produced in its mines in Sierra Leone, which is less energy-consuming to process due to its chemical composition. However, the refinery could utilise bauxite from other sources by implementing minor technological and equipment updates and without incurring significant costs or delay.

While primarily supplying alumina to the Group, Alum also sells aluminium hydrate and other alumina special products (including calcined alumina with different granulations, alumina "low soda" and alpha-alumina) to third party customers. In H1 2019, approximately 77% of alumina produced by the Group (H1 2018: 73%) was used internally, while 23% (H1 2018: 27%) was sold to external customers through spot contract sales, 96% of which were located outside Romania (H1 2018: 96%).

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

At the date of this report, Alum's Executive Management is composed of Mr. Gheorghe Dobra - CEO and Mrs. Mihaela Duralia - CFO. Alum's Board of Directors is composed of five members: Gheorghe Dobra (Chairman), Aleksandr Barabanov (Vice-President), Marian Cilianu (Member), Mihaela Duralia (Member) and Ioan Popa (Independent Member).

In H1 2019, Alum had a production of 226,679 tonnes of alumina (H1 2018: 273,235 tonnes) and achieved a turnover of RON 384,603 thousand (H1 2018: RON 387,392 thousand). Decreased levels of alumina production and sales in H1 2019 compared to the same period of 2018 are mainly due to the unfavourable circumstances both on the alumina and aluminium markets which had directly impacted the figures for the six months ended on 30 June 2019.

The competition on the alumina market is impacted by the selling price and by the quality of sold products. Therefore, Alum continues its strategy for reducing costs by optimizing its consumption levels and developing new environmental-friendly technologies, by obtaining beneficial prices for its raw materials and by investing in technology and in human capital. Moreover, it is currently implementing new technologies in for the research and production of dry aluminium hydroxide, for the grinding and sorting of dry aluminium hydroxide, and for the classification of wet aluminium hydroxide, all of which are new alumina products with a special destination. This is part of the Group's strategy to continue the technological upgrading programmes within all its divisions, with the main objective of improving the efficiency of the existing equipment and its day-to-day operations.

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

- investments with effect in decreasing production costs and increasing competitiveness, the environment protection and the corporate social responsibility active contribution;
- upgrading its equipment to meet high economic efficiency;
- providing raw materials and energy resources in the most advantageous economic terms;
- diversification of products ranges and increasing the turnover and production volumes;
- retention of the current external clients and attraction of new clients by offering a diversified range of products;
- development and implementation of new research and development projects.

In September 2016, Alum announced that it started to implement the project "Endowment of Alum's Research and Development Department with independent installations, performances in research to support economic competitive growth and business development", project which is co-funded from the European Fund for Regional Development by Competitiveness Operational Programme 2014 – 2020: „Investment in sustainable development strategy". The project aims to enhance the research, development and innovation capacity in order to increase the innovation level and the market competitiveness of the company by purchasing and commissioning research and development equipment. The project implementation period is of 24 months and the project value is of more than RON 20 million, out of which non-refundable financial contribution represents over RON 6 million. In H1 2019 all the activities mentioned in Financing Agreement to be carried out so far in relation to this project have been completed and progress reports as requested in this Agreement have been submitted and RON 1.3 million were received from the European Fund.

As at the date of this report, ALUM doesn't have any legal cases ongoing.

VIMETCO EXTRUSION

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

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

resulting products offer strength and stability, particularly when alloyed with other metals.

Within extruded products, the Group considers its special products to be HVAPs and the machined, painted and anodized or powder coated products to be VHVPs. Vimetco Extrusion's products are used in various industries, such as transport, construction, party tents, photovoltaic panels. The Group's extruded products are also used in the construction and interior design industries with curtain-walling, ceilings, partitions, railings and panels being some of the various applications of aluminium. In addition, extruded products are used in lighting, air conditioning/ventilation systems, reflectors and in the photovoltaic energy industry. Currently, 95% of Vimetco Extrusion products are sold abroad. Between 2011 and 2013, the Group successfully accessed EU non-refundable financing to purchase production equipment. As a result of such investments, the extrusion shop's electricity and gas consumption per tonne decreased by 53% and 67%, respectively, from 2009 to 2017.

Currently, the extrusion facility has two direct extrusion presses of 1,650 and 3,500 metric tonnes, with a billet diameter of 178 mm and 254 mm respectively, and a production capacity of 25,000 tonnes per annum, depending on the product mix, which allows production of extruded range of profiles from 0.1 kg/m to 13 kg/m.

In H1 2019, Vimetco Extrusion continued its strategy to extend its products portfolio, especially that of the HVAPs and VHVPs and the clients portfolio, as well.

Vimetco Extrusion Executive Management is composed of Mr Igor Higer – General Director, Mrs. Stefania Yaksan – Finance Director. At the date of this Report, Vimetco Extrusion Board of Directors is composed of five members: Igor Higer, Aleksandr Barabanov (Vice-President), Arie Shimon Meisel, Per Lyngaa and Razvan Pop.

In H1 2019, Vimetco Extrusion reported sales of 11,084 tonnes, a lower level compared to the similar period of last year (H1 2018: 12,307 tonnes) and a slightly decrease of its turnover by 5%, that reached in H1 2019 a level of RON 152,164 thousand (H1 2018: RON 159,746 thousand), mainly due to a lower demand from market and also due to the company's focus on customized products ("VHVPs"), which require a longer production period due to the technological process which is more complex.

The market in which Vimetco Extrusion operates is highly demanding. The investments done during the last years with the management efforts to increase the production capacity and the sales volume allows Vimetco Extrusion to produce a wider range of high quality products at competitive prices.

The new technology implemented has as a direct result in increasing the productivity, while lowering the fixed costs. Moreover, through extensive use of raw materials from recycled scrap, the company managed to reduce its raw materials costs.

The main competitors of Vimetco Extrusion are companies from countries like Bulgaria, Poland, Slovakia, Turkey, Greece, Italy, Germany and Spain. Customer relationship, products quality, a high level of customer service, excellent communication and partnerships built over the years are the key factors that maintain Vimetco Extrusion as a preferred choice by customers.

Vimetco Extrusion continues to rely on loyalty of existing customers, while entering new markets and finding new customers, offering value-added and high-quality products with a high degree of processing at competitive prices and flexible delivery terms.

Vimetco Extrusion is also involved in the life of local communities and encourages the communication between educational institutions and the private sector.

As at the date of this report, Vimetco Extrusion has legal cases ongoing.

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 on the basis of 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 1st of January 2012 until 31st of December 2031. SMHL has no ownership right with respect to 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 in the Nitti port. SMHL operates under a mining lease with a concession area of approximately 321.73 square kilometres and, in addition, holds two exploration licenses valid until 2019 with concession areas of 87.21 square kilometres and 114.80 square kilometres, respectively.

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

On 1st of May 2011, Alum completed the acquisition of SMHL, Bauxite Marketing Ltd. and their holding company, Global Aluminium Ltd. SMHL has been the Group's major supplier of bauxite since 2009 and is currently its sole supplier of bauxite. In 2015-2017 all of the Group's alumina and bauxite requirements were met by Alum and SMHL, respectively, with their excess production was sold to third parties. Excess production also allows the Group to increase its primary aluminium output without external acquisition of its main raw materials from third party suppliers.

The executive management of SMHL consists of Alex Ivanov (CEO) and Abdul Bangura (CFO). The Board of Directors comprises three members, as follows: Pavel Machitski (Member), Steluta Despa Niculae (Member) and Roman Bulat (Member).

SMHL made significant investments through ground breaking technical initiatives in the implementation of technological process flows (Tailing beneficiation plants) to extract material of commercial value from previously deposited bauxite tailings in the tailing ponds. This is certainly going to minimize the environmental footprint previously created and will also reduce the tailing discharge going forward from the current operations will also further improve in terms of limiting land deforestation and reduction of consumption

of run of mines will directly contribute towards lesser environmental impacts on biological ecosystem.

During the first half of 2019, SMHL started mining of tailings as part of the preparation for tailing beneficiation activity. Two tailing beneficiation plans were constructed and cold commissioning was conducted. Commercial production will commence in H2 2019, after successful commissioning in July 2019. The most important investment done in H1 2019 is related to this project (USD 2.2 million).

In H1 2019, SMHL further extended and developed its production chain by introducing two additional beneficiation plants, out of which one of them will be used to process fresh tailings from the existing plant ("Plant 1") and the second one will be used for processing of stock tailings stored in the tailings storage facilities ("Plant 2"). These two plants were designed and manufactured by the company AKW based in Germany. Installation is being done by SMHL under the supervision of AKW team. This is a new initiative SMHL Management which aim to maximize utilization of mineral resources and reserves without jeopardizing the quality of the commercial product (bauxite).

Last but not least, a 200,000 tonnes per annum alumina tri-hydrate plant construction project ("ATH project") is ongoing. 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 the bankable feasibility study, SMHL also undertook in 2019 extensive exploration program in the northern part of its concession to establish JORC compliant bauxite ore reserves and mineral resources suitable for ATH project. The total investment as of the end of H1 2019 is of USD 0.4 million. For the implementation of this project action plan, SMHL signed a Tripartite Agreement in the form of Memorandum of Understanding between Afreximbank, SMHL and Government of Sierra Leone on 21st of June 2019.

Other investment projects undertaken by SMHL are geared towards stable, safe and continuous operations such as road construction, dam rehabilitation, major maintenance and overhaul of washing plant and river fleet, purchase of various equipment and light vehicles, etc. Total investment done in H1 2019 in this respect are of USD 1.9 million.

In H1 2019, SMHL produced 1,117,240 tonnes of commercial bauxite (H1 2018: 1,131,608 tonnes), while in terms of sales the level was similar in H1 2019 with the one reported for H1 2018, in line with the Group's strategy, as SMHL remains the sole supplier of bauxite to its Parent-Company, Alum with the aim to cover 100% of Alum's bauxite needs. However, in H1 2019 SMHL succeeded to enter in two sales agreement with independent third parties and sold three vessels of bauxite and three additional vessels are already contracted to be sold in H2 2019.

Due to the limitations of the local market in Sierra Leone, SMHL has to import all major equipment, heavy machinery, light vehicles and the majority of spare parts from overseas, which is the most effective strategy cost-wise. One of the major achievements in H1 2019 of SMHL in terms of costs is represented by the fact that it obtained a duty exemption for fuel.

SMHL is constantly taking part in bauxite and alumina conferences all over the world to promote itself and its products on a global market. In February 2019, SMHL's representatives participated in 2nd Global Bauxite and Sustainability Summit 2019 in Singapore and they will also participate in the 8th International Conference and Exhibition of IBAAS-GAMI 2019 in China, Guiyang.

As at the date of this report, SMHL doesn't have any legal cases ongoing.

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. launched an accelerated private placement offers for a package of ALRO shares, representing a cumulative percentage of 33.77% of the share capital of the issuer. Following this operation, Conef S.A. disposed its entire shareholding in ALRO.

The executive management of Conef is provided by Marian Nastase – CEO and Constantin Ciobanu – Sole Administrator.

Analysis of the trends or events that might have an impact over ALRO Group's activity

As at 30 June 2019, the Parent-Company and subsidiaries are parties to various litigation or legal proceedings arising in the ordinary course of their business, in which they are either defendants or plaintiffs. The Group Companies are not involved in any litigation or court proceedings and are unaware of any actions of a judicial, arbitral or administrative nature that could reasonably be expected to materially and adversely affect the Group's business, financial condition or results of operations.

Hidroelectrica

- In April 2015, Hidroelectrica S.A. filed a lawsuit against the Company before the Bucharest Court of Law, in relation to, *inter alia*, alleged benefits from the contract entered into with the Company. Hidroelectrica claimed direct damages amounting to:
 - RON 60,347,845 representing the alleged price difference between the average price on the bilateral contracts market and the average cost of electricity production, plus accrued interests; and
 - RON 80,011,257 representing the alleged loss of profit caused by the sale of electricity below production costs

Both the Bucharest Court of Law and the Bucharest Court of Appeal rejected the claims brought by Hidroelectrica, partly as being time-barred by the applicable statute of limitation

(3 years from the date of the alleged losses), and partly as being without merit

- May 2015 - the Parent Company acknowledged a legal civil action at the Bucharest Court of Law, brought by Hidroelectrica S.A., regarding material claims by the electricity producer for alleged unrealized benefits from the bilateral contract with ALRO S.A.;
- In December 2015, the Primary Court rejected a significant part of the claims of Hidroelectrica as being time-barred, and consequently only remaining claims are under discussion, related to a short period from the contract of less than two months, which were subsequently dismissed in first instance by the Court in June 2016;
- Hidroelectrica has filed a second appeal which was pending before the High Court of Cassation and Justice and the first hearing is scheduled for 4 October 2018;
- On 7 December 2018, the filter panel of judges no. 3 has admitted, in principle, the second appeal of the plaintiff Hidroelectrica against the civil decision no. 1346/A dated 26 September 2017, given by the Court of Appeal Bucharest – Section V Civil Law and ruled the date of 28 February 2019 for the judgement on merits of the second appeal, in public meeting, the parties to be summoned;
- On the hearing date of February 28, 2019, the court dismissed, as being ungrounded, the second appeal filed by the plaintiff S.P.E.E.H. Hidroelectrica against the civil action decision no. 1346/A of September, 26 2017, ruled by the Court of Appeal Bucharest Section V Civil Law in the case file no. 13264/3/2015. The decision is final. The information has been excerpted from the Courts of Law web portal, where it was posted on the site of the High Court of Cassation and Justice of Romania.

Romanian Competition Council

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

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

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

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

constitutionality challenges filed by the Company in relation to legal provisions which are impacting the disputes.

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

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

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

According to the information posted on the Courts' websites, the decision ruled by the Court is as follows: The Court partly admits the request for the expert fee increase. The Court decides the increase of the expert fee with the amount of RON 22,000. It dismisses the application initiating proceedings before the Court of Justice of the European Union. It gives the date of 7th of October 2019 as the date for continuing the hearing proceedings, the parties to be summoned for that date. With means of appeal when the Court Decision on the merits is given.

As concerns the status and any updates (if the case) of the above case files, ALRO will inform the general public and the investors in due course.

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 six-month period ended on 30 June 2019 of 1,826 USD/tonne, compared to the LME average price recorded for the similar period of 2018 of 2,209 USD/tonne, while for the same period of 2017 a similar level was reported, i.e. an average of 1,880 USD/tonne. In H1 2019 the highest LME value reported was of 1,923 USD/tonne in March while the highest value for H1 2018 was of 2,603 USD/tonne in April.

As at 30 June 2019, the Group complied with all the covenants imposed by the contracts with banks.

During the first six months of the financial year 2019 there were no significant changes in the economic and operating conditions affecting the fair value of the Company's assets and liabilities, except the normal volatility of the aluminium price on international markets and the foreign exchange rate.

Main investments / strategic projects / research and development

ALRO's 2019 Investment Plan includes a total budgeted amount of USD 35 million, out of which an amount of more than USD 12 million represents strategic projects, specifically:

- expanding the capacity with the 60,000 tpa line for aluminium scrap processing resulting an overall capacity of 95,000 tonnes;
- substituting the main drive on the Hot Rolling Mill and Profile command system for hot-rolled products, and
- the extension of the Gas Treatment Station in the Cast House.

As the above mentioned projects are quite complex and with a major impact over the future development of the Company, currently they are still under analysis to identify the best possible solution and technology for their start-up.

All these projects connected with the scrap processing facility capacity expansion (which, upon completion, will provide progressively a major source of the metal from the scrap acquisition) represent fundamental components which will help ALRO to become more autonomous from the energy price volatility and LME quotation evolution. On long-term, ALRO projects include the development of the casting capacity by the installation of the fifth slab casting machine in the Cast House, which leads ALRO closer to its objective of reaching 120,000 tpa capacity of flat-rolled products.

Within its strategy to increase ALRO's competitiveness, in H1 2019, the Company sustained investments for optimising the delivery terms for the hot-rolled products, by the implementation of a production planning system (Planning Tool) for FRP which will enable the centralised monitoring and control of the entire production planning system.

Furthermore, as part of a sustainable, responsible and organic-growth business, ALRO is committed to sustaining its energy efficiency programme, as the implementation of Aluminium Pechiney technology on the smelter pots relining is projected to be carried out over nine years.

The environmental impact of ALRO's business is also one of the main concerns, the Company aiming to reduce the environmental footprint of its operations and fully observe the challenges of a low-carbon future both through metal recycling increase and implementation of new emission reduction technologies in Cast House. Therefore in H1 2019, the following investments with impact on the reduction of the energy consumption were completed and commissioned:

- installation of electromagnetic stirrers in ovens G15 and G16, and
- upgrading G17 and G18 furnace combustion systems.

The estimated natural gas savings are of approximately 10,000 MWh/year.

Also, the modernization of the combustion system at the G18 furnace is in a final stage of fulfilment and it is estimated to be commissioned in the second half of 2019.

Research and Development Activity

In ALRO, over 90 people are involved in the research activity, out of which more than 50 people are part of the Research and Development Department whose mission is to provide technical and technological assistance to ALRO's manufacturing divisions through enhancing the process flow, reduce specific consumptions rates, particularly energy consumption, upgrade product quality, boost products competitiveness, developing new products.

During H1 2019 the most notable research and development activities included the following:

- Build and commission the first smelting pots using the AP12LE technology, in collaboration with AP Rio Tinto, with the aim to reduce the energy consumption in the alumina electrolysis process, by approximately 300 kWh/tonne (DC);
- Reduce natural gas consumption in the Cast House by upgrading a furnace (endow with regenerative burners and automatic control) at the Wagstaff 4 slab casting machine;
- Commission a slab homogenization furnace and cooling chamber with the objective to raise the quantity of heat-treated products, elaborate the range of slabs for the automotive and aerospace industries;
- Extend to industrial-scale the use of slotted anodes in the alumina electrolysis process with the aim to decrease energy consumption;
- All performance experiments for the equipment commissioned within the Thermal Treatments Department (independent equipment for the research of the aluminium alloy plate quenching process, autonomous equipment for the removal of internal stresses in aluminium sheets less than 20 mm thick and autonomous equipment for the research of the aluminium alloy sheet ageing process) were carried out. This project was implemented using European Funds. The purpose of this project is to:
 - grow and develop the heat treatment technologies, particularly for special field application sheets;
 - increase heat-treated sheet production within the Processed Aluminium Division by developing new quenching and ageing technologies by the department;
 - collaborations with Romanian and European Universities and research institutes for technology development;
 - developing study papers and participate in Congresses/Conferences within the aluminium industry.
- Tests for the production of new alloy slabs are done (2 xxx and 7 xxx); subsequently, tests on sheets and plates will be carried out to determine which of these products will be taken further to the qualification process; Objective: deliver new products with applications for the automotive and aerospace industry;

- Draft product specifications for new products assimilated in the ALRO's manufacturing processes, with the aim to assign the technical data for the products assimilated in production, to Vimetco Trading and the customers;
- Three research papers were introduced during the 148th edition of the Annual TMS Conference 2019, 10-14 March 2019, San Antonio, Texas. These papers were published in the volume Light Metals 2019. The papers were drawn up, following the tests and research conveyed on the three pieces of equipment of the Research and Development Department.
- Two papers were submitted and admitted for the 9th edition of the "Nonferrous Metals and Minerals" International Congress to be held during 16-20 September 2019 in Krasnoyarsk, Russia. The works were drawn up following the tests taken on the equipment of the Research and Development Department.

Besides all these, the level of digitalization has been extended in H1 2019 as follows:

- Use of tablets for industrial applications in Electrolysis;
- The conception of an application on the mobile phone for better supervision of products and consumptions;
- Extension of intranet applications for process surveillance, in particular, for video cameras;
- Improvement of products traceability through punching and codification systems;
- Extension of the predictive maintenance system for newly commissioned equipment;
- Upgrade the control and automation system of the degassing ladles for metal cleaning;
- Expansion of intranet surveillance system at the metal holding/ melting furnaces and heat treatment furnaces;
- Fulfilment of new functions in the electrolysis pots surveillance program.

Another project bringing meaningful benefits both for the specific consumption and for quality was the use of the electromagnetic stirrers on the slab casting line Wagstaff 3, where the aerospace products are cast.

Energy efficiency

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

During H1 2019, the TSO agreement was obtained directly from the settlement counters for the monitoring natural gas consumption online and, in this way is possible to achieve a better prediction of the natural gas consumption and necessities and to reduce the daily asymmetries.

Environment

The Group places a powerful accent on diminishing its carbon footprint and allocates regularly investments in this direction, which was also the case for H1 2019, too, when two major projects in this area were finalized:

- **ALRO Primary Aluminium Division** - upgrading of the furnace combustion system G 17 with the use of heat recovery. This means that:
 - the natural gas consumption is reduced by approximately 25%;
 - the furnace productivity is increased and the combustion fumes CO and NOx are reduced to minimum values and therefore provide compliance with the EC accepted regulations.
- **ALRO Processed Aluminium** - for the additional investments detailed below that were commissioned in H1 2019, ALRO is in the reauthorization procedure to obtain the environmental permit in accordance with the legislation requirements:
 - The independent equipment for the research of the aluminium alloys plates quenching process;
 - The independent equipment for the research of the aluminium alloy plates ageing process;
 - The independent equipment for the research of the residual stress removal process for the aluminium alloy plates with a thickness that is lower than 20 mm.

During H1 2019, ALRO has been surveilled eleven times by the various Inspection commissions, nine in ALRO Primary Aluminium from N.E.G. - Olt CC, I.S.U. Olt, M.A.I. - Department of Hazardous Substances / Explosive Precursor Compartment and Explosive Materials, and two in ALRO Processed Aluminium from N.E.G. - Olt CC. No major nonconformities were identified.

Other information regarding the Group's activity

Training policy

The training activity within ALRO Group focuses on continuing professional development of employees and training in advance the future employees in order to provide the necessary qualified personnel for achieving the targeted goals.

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

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

Fundamentals of the Group's training activity

- Annual programs for professional development;

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

Implementation of ALRO's training procedures & activities

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

- periodical professional trainings;
- programs for initiation, qualification, requalification, authorization and specific certification carried in-house or in collaboration with specialised companies;
- training and specialisation programs carried out by prestigious consulting companies either at the Group's companies' premises, either at the external consultants' offices;
- participation to different programs of comprehensive studies, post graduate programs, MBA or EMBA etc.;
- participation in other activities, such as team-building, symposiums, conferences, workshops, fairs and exhibitions, in Romania and/ or abroad;
- consultancy services provided by well-known specialists in the aluminium production field;
- additional training methods using formal and informal ways;
- advanced professional education programs through partnerships with the Technical Metallurgic College in Slatina students by setting up dual education classes.

In H1 2019, within ALRO, qualification and requalification professional trainings were organized such as: nonferrous metallurgist, laminator, truck driver etc., as well as courses for authorising employees to practice jobs which require additional qualifications besides the document that certifies each occupation (for example: training and authorisation courses for NDT operators, ISCIR authorisations, authorisation of operators carrying out activities in the field of natural gas, etc.).

Additionally, in H1 2019, the programs for the improvement of the professions of "low voltage electrician", "mechanical locksmith", "theoretical and practical notions in the field of industrial hydraulic equipment and systems" etc. were organized in ALRO Skills Academy program.

The main objectives of these trainings are to:

- secure the critical positions in the Company's organizational chart with well-trained employees;
- upgrade the skill levels of the Company's employees at the level of the new equipment commissioned which represents "state-of-the art" technology;
- facilitate the internal mobility of employees, in case any changes in the organizational structure of the Company would be required, and
- comply with the legal stipulations in force for ensuring a proper correlation between the employees' qualifications and their profession.

In H1 2019 the professional training and certifications of the employees involved in the Aero and Auto projects continued. The focus on changing employees' view regarding self-control, quality, cost reduction measures, efficient use of the resources needed to carry out activities will be kept, while complying with the operational procedures, improving communication, with technical guidance received from external consultants.

In H1 2019, TESA employees from all areas of activity (such us, technical, industrial automation, IT, economic areas and others) followed professional development training programmes or specialisation programmes in order to access the most advanced information and best technical and economic practices and in other areas of interest for the Company.

Professional development programs and training and specialization programs have been organized, such as: training on quality management and environmental protection and energy, IT training, SSM training, accounting and financial training to provide continuing professional training and other training and certification programs necessary for the day-to-day performance of the business.

Another important method for ongoing professional development is represented by the participation of certain specialists of the Company at several workshops, fairs and exhibitions, both in Romania and abroad.

Within the other Group's subsidiaries similar training procedures and activities measures are implemented – some of the employees of Vimetco Extrusion participate to an MBA programme, ongoing professional and certifications trainings are done for Alum, Vimetco Extrusion and SMHL employees. Moreover, for SMHL employees a special attention is given to health and safety working measures considering the environment in which the company activates.

Within the entire Group, the employees are encouraged to continue their professional and personal development and the staff is encouraged to follow post-secondary schools, universities, masters, postgraduate or doctorate programs.

Anticipated professional training

The main goal is to train in advance potential employees (i.e. pupils from vocational schools or technical colleges, students, other categories of young people etc.).

Dual professional education

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

The "Dual Vocational Education" project continued in the educational year 2018 - 2019 by organising a class of students composed of two groups: a group of 14 students for the qualification as electricians and a group of 14 students for the qualification of low voltage electricians.

The partnership with the Slatina Metallurgical Technical College has also facilitated several specialised internships within ALRO production facilities for vocational schools' students – classes of rolling mill operators, numerical control machine tool operators, Cast-House operators and electro mechanics. Moreover, it has encouraged some of the Company's employees to follow high-school or postsecondary schools.

Joint projects with Universities & High-schools

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

- Internships within ALRO's production facilities & offices - on average, each year more than 50 students from different universities and specialisations have conducted professional trainings inside the Company. In H1 2019, around 20 students from universities from Bucharest, Craiova and Pitesti, carried out internships within ALRO;
- Realisation of the final papers for Bachelor's or Master's Degree on various case studies based on ALRO's activity & business;
- Conducting different joint activities with universities (i.e. students' documentation visits, meetings between ALRO's specialists and students held inside the universities campuses, preparing research papers, participation to career fairs, etc.);
- Materials support & sponsorships offered by ALRO in activities carried by certain universities or student associations (for example, support for the Physics Department at the University of Craiova for organizing the "Night of the Researchers" event, the implementation by Polytechnic University of Bucharest of some projects with European funds);
- Starting with H1 2019, ALRO has started organizing Internship Programs, which are addressed to students attending university courses in non-ferrous metallurgy.

Anticipated professional training turned out to be beneficial for ALRO, from the following perspectives:

- It smoothed the recruitment & selection process and anticipated the professional development of future employees. Thus, part of the students who followed internships at ALRO were employed after graduation and soon became valuable specialists in the aluminium production process;
- It is also an activity for the community service, as it supports the absorption by ALRO of graduates from technical high-schools from Slatina.

Corporate Social Responsibility

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

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

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

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

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

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

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

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

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

www.alro.ro.

In H1 2019, ALRO has contributed and provided support in various cultural, sports and educational actions and activities, as well as social activities, out of which some examples are listed below:

- The project "*Together for the Future*" – represents a dance festival that took place within the National Community Action Strategy and a number of 295 children split in mixed teams composed of volunteer pupils and beneficiaries (i.e. disability pupils, qualified at the national stage) attended. ALRO supported this project and, at the award ceremony, gave all children gifts for celebrating their performance;

- The project "*Dual-educational school with a duration of three years*" - a project that started in 2017 and is on-going at the date of this report;
- ALRO in partnership with *Metallurgical Technical College* from Slatina has developed and implemented starting with 2017 the "*Dual-educational school*" project by organizing a class of 27 students in the specialization "equipment and installations in industry mechanics". This partnership continues in the school year 2018/2019. Within this project ALRO financially supports students during their internship periods by granting scholarships of 200 RON/month/ student, the Company ensures the work equipment and a warm meal during the internship periods and ALRO offers jobs to those students who passed the qualification exam at the end of the period.
- Between June and September 2019, ALRO organizes Internship Programs, which addresses students and graduates in the specialization "*Non-Ferrous Metallurgy*". Within these programs, ALRO offers participants the opportunity to get the "job experience feeling" by "working" inside the factory, they can participate in discussions and working meetings with the specialists working for ALRO, as well as being active in specialized trainings and workshops.
- Students and teachers at the University of Pitesti - Faculty of Mechanics have conducted a technical visit to ALRO for documentation and information;
- Within the secondary education project, the "*Baccalaureate, a chance for your career*", Alexe Marin Technological High School in Slatina in collaboration with ALRO organized a study visit attended by students and teachers from this institution; the main objective of the project is to increase the pupils' motivation for learning, achieving performance and improve their learning experience and obtaining better results;
- The project "*Spring Cross - Slatina 5k*" – Sport means health! Continued in 2019, as well. ALRO encourages and supports sports activities in Slatina and beyond. Several employees took part in the Spring Cross, organized on May 12, 2019 in Slatina and they won several awards at the end of this competition.

In addition, in H1 2019, the Group companies granted several sponsorships to support events and actions in areas such as social - cultural, education, health, religion, sports, partnerships with several associations and foundations involved in cultural, educational and social-humanitarian areas. Moreover, various partnerships with high-schools, postgraduates and universities (in all the areas where the Group activates, were concluded to facilitate the specialised practice of students/ pupils, to organise documentation visits, to support them in writing their final papers for obtaining the bachelor's degree, master's degree, PhD etc.

Moreover, in H1 2019, a particular attention was paid to the relations with the trade union organizations within the Company and the trade union federations to which they are affiliated as an important factor of stability, social peace and achievement in terms of performance of the mission and objectives of the Society. Thus, during February-March 2019 negotiations with the trade unions took place, and as of 1st of April 2019 a new Collective Labour Agreement entered into force, both at ALRO and at Alum.

Additionally, ALRO's representatives are active in several social dialogue bodies such as the Social Dialogue Commission with the Olt Prefect Institution or the Tripartite Consultative Council, attached to the Olt Labour Inspectorate; ALRO has been involved, with good results, in the work of its employers' organization, namely O.P. UNIROMSIDER.

ALRO is an important contributor to local and national budgets.

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

In H1 2019, ALRO's subsidiary, Alum was involved in several socio-cultural activities with a major impact in the area where it operates, among which it can be mentioned:

- sponsorships for supporting events and actions in fields such as: health, social-humanitarian, social-cultural, education and schools, sports;
- the working conditions offered, respect the human rights, equality and welfare of employees. In this regard, recruitment, selection and hiring workforce is done mainly from Tulcea County. Also, the percentage of the number of women employed in the company increased from 10% in 2010 to 16.3% in H1 2019;
- collecting funds for gifts offered during the Easter holidays for the old people from the social homes in Tulcea;
- collecting clothes, toys, food for low-income families with several children;
- continuing a sportive-educational partnership for having Alum employees' children involved in sporting activities (e.g.: swimming), while supporting the organization and participation of children in sports competitions (e.g.: swimming, triathlon).

Moreover, Vimetco Extrusion continued in H1 2019 the tradition to offer sponsorships to improve the life of the people in the area where it activates and as such it offered funds of more than EUR 9.5 thousand to the local hospital for buying equipment both, for the surgery room and the recovery hall and for the acquisition of special equipment for monitoring the life sign of newborns.

In preparing phase, to be done in August 2019, there is the Education Camp "Nurturing my Roots" sponsored by Vimetco Extrusion and dedicated to 16 children from Slatina institution of Child Protection (DGASPC Olt) – a 5 days' camp is dedicated to the development of the emotional intelligence of children.

Vimetco Extrusion has annually internship program with Universities and High Schools. In 2019 we had an internship program with one student from University of Craiova – 3 weeks in IT Department and the Internship with Metallurgical High School –15 students have practiced in the Maintenance Department for 10 weeks.

Locally, SMHL is an active member of Sierra Leone communities. Additionally, in the ordinary course of business, the Group's operations in Sierra Leone require it to perform mine work, consisting of scalping, excavation, loading and hauling, grade control, haul roads construction and maintenance, pit dewatering, pit maintenance, pit access maintenance, mine electrical facilities and general services, mill and wash work, consisting of primary crushing, secondary crushing, trammelling, screening, materials handling and storage, dewatering, tailings disposal, water reclamation and process control.

Also, the Group is subject to environmental remediation works in accordance with the African Development Bank's Environmental and Social Assessment Procedures. Upon the depletion of the reserves in any particular orebody, the benches must be levelled, and the topsoil (humus and or lateritic humus) must be returned and spread over the levelled out benches. Vegetation must then be progressively re-introduced to rehabilitate the mined-out area.

SMHL remains compliant with its responsibility of transferring 1% of its revenue to Community Development Committee ("CDC") to support the various projects for the local community long term development and improvement of quality of life. CDC is formed from the various stakeholder of Community, where SMHL is presented by its CFO and the Community Affairs Manager. The CFO of SMHL is also one of the decision-making persons to ensure the most beneficial utilization of funds in accordance with the Community requirements. Construction of multifunctional CDC complex was completed in 2019, which serves as a common place of gathering for all community issues, have a cinema for youth and serves as the office for CDC. Also, two market places, several water wells, community school public outdoor toilets were constructed. Besides this, SMHL rehabilitates schools in nearby villages, village roads and bridges to improve accessibility for locals.

For many years SMHL supports COTN orphanage by monthly donations of various food provision, fuel and buses for children to transport them to and from school.

The CDC recently gave scholarship to over 207 universities and third party students. In addition, hundreds of women and farmers from five chiefdoms in the Moyamba, Bothe and Bo districts benefitted with cash to support them to farm before the start of the rainy seasons.

In July the CDC will award the contracts for the construction of 100-bed hospitals, which will be located in Ngolla village (few kilometres from the mine site) from funds provided by SMHL.

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

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 ALRO:

- **ALRO** - During the OGSM held on 25th of April 2019, the following appointments took place:
 - Mr. Marian Daniel Nastase was appointed as a Board member for a four-years mandate, valid from 25 April 2019 until 25 April 2023. In addition, following a resolution of the Board of Directors meeting that took place on the same day, Mr. Marian Daniel Nastase was reconfirmed as Chairman of the Board of Directors;
 - Mr. Serghei Gheorghe was appointed as a Board member for a four-years mandate, valid from 25 April 2019 until 25 April 2023. In addition, following a resolution of the Board

of Directors meeting that took place on the same day, Mr. Serghei Gheorghe was re-elected as Vice-President of the Board of Directors

- Mr. Gheorghe Dobra was appointed as a Board member for a four-years mandate, valid from 25 April 2019 until 25 April 2023;
- Mr. Pavel Machitski was appointed as a Board member for a four-years mandate, valid from 25 April 2019 until 25 April 2023;
- Mrs. Svetlana Pinzari was appointed as a Board member for a four-years mandate, valid from 25 April 2019 until 25 April 2023;
- Mr. Aleksandr Barabanov was appointed as a Board member for a four-years mandate, from 25 April 2019 until 25 April 2023;
- Mr. Vasile Iuga was appointed as a Board member for a four-years mandate, from 25 April 2019 until 25 April 2023;
- Mr. Marinel Burduja was appointed as a Board member for a four-years mandate valid from 25 April 2019 until 25 April 2023;
- Mr. Gabriel Laurentiu Ciocirlan was appointed as a Board member for a four-years mandate valid from 25 April 2019 until 25 April 2023;
- Mrs. Oana Valentina Truta was appointed as a Board member for a four-years mandate, from 25 April 2019 until 25 April 2023;
- Mr. Voicu Cheta was appointed as a Board member for a four-years mandate from 25 April 2019 until 25 April 2023;

• **ALRO** - On 27th of June 2019, the mandate of the Chief Executive Officer, Mr. Gheorghe Dobra, was extended by the Board of Directors, from 1st of August 2019 to 31st of July 2023.

- **Alum** – no changes;
- **Vimetco Extrusion** – no changes;
- **SMHL** – no changes;
- **Conef** – no changes;
- **Other Group companies** – no changes.

Other information regarding ALRO

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 2019 there were no amendments regarding the shares owner rights.

Significant transactions

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

The balances of acquisitions, debts and receivables (if applicable) regarding significant transactions with related parties on 30 June 2019 are presented in the Unaudited Condensed Consolidated Financial Statements. Regarding the nature of these transactions, they refer to goods sold and services rendered by the Group or acquired by the Group from related parties such as: Vimetco N.V., Alum S.A., Vimetco Extrusion SRL, Conef S.A., Sierra Mineral Holdings 1, Ltd., Global Aluminium Ltd., Bauxite Marketing Ltd., Vimetco Trading SRL, Vimetco Management Romania SRL, Vimetco Power Romania SRL, Conef Gaz SRL, Conef Energy SRL, Centrul Rivergate SRL, Rivergate Rating Group SRL, Rivergate Fire SRL, Henan Zhongfu High Precision Aluminium.

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

- consultancy services (concluded with Vimetco Management Romania) - under which Vimetco Management Romania provides services to the Company in connection with the review and analysis of financial and management reports, payroll, financial statements and other corporate and financial matters;
- agency and service agreements (concluded with Vimetco Trading) – under which Vimetco Trading identifies potential consumers for the Company's products, participates in negotiations, prepares draft supply contracts, supplies various services (IT, enterprise resource planning (ERP), purchasing services).

In addition, at the date of this Report, Vimetco has obtained a Directors' and Officers' liability and corporate reimbursement four-layer insurance policy with worldwide coverage for the Group's directors and officers. On scheduled expiry, the Group intends to obtain comparable coverage on behalf of its directors and officers.

During H1 2019, the transactions between the related parties were based on bilateral agreements and took place on arm's length and the transactions that took place are substantially the same as those set out above.

For more information, about significant transactions with related parties as defined by *IAS 24 "Reporting Transactions with Related Parties"* in accordance with IFRS at the date of this Report, please see **Note 21 Related parties** of the Unaudited Condensed Consolidated Financial Statements for the six months ended on 30 June 2019 included in this Report.

Outlook for H2 2019

In H1 2019 the aluminium industry continued to be impacted by the political unpredictability at a global level being filled with new law and regulations, taxes, environmental protection measures, emissions and green certificates prices and allocations. Furthermore, the LME continued to report decreased quotations which altogether with the above mentioned external factors were additionally reflected in the financial results of all major companies in the aluminium industry, which reported either a decline in profits or losses in the first half of 2019.

For the second half of 2019, this challenging climate might not change. Depending on the political and world trade situation, more difficult conditions might even appear. The slowdown in the Chinese economy could become a real concern. China is the major player in aluminium driving a very aggressive export policy for the aluminium flat-rolled products with much lower prices than the ones quoted by the Western producers. Further USA antidumping measurements against China aluminium import to the USA are under investigation.

Moreover, the final lifting of USA sanctions against Rusal in Q1 2019 meant, in fact, more aluminium available in the market on one side, which has been further translated in higher pressure over billets premiums with strong premiums decrease end of Q2 2019 on the other side. This price pressure might be kept in Q3 2019 and most likely to the end of 2019.

Another external important factor that could impact the Group's results in H2 2019 is represented by the energy price (which continued in H1 2019 and most probably will follow the same trend in the second half of 2019) to show higher prices and volatility and thus being even more harder to predict their impact on the Group's overall results. ALRO is continuing its efforts to reduce its deep exposure to the local energy system by implementing projects to maximize its energy efficiency (i.e. as the AP12LE Technology project) or to expand its Eco-Recycling capacity for processing higher volumes of scrap that require lower energy quantities. However, considering the latest evolution in the energy industry, the Group is paying attention to any developments in this area as any variations might further translate in higher energy costs which are already a burden for ALRO considering the other countries approach when setting regulations for the aluminium players acting within their borders.

As all these external market factors cannot be influenced by the Group and by the Company, in H2 2019, the Group will continue its efforts to mitigate them as it did in the past, too. Thus, ALRO Group will continue its investments in research and development, these fields being one of the top priorities of the Parent-Company and its subsidiaries and, this is why significant human and material resources are allotted in these directions. Therefore, the Group's Research and Development teams will participate with two research papers to the 9th edition of the "Nonferrous Metals and Minerals" International Congress to be held during 16-20 September 2019 in Krasnoyarsk, Russia and

in numerous additional specialized conferences for knowledge updates and new technologies and innovative solutions that aim to help the Group maintaining its competitiveness and organic growth. Besides this, for the rest of the year, the research and development teams plan to finalize the ongoing research themes and apply the obtained results to enhance the manufacturing processes and decrease specific consumption rates. Moreover, within the thermal treatment compartment, new technologies to support the heat-treated products production increase in the Processed Aluminium Division are in progress. A total of 16 research themes prepared and approved for 2019 are ongoing and some will be displayed for several years. These themes are aimed at developing the existing technologies, the environment and work conditions, reducing specific consumptions. Some of them are mentioned below:

- Decrease the level of inclusions in the metal melt, using a double filter system with different porosity filters;
- Optimize the metal bath treatment process depending on the method, amount and type of flux being used;
- Studies and research on the influence of the heat treatment parameters, tests with the equipment implemented with European funds:
 - heat transfer depending on thickness and time, for each alloy available for research;
 - influence of the distance between the plate and the top nozzles during quenching;
 - advance speeds of the cooling front to the quenched material and the translation speed of plate within the quenching chamber for aluminium alloy products with structural hardening;
 - the quenching and stretching time for the removal of internal stresses
 - determine the mathematic function of the dependence of soaking time with the thickness of quenchable products;
 - highlight the causes dependent on the controlled stretching conditions for relieving of stresses over the occurrence of defects and nonconformities on the surface of the quenchable hard aluminium alloy sheets.

Furthermore, in H1 2019 the projects co-funded by European funds were finalized and in H2 2019, the Group investigates any additional possibilities in this field.

Moreover, the intensive digitalization process as started in 2018 will be continued in H2 2019, too and this concept was adopted and implemented as part of the business operating system to continuously deliver value while achieving significant savings.

Abbreviations and definitions used in this report

ATS	Alternative trading system on BSE
BoD	Board of Directors
BSE	Bucharest Stock Exchange
BSE Code	Corporate Governance Code issued by BSE and applicable to listed companies
EBIT	Earnings before interest and taxes
EBITDA	Earnings before, interest, taxes, depreciation, amortization and impairment
EGSM	Extraordinary General Shareholders Meeting
EUID	The European Unique Identifier
FSA	Financial Supervisory Authority, Romania
GD	Government Decision
GSM	General Shareholders Meeting
H1/H2	Half-year
HVAPs	High value added products
IAS	International Accounting Standards
IFRS	International Financial Reporting Standards
ISO	International Organization for Standardization
LEI	Legal Entity Identifier Code
LIBOR	London Interbank Offered Rate
LME	London Metal Exchange
OGSM	Ordinary General Shareholders Meeting
ROBOR	Romanian Interbank Offered Rate
USA	United States of America
VHVAPs	Very high value added products
Q1/Q2/Q3/Q4	Quarter 1/Quarter 2/Quarter 3/Quarter 4
QR Code	Quick response code
USA	United States of America
VHVAP	Very high value added products

**Interim condensed consolidated financial statements for
the six months ended 30 June 2019**

Alro S.A. and its subsidiaries

Interim consolidated statement of profit or loss and other comprehensive income for the six months ended 30 June 2019 - unaudited

in RON '000,
unless otherwise stated

	Note	Six months ended 30 June 2019	Six months ended 30 June 2018
Revenue from contracts with customers	5	1,506,218	1,563,610
Cost of goods sold		-1,342,519	-1,207,340
Gross profit		163,699	356,270
General, administrative and selling expenses	7	-137,378	-146,241
Other operating income	8	144,667	5,040
Other operating expenses		-4,630	-3,923
Operating result (EBIT)		166,358	211,146
Interest expenses	9	-38,630	-21,210
Gains/(losses) from derivative financial instruments, net	15	710	16,692
Other financial gains / (losses), net		-9,247	-7,158
Net foreign exchange gains / (losses)		-14,390	-8,722
Result before income taxes		104,801	190,748
Income tax	10	-25,093	-36,597
Result for the period		79,708	154,151
Other comprehensive income / (expense), net of tax:			
<i>Items that will not be reclassified subsequently to profit or loss</i>			
Remeasurements of post-employment benefit obligations		-2	12
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Translation adjustment		-5,099	13,109
Other comprehensive income / (expense) for the period, net of tax		-5,101	13,121
Total comprehensive income / (expense) for the period		74,607	167,272
Result attributable to:			
Shareholders of Alro SA		79,234	153,974
Non-controlling interest		474	177
		79,708	154,151
Total comprehensive income / (expense) attributable to:			
Shareholders of Alro S.A.		74,162	167,014
Non-controlling interest		445	258
		74,607	167,272
Earnings per share			
Basic and diluted (RON)	11	0.111	0.216

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 12 August 2019.

Interim consolidated statement of financial position as at 30 June 2019 - unaudited

in RON '000

	Note	30 June 2019	31 December 2018
Assets			
Non-current assets			
Property, plant and equipment	12	1,175,909	1,190,373
Intangible assets		6,566	6,934
Goodwill		92,404	90,837
Deferred tax asset	10	48,848	50,354
Other non-current assets	13	69,782	52,634
Total non-current assets		1,393,509	1,391,132
Current assets			
Inventories	16	822,067	835,029
Trade receivables, net		63,224	70,126
Current income tax receivable		47	-
Other current assets	17	89,895	431,178
Derivative financial instruments asset, current	15	996	-
Restricted cash	18	9,579	8,370
Cash and cash equivalents	18	424,658	203,609
Total current assets		1,410,466	1,548,312
Total assets		2,803,975	2,939,444
Shareholders' Equity and Liabilities			
Shareholders' equity			
Share capital		370,037	370,037
Share premium		86,351	86,351
Other reserves		343,353	344,333
Retained earnings		39,672	135,358
Result for the period		79,234	235,006
Equity attributable to shareholders of Alro S.A.		918,647	1,171,085
Non-controlling interest		2,170	1,739
Total shareholders' equity		920,817	1,172,824
Non-current liabilities			
Bank and other loans, non-current	19	1,104,773	870,781
Lease liabilities, non-current	19	7,335	3,550
Provisions, non-current		33,839	32,854
Post-employment benefit obligations		43,184	42,610
Government grants, non-current portion		50,677	49,956
Other non-current liabilities		2,362	3,601
Total non-current liabilities		1,242,170	1,003,352
Current liabilities			
Bank and other loans, current	19	188,380	73,563
Lease liabilities, current	19	4,739	2,500
Provisions, current	8	3,934	31,233
Trade and other payables		243,239	210,750
Current income taxes payable		17,471	14,300
Government grants, current portion		4,309	1,914
Other current liabilities	20	178,916	429,008
Total current liabilities		640,988	763,268
Total liabilities		1,883,158	1,766,620
Total shareholders' equity and liabilities		2,803,975	2,939,444

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 12 August 2019.

Interim consolidated statement of changes in shareholders' equity for the six months ended 30 June 2019 - unaudited

	Share capital	Share premium	Other reserves
Balance at 1 January 2018	356,091	86,351	364,519
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	-	-	931
Dividends distribution	-	-	-
Balance at 30 June 2018	356,091	86,351	365,450
Balance at 1 January 2019	370,037	86,351	367,834
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	-	-	4,090
Dividends distribution	-	-	-
Balance at 30 June 2019	370,037	86,351	371,924

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 12 August 2019.

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
-32,977	331,542	49,409	390,581	1,213,974	1,374	1,215,348
-	-	-	153,974	153,974	177	154,151
13,028	13,028	-	-	13,028	81	13,109
-	-	12	-	12	-	12
13,028	13,028	12	-	13,040	81	13,121
13,028	13,028	12	153,974	167,014	258	167,272
-	931	389,650	-390,581	-	-	-
-	-	-367,637	-	-367,637	-11	-367,648
-19,949	345,501	71,434	153,974	1,013,351	1,621	1,014,972
-23,501	344,333	135,358	235,006	1,171,085	1,739	1,172,824
-	-	-	79,234	79,234	474	79,708
-5,070	-5,070	-	-	-5,070	-29	-5,099
-	-	-2	-	-2	-	-2
-5,070	-5,070	-2	-	-5,072	-29	-5,101
-5,070	-5,070	-2	79,234	74,162	445	74,607
-	4,090	230,916	-235,006	-	-	-
-	-	-326,600	-	-326,600	-14	-326,614
-28,571	343,353	39,672	79,234	918,647	2,170	920,817

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 12 August 2019.

Interim consolidated statement of cash flows for the six months ended 30 June 2019 - unaudited

in RON '000

	Note	Six months ended 30 June 2019	Six months ended 30 June 2018
Cash flow from operating activities			
Result before income taxes		104,801	190,748
<i>Adjustments for:</i>			
Depreciation and amortisation		73,549	65,328
Impairment of property, plant and equipment		-4,790	-1,262
Movement in provisions		-27,299	3,155
Change in allowance for impairment of inventory		15,307	5,598
Change in allowance for impairment of doubtful receivables	7	48	967
Loss on disposal of property, plant and equipment		686	1,610
Net foreign exchange losses on loans revaluation		8,965	25,107
Interest income		-3,009	-4,323
Interest expense	9	38,630	21,210
Effect of derivative financial instruments	15	-710	-16,692
<i>Changes in working capital:</i>			
Change in inventories		-133	-30,605
Change in trade receivables and other assets		1,614	-27,897
Change in trade and other payables		37,664	58,733
Income taxes paid		-19,741	-9,411
Interest paid		-40,415	-21,577
Cash receipts/ (payments) from derivatives, net		8,362	-901
Net cash generated by / (used in) operating activities		193,529	259,788
Cash flow from investing activities			
Purchase of property, plant and equipment and intangible assets, net		-81,571	-184,387
Government grants received		4,895	3,313
Proceeds from sale of property, plant and equipment		588	1,350
Change in restricted cash		-1,209	60,156
Loans to related parties		-	41,200
Interest received		2,681	2,538
Net cash used in investing activities		-74,616	-75,830
Cash flow from financing activities			
Proceeds from loans and leasing		372,653	61,173
Repayment of loans		-33,225	-33,736
Dividends paid	11	-237,324	-329,172
Net cash provided by/(used in) financing activities		102,104	-301,735
Net change in cash and cash equivalents		221,017	-117,777
Cash and cash equivalents at beginning of period		203,609	320,828
Effect of exchange rate differences on cash and cash equivalents		32	16
Cash and cash equivalents at end of period	18	424,658	203,067

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 12 August 2019

Notes to the interim condensed consolidated financial statements - unaudited

in RON '000, except per share data

1. Organisation and nature of business

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

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

Vimetco N.V. (the Netherlands) is the major shareholder of Alro S.A., holding 54.19% of the Company's share capital at 30 June 2019. Vimetco N.V. is a privately held company and its registered office is at Strawinskylaan 403, World Trade Center, A Tower, 4th floor, 1077 XX Amsterdam, The Netherlands. The Company's ultimate controlling entity is Maxon Limited (Bermuda).

Alro S.A. and its subsidiaries (collectively referred to as *the Group*) form a vertically integrated producer of primary and processed aluminium products: in Sierra Leone the bauxite is extracted, which is used to produce alumina in the Alum refinery at Tulcea; this is further used by Alro at its smelter in Slatina to produce aluminium. Alro casts aluminium into primary products that are sold or processed as higher value added products (flat rolled or extruded) at Alro or Vimetco Extrusion facilities. The Group has its customers primarily in Central and Eastern Europe.

These interim condensed consolidated financial statements were authorised for issue by the management on 12 August 2019.

2. Basis of preparation

Statement of compliance

These interim condensed consolidated financial statements of Alro and its subsidiaries (further named *Condensed financial statements*) for the 6 months ended 30 June 2019 are unaudited and have been prepared in accordance with *IAS 34 Interim financial reporting* as adopted by the European Union (EU). The accounting policies are in accordance with the Ministry of Public Finance Order no. 2844/2016, with subsequent amendments, which is in accordance with the International Financial Reporting Standards (IFRS) adopted by the European Union (EU)*.

Selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the last annual consolidated financial statements as at and for the year ended 31 December 2018. These condensed consolidated interim financial statements do not include all the information required for full annual financial statements and should be read in conjunction with the annual financial statements of the Group for the year ended 31 December 2018.

The financial statements of Alro Group are available in hard copy at the Parent Company's premises, upon request. They are also available on the website of the Parent Company www.alro.ro within the applicable legal time frame.

Going concern

These interim condensed financial statements have been prepared on a going concern basis, which assumes the Group will be able to realize its assets and 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 and except for the accounting treatment of interim dividends, which, according to the Ministry of Public Finance Order no. 3067/2018, are recorded in the consolidated statement of financial position at 31 December 2018 as receivables on the position 'Other current assets' and, the unpaid balance, as liabilities on the position 'Other current liabilities'.

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.

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

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

	30 June 2019	31 December 2018
USD exchange rate at the end of the period**	4.1587 USD/RON	4.0736 USD/RON
	30 June 2019	30 June 2018
USD average exchange rate***	4.1967 USD/RON	3.8441 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

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

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2018, except for the adoption of new standards effective as of 1 January 2019. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The Group applies, for the first time, *IFRS 16 Leases* that requires restatement of previous financial statements. As required by IAS 34, the nature and effect of these changes are disclosed below.

IFRS 16 Leases

IFRS 16 Leases, issued on 13 January 2016 is effective for annual periods beginning on or after 1 January 2019 (early application was permitted, but not before an entity applies IFRS 15). *IFRS 16 supersedes IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease*. *IFRS 16* sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets and short-term leases. At the commencement date of a lease, a lessee will recognise a liability to make lease payments and an asset representing the right to use the underlying asset during the lease term. Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. Lessor accounting under *IFRS 16* is substantially unchanged from the accounting under IAS 17.

a) Nature of the effect of adoption of IFRS 16

Before the adoption of *IFRS 16*, the Group classified each of its leases (as lessee) at the inception date as either a finance lease or an operating lease. A lease was classified as a finance lease if it transferred substantially all of the risks and rewards incidental to ownership of the leased asset to the Group; otherwise it was classified as an operating lease. Finance leases were capitalised at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments.

Lease payments were apportioned between interest (recognised as finance costs) and reduction of the lease liability. In an operating lease, the leased property was not capitalised and the lease payments were recognised as rent expense in profit or loss on a straight-line basis over the lease term. Any prepaid rent and accrued rent were recognised under *Prepayments* and *Trade and other payables*, respectively.

Upon adoption of IFRS 16, the Group applied a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The standard provides specific transition requirements and practical expedients, which have been applied by the Group.

Leases previously classified as finance leases

The Group did not change the initial carrying amounts of recognised assets and liabilities at the date of initial application for leases previously classified as finance leases (i.e., the right-of-use assets and lease liabilities equal the lease assets and liabilities recognised under IAS 17). The requirements of IFRS 16 were applied to these leases from 1 January 2019.

Leases previously accounted for as operating leases

The Group recognised right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The right-of-use assets for most leases were recognised based on the carrying amount as if the standard had always been applied, apart from the use of incremental borrowing rate at the date of initial application. In some leases, the right-of-use assets were recognised based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognised. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

In adopting IFRS 16, at 1 January 2019 right-of-use assets of RON 14,669 thousand were recognised, being presented in the statement of financial position in *Other non-current assets*. Additional lease liabilities of RON 7,360 thousand were recognised.

b) Summary of new accounting policies in adopting IFRS 16

The Group applied IFRS 16 initially on 1 January 2019, using the modified retrospective approach. The Group applied IFRS 16 to all contracts entered into before 1 January 2019 and identified as leases in accordance with IAS 17 and IFRIC 4.

The Group elected to use the exemptions proposed by the standard on lease contracts for which the lease terms ends within 12 months as of the date of initial application, and lease contracts for which the underlying asset is of low value.

The Group recognises new assets and liabilities for its operating leases of vehicles, land and equipments. A depreciation charge for right-of-use assets and interest expense on lease liabilities are also recognized. Right-of-use assets for property leases is measured on transition as an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position immediately before the date of initial application.

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees.

Previously, the Group recognised operating lease expense on a straight-line basis over the term of the lease, and recognised assets and liabilities only to the extent that there was a timing difference between actual lease payments and the expense recognised.

- Amendments to IFRS 9 Prepayment features with negative compensation were issued on 18 May 2018 (effective for annual reporting periods beginning on or after 1 January 2019 with earlier application permitted). The Amendment allows financial assets with prepayment features that permit or require a party to a contract either to pay or receive reasonable compensation for the early termination of the contract (so that, from the perspective of the holder of the asset there may be 'negative compensation'), to be measured at amortized cost or at fair value through other comprehensive income. The amendments do not have an impact on the Group's financial statements.

- Amendments to IAS 19: Plan Amendment, Curtailment or Settlement, issued on 7 February 2018 (not yet adopted by EU). The amendments are effective for annual periods beginning on or after 1 January 2019 with earlier application permitted. The amendments require entities to use updated actuarial assumptions to determine current service cost and net interest for the remainder of the annual reporting period after a plan amendment, curtailment or settlement has occurred. The amendments also clarify how the accounting for a plan amendment, curtailment or settlement affects applying the asset ceiling requirements.

- Amendments to IAS 28: Long-term interests in associates and joint ventures (issued on 12 October 2018, not yet adopted by the EU). The Amendments are effective for annual reporting periods beginning on or after 1 January 2019 with earlier application permitted. The Amendments relate to whether the measurement, in particular impairment requirements, of long term interests in associates and joint ventures that, in substance, form part of the 'net investment' in the associate or joint venture should be governed by IFRS 9, IAS 28 or a combination of both. The Amendments clarify that an entity applies IFRS 9 Financial Instruments, before it applies IAS 28, to such long-term interests for which the equity method is not applied. In applying IFRS 9, the entity does not take account of any adjustments to the carrying amount of long-term interests that arise from applying IAS 28. These amendments are not applicable to the Group.

- IFRIC 23 Uncertainty over income tax treatments. Interpretation was issued on 7 June 2017, is applicable for annual periods beginning on or after 1 January 2019 and earlier application is permitted. Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12. The Interpretation provides guidance on considering uncertain tax treatments separately or together, examination by tax authorities, the appropriate method to reflect uncertainty and accounting for changes in facts and circumstances. The directors do not anticipate that the application of the amendments in the future will have an impact on the Group's consolidated financial statements.

- Annual Improvements to IFRS Standards 2015 – 2017 Cycle (effective for annual periods beginning on or after 1 January 2019), issued on 12 December 2017 and not yet adopted by the EU. The improvements are not expected to have a material impact on the Group's financial statements. These annual improvements are a collection of amendments to IFRSs:

- IFRS 3 Business Combinations and IFRS 11 Joint Arrangements: The amendments to IFRS 3 clarify that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business. The amendments to IFRS 11 clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business.
- IAS 12 Income Taxes: The amendments clarify that the income tax consequences of payments on financial instruments classified as equity should be recognized according to where the past transactions or events that generated distributable profits has been recognized.
- IAS 23 Borrowing Costs: The amendments clarify paragraph 14 of the standard that, when a qualifying asset is ready for its intended use or sale, and some of the specific borrowing related to that qualifying asset remains outstanding at that point, that borrowing is to be included in the funds that an entity borrows generally.

Standards issued, but not yet effective and not early adopted.

There are no new standards issued during 6 months ended 30 June 2019.

4. Estimates

The preparation of condensed 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 condensed interim financial statements, the significant judgements made by the management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the financial statements for the year ended 31 December 2018, except for the changes disclosed in Note 3.

5. Revenue from contracts with customers

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

Segments	Bauxite	Alumina	Primary aluminium	Processed aluminium	Six months ended 30 June 2019	
					Others	Total
Type of good or service						
Sale of bauxite	152,284	-	-	-	-	152,284
Sale of alumina	-	384,156	-	-	-	384,156
Sale of primary aluminium	-	-	1,119,514	-	-	1,119,514
Sale of processed aluminium	-	-	-	751,588	-	751,588
Other revenues and services performed	13,585	447	-	314	17,335	31,681
Total revenue from contracts with customers	165,869	384,603	1,119,514	751,902	17,335	2,439,223

Segments	Bauxite	Alumina	Primary aluminium	Processed aluminium	Six months ended 30 June 2018	
					Others	Total
Type of good or service						
Sale of bauxite	141,661	-	-	-	-	141,661
Sale of alumina	-	387,329	-	-	-	387,329
Sale of primary aluminium	-	-	1,211,455	-	-	1,211,455
Sale of processed aluminium	-	-	-	747,702	-	747,702
Other revenues and services performed	14,673	63	-	664	17,376	32,776
Total revenue from contracts with customers	156,334	387,392	1,211,455	748,366	17,376	2,520,923

The aluminium segments recorded a decrease in sales in H1 2019 compared to H1 2018 on the background of lower LME quotations, whereas the sales of bauxite from the Group subsidiary in Sierra Leone reflect higher RON/USD quotations in the analyzed semester compared to the comparative one.

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

Revenue	Bauxite	Alumina	Primary aluminium	Processed aluminium	Six months ended 30 June 2019	
					Others	Total
External customer						
External customer	40,788	89,943	621,118	751,123	3,246	1,506,218
Inter-segment	125,081	294,660	498,396	779	14,089	933,005
Total revenue	165,869	384,603	1,119,514	751,902	17,335	2,439,223
Adjustments and eliminations	-125,081	-294,660	-498,396	-779	-14,089	-933,005
Total revenue from contracts with customers	40,788	89,943	621,118	751,123	3,246	1,506,218

Revenue	Bauxite	Alumina	Primary aluminium	Processed aluminium	Six months ended 30 June 2018	
					Others	Total
External customer						
External customer	39,367	111,799	661,037	748,366	3,041	1,563,610
Inter-segment	116,967	275,593	550,418	-	14,335	957,313
Total revenue	156,334	387,392	1,211,455	748,366	17,376	2,520,923
Adjustments and eliminations	-116,967	-275,593	-550,418	-	-14,335	-957,313
Total revenue from contracts with customers	39,367	111,799	661,037	748,366	3,041	1,563,610

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

6. Segment information

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

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

In order to have a better visibility on the operational and financial performance of the Group segments, to be able to benefit from its synergies as an integrated group, the Management now monitors the segment 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 2019 and 2018 by segment, were as follows:

	Bauxite	Alumina	Primary aluminium	Processed aluminium	Others	Inter-segment operations	Total
Six months ended 30 June 2019							
Sales to external customers	40,788	89,943	621,118	751,123	3,246	-	1,506,218
Inter-segment sales	109,331	283,401	568,889	779	14,089	-976,489	-
Total sales	150,119	373,344	1,190,007	751,902	17,335	-976,489	1,506,218
Segment results (gross profit)	31,453	43,043	39,089	56,343	3,090	-9,319	163,699
Other operating income & expenses, net	-22,431	-14,335	-42,020	-32,441	114,570	-684	2,659
Operating result (EBIT)	9,022	28,708	-2,931	23,902	117,660	-10,003	166,358
Total depreciation, amortisation and impairment	10,299	10,268	32,763	15,850	-	-419	68,761
EBITDA	19,321	38,976	29,832	39,752	117,660	-10,422	235,119
Interest and other finance costs, net							-47,167
Net foreign exchange gains / (losses)							-14,390
Result before income taxes							104,801
Six months ended 30 June 2018							
Sales to external customers	39,367	111,799	661,037	748,366	3,041	-	1,563,610
Inter-segment sales	112,262	267,220	499,976	-	14,335	-893,793	-
Total sales	151,629	379,019	1,161,013	748,366	17,376	-893,793	1,563,610
Segment results (gross profit)	36,899	29,723	149,954	144,600	1,548	-6,454	356,270
Other operating income & expenses, net	-21,373	-13,779	-65,336	-46,745	2,109	-	-145,124
Operating result (EBIT)	15,526	15,944	84,618	97,855	3,657	-6,454	211,146
Total depreciation, amortisation and impairment	9,722	8,289	32,132	13,969	-	-47	64,065
EBITDA	25,248	24,233	116,750	111,824	3,657	-6,501	275,211
Interest and other finance costs, net							-11,676
Net foreign exchange gains / (losses)							-8,722
Result before income taxes							190,748

Other operations include services to related entities and external customers, and, for H1 2019, sale of CO₂ emission certificates.

In the first semester of the year 2019, the aluminium segments were affected by higher costs of raw materials and utilities used in production, which were in line with market trends. The Primary aluminium segment incurred losses as its costs were slightly higher than the aluminium prices that declined by almost 400 USD/t during the reporting period. For the alumina segment, the sales to 3rd parties decreased in 2019 as the specific industry markets were not so favourable as in 2018 when the Group benefited from increasing prices of alumina; however, as the inter-segment transactions are reflected at cost, not at contractual prices, (i.e. the purchases of bauxite), the profit of the alumina segment is higher reflecting upstream improvements in cost efficiency. Other operating income and expenses in 2019 include revenues from the sale of emission rights certificates in Alum (RON 62,294 thousand) and Alro (RON 45,404 thousand), which the Group had at its disposition to sell when the specific market would become favourable. The two companies benefitted from emission rights certificates for their lower emission of carbon dioxide following investments made by the group in energy efficiency during the years.

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 2019 and 31 December 2018, respectively, were as follows:

Alro Group	Bauxite	Alumina	Primary aluminium	Processed aluminium	Others	Inter-segment balances	Total
30 June 2019							
Total assets	172,778	613,112	971,673	683,470	1,034,060	-671,118	2,803,975
Total liabilities	297,476	237,435	215,069	159,435	1,296,234	-322,491	1,883,158
31 December 2018							
Total assets	158,466	540,823	1,146,583	687,906	1,220,738	-815,072	2,939,444
Total liabilities	299,867	233,352	178,735	172,808	1,477,558	-595,700	1,766,620

Total assets representing *Others* include mainly investments in subsidiaries, administrative buildings, deferred tax asset and derivative financial instruments.

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

Inter-segment operations and *Others* include intercompany eliminations and non-allocatable items.

7. General, administrative and selling expenses

	Six months ended 30 June 2019	Six months ended 30 June 2018
Staff costs	-61,392	-75,567
Third party services	-31,725	-28,853
Consulting and audit	-13,313	-12,112
Consumables	-5,242	-7,501
Taxes other than income taxes	-4,727	-4,460
Depreciation and amortisation	-4,188	-4,034
Insurance	-4,400	-3,769
Marketing and public relations	-2,440	-2,558
Travelling	-2,568	-2,778
Research and development costs	-3,803	-
Other	-3,532	-3,642
Change in allowance for doubtful debts	-48	-967
Total	-137,378	-146,241

In H1 2018, the category "Staff costs" included an amount of RON 12,538 thousand representing a provision in line with the Collective Labour Contract and with GSM decisions regarding the Management remuneration. No such provision was made in H1 2019 (see also note 8 Other income).

In the first semester of 2019, the Parent Company recognized research and development costs of RON 3,803 thousand (2018: 0) related to the installation in January 2019 of the equipments under the EU funded project for the research infrastructure for the aluminium alloy heat treated plates with high qualification industrial applications. The target of this project is to establish new technologies to obtain plates for industrial application, while expanding the products portfolio with new products.

8. Other operating income

	Six months ended 30 June 2019	Six months ended 30 June 2018
Other operating income		
Rental income	886	758
Income from sale of emission certificates	107,698	-
Income from unused provision reversals	15,228	-
Income from claims and penalties	5,031	1,096
Reversal of impairment of property, plant and equipment	4,790	1,262
Other income	11,034	1,924
Total other operating income	144,667	5,040

In H1 2019, the Group sold CO₂ emission certificates of RON 107,698 thousand and included them under *Income from sale of emission certificates* (nil in H1 2018), benefiting from the increase in the price of CO₂ emission certificates. The Group was in the position to have a surplus of emission certificates as it made numerous efforts to invest in energy efficiency in the latest years.

During the six months ended 30 June 2019, the Group analyzed the preliminary results for the period and decided to adjust the amounts that would be paid as remuneration to its employees and management out of the provisions booked at 31 December 2018, thus reversing the amount of RON 15,228 thousand, included above under *Income from unused provision reversals*. Apart from this, from the short-term provision existing at 31 December 2018 of RON 31,233 thousand the amount of RON 10,532 thousand was utilized against staff costs in H1 2019 (in H1 2018: RON 8,922 thousand).

An amount of RON 2,004 thousand is included in the category *Income from claims and penalties* in H1 2019 (H1 2018: nil), representing an insurance indemnity received for a piece of equipment which was damaged during a fire incident that took place in 2018 at the Processing mill premises. Another amount of RON 2,765 thousand (H1 2018: nil) included in the same category represent income from penalties received from one of the suppliers that failed to perform its contractual obligations related to energy supply in 2017.

In H1 2019 an amount of RON 6,540 thousand (H1 2018: nil) is included in *Other income*, representing an adjustment of the alumina stock following the capital repairs that were made to the one of the alumina silos in the Primary aluminium division.

In addition, in H1 2019 the category *Other income* includes an amount of RON 1,928 thousand (in H1 2018: RON 796 thousand) representing government grants from EU funds received in the period 2013 - 2019 for the investment in equipment intended for the production activity, well as for purchasing of equipments for research and development activities within the Group. The grants are recognized as income linearly during the useful life of the equipments for which they were received.

9. Interest expense

	Six months ended 30 June 2019	Six months ended 30 June 2018
Interest expense	-38,630	-21,210
Total	-38,630	-21,210

Interest expense increased in H1 2019 compared to the same period of the previous year, mainly as a result of additional loans taken by

Alro in January 2019 in the form of supplements to existing loans (with a new non-revolving facility of USD 20,000 thousand and a USD 50,000 thousand CAPEX facility), of Alum's drawdown of the remaining USD 10,000 thousand from its loan contracted in May 2018, and also due to the increase in the LIBOR and ROBOR benchmark interest rates. For further details, see also *Note 19 Borrowings and lease liabilities*.

Interest expense includes the amount of RON 6,279 thousand (in H1 2018: RON 4,249 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 2019 for loans contracted in January 2019 and other loans taken was of RON 8,383 thousand and it is included in the Statement of cash flow under *Interest paid* (in H1 2018: RON 3,300 thousand).

10. Income tax

At 30 June 2019, the Group had a net deferred income tax asset of RON 48,848 thousand (at 31 December 2018: RON 50,354 thousand), of which RON 41,930 thousand is for fiscal losses carried forward (at 31 December 2018: RON 42,963 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. During the 6 months ended 30 June 2019, as a consequence of the amendments of the Romanian Fiscal Code applicable starting 1 January 2018 related to the exceeding borrowing costs, the amount of RON 42,306 thousand representing interest expenses and items related to interest was treated as being non-deductible for tax purposes, and resulted in an increase of the income tax by RON 6,769 thousand (H1 2018: RON 3,474 thousand). The above mentioned amendments to the Romanian Fiscal Code transpose the EU legislation i.e. the Directive no. 2016/1164, issued in 2016. The recommendation was for the directive to be transposed by member states by 31 December 2018 with applicability starting 1 January 2019. According to the Directive, the exceeding borrowing costs are those costs that are interest, expenses for obtaining finance, but also expenses for leasing finance, capitalized interest and foreign exchange losses. According to the provisions of the directive, these costs, when incurred by the companies above a threshold of 3,000,000 EUR per annum are deductible only up to the level of 30% of their EBITDA. Romania implemented the above mentioned EU directive starting 1 January 2018, and the thresholds of exceeding borrowing costs, regardless of the size of the companies, were 200,000 EUR and 10% of EBITDA in 2018 and 1,000,000 EUR and 30% of EBITDA starting 1 January 2019. The Group companies in Romania incur borrowing costs related to loans obtained from banks for capital expenditure and development purposes.

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

	Six months ended 30 June 2019	Six months ended 30 June 2018
Income tax		
Current income tax	-22,874	-6,077
Deferred income tax	-2,219	-30,520
Income tax expense	-25,093	-36,597
Income tax recognised in other comprehensive income	-	-
Total income tax	-25,093	-36,597

Current income tax was higher in H1 2019 compared to H1 2018 due to the fact that in H1 2018 fiscal losses were used to offset the current income tax payable.

11. Earnings per share

	Six months ended 30 June 2019	Six months ended 30 June 2018
Net result attributable to the owners of the Entity	79,234	153,974
Weighted average number of ordinary shares	713,779,135	713,779,135
Basic and diluted earnings per share (RON/share)	0.111	0.216

Basic and diluted per share data are the same as there are no dilutive securities.

The General Shareholders' Meeting dated 25 April 2019 approved the distribution of dividends declared for the year 2018 amounting to RON 326,600 thousand, which resulted into a gross dividend payable of 0.45756 RON/share.

During the reporting period the Group paid dividends of RON 237,324 thousand (H1 2018: RON 329,172 thousand).

During the reporting period, no interim dividends were declared by the Group related to the 6 months ended 30 June 2019.

12. Property, plant and equipment

At 30 June 2019, the book value of Property, plant and equipment of the Group is RON 1,175, 909 thousand (at 31 December 2018: RON 1,190,373 thousand). In H1 2019, the Group purchased property, plant and equipment of RON 59,505 thousand (in H1 2018: RON 177,343 thousand).

The Group invested in projects aimed at reducing the energy consumption in the smelter area by implementing a new and advanced technology for pot relining. Other capital expenditure was made on the purpose to improve the cast products quality by purchasing and installing two slab homogenizing furnaces and a cooling chamber in the Cast house. The investments in the processed aluminium division continued with the revamping of the Cold Rolling Mill no. 2, well as implementing an advanced production planning system and a flat rolled products marking and traceability system and the modernization of the grinding machine.

At the same time, the Group allocated resources for the replacement of the existing equipment in order to sustain the level of the budgeted production by performing overhauls of the electrolysis pots at Alro, as well as the investments to maintain and improve the equipment parameters at Alum. Simultaneously with the investment activity within the technological processes, the Group performed various refurbishing works and purchased equipment necessary to support the mining activity in Sierra Leone.

During the 6-month period of the year 2019, the equipments purchased in 2018 within the investment projects for research infrastructure concerning high qualification industrial applications in Alro, as well as the for the research of aluminium hydroxide (wet and dry) manufacturing technologies in Alum, have been placed into operation, these projects being co-funded through the European Fund for Regional Development by the Competitiveness Operational Programme 2014 - 2020 (2018: 0). In H1 2019 the Group received back RON 4,895 thousand from the above mentioned projects (in H1 2018: RON 3,313 thousand).

Depreciation expense of PPE was of RON 72,382 thousand in H1 2019, while in H1 2018 it was RON 64,268 thousand. The increase of the depreciation expense in H1 2019 was due to the new projects placed into operation in 2018 and 2019.

In H1 2019, the Group reversed impairment expenses of RON 4,790 thousand, mostly booked in the past for buildings that were rehabilitated and transferred again to production (in H1 2018 the impairment adjustments reversed were of RON 1,262 thousand).

As a result of adopting IFRS 16, at 1 January 2019 the Group reclassified Property, plant and equipment with a net book value of RON 7,246 thousand to Other non-current assets. The transfer is related to machines and vehicles under financial lease previously recognized in the Property, plant and equipment, per requirements of IAS 17. See also Note 3 and Note 13.

The borrowing costs capitalized in the property, plant and equipment during the 6 months ended 30 June 2019 were of RON 839 thousand at an average interest rate of 6.73% p.a. (during the 6 months ended 30 June 2018: RON 2,851 thousand at an average interest rate of 5.69 % p.a.).

At 30 June 2019, the net book value of property, plant and equipment pledged for securing the Group's borrowings amounts to RON 930,434 thousand (31 December 2018: RON 745,126 thousand).

13. Other non-current assets

	30 June 2019	31 December 2018
Collateral deposits	45,200	45,200
Amounts paid in advance	10,892	7,434
Right-of-use assets	13,690	-
Total	69,782	52,634

Collateral deposits represent cash placed with a bank until November 2020 as a pledge for a revolving loan and a non-cash facility contracted by the Parent Company (refer to Note 18 Cash and cash equivalents as well).

At 31 June 2019, the category *Amounts paid in advance* represents payments for compliance with the regulations in force regarding the renewable energy supported by green certificates, which the Group estimates to utilize in more than one year from the reporting date. Starting 1 January 2019 the Group has applied *IFRS 16 Leases* and recognized as non-current assets under *Rights-of-use assets* the right to use the underlying asset during the lease term amounting to RON 14,669 thousand. The Group has leasing contracts mainly for equipments and vehicles with terms of up to 5 years. The carrying value of the right of use assets at 30 June 2019 was RON 13,690 thousand. For further details see also Note 3.

14. Financial instruments

Set out below, is an overview of financial assets and financial liabilities held by the Group as at 30 June 2019 and 31 December 2018.

Categories of financial instruments

	30 June 2019	31 December 2018
Financial assets		
At amortised cost		
Cash and bank balances	434,237	211,979
Receivables	163,422	178,750
Fair value through profit or loss (FVTPL)		
Designated as at FVTPL	1,765	-
Total financial assets	599,424	390,729
Financial liabilities		
Fair value through profit or loss (FVTPL)		
Amortised cost:		
Trade and other payables	419,911	636,534
Non-current bank and other loans	1,112,108	874,331
Current bank and other loans	193,119	76,063
Total financial liabilities	1,725,138	1,586,928

There were no reclassifications between the categories of financial assets during the 6 months 2019 and 2018.

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 (such as 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.
- The fair value of derivative instruments is calculated using quoted prices. Where such prices are not available, the fair value of financial instruments is determined by using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each reporting date.

The following table provides 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 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 were recently contracted.

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.

15. Derivative financial instruments

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

	Assets	Liabilities
30 June 2019		
Foreign exchange options	996	-
Total	996	-
Thereof:		
Non-current	-	-
Current	996	-
31 December 2018		
Commodity options	-	-
Total	-	-
Thereof:		
Non-current	-	-
Current	-	-

Foreign exchange options

In February 2019, seeking to mitigate the foreign exchange rate risk swings, the Group entered into several transactions, namely European and Asian zero cost option collars for a notional of USD 150 million with financial institutions. Through these contracts, the Group secured a minimum conversion rate into RON for its aluminium sales denominated in USD. The options have monthly settlements during March - December 2019.

In H1 2019, a loss of RON 286 thousand is included in Gains / (losses) from derivative financial instruments, net (in H1 2018: nil) resulting from the options exercised by the counterparties in April and May 2019 when the RON/USD conversion rate was above the maximum rate set in the contracts.

As at 30 June 2019 the fair value of the foreign exchange options was a positive amount of RON 996 thousand (31 December 2018: nil).

The unrealized net gain resulting from the mark-to-market of these options at 30 June 2019 amounting to RON 996 thousand is included in the category *Gains (losses) from derivative financial instruments, net* in the Consolidated statement of profit or loss (in 2018: nil).

The fair value of the 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 currency amount and the exercise date. The inputs for the valuation model include, besides the contracted currency amount, the strike price, the exercise date and the valuation date, also observable elements such as the forward curve of the EUR / RON and EUR / USD currency pair, implied volatilities, interest rate. The valuation model is highly sensitive to the foreign exchange quotes mentioned above.

Commodity options

In 2018, on the purpose of protecting its revenues against the volatility of aluminium price, the Group had contracts with financial institutions consisting of 100% collar of Asian options by taking long positions on put options and short positions on call options for a quantity of 92,000 tonnes aluminium, for which a minimum price of 2,200 USD/tonne to 2,400 USD/tonne was secured, with exercising dates during January-December 2018.

In the first 6 months of the year 2018, options for an approximate quantity of 15,800 tonnes were exercised due to the fact that the LME quotations were below the minimum price of 2,200 USD/tonne. The net gain of RON 1,696 thousand resulting from the options exercised in H1 2018, net of their cost as well as the cost of the options not exercised when the LME quotations were within the collar interval, is included in the category *Gains (losses) from derivative financial instruments, net* in the Consolidated statement of profit or loss.

The unrealized net gain resulting from the mark-to-market of these options at 30 June 2018 amounting to RON 14,996 thousand is included in the category *Gains (losses) from derivative financial instruments, net* in the Consolidated statement of profit or loss.

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

The Group does not have level 3 derivative financial instruments.

In 2019 there were no significant changes in the business or economic circumstances that affect the fair value of the Group's financial assets and financial liabilities, except for the normal volatility of aluminium prices on international markets, and of foreign exchange rates.

16. Inventories

	30 June 2019	31 December 2018
Raw and auxiliary materials	365,656	368,452
Work in progress	258,454	224,405
Finished goods	241,631	270,320
Less: allowance for obsolescence	-43,674	-28,148
Total	822,067	835,029

The value of inventories pledged for securing the Group's borrowings amounts to RON 799,355 thousand (31 December 2018: RON 779,508 thousand).

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

	Six months ended 30 June 2019	Six months ended 30 June 2018
Balance at beginning of the year	-28,148	-15,180
(Charge) to cost of goods sold	-16,237	-5,598
Reversal to cost of goods sold	930	-
Translation adjustments	-219	-286
Balance at end of the period	-43,674	-21,064

17. Other current assets

At 31 December 2018, the category *Other current assets* included an amount of RON 326,600 thousand, representing interim dividends declared as per applicable regulations (the Order of the Minister of Public Finances no. 3067/2018 on completing certain accounting regulations), for the 9 months ended 30 September 2018, distributed by the Parent Company from the net accounting profit of the period, and from retained earnings carried forward from previous years. In April 2019, after approval by the General Shareholders' Meeting of the annual financial statements for 2018, the interim dividends were declared as final annual dividends and were debited to the Parent Company's equity. Please see also Note 20.

18. Cash and cash equivalents

	30 June 2019	31 December 2018
Cash at banks in RON	15,165	67,202
Cash at banks in other currencies	409,341	136,368
Petty cash and cash equivalents	152	39
Total	424,658	203,609

The cash at banks in other currencies is mainly formed by placements in USD and EUR made so as to match the timing and currencies of liquidity needs. The increase at 30 June 2019 compared to 31 December 2018 is mainly due to the sale of emission rights performed in June 2019 when market conditions were favourable.

A part of the Group's bank accounts (RON 414,414 thousand as at 30 June 2019 and RON 137,289 thousand as of 31 December 2018) are pledged to guarantee the borrowings from banks.

Restricted cash:

	30 June 2019	31 December 2018
Restricted cash	9,579	8,370
Total	9,579	8,370

At 30 June 2019, in addition to the above figures the Group has the amount of RON 45,200 thousand representing cash placed with a bank until December 2020 as a pledge for a revolving loan and a non-cash facility contracted by the Group. The amounts are included in Other non-current assets on the Statement of Financial Position due to the maturity of the deposits, which is longer than 1 year (Please see Note 13).

19. Borrowings and lease liabilities

	30 June 2019	31 December 2018
Long-term borrowings		
Long-term bank loans	1,293,153	944,344
Less: Short-term portion of long-term bank loans	-188,380	-73,563
Bank loans, non-current	1,104,773	870,781
Lease liabilities	7,335	3,550
Total long-term borrowings and lease liabilities	1,112,108	874,331
Short-term borrowings		
Short-term portion of long-term bank loans	188,380	73,563
Short-term bank loans, total	188,380	73,563
Lease liabilities	4,739	2,500
Total short-term borrowings and lease liabilities	193,119	76,063
Total borrowings and lease liabilities	1,305,227	950,394

The bank borrowings of the Group have maturities until 2024. The related interest rates ranged between 2.80% for EUR and 19% for SLL (Sierra Leone Leones) in H1 2019 (in H1 2018: between 2.80% for EUR and 19% for SLL).

In June 2019 the Group subsidiary Vimetco Extrusion obtained an overdraft facility for working capital in amount of EUR 9,000 thousand, from a commercial bank. The facility has the maturity in June 2021.

In May 2019 the Group subsidiary in Sierra Leone renewed its overdraft limit of USD 230 thousand (SLL 2,000,000 thousand) for another one year.

In January 2019, the Parent Company signed an amendment to one of its existing loans of USD 167,000 thousand, by which, among others:

- the facility was supplemented with a non-revolving facility of up to USD 20,000 thousand for working capital, with the maturity in December 2019;
- the facility was supplemented with a facility of up to USD 50,000 thousand for financing and refinancing the capital expenditure of the Company in 2018 and 2019, with the maturity in December 2024.

In January 2019, Alum drew down the remaining part of USD 10,000 thousand from the credit facilities that it had received in May 2018 from two banks.

At 30 June 2019, the Group had the amount of RON 1,035 thousand undrawn from the borrowing facilities contracted with the banks (at 31 December 2018: RON 43,966 thousand).

At 30 June 2019, the Group had the amount of RON 55,695 thousand unutilized and available from the non-cash facilities for letters of credit and letters of guarantee (at 31 December 2018: RON 10,574 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 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 2019, the Group was compliant with all the financial loan covenants.

The Group borrowings are secured with accounts receivable amounting to RON 43,801 thousand (at 31 December 2018: RON 51,807 thousand), with current accounts opened with the lending banks, with collateral deposits of RON 45,200 thousand (at 31 December 2018: RON 45,200 thousand), with property, plant and equipment (land, buildings, equipment) with a net book value of RON 930,434 thousand (2018: RON 745,126 thousand) and with inventories of RON 799,355 thousand (2018: RON 779,508 thousand).

Following the adoption of IFRS 16 at 1 January 2019, the Group recognized additional lease liabilities of RON 7,360 thousand for the Group (refer to note 3 as well).

20. Other current liabilities

At 31 December 2018, the category *Other current liabilities* included an amount of RON 326,600 thousand, representing interim dividends declared as per applicable regulations (the Order of the Minister of Public Finances no. 3067/2018 on completing certain accounting regulations), for the 9 months ended 30 September 2018, distributed by the Parent Company from the net accounting profit of the period, and from retained earnings carried forward from previous years. In April 2019, after approval by the General Shareholders' Meeting of the annual financial statements for 2018, the interim dividends were declared as final annual dividends. At 30 June 2019, the dividends payable amounted to RON 94,465 thousand. (see also Note 17).

21. Related party transactions

The Group enters, under normal terms of business, into certain transactions with its major shareholder, 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 of the Group and of the Company are:

Related party	
Vimetco N.V.	Major shareholder
Alum S.A.	Subsidiary
Vimetco Extrusion SRL	Subsidiary
Conef S.A.	Subsidiary
Sierra Mineral Holdings 1, Ltd	Subsidiary
Global Aluminum Ltd.	Subsidiary
Bauxite Marketing Ltd.	Subsidiary
Vimetco Trading SRL	Common control
Vimetco Management Romania SRL	Common control
Vimetco Power Romania SRL	Common control
Conef Gaz SRL	Common control
Conef Energy SRL	Common control
Centrul Rivergate SRL	Common control
Rivergate Rating Group	Common control
Rivergate Fire SRL	Common control
Henan Zhongfu High Precision Aluminium	Common control

The main related party transactions are described below. Group transactions are eliminated on consolidation.

Sales of goods and services	Six months ended 30 June 2019	Six months ended 30 June 2018
Companies under common control	664	653
Total goods and services provided to related parties	664	653

Goods and services purchased from related parties:

Companies under common control	-136,620	-120,632
Total goods and services purchased from related parties	-136,620	-120,632

The purchases from related parties include acquisitions of gas for the production process by the Group companies from their related party Conef Gaz (RON 107,322 thousand in H1 2019 and RON 95,155 thousand in H1 2018).

Interest income from related parties:

Vimetco N.V.	-	1,776
Total interest income from related parties	-	1,776

Furthermore, the following balances were outstanding at 30 June 2019 and 31 December 2018:

Trade and other accounts receivable:

	30 June 2019	31 December 2018
Companies under common control	4,641	3,465
Allowance for doubtful receivables	-372	-372
Total trade and other accounts receivable from related parties	4,269	3,093

Trade and other accounts payable:

	30 June 2019	31 December 2018
Companies under common control	5,185	3,365
Total trade and other accounts payable to related parties	5,185	3,365

Dividends

During the 6 months ended 30 June 2019, the Parent Company paid dividends declared for 2018 to the major shareholder Vimetco N.V. in amount of RON 89,739 thousand (during the 6 months ended 30 June 2018 RON 285,642 thousand were paid in respect of dividends declared for 2017). The outstanding balance of dividends payable to Vimetco N.V. as of 30 June 2019 is RON 87,243 thousand (at 31 December 2018: RON 176,982 thousand).

Management compensation

The total compensation of the Group's key management personnel included in *General, administrative and selling expenses* in the *Statement of Profit or Loss and other Comprehensive Income* amounts to RON 4,690 thousand (during the 6 months of the year 2018: RON 6,062 thousand), while the expense for determined contribution plan (social contributions) during the 6 months of the year 2019 was RON 1,036 thousand (during the 6 months of the year 2018: RON 1,400 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 6 months ended 30 June 2019. The terms and conditions of these transactions were no more favourable than those available, or which might reasonably be expected to be available, in similar transactions with non-key management personnel related companies on an arm's length basis.

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

	30 June 2019	31 December 2018
Goods and services purchased from entities controlled by key management personnel or their close family members	65	36
Total	65	36

22 Commitments and contingencies

Commitments

Investment commitments

As at 30 June 2019, the Group's commitments pertaining to the investments amounted to RON 30,429 thousand (31 December 2018: RON 57,340 thousand).

Raw material purchase contracts

As at 30 June 2019, the Group had contracts for purchases of raw materials, other consumables and utilities in amount of RON 727,747 thousand (31 December 2018: RON 1,256,016 thousand).

Contingencies

Litigations

As at 30 June 2019 the Group was subject to a number of lawsuits resulting from the normal course of the business. Management believes that these actions will not have a significant impact on the financial performance and financial position of the Group.

In May 2015, the Parent Company acknowledged a legal civil action at the Bucharest Court of Law, brought by Hidroelectrica S.A., regarding material claims by the electricity producer for alleged unrealized benefits from the bilateral contract with Alro S.A. In December 2015, the Primary Court rejected a significant part of the claims of Hidroelectrica as being time-barred, and consequently only remaining claims were under discussion, related to a short period from the contract of less than 2 months, which were subsequently dismissed in first instance by the Court in June 2016. In the appeal stage, the Bucharest Court of Appeal has also dismissed Hidroelectrica appeal action, and the Company reported this information to the investors and interested public. Hidroelectrica has filed a second appeal which was dismissed by the High Court of Cassation and Justice in 2019.

In 2016, the Parent Company also 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 the 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.

23. Events after the reporting date

In August 2019, Alro paid to Vimetco NV the remaining part of the dividends declared for the year 2018 during the General Shareholders Meeting in April 2019, namely the amount of RON 87,243 thousand.

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

QUARTERLY CONSOLIDATED REPORT Q2/2019

**Consolidated Financial Results
for the Second Quarter of 2019 (Q2/2019)
as Compared to the Second Quarter of 2018 (Q2/2018)
(unaudited)**

ALRO S.A. and its subsidiaries

Quarterly Report Q2 2019

Interim consolidated statement of profit or loss and other comprehensive income - unaudited

in RON '000, except per
share data

Q2 2019	Q2 2018		Six months ended 30 June 2019	Six months ended 30 June 2018
738,779	814,368	Revenue from contracts with customers	1,506,218	1,563,610
-680,193	-625,420	Cost of goods sold	-1,342,519	-1,207,340
58,586	188,948	Gross profit	163,699	356,270
-73,788	-79,900	General, administrative and selling expenses	-137,378	-146,241
123,959	3,017	Other operating income	144,667	5,040
-1,758	-2,344	Other operating expenses	-4,630	-3,923
106,999	109,721	Operating result (EBIT)	166,358	211,146
-20,231	-11,606	Interest expenses	-38,630	-21,210
7,942	-37,360	Gains (losses) from derivative financial instruments, net	710	16,692
-4,833	-3,595	Other financial costs, net	-9,247	-7,158
16,568	-16,558	Net foreign exchange gains / (losses)	-14,390	-8,722
106,445	40,602	Result before income taxes	104,801	190,748
-17,672	-11,072	Income tax	-25,093	-36,597
88,773	29,530	Result for the period	79,708	154,151
Other comprehensive income / (expense), net of tax:				
<i>Items that will not be reclassified subsequently to profit or loss</i>				
4	25	Remeasurements of post-employment benefit obligations	-2	12
<i>Items that may be reclassified subsequently to profit or loss:</i>				
-6,580	9,611	Translation adjustment	-5,099	13,109
-6,576	9,636	Other comprehensive income / (expense) for the period, net of tax	-5,101	13,121
82,197	39,166	Total comprehensive income / (expense) for the period	74,607	167,272
Result attributable to:				
88,364	29,406	Shareholders of Alro SA	79,234	153,974
409	124	Non-controlling interest	474	177
88,773	29,530		79,708	154,151
Total comprehensive income / (expense) attributable to:				
81,827	38,982	Shareholders of Alro S.A.	74,162	167,014
370	184	Non-controlling interest	445	258
82,197	39,166		74,607	167,272
Earnings per share				
0.124	0.041	Basic and diluted (RON)	0.111	0.216

Quarterly Report Q2 2019

Interim consolidated statement of financial position - unaudited

in RON '000

	30 June 2019	31 December 2018
Assets		
Non-current assets		
Property, plant and equipment	1,175,909	1,190,373
Intangible assets	6,566	6,934
Goodwill	92,404	90,837
Deferred tax asset	48,848	50,354
Other non-current assets	69,782	52,634
Total non-current assets	1,393,509	1,391,132
Current assets		
Inventories	822,067	835,029
Trade receivables, net	63,224	70,126
Current income tax receivable	47	
Other current assets	89,895	431,178
Derivative financial instruments asset, current	996	
Restricted cash	9,579	8,370
Cash and cash equivalents	424,658	203,609
Total current assets	1,410,466	1,548,312
Total assets	2,803,975	2,939,444
Shareholders' Equity and Liabilities		
Shareholders' equity		
Share capital	370,037	370,037
Share premium	86,351	86,351
Other reserves	343,353	344,333
Retained earnings	39,672	135,358
Result for the period	79,234	235,006
Equity attributable to shareholders of Alro S.A.	918,647	1,171,085
Non-controlling interest	2,170	1,739
Total shareholders' equity	920,817	1,172,824
Non-current liabilities		
Bank and other loans, non-current	1,104,773	870,781
Finance leases, non-current	7,335	3,550
Provisions, non-current	33,839	32,854
Post-employment benefit obligations	43,184	42,610
Government grants, non-current portion	50,677	49,956
Other non-current liabilities	2,362	3,601
Total non-current liabilities	1,242,170	1,003,352
Current liabilities		
Bank and other loans, current	188,380	73,563
Finance leases, current	4,739	2,500
Provisions, current	3,934	31,233
Trade and other payables	243,239	210,750
Current income taxes payable	17,471	14,300
Government grants, current portion	4,309	1,914
Other current liabilities	178,916	429,008
Total current liabilities	640,988	763,268
Total liabilities	1,883,158	1,766,620
Total shareholders' equity and liabilities	2,803,975	2,939,444

Quarterly Report Q2 2019

Interim consolidated statement of changes in shareholders' equity - unaudited

	Share capital	Share premium	Other reserves
Balance at 1 January 2018	356,091	86,351	364,519
Profit 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	-	-	931
Dividends distribution	-	-	-
Balance at 30 June 2018	356,091	86,351	365,450
Balance at 1 January 2019	370,037	86,351	367,834
Profit 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			
Appropriation of prior year result	-	-	4,090
Dividends distribution	-	-	-
Balance at 30 June 2019	370,037	86,351	371,924

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
-32,977	331,542	49,409	390,581	1,213,974	1,374	1,215,348
-	-	-	153,974	153,974	177	154,151
13,028	13,028	-	-	13,028	81	13,109
-	-	12	-	12	-	12
13,028	13,028	12	-	13,040	81	13,121
13,028	13,028	12	153,974	167,014	258	167,272
931	389,650	-390,581	-	-	-	-
-	-367,637	-	-367,637	-	-11	-367,648
-19,949	345,501	71,434	153,974	1,013,351	1,621	1,014,972
-23,501	344,333	135,358	235,006	1,171,085	1,739	1,172,824
-	-	-	79,234	79,234	474	79,708
-5,070	-5,070	-	-	-5,070	-29	-5,099
-	-	-2	-	-2	-	-2
-5,070	-5,070	-2	-	-5,072	-29	-5,101
-5,070	-5,070	-2	79,234	74,162	445	74,607
4,090	230,916	-235,006	-	-	-	-
-	-326,600	-	-326,600	-	-14	-326,614
-28,571	343,353	39,672	79,234	918,647	2,170	920,817

Quarterly Report Q2 2019

Interim consolidated statement of cash flows - unaudited

in RON '000

Q2 2019	Q2 2018		Six months ended 30 June 2019	Six months ended 30 June 2018
Cash flow from operating activities				
106,445	40,602	Result before income taxes	104,801	190,748
<i>Adjustments for:</i>				
38,147	33,890	Depreciation and amortisation	73,549	65,328
-4,754	-1,256	Impairment of property, plant and equipment	-4,790	-1,262
-10,959	1,332	Movement in provisions	-27,299	3,155
11,098	-3,851	Change in allowance for impairment of inventory	15,307	5,598
140	107	Change in allowance for impairment of doubtful receivables	48	967
184	1,031	Loss on disposal of property, plant and equipment	686	1,610
-22,242	31,943	Net foreign exchange losses on loans revaluation	8,965	25,107
-1,258	-2,090	Interest income	-3,009	-4,323
20,231	11,606	Interest expense	38,630	21,210
-7,942	37,360	Effect of derivative financial instruments	-710	-16,692
<i>Changes in working capital:</i>				
-7,495	19,504	Change in inventories	-133	-30,605
38,702	6,609	Change in trade receivables and other assets	1,614	-27,897
249	27,388	Change in trade and other payables	37,664	58,733
-9,418	-3,929	Income taxes paid	-19,741	-9,411
-18,572	-15,512	Interest paid	-40,415	-21,577
-287	3,692	Payments from derivatives, net	8,362	-901
132,269	188,426	Net cash generated by / (used in) operating activities	193,529	259,788
Cash flow from investing activities				
-37,185	-139,075	Purchase of property, plant and equipment and intangible assets, net	-81,571	-184,387
4,895	3,074	Government grants received	4,895	3,313
317	1,165	Proceeds from sale of property, plant and equipment	588	1,350
-149	39,061	Change in restricted cash	-1,209	60,156
-	41,200	Loans to related parties	-	41,200
1,168	1,327	Interest received	2,681	2,538
-30,954	-53,248	Net cash used in investing activities	-74,616	-75,830
Cash flow from financing activities				
60,768	60,530	Proceeds from loans and leasing	372,653	61,173
-30,832	-19,659	Repayment of loans	-33,225	-33,736
-98	-329,178	Dividends paid	-237,324	-329,172
29,838	-288,307	Net cash provided by/(used in) financing activities	102,104	-301,735
131,153	-153,129	Net change in cash and cash equivalents	221,017	-117,777
293,550	356,121	Cash and cash equivalents at beginning of period	203,609	320,828
-45	75	Effect of exchange rate differences on cash and cash equivalents	32	16
424,658	203,067	Cash and cash equivalents at end of period	424,658	203,067

Notes to the Quarterly Consolidated Report Alro Group Q2/2019

- 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 listed company established in 1961 in Romania and is one of the largest vertically integrated aluminium producers in Europe, by production capacity. The shares of Alro S.A. are traded on the Bucharest Stock Exchange under the symbol *ALR*.

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

Vimetco N.V. (the Netherlands) is the major shareholder of Alro S.A., holding 54.19% of the Company's share capital at 30 June 2019. Vimetco N.V. is a privately held company and its registered office is at Strawinskylaan 403, World Trade Center, A Tower, 4th floor, 1077 XX Amsterdam, The Netherlands. The Company's ultimate controlling entity is Maxon Limited (Bermuda).

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*. 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 months period ended 30 June 2019 has not been audited and has not been subject to an external auditor's review.

3. Significant accounting policies

The same accounting policies and methods of computation have been followed in this consolidated quarterly report as those applied in preparing the Group's consolidated financial statements as at 31 December 2018, except for the new accounting treatment applied by the Group in accordance to the new standard, IFRS 16, effective as of 1 January 2019. For details regarding the adoption by the Group of IFRS 16, please see the note 3 of the Group consolidated Half year report for 2019.

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

*The Ministry of Public Finance Order no. 2844/2016, with subsequent amendments, is in accordance with the International Financial Reporting Standards (IFRS) adopted by the European Union (EU), except for IAS 21 The effects of changes in foreign exchange rates regarding functional currency, except for the provisions of IAS 20 Accounting for Government Grants regarding the recognition of revenue from green certificates, except for the provisions of IFRS 15 Revenue from contracts with customers regarding the revenue from taxes of connection to the distribution grid and except for the accounting treatment of interim dividends, which, according to the Ministry of Public Finance Order no. 3067/2018, are recorded in the consolidated statement of financial position at 31 December 2018 as receivables on the position 'Other current assets' and, the unpaid balance, as liabilities on the position 'Other current liabilities'.

4. Explanatory notes

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

Revenues from contracts with customers

Q2 2019	Q2 2018		Six months ended 30 June 2019	Six months ended 30 June 2018
25,330	22,811	Revenues from sales of bauxite	40,788	39,367
38,064	69,071	Revenues from sales of alumina	89,943	111,799
312,540	340,754	Revenues from sales of primary aluminium	621,118	661,037
361,083	380,394	Revenues from sales of processed aluminium	751,123	748,366
1,762	1,338	Other	3,246	3,041
738,779	814,368	Total	1,506,218	1,563,610

In Q2 2019, the aluminium price on the London Metal Exchange (LME) had a downside trend compared to Q2 2018, as well as in H1 2019 compared to H1 2018. Under these circumstances, in spite of Alro Group's effort to better respond to market demands and higher deliveries of processed products, the general market prices of aluminium affected the Group's **sales** recorded in Q2 2019, when the average LME cash-seller was 1,793 USD/tonne, about 460 USD/tonne lower than the average LME recorded in Q2 2018, which was of 2,259 USD/tonne. As a result, the turnover decreased by 9% (RON 75,589 thousand) in Q2 2019 compared to Q2 2018.

With the announcement of Alunorte (a major alumina refinery located in South America) that it resumed its operations targeting to reach from 50% to full capacity by the end of the year (about 6 million tonnes), the international indexes for alumina prices registered a decrease in H1 2019 compared to the similar period of the previous year, therefore the Group sold less alumina and reported lower revenues from sales of alumina by 45% in Q2 2019 compared to Q2 2018.

After pursuing a long-term strategy step by step, the Group has reached the performance that half of its revenues are generated by high value added products. A share of 50% of the H1 2019 Group's total revenues represent processed products, compared to 48% in H1 2018 and at quarter level the sale of Processed Division was of 49% of the Q2 2019 Group's total revenues compared to 47% in Q2 2018.

The Group's **cost of goods sold** recorded an increase of 11% in H1 2019 compared to H1 2018, that was determined mainly by the growth of the purchase prices of some utilities and raw materials, in line with their specific market prices. However, in Q2 2019 compared to Q2 2018, the increase of the cost of goods sold was lower, 9%, respectively. In order to reduce the Group's energy dependence in the primary aluminium sector, starting the end of 2018, the Group began to invest in improving the performance of the electrolysis sector by implementing a pot replacement methodology using a new design that is expected to generate a reduction in energy consumption, in line with the Group's strategies and commitments.

The Group reduced its **General and administrative expenses** by 8% in Q2 2019 compared to Q2 2018. This was mainly due to the fact that the Group's management analyzed the preliminary results for the period and decided not to recognise a new provision for personnel and management remuneration for 2019 (in Q2 2018 the Group recognised a provision in line with the Collective Labour Contract and with GSM decisions regarding the Management remuneration, in amount of RON 12,538 thousand).

In Q2 2019 **Other operating income** amounted to RON 123,959 thousand (compared to RON 3,017 thousand recognized in the similar period of the previous year) and it refers mainly to the Group's sales of emission certificates in amount of RON 107,698 thousand (in Q2 2018: nil) and to reversal of the outstanding provision for remuneration of staff and management for 2018 in amount of RON 15,228 thousand (please refer to note 8 from Interim condensed consolidated financial statements for the six months ended 30 June 2019, as well).

The interest expenses increased in Q2 2019 compared to the similar period of 2018 mainly as a result of additional loans taken and drawn by the Group and of the increase of benchmark interest rates (i.e. ROBOR and LIBOR) on financial markets.

Gains (losses) from derivative financial instruments, net in Q2 2019 are related to the foreign exchange options collars with zero cost concluded by the Group in February 2019. In Q2 2019 from the net gain on derivative financial instruments, out of RON 7,942 thousand, an amount of RON 8,228 thousand represents unrealized gain due to the increasing of fair value of options at 30 June 2019 as compared to the end of the previous quarter, namely 31 March 2019. On the other side the difference of RON 286 thousand

represents the realized loss from the exercising of the options in Q2 2019, due to the fact that the RON / USD conversion rate was above the *call* level mentioned in the option contracts concluded. The net loss of RON 37,360 thousand in Q2 2018 is related to the 100% option collars concluded by the Group in December 2017 and January 2018 and principally reflects the decrease of the fair value of the options at 30 June 2018 as compared to the end of the previous quarter, namely 31 March 2018. In Q2 2018 no options were exercised due to the fact that the aluminium quotations were within the collar interval mentioned in the option contracts, and thus the Group marked a net loss of RON 1,329 thousand representing the premiums paid for acquiring the option contracts related to the period.

Net foreign exchange gains / (losses) arise mainly due to the revaluation of the loans and other debts of the Group in foreign currencies. In Q2 2019 a net foreign exchange gain was recorded due to the appreciation of the Romanian leu in against the US dollar at 30 June 2019 compared to the end of the previous quarter, namely the quarter ended on 31 March 2019 (from 4.2434 USD/RON at 31 March 2019 to 4.1587 USD/RON at 30 June 2019). An opposite evolution was recorded in Q2 2018, when the Romanian RON depreciated against the US dollar at 30 June 2018 compared to 31 March 2018 (from 3.7779 USD/RON at 31 March 2018 to 4.0033 USD/RON at 30 June 2018), and thus the Group recorded a loss from foreign exchange differences at that time.

In the light of these favourable factors, the increase of other operating income, the increase of the fair value of derivative financial instruments and of the net foreign exchange gains, despite the fact that the turnover decreased in Q2 2019 as compared to Q2 2018, following a steady decline of the aluminium price since the end of the year 2018, the **net profit** of the Group in Q2 2019 was in amount of RON 88,773 thousand by RON 59,243 thousand higher than the one in the same period of the previous year.

The **adjusted net result** is an indicator that the Group monitors as being more relevant for the Group's performance than the net result.

The adjusted net result was similar in Q2 2019 to Q2 2018, as per reconciliation with the net result below:

in RON '000	in RON '000		in RON '000	in RON '000
Q2 2019	Q2 2018		Six months ended 30 June 2019	Six months ended 30 June 2018
88,773	29,530	Net result of the period	79,708	154,151
-4,754	-1,256	Impairment of other non-current assets	-4,790	-1,262
-7,942	37,360	Derivative financial instruments that do not qualify for hedge accounting	-710	-16,692
-462	7,438	Deferred income tax	2,219	30,520
75,615	73,072	Adjusted net result	76,427	166,717

4.2. Consolidated Statement of Financial Position

Non-current assets

In Q2 2019, the Group invested in projects aimed at reducing the energy consumption in the smelter area by implementing a new and advanced technology for pot relining and in the revamping of the Cold Rolling Mill no. 2, by implementing an advanced production planning system and a flat rolled products marking and traceability system and by the modernization of the grinding machine.

Current assets

As at 30 June 2019, the *current assets* were lower by RON 137,846 thousand compared to 31 December 2018. They decreased mainly due to the declaration of final dividends for 2018 in April 2019, after which they were debited to the *Group's equity* (see also the explanation of *Equity* below). On the other hand, *Cash and cash equivalents* increased by RON 221,049 thousand to a level of RON 424,658 thousand, as a consequence of the sale in June of emission certificates by benefiting from a favourable market environment.

Equity

The General Shareholders' Meeting dated 25 April 2019 approved the distribution into dividends of the amount of RON 326,600 thousand, which resulted into a gross dividend payable of 0.45756 RON/share. This distribution is in line with the decision of the General Shareholders' Meeting no. 608 adopted on 13 December 2018, when the gross dividend per share of RON 0.45756 was distributed in full for the interim period of 9 months ended 30 September 2018, therefore no payments or reimbursements were necessary to be made due to settlement.

Liabilities

The Non-current liabilities of the Group increased by 24% from RON 1,003,352 thousand at 31 December 2018 to RON 1,242,170 thousand at 30 June 2019, mainly as a result of additional loan taken by Alro in January 2019 as increments of existing loans (a USD 50,000 thousand facility with maturity in December 2024), of Alum's drawdown of the remaining USD 10,000 thousand from its loan contracted in May 2018 and of the overdraft obtained by Vimetco Extrusion in amount of EUR 9,000 thousand, with the maturity in June 2021.

The current liabilities were at a level of RON 640,988 thousand at 30 June 2019 as compared to RON 763,268 thousand at 31 December 2018, due to dividends paid for 2018 (unpaid dividends at 30 June 2019: RON 89,337 thousand). On the other hand, the short-term loans increased on 30 June 2019 by RON 114,817 thousand due to the new loans mentioned above and additional loan taken by Alro in January 2019 as a supplement to the existing loans, i.e. a USD 20,000 thousand non-revolving facility, having the maturity in December 2019.

4.3. Consolidated Statement of Cash Flows

As at 30 June 2019, the Company recorded cash and cash equivalents amounting to RON 424,658 thousand, higher by RON 221,049 thousand, compared to the beginning of the year and by RON 221,591 thousand higher, compared to the same period of the previous year.

In Q2 2019 the Group reported a positive operating net cash inflow of RON 132,269 thousand as compared to a positive cash inflow recorded in Q2 2018 in amount of RON 188,426 thousand, the turnover being affected by the lower prices of aluminium in Q2 2019 compared to the same period of previous year. The positive flows from the variation of trade receivables and other assets recorded in Q2 2019 reflect the Group's efforts to manage as efficiently as possible the cash flows and to optimise the working capital.

The net cash outflows related to the investment activity in Q2 2019 amounting to RON 30,954 thousand include acquisitions for the investments in improving the performance of the electrolysis sector, payments for electrolysis pots and furnaces reconditioning in Alro, as well as investments for maintenance and improving equipment parameters at Alum, as well as implementing various arrangements and purchasing equipment to support the Sierra Leone mining business.

The net cash flow from financing activity in Q2 2019 was positive, in amount of RON 29,838 thousand, being mainly influenced by the drawdown of RON 4,095 thousand in June 2019 from the USD 20,000 thousand facility signed in January 2019 by Alro and the overdraft facility signed by Vimetco Extrusion in June 2019, offset by the installments repayment of the bank loans according to their schedules.

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

Ratios

Ratio description	Formula	Six months ended 30 June 2019	Six months ended 30 June 2018
Current ratio	Current assets/ Current liabilities	2.20	2.41
Gearing ratio	Long-term borrowings/ Equity x 100	120.77	88.29
	Long-term borrowings/ Capital employed x 100	54.70	46.89
Receivables turnover	Receivables average balance/ Turnover x 180	7.97	10.17
Non-current assets turnover	(Turnover x 360/ 180)/ Non-current assets	2.16	2.29

The gearing ratio at 30 June 2019 increased on one hand by new borrowings taken by the Group as a contribution to its development plans, and on the other hand by lower equity after the distribution of dividends towards shareholders in 2019.

Statement of Management Responsibilities

Pursuant to the legal stipulations of the FSA Regulation no. 5/2018 for issuers and operations with securities, the Management states the following:

1. We confirm to the best of our knowledge that the condensed consolidated financial statements of ALRO Group for the period ended on 30 June 2019 and ALRO Group quarterly financial results for Q2 2019 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 2019;
2. The Consolidated Directors' Report gives a true and fair view of the development and the performance of ALRO Group and of ALRO for the six months ended 30 June 2019.

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.

At the date of this report, ALRO's Board of Directors consists of **11 members** as it follows:

1. Marian-Daniel NĂSTASE	Chairman
2. Serghei GHEORGHE	Vice-President
3. Gheorghe DOBRA	Member
4. Pavel MACHITSKI	Member
5. Svetlana PÎNZARI	Member
6. Aleksandr BARABANOV	Member
7. Vasile IUGA	Member
8. Marinel BURDUJA	Member
9. Laurențiu CIOCÎRLAN	Member
10. Oana-Valentina TRUȚA	Member
11. Voicu CHETA	Member

The condensed consolidated financial statements of ALRO Group for the period ended on 30 June 2019 and ALRO Group quarterly financial results for Q2 2019 are not audited.

President of the Board of Directors
Marian-Daniel NASTASE

Chief Executive Officer
Gheorghe DOBRA

Chief Financial Officer
Genoveva NASTASE

12 august 2019