

Half-year Report 2023

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Statement of the Persons in Charge

Cautionary statement

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

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

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

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

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

The Half-Year Report (including Directors' Report and Interim condensed consolidated financial statements of ALRO and its subsidiaries) for the 6 months ended 30 June 2023 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 2023 compared to Q2 2022 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 2023

ALRO Group

| Indicator | H1 2023 | H1 2022 |
|---|-----------|-----------|
| Primary aluminium production (tonnes) | 95,632 | 118,638 |
| Processed aluminium production (tonnes) | 46,740 | 59,328 |
| Alumina production (tonnes) | - | 99,487 |
| Bauxite production (tonnes) | 490,798 | 481,569 |
| Sales (thousand RON) | 1,558,613 | 2,088,243 |
| EBITDA ¹ (thousand RON) | 52,912 | 219,584 |
| EBITDA margin (%) | 3% | 11% |
| Net result (thousand RON) | (164,094) | 15,317 |
| Adjusted net result ² (thousand RON) | (91,965) | 14,691 |
| Earnings per share (RON) | (0.229) | 0.022 |

ALRO S.A.

| Indicator | H1 2023 | H1 2022 |
|--|-----------|-----------|
| Primary aluminium production (tonnes) | 95,632 | 118,638 |
| Processed aluminium production (tonnes) | 28,615 | 46,022 |
| Primary aluminium sales (tonnes) | 52,202 | 50,874 |
| Processed aluminium sales (tonnes) | 29,321 | 41,876 |
| Sales (thousand RON) | 1,358,643 | 1,972,884 |
| EBITDA ¹ (thousand RON) | 30,946 | 167,052 |
| EBITDA margin (%) | 2% | 8% |
| Net result (thousand RON) | (151,212) | 714 |
| Adjusted net result ² (thousand RON) | (76,557) | 1,675 |
| Net result per share (RON) | (0.212) | 0.001 |
| Adjusted net result ² per share (RON) | (0.107) | 0.002 |

¹ **EBITDA** Earnings before interest, taxes, depreciation, amortization and impairment. For the reconciliations of EBITDA at ALRO Group level, and for ALRO, respectively, for H1 2023 and H1 2022, please see page 20 of this Report.

² **Adjusted Net Result:** represents the net result plus/(minus) non-current assets impairment, plus/(minus) the loss/(gain) from derivative financial instruments for which hedge accounting was not applied, plus/(minus) deferred tax. For the reconciliations of the Adjusted Net Result at ALRO Group level, and for ALRO, respectively, for H1 2023 and H1 2022, please see page 19 of this Report.

Letter to shareholders



*Marian NĂSTASE,
Chairman*



*Gheorghe DOBRA,
Chief Executive Officer*

Dear readers and shareholders,

Let us, first of all, thank you for your trust and commitment during these, yet again, challenging times. And let us take this opportunity to assure you of our commitment to continue our journey together and to best navigate through these troubled times that the worldwide aluminium industry faces. ALRO has a history of 58 years of uninterrupted activity and during this history it faced all sorts of challenges, from the international financial crisis to the sanitary crisis that we managed to surpass.

We took swift, although difficult measures to ensure the continuity of our business and to preserve the work places for our over 3,000 employees, we continued our investments that supported the long-term strategy to focus on high and very high added value products and to make the transition to greener business. All these consolidated our position on the international markets, helped us limit the impact of the international environment on our business and laid the foundation to our future development.

Over the past 20 years, we invested more than USD 530 million in ALRO's development and transformation and we are committed to continue on this path. While we temporarily stopped the production of alumina, based on economic factors, decided to sell the bauxite business for the same reasons, and reduced the electrolytic aluminium production, we invested in our eco-recycling facility, to support the production of aluminium with

low electricity input. In fact, in June, we inaugurated a USD 11 million investment in technology and environment protection at the eco-recycling facility that will help us increase the output at this facility, with positive impact on production costs. Moreover, during the first semester of 2023 we continued this programme to invest in reducing electricity consumption and improve overall performance of our equipment commissioning of another 19 smelter pots using AP12LE technology.

We also continued our focus on the long-term programme to increase product efficiency by purchasing an aluminium plate processing line able to process our products as close as possible to customer size requirements, thus being even closer to our clients and their needs.

And our strategy doesn't stop at our gates, as we are actively seeking solutions to assure a sustainable source of electricity for our operations. To this goal, we are pursuing our partnership with Complexul Energetic Oltenia that aims at building a new gas-fired power unit of 850 MW combined cycle power plant through a SPV („Special Purpose Vehicle“) mixed capital company. ALRO and CE Oltenia finalized the negotiations for the creation of the mixed company, CCGT POWER Isalnita SA and now, the energy producer is asking for the shareholders approval to implement the establishment of the mixed company.

On the same principles to support the sustainability of our operations, we signed a Memorandum of Understanding with Aleraluminium, the only primary aluminium producer in the South Caucasus region, with the goal to support both companies in exploring the ways to enhance their technical and economic capabilities.

The investments we made helped us not only become more efficient, and consolidate our position on the international market, but also brought us the recognition of the high quality of our products and, thus, opened new potential markets for us. Thus, ALRO achieved ASI Performance Standards V3 for the manufacture and sale of aluminium alloy slabs, billets, wire rod, plates and sheets obtained by casting, hot rolling, homogenization, heat treatment, mechanical processing, finishing, and testing for industrial applications, aerospace, automotive and defense industry. More clearly, the ASI certification is a recognition of our commitment produce aluminium in a durable manner, complying with the three sustainability pillars of Governance, Environment and Social.

And we will continue our long-term strategy focused on the same principles that supported our business so far and that helped us adapt quicker to all the changes and the downturns

of the international aluminium environment, while preserving and expanding our client pool and our ever more sophisticated products portfolio. As such, we are preparing a multi-annual investment plan to increase output of high value added products and consolidate Alro's position on markets such as aerospace and automotive, to increase the primary production capacity by developing the slab casting capacity, supporting the existing process and current production capacity by providing safe and reliable equipment and increase the sustainability of aluminium process by boosting the quantity of molten metal coming from recycled scrap. This plan will also focus on continuing the programs for improving the energy efficiency of the equipment and technological processes and invest in an energy source to reduce as much as possible the dependency on the power price fluctuations.

All these measures will further consolidate our position as a trustworthy, sustainable aluminium producer, with state-of-the-art technological processes and high quality products for sophisticated industries.

*Marian NASTASE,
Chairman of the Board of Directors*

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

ALRO GROUP - Important events in H1 2023

January – June 2023

Market Overview

Market evolution

LME prices remain under pressure, due to contractions in world manufacturing activity, slow rebound in China and capacity restarts, also in China. The aluminium price showed mainly quotations over 2,000 USD/tonne in Q1 2023, while in Q2 2023, the values were around 2,100 USD/tonne in June. The average LME 3 months seller for the first half of 2023 was 2,360 USD/tonne, lower by 21% than in H1 2022 when the average was 3,088 USD/tonne. In 2023, the highest LME value was 2,662 USD/tonne recorded in January, while in H1 2022, LME reached a maximum of 3,968 USD/tonne in March 2022.

On the other side, the aluminium holdings in London Metal Exchange warehouses were at the end of June 2023 at the level of 543,150 tonnes, which represented a 21% increase compared to December 2022 and a 46% increase compared to June 2022, when the level was of 373,275 tonnes, and a dramatic decrease of 97% compared to June 2021. Thus, aluminium holdings in the London Metal Exchange warehouses remained at lows compared to their historical levels, a situation expected to continue through the rest of the year. Current levels may prove insufficient if demand normalizes in China or the rest of the world, positively impacting prices.

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

The North American market remained difficult in 2Q 2023, with lower demand in all end-customer markets except Automotive. In Europe, demand was also weak due contracting industrial sectors and to still high level of downstream inventories, again except for automotive and aerospace.

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

For primary products, end markets remain good for slab and wire rod, but still soft for billets. For FRP, automotive industry is the most supportive for plates. European demand for extrusions was weak overall in 1H 2023, we still managed to compensate by focusing on segments with robust growth (such as solar energy) and prospects remain good.

While its recovery is still below expectations, China has stepped up its support for the yuan with a stronger-than-expected reference rate and signaled further measures to bolster economic growth, such as support for real estate sector and measures to boost consumption, according to Bloomberg. China accounted in June for 59% of global aluminium output, according to International Aluminium Institute and it accounts also for over 60% of global consumption.

We have experienced highly unfavorable market conditions throughout the entire H1 – with low demand in all industrial sectors (except the aerospace and automotive), abundance of metal in European warehouses among the key distributors (mostly cheap Chinese imports), intense competition between European mills for market share conservation, metal dumping from European distributors.

As a direct consequence, European mills are working aggressively with large stocks of standard alloys/formats to win any available business opportunities by offering very short leadtimes. Alro has put in place such a mechanism (make-to-stock) since August last year. No involvement of the EU authorities as regards the Chinese prices/reviewing of the anti-dumping taxes in place, currently far from covering even a quarter of the price differential with European mills. One can only hope for a demand recovery in the Chinese market, which would normally reactivate the bullish sentiment in the market. For now, we have to live with a rather poor performance of the Chinese economy in the last few months, as well as the recent LME price erosion are fueling the bearish sentiment, with most of the players adopting a cautious restocking policy for the months to come. We continued to confront as well with elevated freight costs levels for our exports to the North American markets, despite the recent tariffs adjustments, however, with small impact in the overall portfolio of clients.

ALRO GROUP - Important events in H1 2023 - continued

Energy market updates

The liquidity from the beginning of the year is was very low and the markets in Europe were very volatile and illiquid. The Romanian Market was in the region of 1000-1050 lei/MWh (over 200 eur/MWh). On PCCB-LE-FLEX Complexul Energetic Oltenia has sold 325 MW since the beginning of the year for 2023 products at prices over 900 lei/MWh. The low liquidity has to do mainly with the new regulatory framework for transactions (OUG 27/2022), whereby energy producers are only allowed to sell energy on the MACEE mechanism.

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

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

Considering the changes made to GEO no. 138/2022 by issuing GEO no. 29/2023, the Ministry of Energy announced on its website that the deadline for the evaluation of applications submitted until 31.03.2023 will start from 01.06.2023, based on the documentation submitted/completed until 30.05.2023. Alro submitted the file on 28.03.2022 and received a clarification request on 26.06.2023 on which responded the next day.

Alro applied for the compensation in due time and is expecting to collect the due receivable for 2022 with a positive impact on its cashflow in 2023. It also accrues for the compensation due for 2023 on a month by month basis, based on the regulatory transparent formula.

14 March 2023 - Commission proposes reform of the EU electricity market design to boost renewables, better protect consumers and enhance industrial competitiveness. The proposed reform foresees revisions to several pieces of EU legislation – notably the Electricity Regulation, the Electricity Directive, and the REMIT Regulation.

Law no. 206/2023 was published on the Official Gazette on 11 July 2023. The law approves GEO no. 153/2022 which initially amended GEO no. 27/2022 regarding the measures applicable

to end customers in the electricity and natural gas market between 1 April 2022 and 31 March 2023 with entry into force starting from 14 July 2023. The modification of Articles 5 and 6 changes the mechanism for calculating the final invoiced price for some of the end customers of natural gas and electricity based on the supplier's acquisition costs plus margin and taxes, during the period 1 January 2023 – 31 March 2025.

January 2023

31 January 2023 - ALRO S.A. achieved ASI Performance Standard V3 (May 2022) Certification at its Slatina, Romania operations. The certification covers, as mentioned within the official document received by the Company: *"The manufacture and sale of aluminium alloy slabs, billets, wire rod, plates and sheets obtained by casting, hot rolling, homogenization, heat treatment, mechanical processing, finishing, and testing for industrial applications, aerospace, automotive and defense industry in location ALRO S.A., Str. Pitesti, No. 116, 230048 Slatina, Olt County and ALRO S.A., str. Milcov No. 1, 230077 Slatina, Olt County, Romania"*.

The ASI Certification program was developed through an extensive multi-stakeholder consultation process and is the only comprehensive voluntary sustainability standard initiative for the aluminium value chain. The ASI Performance Standard V3 defines environmental, social and governance principles and criteria to address sustainability issues in the aluminium value chain. It sets out 62 criteria under the three sustainability pillars of Governance, Environment and Social, which address key issues such as biodiversity, Indigenous Peoples' rights, and greenhouse gas emissions.

This prestigious certification from ASI confirms our sustainability progress over the past years. Our focus on sustainable business practices started more than 20 years ago when we invested massively in state-of-the-art state equipment and energy efficiency to improve our operations. Starting in 2017, we have been reporting our sustainability performance voluntarily through a Consolidated Sustainability Report. Moreover, in 2021 we published a Sustainability Strategy for 2021-2025. Several awards recognized our progress as our Sustainability Report is considered one of the best on the Romanian Capital Market.

ALRO became a member of ASI in December 2020. During the past two years, the Company implemented the ASI Performance Standard's V3 requirements and underwent a complex certification process in the last quarter of 2022.

ALRO GROUP - Important events in H1 2023 - continued

March 2023

14 March 2023 - Commission proposes reform of the EU electricity market design to boost renewables, better protect consumers and enhance industrial competitiveness. The proposed reform foresees revisions to several pieces of EU legislation – notably the Electricity Regulation, the Electricity Directive, and the REMIT Regulation.

April 2023

Annual General Meeting of Shareholders

ALRO (ALR, Premium segment): On 25 April 2023, ALRO's Ordinary ("AGSM") General Shareholders' Meeting took place. One of the business and administrative items included in the Ordinary meeting's agenda and subsequently voted for was the appointment of Mr Darius Pavai and Mr. Adrian Fercu as Board members for a mandate valid until 26 April 2027, with the mandates of Mr. Laurentiu Ciocirlan and Mrs Oana-Valentina Gavrilă being terminated. The AGSM amended the Articles of Incorporation of the Company following the appointment of the Board of Directors.

During the same meeting, other items were approved by the shareholders, such as the Annual Report for 2022, the allocation of the result of the company for 2022, the Remuneration report for 2022, the Remuneration Policy, as well as the Budget for 2023, the Investment plan for 2023 and the Activity program for 2023.

ALUM (BBGA, AeRO segment): ALUM held its Ordinary General Shareholders' Meeting on 26 April 2023. Some of the business and administrative items included in the meeting's agenda and subsequently voted for were: the Directors' Report and the financial statements for 2022, Income and Expenses Budget, Investment Plan and Activity Program for 2023.

May 2023

MoU with Azeraluminium

ALRO S.A. signed a Memorandum of Understanding (MoU) with Azeraluminium, the only primary aluminium producer in the South Caucasus region. The MoU's role is to support both companies in exploring the ways in which they can cooperate to enhance their technical and economic capabilities, resulting in measurable advantages for both parties.

As per the terms of the MoU, the parties will explore the possibility for ALRO Group to supply baked anodes an alumina to Azeraluminium, based on a medium to long term agreement (two to five years). The MoU also refers to the cooperation to create a mechanism for processing in Romania, marketing and sale of the continuous casting coils produced by Azeraluminium.

The potential cooperation with Azeraluminium would include the cooperation for a potential partnership involving an Azerbaijan entity for the development of a gas fired power plant that ALRO intends to develop in its premises.

Sale of bauxite segment

On 31 May 2023, Alum publicly announced the convening of the Extraordinary General Meeting for the approval of the sale, as sole shareholder, of 100% of the share capital of Global Aluminum Ltd. (GAL group) and for the approval of the mandate of the Board of Directors of Alum to negotiate and approve the price and final form of the above transaction. The sale of GAL group was expected to be completed within a year from the reporting date. At 30 June 2023, GAL group was classified as a disposal group held for sale and as a discontinued operation.

June 2023

ALRO inaugurates a USD 11 million investment in its Eco Recycling facility

Alro inaugurated a USD 11 million investment in technology and environment protection at its Eco Recycling Facility in Slatina. The Company installed two double-chamber furnaces, one holding furnace and a dedicated fume collection and treatment plant.

In 2013, ALRO commissioned the Eco Recycling Facility (stage I), consisting of a double chamber furnace, an induction furnace, a holding furnace and the associated gas collection and treatment plant with the aim of supplying part of the liquid aluminium from alternative sources, partially replacing the aluminium produced by electrolysis. The specific electricity consumption of the aluminium scrap recycling process is 95% lower than for electrolytic aluminium production, which has a positive impact on total production costs. Aluminium can also be recycled indefinitely without losing its properties, making it an ideal metal for the low-carbon and circular economy.

ALRO GROUP - Important events in H1 2023 - continued

Following this strategy, in June 2023 Alro started up the second double chamber furnace, specialized in recycling scrap purchased from the dedicated market, and by the end of the year the (third) furnace will be launched in production, so that by the end of 2023 the Company's recycling capacity will be increased to 100,000 tpa by the end of 2023, following the installation of the two double chamber furnaces, a holding furnace and the related fume collection and treatment plant (stage II). The project will support ALRO's strategic decision to reduce dependence on electricity supply and increase value-added production.

As a result of these investments, ALRO is taking an important step into a low-emission world as the company has steadily increased its aluminium scrap recycling capacity and will soon reach 100,000 tonnes per year of recycled aluminium solid scrap.

Sustainability report

On 30 June 2023, ALRO published its Consolidated Sustainability Report for 2022, which outlines the Group's commitment, progress, and achievements in the realm of sustainability, highlighting the steps made to create a more sustainable future for the Group, stakeholders, and the planet.

This report is available on the sustainability section of ALRO's website and has been prepared following the Romanian legislation on non-financial reporting, Orders of the Ministry of Public Finance (MFP) no. 1938/2016 and no. 2844/2016. The Report is published consolidated as the 2022 Sustainability Report for ALRO Group and as a non-financial, integrated, and separate report for ALRO. The ALRO Group has reported the information cited in this GRI content index for January 1 - December 31, 2022, with reference to the GRI Standards.

July 2023

On 11 July 2023 the Law 206/2023 was published in the Official Gazette, regarding the approval of the Government's Emergency Ordinance no. 153/2022 which ultimately amends the Government Emergency Ordinance no. 27/2022 regarding the measures applicable to final customers in the electricity and natural gas market in the period 1 April 2022 – 31 March 2023 with entry into force starting from 14 July 2023. The modification of Articles 5 and 6 changes the mechanism for calculating the final invoiced price for some of the end customers of natural gas and electricity based on the supplier's acquisition costs plus margin and taxes, during the period 1 January 2023 – 31 March 2025. If the price from the supply contract in force concluded with the final customers is lower than the final price resulting from the application of the emergency ordinance, the contractual price is applied. The Group and Company expect a positive future impact on its financial results coming from the implementation of this law, but they are currently unable to make a certain estimation of the financial outcome. Discussions with the electricity suppliers and clarifications from the authorities to determine the application of the new law are undergoing and any material updates or further details will be disclosed subsequently as appropriate.

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: 1,167,028,886 ¹ RON |

ALRO Group - entities

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

¹ Calculated based on the BSE quotation available on 30 June 2023 - the last day of H1 2023 when ALRO's shares were traded (713,779,135 shares * 1.635 RON/ share)

Directors' Consolidated Report

Overview

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

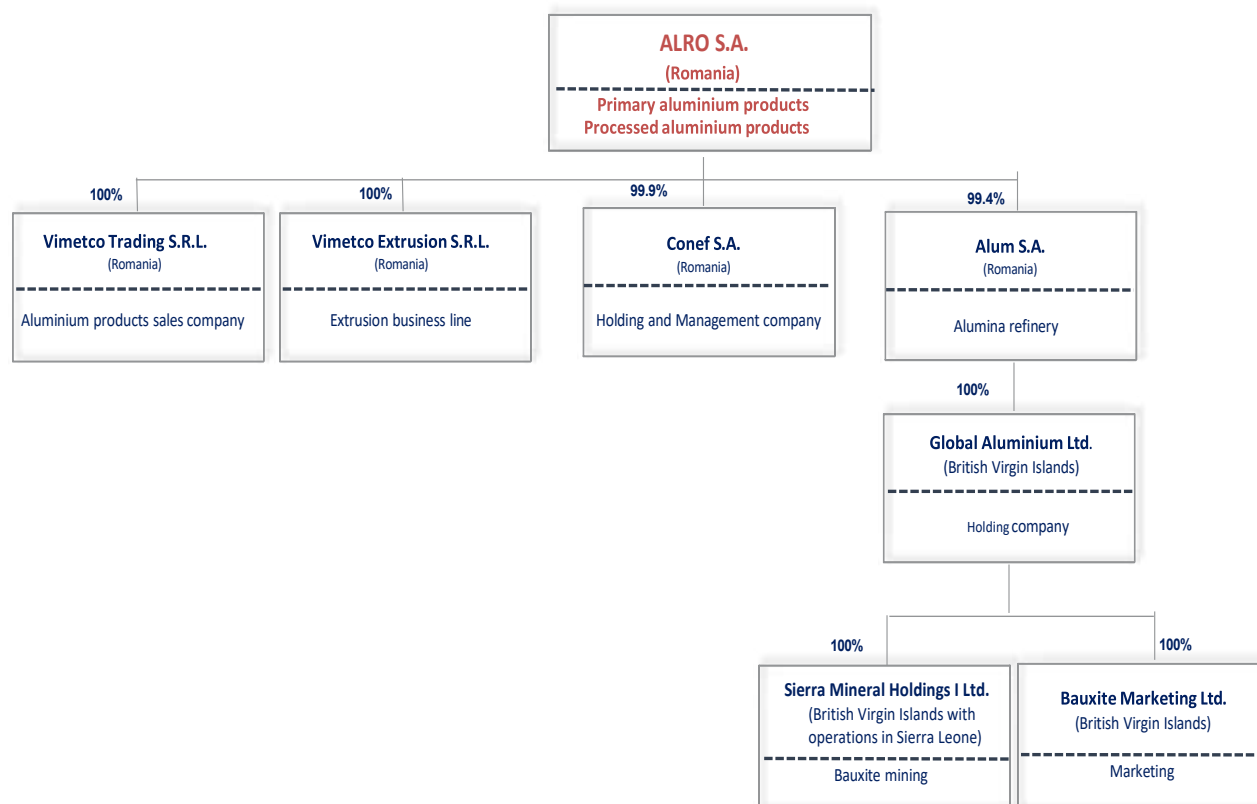
ALRO ("the Company" or "the Parent-company") was established in 1961 and founded for an unlimited period of time under the form of a joint-stock commercial company following the Romanian Government Decision no. 30 of 14 January 1991 on the establishment of commercial companies in the non-ferrous metallurgy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

The Company was registered under the trade name "ALRO S.A." and has been listed on the Bucharest Stock Exchange ("BSE") since 16 October 1997. The Company's shares are traded on BSE under the symbol "ALR".

The major shareholder of ALRO S.A. is Vimetco PLC (Republic of Cyprus), which holds 54.19% of the Company's share capital. Vimetco PLC is a public limited company and its registered office of Vimetco PLC is at Navarinou, 18, Navarino Business Centre, Agios Andreas, 1100, Nicosia, Cyprus. The Company's ultimate controlling entity is Maxon Limited (Bermuda).

ALRO Group included the following companies at 30 June 2023:

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



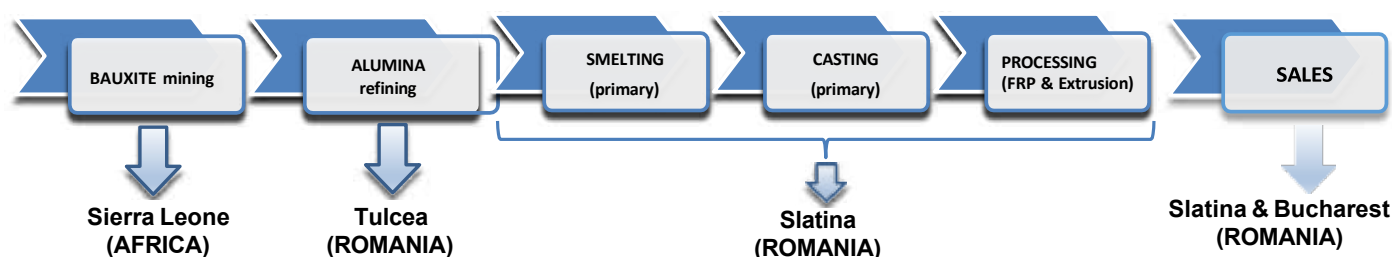
The Group is vertically-integrated, its operations being organized, for management purposes, in four segments: **Bauxite**, **Alumina**, **Primary Aluminium** and **Processed Aluminium**. In this way, the resources are efficiently allocated and the segments performance is properly evaluated, while being 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. On 10 July 2023, the shareholders of Alum approved the sale of the segment, therefore the financial figures of GAL Group are classified as discontinued operations in the Condensed Consolidated Interim Financial Statements of Alro Group for the 6 months ended 30 June 2023. Further details in *Note 5 Discontinued operations*.

- **Alumina segment¹** consists of the Group's alumina production operations, which is the principal raw material for aluminium smelting and which includes ALUM;
- **Primary Aluminium segment** manufactures primary aluminium products such as wire rod, slabs, billets and ingots (occasionally) and which mainly includes the Anodes section, Electrolysis section, the Casting House and Eco Recycling Facility;
- **Processed Aluminium segment** develops flat rolled products ("FRPs") such as plates, sheets, coils and strips, and extruded products.

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

The following chart shows the vertical flow of the Group's upstream and downstream divisions:



| Location | Segment | Capacities @ 30 June 2023 |
|---------------------|-----------------------------------|--|
| Sierra Leone | Bauxite mining | 1,500,000 tpa for the washing facility of the main Wash Plant Wash Plant 1 (extension of main wash plant): 420,000 tpa Wash Plant 2 (extension of main wash plant): 204,000 tpa 720,000 tpa for the drying facility 480,000 tpa for the dry beneficiation facilities |
| Tulcea | Alumina refinery | 600,000 tpa of alumina |
| Slatina | Smelting and Casting ² | 265,000 tpa of electrolytic aluminium 100,000 tpa by the end of 2023, and 315,000 tpa primary cast aluminium |
| Slatina | Processing ⁴ | 100,000 tpa of FRPs and 35,000 tpa of extruded profiles |

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

Primary Aluminium Division includes the Company's primary aluminium internal division, and comprises the anodes and electrolysis sections, the cast house, an Eco- recycling facility, repairs and spare part production units, road and rail transportation and other ancillary sections. After investing in modernizing its equipment and in new technology, ALRO reached a production capacity of 265,000 tpa of electrolytic aluminium (out of which 180,000 tpa were in conservation in H1 2023 and 2022). The Eco-Recycling is deemed to reach a smelting capacity of 100,000 tpa by the end of 2023, and the Cast-House has a capacity of 332,000 tpa. At the same time, all necessary anodes for the electrolysis of alumina are internally produced;

Processed Aluminium Division (FRP) depends on the specific product range produced at any one time, and the Group's facilities generally have a capacity of 100,000 tpa of FRPs and 35,000 tpa of extruded products, increased from 25,000 tpa last year through the investment in a new press.

The Group's subsidiaries holds several certifications. For example, ALRO is ISO 9001, ISO 14001, ISO 45001, ISO 50001 certified for quality management and has NADCAP certification for special products, as well as EN 9100 certifications for aerospace production, and also the IATF 16949 certification for automotive industry, with its products being certified according to the applicable international standards for quality (e.g. CE Mark for products used in construction, Pressure Equipment Directive/2014.68/EU - acc AD2000). For more information in this respect, please see the websites of ALRO and of each of the Group's subsidiaries.

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

- aluminium and aluminium alloyed wire rod;
- aluminium and aluminium alloyed billets;
- aluminium and aluminium alloyed slabs;
- aluminium and aluminium alloyed plates (heat treated and not heat treated);
- aluminium and aluminium alloyed plates (heat treated and non heat treated) tailored to customers' specific formats, particularly targeting end uses from aerospace and general engineering sectors;
- aluminium and aluminium alloyed sheets, coils and strips;
- aluminium alloyed clad sheets, coils and strips.

Regarding the products' portfolio expansion, further steps were done in H1 2023 as detailed below:

- Production of hard alloys heat-treated aero plates in 7xxx alloy series, minimum thickness extension from 15 to 10 mm and maximum thickness from 100 to 110 mm;
- Shop trials with various OEMs in the aerospace sector for qualifying 7050 alloy;
- Shop trials with various service centres and OEMs for qualifying 2219 alloy;
- Pre-qualification programs for aerospace plates in alloys 7475, 2124.

The Company receives alumina from ALUM, which currently buys it from the market at lower prices than its own cost of production, and resells it to Alro.

ALRO produces value added primary aluminium products for its customers and the some 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.

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

Since 2020, ALRO and Vimetco Extrusion have been members of ASI (Aluminium Stewardship Initiative), an international association that contributes to enhancing sustainability in the global aluminium sector. In H1 2023, Alro SA was certified according to ASI Performance Standard V3, after an audit performed in October 2022. The certificate issued on 13 January 2023 was the first one issued in Europe and the second one in the world. Standard V3 is a more demanding version and its requirements are higher compared to the previous version.

Sales

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

Expanding our products portfolio with new high valued-added solutions, addressing specific customer challenges or requirements (new alloys under qualification for the aerospace industry, aluminium and aluminium alloyed plates tailored to customers' specific formats, i.e. cut-to-size); maintaining our customer centric-approach, by prioritizing our customer's needs and requirements and adjusting our products and services accordingly (new investments for tailored products addressing the aerospace and general engineering sectors); improved sales enablement; sustainability and social responsibility along with our continuous improvement remain key pillars in our sales strategy. Our expansion into dynamic markets (Israel, Italy, Poland or India, to name a few) aligns with our strategic goals and vision for growth, as well as with our ongoing product portfolio expansion, with new alloys already qualified or in advanced stages of qualification with reputable OEMs.

For wire rod we have witnessed a rather low season for cable industry in H1 2023, but in general, a good market demand for aluminium wire rod, with a more aggressive competition from non-European suppliers (Malaysia, India, Russia). In 2022, to offset the reduction of the electrolytic aluminium production following the shutting down of three of the five Electrolysis potrooms in the first part of the year, the Group entered into wire rod processing contracts with a number of customers and agreed to process the

metal supplied by them, the related revenue being recognised only as a processing fee charged to these customers. Instead, in Q2 2023 the Group no longer processed wire rod and preferred to buy aluminium ingots from the market to produce wire rod, and the outlook for wire rod sales appears good for the remaining part of 2023. For the second half of this year we expect a stable demand, with limited available quantities in the spot market.

For billets, the market demand has visibly deteriorated in H1 2023 - very poor demand in the recent months corroborated with destocking activities. In March 2023, there were signs of improvement in billet demand and then the demand for this product line deteriorated starting May 2023. For H2 2023 we estimate that the demand will probably continue its negative trend, both from a quantitative standpoint, but also as far as the premiums are concerned. Aggressive competition from Russian and Turkish billets producers will continue to keep the situation highly difficult. The billet stocks accumulated by distributors appear to have decreased, nevertheless billets demand is still weak.

For FRP, first half of the year was defined by low demand in all industrial sectors (except the aerospace and automotive), abundance of metal in European warehouses among the key distributors, intense competition between both European and overseas producers, which increased the pressure on prices for all flat rolled products, supporting negative corrections on a monthly basis. As regards the plates for the aerospace sector, we capitalised the advantages of the temporary disruptions in the aerospace sector supply chain, by entering into new agreements, which will materialise in the coming periods, and we made progress in negotiations for long-term contracts. We expect a very challenging H2 2023, assuming that the macroeconomic environment remains unsupportive to the business activity (further interest rates increases bringing more negative pressure on the economy). Low demand recovering at a rather slow pace, excess production capacities, elevated inventory levels will continue to have an impact in the market situation in H2 2023, both pricewise and quantity wise.

Participation at important aluminium fairs, such as: Aero India (Feb 13-17), Paris Air Show Le Bourget (Jun 19-23), Aeromart Montreal (Apr 4-6), Aerospace & Defense Meetings Central Europe - Rzeszow (May 10-11), International Defence Industry Fair Turkey (Jul 25-26), European Defence Innovation Days - Brussels (May 31-Jun 1), CRU World Aluminium Conference (May 16-18), CRU Wire & Cable Conference (Jun 19-21). Alro's active participation at these events (both as exhibitor or visitor) has been instrumental in identifying and materializing new business opportunities, in particular for high value added products, aligned to our long term strategic objectives.

We have remained steadfast in expanding our high value added products portfolio to address specific demands of the market, particularly from the aerospace sector. Alro has continued to consolidate its position in this market, by concluding deals with new customers and progressing in the commercial and technical discussions with other entities, whether we speak of end users, engineering shops, service centres or distributors. Swiftly adapting to changing market conditions and customer preferences has been instrumental in sustaining our global footprint and fostering enduring partnerships.

Alro will continue to have an active presence at reputable fairs and B2B events targeting particularly the aerospace business, such as: Aerospace & Defense Meetings Torino, Seoul International Aerospace & Defense Exhibition, Aerospace Meetings Casablanca, Aviation Forum Germany. Aside these fairs, we have confirmed our attendance as visitors at Europort Rotterdam and UK Metal Expo, International Aluminium Conference 2023 Fastmarkets, LME Week.

Production

Last year, on the background of energy crisis during Covid-19 pandemic recovery and outburst of Ukraine conflict, Alro took several decisive measures, such as closing down 3 out of 5 of its electrolysis pots. These remained idle in H1 2023 as well, while Alro continued to produce electrolytic aluminium at a reduced capacity, with alumina procured from third party suppliers by its subsidiary Alum.

As part of Alro's strategy of securing its own energy production from sustainable resources, Alro has started to analyse the possibility of installing its own sustainable energy production capacities and to this end, in H1 2023, Alro obtained all the necessary permits and has submitted the documentation for the issuance of the Construction Permit for the construction of a 50.2 MW photovoltaic system on Alro land and buildings in Alro Primary in Alro Primary and Processed Divisions (23.3 MW photovoltaic system in Alro Primary Division and 26.9 MW photovoltaic system in Alro Processed Division). At present, the Group assesses the potential implementation of the project in correlation with the Recovery and Resilience Plan opportunities in Romania and with the Environment Fund, and at a level that should be sustainable in respect of economic efficiency.

One of the Group priorities in 2023 is to promote new products (e.g. plates in alloys 7xxx and 2xxx) to major aerospace OEMs, and in this respect, the Company's representatives continued in H1 2022 in-depth technical and commercial discussions.

In the Eco-Recycling Facility, a new furnace for melting waste and aluminium ingots was commissioned in June 2023, and thus the recycling capacity will be increased to 100,000 tpa by the end of the year.

The main goals and strategy from a medium/ long-term perspective regarding the production processes in 2023 are:

- continuing to improve digitalization within the organization by using systems/ applications such as: Quintiq system for planning, scheduling and tracking production, STC system for traceability and control, FLI system (electronic worksheet and inspections traceability) to have full traceability of all manufacturing activities and materials, while managing the potential events that could affect production processes and providing all relevant real-time information needed to identify root causes and possible solutions;
- achieving in FRP 120,000 tpa of high-value-added products; a new flow for customized flat rolled plates based on customers' specific requirements (cut-to-size technological endowment).

Main investments made during H1 2023

Major events and/or achievements in H1 2023

The General Meeting of Shareholders approved the Investment Programme for 2023 that included, among others, the commissioning of another 19 smelter pots using AP12LE technology, and the commissioning of the second double-chamber furnace within the project "Develop the scrap remelting capacities in Eco Recycling Workshop" of Alro with the aim to increase the scrap recycling capacity for aluminium scrap purchased from the market, as well as the commissioning of the fumes collection and treatment plant.

In the context of the Decarbonisation Plan prepared by Complexul Energetic Oltenia (CE Oltenia), which was included in the Restructuring Plan approved by the European Commission, CE Oltenia undertook to build a new gas-fired power unit of 850 MW combined cycle power plant to replace the coal-fired 315 MW power plant unit 7 and unit 8, through a SPV („Special Purpose Vehicle”) mixed capital company. For this project, Alro submitted the tender request and CEO was given green light by the BEI Investment Committee for 50 % financing from the project eligible costs, as they were indicated in the Modernization Fund application, amounting to EUR 253,125,302. The negotiations were finalized for the documentation necessary to set up the SPV, the final form of these projects has been agreed upon, and at present work is in progress for the financing of Alro's equity contribution to the new SPV company called CCGT Power Isalnita SA.

In October 2022, ALRO SA was announced as the winning offer, and during the period January 2023 - June 2023 a series of meetings took place between the two parties.

In order to implement the investment, the Competition Council was requested to approve the new investment and the economic concentration being created and Decision No 76/24.05.2023 approving the new investment, and Decision No 71 dated 03.05.2023 was issued for non-objection to the respective economic concentration operation.

Projects for increasing the percentage of HVAPs and VHVAPs

Based on the approval of the Investment Programme, Alro has started/continued projects with an impact on ALRO's profitability growth, namely:

- Improving ALRO's product efficiency by purchasing an aluminium plate processing line able to process ALRO's products as close as possible to customer size requirements
- Aluminium plate cutting saw
- Purchase of the second ultrasonic scanning system for which purchase contracts have been concluded with renowned manufacturers for the necessary equipment.

Eco-Recycling updates

In 2013, ALRO commissioned the Eco Recycling Facility (stage I), consisting of a double chamber furnace, an induction furnace, a holding furnace and the associated gas collection

and treatment plant with the aim of supplying part of the liquid aluminium from alternative sources, partially replacing the aluminium produced by electrolysis. The specific electricity consumption of the aluminium scrap recycling process is 95% lower than for electrolytic aluminium production, which has a positive impact on total production costs. Aluminium can also be recycled indefinitely without losing its properties, making it an ideal metal for the low-carbon and circular economy.

Following this strategy, in June 2023 Alro started up the second double chamber furnace, specialized in recycling scrap purchased from the dedicated market, and by the end of the year the (third) furnace will be launched in production, so that by the end of 2023 the Company's recycling capacity will be increased to 100,000 tpa by the end of 2023, following the installation of the two double chamber furnaces, a holding furnace and the related fume collection and treatment plant (stage II). The project represents the first stage of development of the Eco Recycling Facility and will support ALRO's strategic decision to reduce dependence on electricity supply and increase value-added production.

As a result of these investments, ALRO is taking an important step into a low-emission world as the company has steadily increased its aluminium scrap recycling capacity and will soon reach 100,000 tonnes per year of recycled aluminium solid scrap.

Climate-change consideration from production and investments perspective

As part of Alro's strategy of securing its own energy production from sustainable resources, Alro has started to analyse the possibility of installing its own sustainable energy production capacities and to this end, in H12023, Alro obtained all the necessary permits and has submitted the documentation required for the issuance of the Construction Permit for the construction of a 50.2 MW photovoltaic system on Alro land and buildings in Alro Primary in Alro Primary and Processed Divisions (23.3 MW photovoltaic system in Alro Primary Division and 26,9 MW photovoltaic system in Alro Processed Division).

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

ALRO Group is committed to continuing its energy efficiency programme as part of a safe, responsible and profitable business, with one of the Group's major projects being the implementation of AP12LE technology over the next few years, until all the smelter pots are relined with this advanced, low energy technology, which is being implemented in collaboration with Rio Tinto Aluminium Pechiney. This innovative technology is expected to bring energy efficiency and environmental benefits to the electrolysis sector, the sector with the highest energy consumption of all ALRO processes.

Therefore, the pot repair programme using AP12LE repair technology continued in H1 2023, adapted to the number of pots in operation to ensure electrolysis operation with improved energy efficiency. This project, which is part of the Group's strategy to improve energy efficiency while providing smooth and safe operation of its production processes, was completed

in 2018 with Rio Tinto Aluminium Pechiney to improve the design of the electrolysis pots relining. AP12LE (Aluminium Pechiney Low-Energy) is a state-of-the-art technology developed by Rio Tinto Aluminium Pechiney and implemented in ALRO. This project aims to reduce specific energy consumption by approximately 300 kWh/tonne of aluminium, while maintaining the same level of pot production. The AP12LE technology aims at achieving an energy consumption below 13 MWh/ton from an average of 13.28 MWh/ton on the AP12 pots currently used in ALRO, maintaining at the same time the current energy efficiency (i.e. more than 95.5%).

The AP12LE pot design is based on RTA "Brick Technology" approach and uses new relining materials, cathodes, busbar assemblies and slotted anodes. The smelter plant upgrade is planned in stages, in line with the pot repair programme and with no impact on aluminium production. The results obtained during the tests confirm that all AP12LE pots are operating within the estimated parameters.

A new set of 30 pots has been included in the 2023 Investment Programme and these are planned to be relined using AP12LE technology and restarted in 2023, in line with the repair programme and production requirements. Thus in H1 2023, ALRO commissioned 19 smelter pots using AP12LE technology. From the start of the project until June 2023, 204 out of 653 pots included in the contract have been fully relined with this new technology.

Research and Development (R&D)

Major R&D projects developed in H1 2023

- support and help for implementation of the measures established after the technical consultancy missions;
- call analysis within the EU Research and Innovation Horizon 2020 programme, to identify suitable projects for ALRO;
- the development within its thermal treatment section, equipment acquired through the European financing project, the technologies for the production of thin heat-treated sheets;
- developing within its metallographic analysis laboratory, new analyses following the quality requirement of customers from aerospace and automotive industries.

Among the programs that were successfully performed in half of 2023 there could be mentioned:

- New aluminium alloy development, from slab to plate 7xxx series
Target: increase production with a value-added product, especially for the aerospace industry
- New aluminium alloy development, from slab to plate 2xxx series
Target: increase production with a value-added product, especially for the aerospace industry
- New aluminium alloy development, from slab to plate 6xxx series
Target: increase production with a value-added product, especially for the aerospace industry

- New aluminium alloy development, 5xxx series, from slab to plate
Target: increase production with a value-added product, especially for the automotive industry

Another important part of the R&D activity is a collaboration with national institute, national and European university in running various projects, such as:

- Transilvania University of Brasov (1 scientific paper was published in RECENT magazine);
- 1. The influence of the manufacturing process on the average grain size behaviour of the 6063-aluminum core alloy clad with 4004 alloy, O temper;
- COMOTI Romanian Research and Development Institute for Gas Turbines - Bucharest (2 scientific and technical studies are running)
- 1. Establishing the period between the heat treatment of aging and taking samples to eliminate the influence of the plate temperature the mechanical properties – alloy 7075
- 2. Studies and experimental research regarding the establishment of the influence of quenching in hot water the mechanical characteristics, residual stresses and flatness of sheets made of hardenable alloy 6XXX series.
- National Research and Development Institute for Materials Physics - Magurele (2 scientific and technical studies are running)
- 1. Research on the optimization of heat treatment for homogenization slab of 7050 alloy
- 2. Optimizing the internal structure and properties of 7475 alloy plates, T7451 temper state by varying the TT parameters of artificial aging
- National Institute of R&D for Optoelectronics - Magurele (1 scientific and technical study is running)
- 1. Research on the characterization of controlled over aging states in alloy 7050 plates.
- We are in talks with "Universidad de la Palma De Gran Canaria" to conduct a scientific and technical study.

Procurement and Logistics ("PLD")

Unfavorable worldwide circumstances, continued in the 1st half of 2023, with the geo-political situation still being an extremely delicate one. Rise of energy prices have directly affected the aluminum sector, because the production of electrolytic aluminum is an energy-intensive process. Prices of raw materials, although they registered a small decrease compared to 2022, remained at high levels.

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).

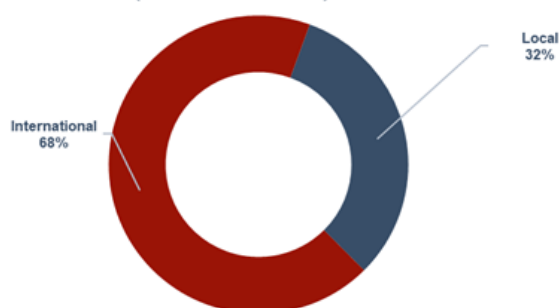
Procurement and Logistics Department (PLD) had as main objectives in H1 2023:

- Keeping the prices of the main raw materials under control, without jeopardizing production program due to stock out and keeping a safe supply chain (the expenditures for main raw materials in H1 2023 decreased by 50% compared to H1 2022, while aluminum LME decreased by 24%);

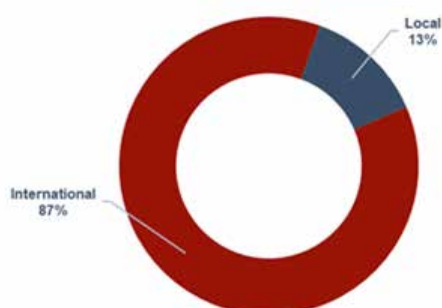
- Efficient sourcing of main raw materials: timely and with the lowest costs in terms of prices, logistics, and payment terms;
- Alro's main reaction to massive increasing of electrical energy price is efficient recycling of aluminum scrap both internally generated and acquired from domestic and European suppliers. The acquisition price of aluminium scrap decreased in H1 2023 vs H1 2022 by 2.3% in terms of percentage of LME. In aggregate with the investments in scrap processing, that means Alro managed to secure a reliable and cost efficient alternative source of liquid metal;
- acquisition of 26,547 Mt of aluminium ingots from the market to offset the impact of the temporary production shutdown of the 3 electrolysis lines;
- acquisition of 62,000 mt of alumina from the market to compensate for the suspension of ALUM's production activity;
- planning and scheduling in order to avoid stock outs or over stocks and where possible dual and/or multiple sourcing in order to improve supply assurance;
- ensuring the quality of goods and services.

Raw materials acquisition structure, including alumina, shows 32% coming from local suppliers and balance of 68% from overseas. For details on the acquisition structure of Procurement and Logistics Department in H1 2023, please see the graphs below:

**H1 2023 Acquisition structure for main Raw Materials
(Alumina included)**



**H1 2023 Acquisition structure for main Raw Materials
(Alumina excluded)**



As an impact from the Russian – Ukrainian conflict on procurement, the following can be mentioned:

- increased levels of price for all raw materials and all other auxiliary materials (metallurgical products, electrical and mechanical items, consumables and so on);
- delivery period still features large fluctuations;
- no long or medium term contracts were possible due to market volatility, trying to benefit from the possible spot opportunities that may appear.

ALRO Group - figures

Financial and economic review

Figures for H1 2022 consolidated statement of profit or loss have been re-presented to show the discontinued operations separately from continuing operations (see Note 5 to the Financial statements for details).

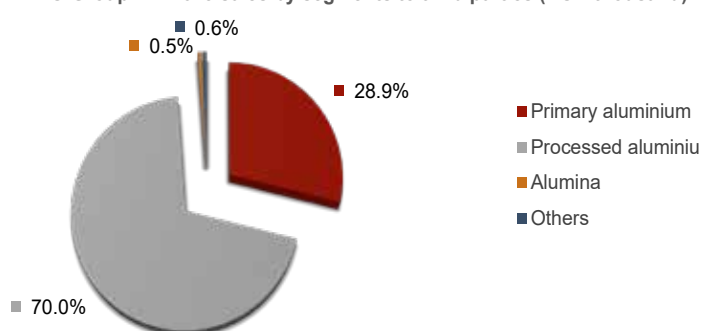
The Group's consolidated sales in H1 2023 were RON 1,558,613 thousand, lower by 25% compared to the ones reported in a similar period of 2022 (RON 2,064,871 thousand, re-presented). The decrease is due, on one side, to the lower LME quotation overall, which decreased by more than 700 USD/t compared to the similar period of last year (since in H1 2022 it had recorded a peak level in the context of the military conflict between Russia and Ukraine). On the other side, the sales volumes incurred a decrease in H1 2023. The year 2023 was characterized by a slow-down in sales, by the low demand in many industrial sectors and by steep competition from overseas producers.

ALRO reported sales of RON 1,358,643 thousand in H1 2023 (H1 2022: RON 1,972,884 thousand, re-presented).

The contribution of the sales of the **Primary Aluminium segment to third parties** was RON 449,770 thousand in H1 2023 and represented 28% of the Group's total revenues (H1 2022: RON 526,859; 25%). **The third-party sales of Processed Aluminium** represented 67% of the Group's total revenues in H1 2023, being RON 1,090,509 thousand (H1 2022: RON 1,514,972 thousand; 71%).

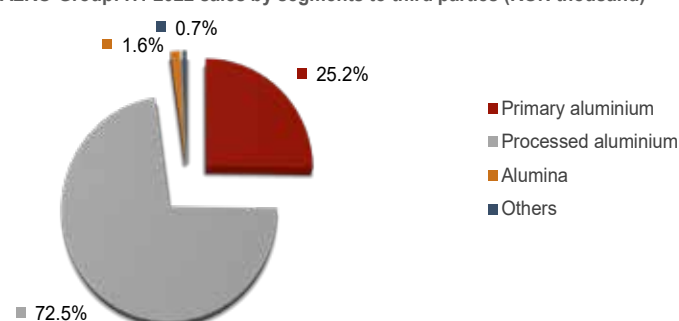
Total consolidated sales in H1 2023

ALRO Group: H1 2023 sales by segments to third parties (RON thousand)



Total consolidated sales in H1 2022

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



The Group net result for H1 2023 was a loss of RON 164,094 thousand compared to a net profit of RON 15,317 thousand in H1 2022. The consolidated result was driven by ALRO, which reported a loss of RON 151,212 thousand in H1 2023 compared to a net profit of RON 714 thousand in the same period of last year.

The reconciliations of the **Adjusted Net Result** at ALRO Group level, and for ALRO, respectively, for H1 2023 and H1 2022 are detailed below:

ALRO Group

| Description (RON th) | H1 2023 | H1 2022 |
|---|------------------|---------------|
| NET RESULT | (164,094) | 15,317 |
| Plus/(minus) impairment of goodwill | 63,062 | - |
| Plus/(minus) charge/(reversal) of non-current assets impairment expense/(income) | 8,101 | - |
| Plus/(minus) the loss/(gain) from derivative financial instruments that do not qualify for hedge accounting | - | 2,446 |
| Plus/(minus) deferred tax expense/(income) | 966 | (3,072) |
| ADJUSTED NET RESULT | (91,965) | 14,691 |

ALRO

| Description (RON th) | H1 2023 | H1 2022 |
|---|------------------|--------------|
| NET RESULT | (151,212) | 714 |
| Plus/(minus) charge/(reversal) of investments impairment expense/(income) | 74,480 | 180 |
| Plus/(minus) the loss/(gain) from derivative financial instruments that do not qualify for hedge accounting | - | 2,446 |
| Plus/(minus) deferred tax expense/(income) | 175 | (1,665) |
| ADJUSTED NET RESULT | (76,557) | 1,675 |

The reconciliations of **EBITDA** for ALRO Group and for ALRO, for H1 2023 and H1 2022 are detailed below:

ALRO Group

| Description (RON th) | H1 2023 | H1 2022 |
|-------------------------------|------------------|----------------|
| EBIT | (100,286) | 147,202 |
| Depreciation and Amortisation | 153,198 | 72,382 |
| EBITDA | 52,912 | 219,584 |

ALRO

| Description (RON th) | H1 2023 | H1 2022 |
|-------------------------------|-----------------|----------------|
| EBIT | (97,132) | 117,630 |
| Depreciation and Amortisation | 128,078 | 49,422 |
| EBITDA | 30,946 | 167,052 |

*For a fair presentation of operational results for the reporting period, EBITDA includes the operating results, of the disposal group held for sale (GAL group).

Regarding the **cost of goods sold**, the Group reported a lower level by 9% in H1 2023 (H1 2023: RON 1,609,739 thousand versus H1 2022: RON 1,773,816 thousand, re-presented). Even if the Group reported lower volume sales of aluminium by 22%, the effect of increased price of inputs and utilities has led to a very slight decrease of cost of the goods sold (8%) compared to the decrease of sales (-25%). At ALRO, the cost of goods sold also decreased by 14% in H1 2022 compared to a similar period of last year (H1 2023: RON 1,499,606 thousand versus H1 2022: RON 1,750,194 thousand, re-presented).

The Group registered a **negative gross result** in H1 2023 of RON 51,126 thousand (H1 2022: RON 314,427 thousand). In line with the Group's evolution, **ALRO's gross result** in H1 2023 was a **negative gross result** of RON 140,963 thousand lower compared to H1 2022, when it was RON 222,690 thousand, re-presented. Due to the mis-balance between the evolution of the revenues and the evolution of the costs of goods sold, Alro and the Group incurred negative gross margins of 3% and 10%, respectively, compared to positive margins of 15% and 11%, respectively, in H1 2022.

The Group's **general, administrative, and selling expenses** increased in the analyzed period (from RON 136,926 thousand in H1 2022, re-presented, to RON 158,824 thousand in H1 2023); a similar trend was reported by ALRO, i.e. a 2% increase (H1 2022: RON 101,934 thousand versus H1 2023: RON 104,038 thousand). Detailed explanations are provided in *Note 8 General, administrative and selling expenses*, to the Interim condensed consolidated and separate financial statements of Alro Group for the 6 months ended 30 June 2023.

The **Group's operating result (EBIT)** decreased from a profit of RON 171,009 thousand achieved in H1 2022 (re-presented) to a loss of RON 5,467 thousand in H1 2023. **ALRO reported a negative EBIT** for H1 2023 of RON 97,132 thousand (H1 2022: RON 117,630 thousand). Alro and the Group reflected income from compensation for high energy costs (ETS) (RON 219,209 thousand at Group level and RON 218,268 thousand at company level) on an accrual basis for the relevant period of 6 months ended 30 June 2023. In H1 2022 it had not recognized such an amount, since the regulations were in place only in the end of 2022. Even though, with a negative gross margin and the

plant operating at reduced capacity compared to its full potential (both Alro and Alum), the revenue from compensation could not compensate for the high input costs.

Impairment of investments: considering the current market conditions and after analyzing the internal and external factors, an impairment test for of the financial investments was performed by the Group for the purpose of its interim financial reporting as at 30 June 2023. Due to the evolving economic landscape and specific challenges faced by the industry, as a result of the test, it recognized an impairment of RON 74,480 thousand, which includes an amount of RON 74,282 thousand representing impairment loss for investment in Alum (6 months 2022: nil for Alum). The impairment is attributable to the reduction of the enterprise value of the company as the result of the decision to temporarily suspend the alumina production operations, but also to the decrease of the fair value of Alum's investment in Global Aluminium Ltd., see also Note 5 to the Financial Statements.

Goodwill: following the fair value estimation of the discontinued bauxite segment made as at 30 June 2023, a full impairment of RON 63,062 thousand was recognised on the remaining goodwill resulted on the initial acquisition of GAL group. The goodwill was allocated for the purpose of impairment testing to the group of cash generating units Alro Group, but following the recognition of GAL as a disposal group, the goodwill acquired in the business combination was written off, because GAL group is an operation within Alro Group CGU. The details of the main assumption used are presented in the Note 5 to the Financial Statements.

Interest expenses at Group and ALRO levels increased by 98% and by 102%, respectively, in H1 2023 as compared to H1 2022 (ALRO Group - H1 2023: RON 63,879 thousand as compared to H1 2022: RON 32,210 thousand versus ALRO - H1 2023: RON 60,293 thousand as compared to H1 2022: RON 29,920 thousand) due to the fact that all the interest rates increased in the comparative periods of time (base rates: ROBOR, EURIBOR, LIBOR), in accordance with the worldwide context.

Net foreign exchange gains/(losses) represent amounts with no effect on the cash flow arising from the revaluation of the Group's loans and other foreign currency liabilities. In H1 2023 the amount of RON 8,978 (gain) thousand was recorded mainly arising from the revaluation of the Group's foreign currency loans and other liabilities (H1 2022: loss of RON 64,837 thousand). At ALRO's level, RON 9,364 thousand was recorded as a net foreign exchange gain for H1 2023 as compared to a net loss of RON 59,100 thousand in H1 2022.

The **Result from continuing operations** was a loss of RON 64,380 thousand before income taxes for Alro Group in H1 2023 excluding the Bauxite segment classified as held for sale. Comparatively, the re-presented result for H1 2022 was a profit of RON 58,255 thousand. For Alro, the result was the same: a loss of RON 151,217 thousand in H1 2023 and a profit of RON 14,275 thousand for H1 2022.

The **Result from discontinued operations** was a loss of RON 96,508 thousand for the Group in H1 2023 and, comparatively, RON 23,458 thousand in H1 2022. This is the net accounting result from the Group's upstream GAL Group, which, at 30 June 2023, was classified as a disposal group held for sale (see Note 5 for further details).

The Group classifies non-current assets and disposal groups as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the statement of profit or loss. Assets and liabilities classified as held for sale are presented separately as current items in the statement of financial position. Prior year figures of the consolidated statement of profit or loss has been re-presented to show the discontinued operations separately from continuing operations, while amounts in the statements of financial position for prior periods were not re-presented.

In H1 2023, the **net cash used in operating activities** was RON 152,388 thousand, compared to H1 2022, when it was RON 348,345 thousand. A similar trend was registered at **ALRO's level, the net cash flows used in operating activities** was RON 204,538 thousand in H1 2023 (H1 2022: net cash used in operating activities of RON 390,648 thousand).

The **net cash used in investing activities** was at the Group's level of RON 34,881 thousand in H1 2023 versus H1 2022: RON 123,367 thousand and at ALRO's level RON 23,992 thousand in H1 2023 versus RON 99,240 thousand in H1 2022.

The **net cash flows used in financing activities** in H1 2023 was of RON 118,390 thousand at the Group's level versus RON 347,129 thousand provided in H1 2022, and at **ALRO's level, the net cash used in financing activities** was RON 98,649 thousand in H1 2023 while in H1 2022 it was RON 372,715 thousand provided from loans. In 2023, loans were repaid according to their schedules.

As of 30 June 2023, the Group reported **cash and cash equivalents** of RON 321,081 thousand (31 December 2022: RON 630,068 thousand). At **ALRO's level, the cash and cash equivalents** were of RON 272,911 thousand (31 December 2022: RON 600,090 thousand).

The **Group's total assets** were RON 3,435,326 thousand as of 30 June 2023, lower compared to RON 3,789,934 as of 31 December 2022. The **non-current assets** were RON 1,138,446 thousand as of 30 June 2023 versus 31 December 2022: RON 1,295,604 thousand, while the current assets were RON 2,296,880 thousand in H1 2023 (31 December 2022: RON 2,494,330 thousand). These were driven by **ALRO**, which reported lower **total assets** of RON 3,060,993 thousand as of 30 June 2023 (31 December 2022: RON 3,375,836 thousand), out of which **non-current assets** of RON 1,113,102 thousand as of 30 June 2023 (31 December 2022: RON 1,204,346 thousand) and **current assets** of RON 1,947,891 thousand as at 30 June 2023 versus RON 2,171,490 thousand as at 31 December 2022.

The **current assets** at 30 June 2023 include **Assets held for sale** of RON 108,231 thousand for the Group (nil for Alro) representing the assets of the disposal group GAL (see note 5 for further details). These were consolidated and included in the relevant categories at 31 December 2022, as they were not for sale at that time.

The **non-current assets** include **Goodwill** of RON 15,834 at 30 June 2023 and RON 79,851 thousand at 31 December 2022 for the Group, with the variance representing the impairment of the Goodwill related to GAL Group once the disposal group was appraised at fair value and classified as held for sale (further explanations in Note 17).

The **current assets** include **Government grants receivable** of RON 656,268 thousand for the Group and RON 654,626 thousand for Alro at 30 June 2023 representing the balance receivable for the year 2022 and, on an accrual basis, for the first 6 months of the year 2023. At 31 December 2022, the balance of RON 437,059 thousand for the Group and RON 436,358 for the Company represented the balance computed based on the regulated formula and receivable for the year 2022.

Group's total liabilities decreased by 8% and reached a level of RON 2,051,665 thousand as of 30 June 2023 (31 December 2022: RON 2,240,508 thousand). The main decrease was recorded for loans, which were repaid according to the schedules and not yet renewed. The level of the **Group's non-current liabilities** as of 30 June 2023 was RON 653,650 thousand (31 December 2022: RON 798,210 thousand), while the **Group's current liabilities** were RON 1,398,015 thousand at 30 June 2023 as compared to RON 1,442,298 thousand at 31 December 2022. **ALRO reported total liabilities** of RON 1,799,324 thousand as of 30 June 2023 (31 December 2022: RON 1,962,955 thousand), out of which **non-current liabilities** of RON 598,098 thousand as of 30 June 2023 (31 December 2022: RON 724,243 thousand) and **current liabilities** of RON 1,201,226 thousand as at 30 June 2023 versus RON 1,238,712 thousand as at 31 December 2022.

Bank and other loans: At 30 June 2023, the Group had the amount of RON 47,295 thousand undrawn and available from the borrowing facilities contracted with the banks (at 31 December 2022: RON 61,196 thousand) and the amount of RON 193,467 thousand unutilized and available from the non-cash facilities for letters of credit and letters of guarantee (at 31 December 2022: RON 170,175 thousand). The Group is carrying out discussions with the lending banks for refinancing the working capital loans. For a part of the facilities (the non-cash ones), we have obtained the extension approval.

Operational analysis

ALRO Group

ALRO Group reported a total production of cast aluminium of 95,632 tonnes in H1 2023, which is a lower level than the one reported in H1 2022 of 118,638 tonnes, given the downscaling of the Primary aluminium activity at some points of time in 2022. The processed aluminium production registered a lower volume in H1 2023 than the one recorded in H1 2022 (H1 2023: 46,740 tonnes versus H1 2022: 59,328 tonnes), given the tight market conditions in a turbulent macroeconomic environment.

Alum production remained idle, not producing any alumina in H1 2023 (while in H1 2022 it produced 99,487 tonnes), and bauxite was mined in Sierra Leone at a slightly higher level than in H1 2022, and it was further sold to third party clients.

SMHL produced bauxite at a similar level to the comparative period of 2022, but delivered it only to third party clients in H1 2023.

ALRO

In H1 2023, the Company reported a decrease of 19% in the cast aluminium production compared to H1 2022, and a decrease of 21% in the processed aluminium production.

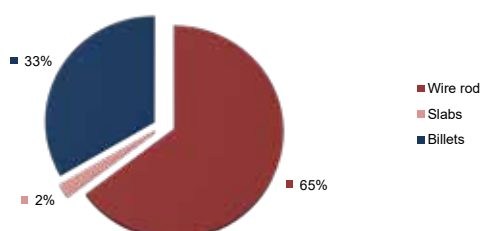
In H1 2023 the primary aluminium sales increased and reported a level of 52,202 tonnes, compared to 50,874 tonnes in H1 2022, mainly due to the wire rod, where we have witnessed a rather low season for cable industry in Q1. The processed aluminium sales decreased in the analysed period, being of 29,321 tonnes in H1 2023 compared to 41,876 tonnes in H1 2022.

Primary Aluminium segment

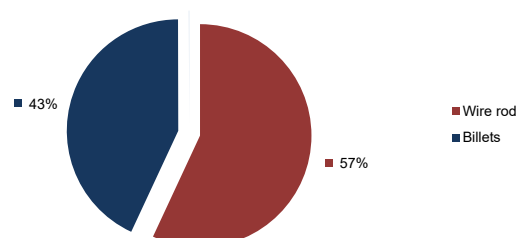
ALRO is the only producer of primary aluminium and aluminium alloys in Romania and one of the largest vertically integrated aluminium producers in Europe measured by production capacity. In H1 2023, the Company continued to improve the mix of products sold due to the implementation of the strategy focused on high value-added products. The main markets for ALRO's primary products in H1 2023 were Romania, Bulgaria, Republic Serbia, Poland, Italy, Hungary, Slovenia and Greece.

The structure of primary aluminium sales based on product types in H1 2023, compared to H1 2022 is presented below:

Primary aluminium: third party sales in H1 2023 (RON th)

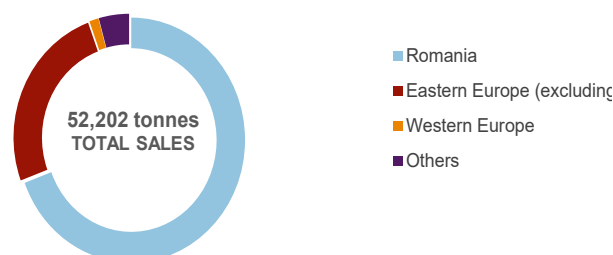


Primary aluminium: third party sales in H1 2022 (RON th)

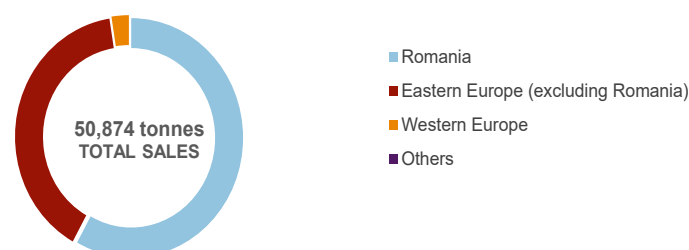


The main primary aluminium markets in H1 2023 versus H1 2022 are detailed below:

Primary aluminium: main markets in H1 2023 (tonnes)



Primary aluminium: main markets in H1 2022 (tonnes)



Processed Aluminium Segment – FRPs and extruded products

Flat-rolled products (FRPs)

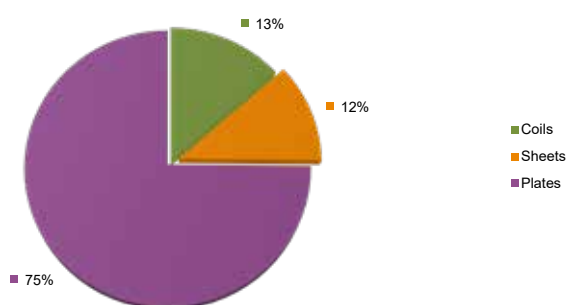
ALRO sells its processed aluminium products, both on domestic and external markets. These products are presented in a diversified range and are produced with high value added, being sold with a superior profit margin compared to the primary aluminium products. While the market for flat rolled products H1 2023 faced low demand in all industrial sectors (except the aerospace and automotive), abundance of metal in European

warehouses among the key distributors, intense competition between both European and overseas producers, which increased the pressure on prices for all flat rolled products, supporting negative corrections on a monthly basis, for the extruded products the Group recorded an increase of sales by 28%, thus proving the new installed extrusion press a success.

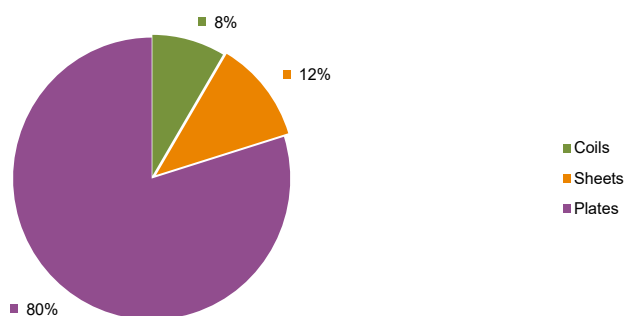
The main markets for ALRO's processed products in H1 2023 were Germany, Italy, the Czech Republic, Austria, France, Romania, Spain, Poland, Denmark, Great Britain, Turkey, Asia, and North America.

The structure of processed aluminium sales based on product types in H1 2023, compared to H1 2022 is detailed below:

Processed aluminium: Sales structure in H1 2023 (RON th)

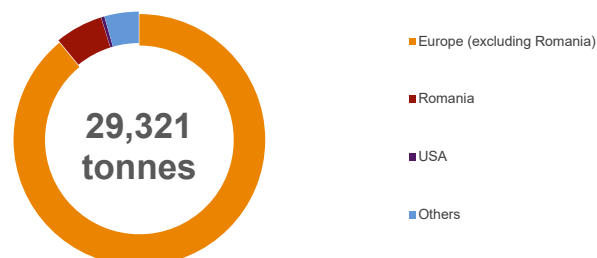


Processed aluminium: Sales structure in H1 2022 (RON th)

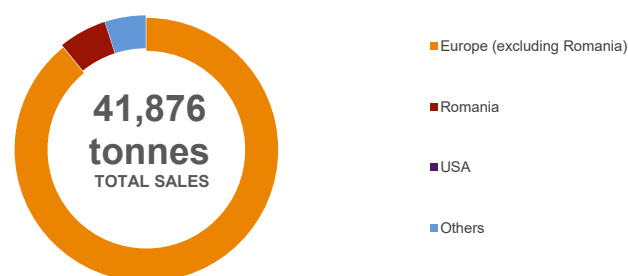


The processed aluminium markets in H1 2023 versus H1 2022 are detailed below:

Processed aluminium (FRP): main markets in H1 2023 (tonnes)



Processed aluminium (FRP): main markets in H1 2022 (tonnes)



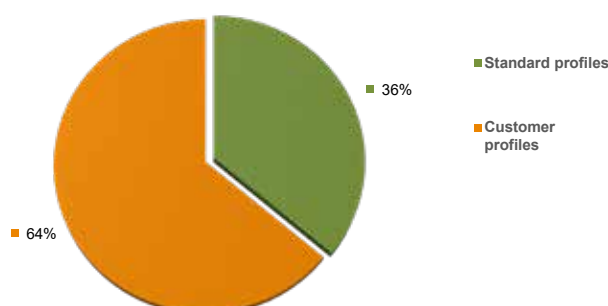
Extruded Products (VE)

Vimetco Extrusion consistently met market demand with the right product mix by allocating the production capacity from a price and long-term profitability point of view most efficiently. Commercial conditions are adjusted on a short-term basis, in line with market evolution, keeping big players' impact on the worldwide economic environment into account.

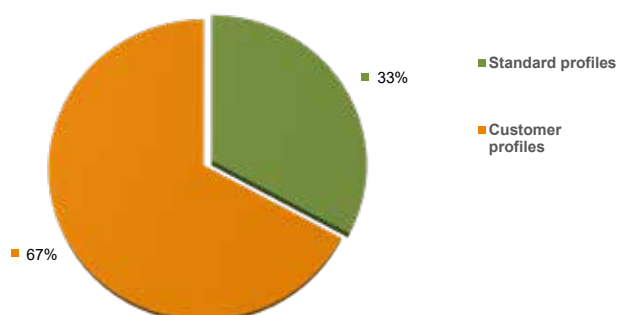
In the end of 2022, Vimetco Extrusion commissioned a new extrusion press of 7", for which it invested EUR 10 million in 2021 and 2022, and with the help of which it is able to increase its production volume by 40% up to 35,000 tonnes per annum.

The structure of extruded products sales based on product types in H1 2023, compared to H1 2022, is detailed below:

Extruded products: Sales structure in H1 2023 (RON th)



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

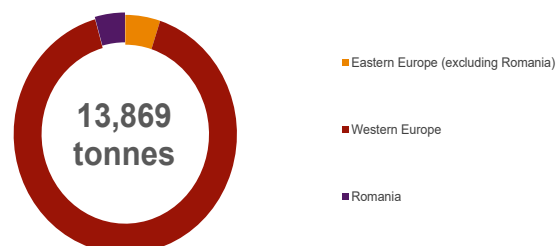


The extruded products markets in H1 2023 versus H1 2022 are detailed below:

Extruded products: main markets in H1 2023 (tonnes)



Extruded products: main markets in H1 2022 (tonnes)



ALUM

ALUM refinery is located in Tulcea, Romania, and 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. During its usual production process, the refinery uses tropical bauxite, meaning the bauxite that was produced in the Group mines in Sierra Leone, which is processed with less energy consumption due to its chemical composition. However, the refinery could utilize bauxite from other sources by implementing minor technological and equipment updates without incurring high costs or delays.

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

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

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

In H1 2023, ALUM production units remained idle (nil production of alumina), while in H1 2022, before the production was suspended, it had produced 99,487 tonnes of alumina. In exchange, Alum purchased alumina from third party suppliers and sold it to Alro in the quantities needed by assuring all the logistic arrangements. Alum achieved a turnover of RON 161,122 thousand in H1 2023 (almost entirely from Alro) and 333,022 in H1 2022 (90% from Alro and 10% from sales of alumina and hydrate to other clients).

For 2023, Alum has an investment budget of 1 million USD, but by 30 June 2023, CAPEX was kept at a minimum level.

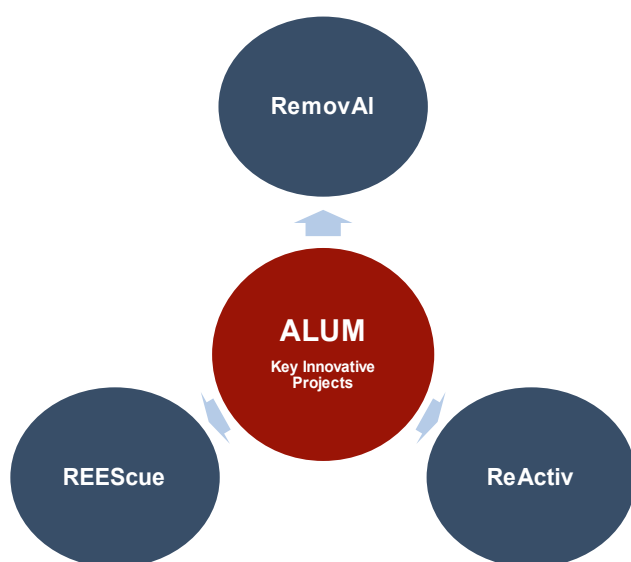
RemovAl Project

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

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

Currently, the project is under finalization stage. ALUM participated in Final Meeting RemovAl, in Athens in June 2023.

All the technologies developed within the project are valid from a technical point of view, three of them also have economic potential, the economic viability depends on: capital investment, transportation distance of the bauxite residue, the storage cost of the bauxite residue, the sale price of the final product obtained, the purchase cost of energy and the efficient use of equipment correlated with the optimization of process parameters.



REEScue Project

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

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

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

At the date of this report, the project is ongoing and will be finalized in October 2023, while the 4th report progress meeting of the projects was organized November 2022.

ALUM's second technical and scientific report was submitted to the national financing authority (UEFSCDI) and received an excellent score.

ReActiv Project

The Industrial Residue activation for sustainable cement production project ("ReActiv") will create a novel sustainable value chain, linking bauxite residue, the by-product of alumina production, with the cement industry. ReActiv focuses on transforming a currently unexploited industrial residue from the alumina sector, Bauxite Residue, into active material for new sustainable cement products. In ReActiv, ALUM participates as a stakeholder, providing appropriate samples of bauxite residue to be processed in the project and contributing to the feasibility studies and business plan development, especially regarding potential technology deployment at cement plants. **The project is estimated to be finalized in October 2024.**

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

Moreover, the ReActiv project's objectives are to:

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

The project began under Lafarge coordination and it is ongoing, according to the agreed schedule. ALUM participated at the 5th Progress meeting in April 2023.

VIMETCO EXTRUSION

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

Vimetco Extrusion Executive Management is composed of Mr Igor Higer – General Director, Mrs. Stefania Yaksan – Finance and HR Director, Costel Pirvu – Plant Director, Loredana Iacob – Sales Director. At the date of this Report, Vimetco Extrusion Board of Directors is composed of five members: Mr Igor Higer (Chairman), Mr Arie Shimon Meisel (Member), Mr Per Lyngaa (Member), Mrs Stefania Yaksan (Member) and Mr Costel Pirvu (Member).

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

Within extruded products, the Group considers its special products to be HVAPs and the machined, painted, and anodized or powder coated products to be VHVAPs. Vimetco Extrusion's products are used in various industries, such as transport, construction, different aluminium metal structures, photovoltaic

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

Continuing the expanding strategy for HVAPs and VHVAPs and maintaining its position as the first choice for its customers, Vimetco Extrusion registered an upward trend in volumes of customized profiles in 2023. Total sales in H1 2023 were 17,800 tonnes, of which 55% (i.e. 9,700 tonnes) represented the added-value products (in H1 2022 total sales: 13,900 tonnes, of which 9,000 customized profiles). By offering mechanical and surface-treated profiles, Vimetco Extrusion has brought the aluminium profiles to another level: closer to extruded finished products. In cooperation with a new customer from UK, VE received the first order for welded products.

The structure of extrusion raw material (aluminium billets) supplied in H1 2023 reached 87% in the local market and 13% in the international market.

In H1 2023, the main investment and operations improvement projects refer to:

- New equipment installation for Added Fabrication department in connection with increased demand from customers for VHVAPs and upgrade of department's infrastructure to improve production flow, logistics and remove physical limits for increasing of production capacity;
- Continue Automatic Packing project implementation with currently active phases:
 - Manual Packing Department relocation,
 - Site preparation & equipment fabrication;
- Die shop correction capabilities improvement with grinding machine installation. At price offers stage;
- Implementation of Advanced Planning System module for ERP system to automatise and improve plant capacity management. Once implemented, company resources will be used at optimal capacity.

Increase the percentage of HVAPs and VHVAPs: VHVAPs - roof hooks, solar systems, assembled parts by investing in equipment able to satisfy customer requirements in terms of Add Fab products, more productive machines with high precision, and VHVAPs-welded products delivery in H2 2023, VE acquired needed equipment to be able to deliver first welded project - beams and other projects for entering the welded products market.

Following the commissioning of a new extrusion line in end of 2022, VE production capacity increased with +40%, to a total of 35,000 tons per year. Even from the beginning VE managed to sell the full production capacity of the 3 running presses and work continuously.

Welding department: by diversifying products and services, Vimetco Extrusion continues its growth strategy ensuring high unique selling advantages that provides a strong position on the market, differentiated from the competitors.

In H1 2023, 2 new emblematic customers for welded products were brought on board: Tobler AG - one of the largest distributor of scaffolding and formwork systems and Soerensen Hydraulik GmbH, new product for VE, welded lifting platforms for commercial trucks.

Vimetco Extrusion is planning to continue investing in increasing its final end-product portfolio. Considering the market opportunities and high demand, VE invested in equipment and machines to expand its portfolio with operations such as welding, tumbling, threading, final products assembly and outsourced more operations related to anodizing, powder coating and CNC machining.

During 2023, all 3 extrusion presses are running at full capacity. Moreover, VE expanding product portfolio in welding department to fulfill the available welding capacity.

In H1 2023, Vimetco Extrusion continued the digitalization project in the HR Department, with the primary goal of reducing hard copy documents.

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

The recruitment program aims to bring together various talents in the company. Colleagues of other nationalities joined the Vimetco Extrusion team in H1 2023.

For H2 2023, VE is planning to finish the digitalization process of the HR department, which refers to the implementation of HR equipment, self-service in the factory for certificates and flyers and leave requests.

Moreover, the company intends to offer internships to students in the relevant departments.

In H1 2023, the main investment and operations improvement project of Vimetco Extrusion is related to an automatic packing line project, for which 1.3 million USD have been invested this year, and another 6 million are planned to be invested in later years.

At the end of 2020, ALRO and Vimetco Extrusion adhered to ASI (Aluminium Stewardship Initiative), the only multi-stakeholder platform that establishes clear sustainability criteria for the aluminium industry. The organization's vision is to maximize the contribution of aluminium to a sustainable society. In 2021, VE also started the steps necessary to obtain the ASI Certification. Both companies set up dedicated multi-disciplinary teams to run a self-assessment process against ASI Performance Standards. After finishing this phase, each company will pass a certification audit.

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

SIERRA MINERAL HOLDINGS I, Ltd. (SMHL)

Before the reporting date, SMHL was responsible for the Group's mining operations and operates bauxite mines located in the Bo, Bonthe, and Moyamba districts in the Southern province of the Republic of Sierra Leone based on the Bauxite Mineral Prospecting and Mining Agreement dated 16 July 2012 entered into with the Government of the Republic of Sierra Leone and valid from 1 January 2012 until 31 December 2031. SMHL has no ownership right concerning the plots of land where the bauxite mines or the other facilities are located but owns some production and accommodation facilities in the mining area and the Nitti port. SMHL operates under a mining lease with a concession area of approximately 321.73 square kilometres.

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

In H1 2023, SMHL produced 491,000 tonnes of bauxite, similar to H1 2022, when it produced 481,569. In terms of sales, in 2023 SMHL delivered bauxite only to third party clients, having in view the closure of Alum production. Its sales were of 483,000 tonnes (in H1 2022 it sold 171,000 tonnes of bauxite externally).

On 31 May 2023, Alum publicly announced the convening of the Extraordinary General Meeting for the approval of the sale, as sole shareholder, of 100% of the share capital of Global Aluminum Ltd. (GAL group) and for the approval of the mandate of the Board of Directors of Alum to negotiate and approve the price and final form of the above transaction. The sale of GAL group was expected to be completed within a year from the reporting date. At 30 June 2023, GAL group was classified as a disposal group held for sale and as a discontinued operation.

The business of GAL group represented the entirety of the Group's Bauxite operating segment until 30 June 2023. With GAL group being classified as discontinued operations, the Bauxite segment is no longer presented in the segment note of the Financial Statements. The Group classifies non-current assets and disposal groups as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the statement of profit or loss. Assets and liabilities classified as held for sale are presented separately as current items in the statement of financial position. Prior year figures of the consolidated statement of profit or loss has been re-presented to show the discontinued operations separately from continuing operations, while amounts in the statements of financial position for prior periods were not re-presented.

The loss from discontinued operations incurred by GAL segment and reflected in Alro Group financial statements for the 6 months ended 30 June 2023 is of RON 96,508 thousand, whereas for the 6 months of 2022 it was of RON 23,458 thousand.

Further explanations are provided in Note 5 to the Financial statements.

CONEF S.A.

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

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

ALRO's project for vertical integration in terms of ensuring the electricity necessary for its own consumption is aimed to be developed through the Group's subsidiary, Conef SA. In this regard, one of the Group's main projects is the building and commissioning of a 470 MW gas-fired combined cycle power plant inside ALRO's premises in Slatina. The estimated benefits for ALRO will be reflected both in the efficiency of the company's electricity supply, but also in its ability to ensure a safe and continuous reserve for the power system regulation of the new renewable energy sources in South-West Oltenia region by the power grid operator. In addition, this project will support Romania's transition to the extensive use of green energy, without greenhouse emissions, thanks to the replacement of the coal-fired electric power production capacities with new electric

power production based on natural gas, and, after the hydrogen/synthetic natural gases (green gases) production technologies will have been defined, these new electric power production capacities can be converted to use the new type of fuel with minimum costs (hydrogen-ready gas turbines).

The Executive Management of Conef is provided by Mr. Marian Nastase – CEO, Mr. Serghei Catrinescu – Deputy CEO. The Board of Directors of Conef is composed by 3 members (Mrs. Alina Rusanu – Chairman, Mr. Ovidiu Balu – Vice-Chairman and Mr. Dragos Voncu- member).

Other information

- the Group is not dependent on a client or a group of clients due to its diversified portfolio customer base;
- in H1 2023, the Group did not buy or hold its shares;
- throughout H1 2023 no mergers or reorganizations took place;
- in H1 2023, 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 in the international market.

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

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

As of 30 June 2023, the Parent-Company and subsidiaries are parties to various litigations or legal proceedings arising in the ordinary course of their business, in which they are either defendants or plaintiffs. The Group Companies are not involved in any litigation or court proceedings and are unaware of any actions of a judicial, arbitral, or administrative nature that could reasonably be expected to materially and adversely affect the Group's business, financial condition, or results of operations.

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

EU-ETS Compensation Scheme

The State aid scheme supporting companies in the sectors and subsectors considered to be exposed to a significant risk of carbon leakage due to the transfer of the greenhouse gas emissions ("GHG") costs into the electricity price introduced by the Emergency Ordinance no. 81/2019 covers the years 2019 and 2020. This scheme was based on the Communication from the Commission 2012/C 158/04 "Guidelines on certain State aid measures in the context of the GHG trading scheme post-2012," which was applicable until 31 December 2020. In September 2020, the European Commission adopted the new ETS State Aid Guidelines post-2021 "Guidelines on certain State aid measures in the context of the system for GHG allowance trading post-2021," which entered into force on 1 January 2021, apply until 2030 and replace the Guidelines mentioned above. In 2022, the Group received the compensation due for the year 2021.

Considering the changes made to GEO no. 138/2022 by issuing GEO no. 29/2023, Ministry of Energy announced on its website that the deadline for the evaluation of applications submitted until 31.03.2023 would start from 01.06.2023, based on the documentation submitted/completed until 30.05.2023. Alro submitted the file on 28.03.2022 and received a clarification request on 26.06.2023 on which responded the next day. In the end of 2022, the Group booked the amount due to be collected for 2022 as a receivable on its Statement of financial position (RON 437,059 thousand for the Group and RON 436,358 thousand for Alro at 31 December 2022).

In H1 2023, the Group and the Company recognized Government grants of RON 219,209 thousand and RON 218,268 thousand, respectively, for the 6 months ended 30 June 2023, on an accrual basis, representing compensation to which the Group and the Company are entitled for the high electricity costs incurred by them in the reporting period (nil in the 6 months ended 30 June

2022, as the regulations started to be applicable only in the end of 2022). These were calculated by using a clear and transparent formula published in the European Guideline on the emission allowance trading scheme (EU-ETS).

Other relevant regulatory updates

14 March 2023 - Commission proposes reform of the EU electricity market design to boost renewables, better protect consumers and enhance industrial competitiveness. The proposed reform foresees revisions to several pieces of EU legislation – notably the Electricity Regulation, the Electricity Directive, and the REMIT Regulation.

Law no. 206/2023 was published on the Official Gazzete on 11 July 2023. The law approves GEO no. 153/2022 which initially amended GEO no. 27/2022 regarding the measures applicable to end customers in the electricity and natural gas market between 1 April 2022 and 31 March 2023, as well as other normative acts in the energy field.

Power purchase agreements

ESMA has noted that some issuers have established agreements that define the price for the delivery of green energy in advance of their consumption (e.g., virtual power purchase agreements) to enable them to achieve their objectives of reducing their carbon footprint and/or to hedge against volatile prices. ESMA calls for transparency on the financial impacts and the accounting treatment applied to such agreements.

We have 13 agreements/transactions including the Centralized Electricity Acquisition Mechanism (CEAM) with deliveries during H1 2023 and daily purchases from the Day Ahead Market platform.

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

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

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

During H1 2023, the Board of Directors consisted of the following members: between 01 January 2023 – 25 April 2023, the Board of Directors consisted of 11 members, as follows: Nastase Marian Daniel - president, Pinzari Svetlana - vice-president, Dobra Gheorghe, Iuga Vasile, Burduja Marinela, Ciocirlan Laurentiu Gabriel, Truta (Gavrila) Oana Valentina, Cheta Voicu, Higer Igor, Nastase Genoveva, Voncu Dragos Adrian.

On 25 April 2023, the OGMS / EGMS took place, following which a new Board of Directors was appointed, also consisting of 11 members, as follows: Nastase Marian Daniel - president, Pinzari Svetlana - vice president, Dobra Gheorghe, Iuga Vasile, Burduja Marinela, Cheta Voicu, Higer Igor, Nastase Genoveva, Voncu Dragos Adrian, Paval Darius, Fercu Adrian. The new mandates are for 4 years, starting with 26 April 2023.

Other information regarding ALRO and ALRO Group

ALRO, governed in a unitary system aligns its activity with the global corporate governance best practices and has three committees in place to sustain and complete its activity, i.e. the Audit Committee – with powers delegated by the Annual General Shareholders Meeting, Remuneration and Nominations Committees and Risk and Sustainability Committee. These three committees inform regularly a member of the Board of the adequacies and effectiveness of the specific requirements outlined in the Committee's terms of reference.

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 2023 there were no amendments regarding the shares owner rights.

Between 01 January 2023 and 30 June 2023, 9 Board meetings were held, attended by all Board members except Mr. Marinela Burduja who participated in 5 out of 9, and Mr. Higer who attended 8 out of 9 sessions.

The Audit Committee (consisting of: Mr. Vasile Iuga, Mr. Adrian Manaiuc and Mr. Dorel Paraschiv) met in 4 meetings attended by 3 out of 3 members. The Remuneration and Nominations Committee (consisting of: Mr. Marian Nastase, Vasile Iuga, Mr. Marinela Burduja) met in 2 meetings attended by 3 out of 3 members.

The Risk and Sustainability Committee (consisting of: Mr. Vasile Iuga, Mr. Marinela Burduja, Mrs. Svetlana Pinzari, Mr. Adrian Fercu and Mr. Darius Paval) met in a single meeting attended by 5 out of 5 members.

Related Party transactions

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

The balances of acquisitions, debts and receivables (if applicable) regarding significant transactions with related parties on 30 June 2023 are presented in the Unaudited Interim Consolidated and Separate Financial Statements for the 6 months ended 30 June 2023. Regarding the nature of these transactions, they refer to goods sold and services rendered by the Group or acquired by the Group, if the case, from related parties such as Vimetco

PLC, Paval Holding SRL, Alum S.A., Vimetco Extrusion SRL, Conef S.A., Sierra Mineral Holdings 1, Ltd., Global Aluminium Ltd., Bauxite Marketing Ltd., Vimetco Trading SRL, Vimetco Management Romania SRL, Vimetco Power Romania SRL, Conef Gaz SRL, Conef Energy SRL, Centrul Rivergate SRL, Rivergate Rating Group SRL, Rivergate Fire SRL.

For more information, about significant transactions with related parties as defined by IAS 24 *Reporting Transactions with Related Parties* under IFRS at the date of this Report, please see *Note 25 Related party transactions* of the Unaudited interim condensed consolidated and separate financial statements for the 6-month period ended 30 June 2023 included in 2023 Half-Year Report.

Corporate Social Responsibility

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

The benefits of implementing the social responsibility management system are:

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

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

The Group has a policy that constantly identifies individuals interested in its activities, recognizes their legal rights, and encourages their cooperation with the companies within the Group to create wealth and jobs and ensure the sustainability of a financially sound enterprise. ALRO publishes each year a CSR Report, which details all the actions and measures implemented for the community. As described above, in H1 2023, partnerships, donations, and sponsorships were the main interaction with the community. Based on the existing internal procedure available at each company level, we have established a transparent and non-discriminatory system for selecting and granting sponsorships.

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

- The legal nature and object of activity of the applicant
- The value of the sponsorship

- The use and justification of the sponsorship
- Other specific criteria

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

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

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

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

At the same time, the Group is responsible for the safety of its products and customers. ALRO Group contributes to the Romanian capital growth and the development of the national economy while ensuring a large number of jobs. ALRO is also a significant contributor to local and national budgets.

In the first semester of 2023, ALRO continued to contribute and provide support in various humanitarian, social and educational actions and activities. These sponsorships were achieved through partnerships with associations and foundations, with activities in the health, educational and social-humanitarian fields.

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

ALUM is a company present in the local community through events or activities with a strong social character. Also, it maintained a continuous dialogue with the local community. ALUM's representatives are involved as active members in various organizations such as The Red Cross in Romania, the County Commission for Equal Opportunities for Women and Men, the Local Development Committee of the Tulcea Social Partnership, the Tripartite Consultative Council set up at Tulcea County Labor Inspectorate, etc. Furthermore, in H1 2023, ALUM has been involved in the relationship with the community by providing material support to disadvantaged groups.

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

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

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

Human resources development

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

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

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

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

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

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

Alro intends to redirect part of the income tax paid to Romanian State for the year 2022, in accordance with the applicable legal provisions. In this respect, as of today, sponsorship contracts have been signed in amount of approximately 7.4 million RON, out of the total value of 9 million RON, which is the maximum amount that can be redirected from the income tax.

This action is aimed to support activities in various fields, as humanitarian, social, cultural, medical, educational, sports, thus reconfirming Alro as a partner of the local community, but also of various associations and foundations with projects carried out at the national level. For example, Alro is a partner in supporting the projects run by the "A Chance for Life" Foundation, "The Association for Health and Successful Education", Slatina County Hospital and the Tulcea County Hospital, Red Cross, Olt and Tulcea branches.

Until now, no complaints or grievances have been received from the community, either from individuals or groups, associations, foundations, or authorities, regarding ALRO's activities and their impact on the local community and the urban area.

Also in H1 2023, the negotiations of the new Collective Labor Agreement were concluded. The contract were registered and applied on March 1, 2023.

In H1 2023, the communication with the employees was made through:

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

ALRO Group training policy

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

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

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

In H1 2023, the professional training of the employees was carried out according to the Annual Training Program.

The training activity within the Group is based on:

- Annual programs for professional development;
- Operational procedures on professional development, competencies, awareness and training, certifications, and professional assessments;
- Collective Labor Agreement;

- Human resources – specialized organizational structure within the Parent-Company and each subsidiary.

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

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

In H1 2023 were organized qualification and re-qualification professional courses. Furthermore, courses for authorizing employees to practice occupations that require additional qualifications besides the document that certifies the respective occupation (for example, training and authorization courses for NDT operators, ISCIR authorizations, authorization of operators carrying out activities in the field of natural gas, etc.) have also been organized.

ALRO employees also participated in conferences, such as the AROEND Symposium - the International NDT Non-Destructive Examination Seminar, the Fire Safety Conference - the Renewable Energy Market Seminar in Romania - XXIX edition.

TESA employees from all fields of activity (such as technical, industrial automation, IT, economic and others) have followed professional training programs or specialization programs to access the most advanced information, best technical and financial practices and other fields of interest to the Company. The training and professional specialization of the employees involved in the "AERO" and "AUTO" Projects continued. The organization of internal professional training programs will continue, the purpose of which is to change the mindset of employees regarding self-control, quality, cost reduction, efficient use of the resources necessary to carry out activities, compliance with the system and operational procedures, as well as improving communication. with support and guidance from external consultants.

In H1 2023, the following programs were organized:

- Risk Management based on ISO 31000:2018 – organized by TUK Varpas
- First aid course - Red Cross
- Platform for training programs in areas such as management,

leadership, communication, human resources, use of office programs, etc. - E - Learning Company

- Forklift extension training course
- Extension training course for overhead crane operator – RINA SIMTEX

Alro is also focused on the organization and development of ISCIR qualification and/or authorization programs for workers for the occupations of forklift operators and overhead crane operators, but also on the NDT / UT authorization of operators with duties and responsibilities in the AERO and AUTO fields.

Anticipated professional training

The main goal is to offer advanced training to future potential employees (i.e. pupils from vocational and high schools, students, other categories of young people, etc.).

Dual professional education The Academy Skills Project

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

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

In H1 2023, Alro is training 41 students in professional qualification programs in dual regime, in the professions of mechanic and electrician. ALRO will financially support the students, during the internship, by awarding scholarships for RON 200/month/student. The scholarship is awarded every school year based on the contracts concluded between ALRO, the Metallurgical Technical College, the student and the parent/person/guardian who exercises parental authority for the minor student. ALRO provides the internship, work equipment and hot meal and, depending on needs, it offers the possibility to hire students after graduating from the qualification exam that will be held at the end of the schooling period.

Subsequent events

Starting July 2023, the Parent Company of the Group is subject to a substantive fiscal audit by the National Agency for Fiscal Administration for the period January 2016 - December 2020. The Company management cannot estimate a potential impact from this fiscal audit.

The Group has received an unsolicited offer from a local investor in Sierra Leone for acquiring 100% of the capital of Sierra Mineral Holdings 1 Ltd ("SMHL"), a company registered in the British Virgin Islands, owned 100% by Alum S.A. through the company Global Aluminum Limited, also registered in the British Virgin

Islands. On 10 July 2023 the Extraordinary General Meeting of Shareholders of the subsidiary Alum approved the sale of Global Aluminium Ltd BVI (GAL) and mandated the Company's Board of Directors to negotiate and to approve the price and the final form of the transaction.

In respect of the joint venture project between Alro SA and Complexul Energetic Oltenia (CE Oltenia) related to the construction of a new gas-fired power unit of 850 MW combined cycle power plant, the negotiations were finalized for the documentation necessary to set up the SPV, the final form of these projects has been agreed upon, and at present work is in progress for the financing of Alro's equity contribution to the new SPV company called CCGT Power Isalnita SA. On 31 July 2023, CE Oltenia summoned its General Shareholders' Meeting for 28 August 2023 to approve the joint venture shareholders' agreement and the set up of the company.

At the date when these interim financial statements were authorized for issue, negotiations with the banks were still ongoing in respect of the terms and conditions for extending the two revolving loans expiring in November 2023.

On 11 July 2023 the Law 206/2023 was published in the Official Gazette, regarding the approval of the Government's Emergency Ordinance no. 153/2022 which ultimately amends the Government Emergency Ordinance no. 27/2022 regarding the measures applicable to final customers in the electricity and natural gas market in the period 1 April 2022 – 31 March 2023 with entry into force starting from 14 July 2023.

The modification of Articles 5 and 6 changes the mechanism for calculating the final invoiced price for some of the end customers of natural gas and electricity based on the supplier's acquisition costs plus margin and taxes, during the period 1 January 2023 – 31 March 2025. If the price from the supply contract in force concluded with the final customers is lower than the final price resulting from the application of the emergency ordinance, the contractual price is applied. The Group and the Company expect a positive future impact on its financial results coming from the implementation of this law, but are currently unable to make a certain estimation of the financial outcome. Discussions with the electricity suppliers and clarifications from the authorities to determine the application of the new law are undergoing and any material updates or further details will be disclosed subsequently as appropriate.

For details regarding the events that could impact the financial statements, please see *Note 27 - Events after the reporting date* of the Interim condensed consolidated and separate financial statements for the six months ended 30 June 2023 included in this Report.

Shareholders' information

General information

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

Since 2019 until July 2023, Alro shares were included in the BET index of the Romanian Stock Exchange (BVB). After a IPO worth EUR 1.9 billion, the largest ever from the Bucharest Stock Exchange (BSE), Hidroelectrica became the largest Romanian company listed on BSE, representing about 22% of the total capitalization of the stock exchange and was included in the BSE's indices starting 12 July 2023, through the exclusion of Alro from BET, BET-TR, and BET-TRN indices.

Total market value as of 30 June 2023 for ALRO is RON 1,167,028,886 (calculated based on the BSE quotation available on 30 June 2023 - the last day of H1 2023 when ALRO's shares were traded: 713,779,135 shares * 1.635 RON/ share).

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

Exchange rates

H1 2023

Average USD per RON 4,5654
End of period USD per RON 4,5750
Average EUR per RON 4,9335
End of period EUR per RON 4,9909

LME 3 months quotation average in H1 2023: 2,360 USD/tonne

H1 2022

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

LME 3 months quotation average in H1 2022: 3,088 USD/tonne

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| EVENT | DATE |
|--|-------------|
| Publication of 2022 Preliminary Annual Financial Results | 27 February |
| Conference Call for 2022 Annual Results proposed for shareholders approval | 27 March |
| Annual General Shareholders Meeting ("GSM") for the approval of 2022 results | 25 April |
| Publication of the Annual Report as at 31 December 2022 | 25 April |
| Publication of the Quarterly Report for the first quarter of 2023, i.e. 1 January - 31 March 2023 ("Quarter I 2023") | 12 May |
| Quarter I 2023 Results Conference Call | 15 May |
| Publication of the Half-Year Report for the six-month period ending 30 June 2023, i.e. 1 January - 30 June 2023 ("2023 Half-Year") | 9 August |
| 2023 Half-Year Results Conference Call | 11 August |
| Publication of the Quarterly Report for the third quarter 2023, i.e. 1 January - 30 September 2023 ("Quarter III 2023") | 13 November |
| Quarter III 2023 Results Conference Call | 15 November |

Outlook for H2 2023

Market

LME prices continue to remain under pressure, due to contractions in world manufacturing activity, slow rebound in China and capacity restarts, also in China. For Q3 2023, the market uncertainty remains high: we may witness a stable demand in automotive and aerospace, but soft demand in others, such as building and construction. Aluminium market is expected to remain balanced globally.

While pricing may continue to be weak in the coming months, the expectations are that positives will come from the costs side, where some of the main raw materials costs are on a downward trend. However, due to the acquisition of ingots and scrap at LME linked prices, the impact of LME is below the overall result.

While its recovery is still below expectations, China has stepped up its support for the yuan with a stronger-than-expected reference rate and signaled further measures to bolster economic growth, such as support for real estate sector and measures to boost consumption (according to Bloomberg).

Aluminium holdings in the London Metal Exchange warehouses remained at lows compared to their historical levels, and this situation is expected to continue through the rest of the year. Current levels may prove insufficient if demand normalizes in China or in the rest of the world, with positive impact on prices.

Sales

In respect of Primary aluminium sales, for H2 the production is overwhelmingly contracted, but on the market we estimate that the demand will continue its negative trend, both from a quantitative standpoint, but also as far as the premiums are concerned. Aggressive competition from Russian and Turkish billets producers will continue to keep the situation under pressure.

For FRP, we expect a very challenging H2, assuming that the macroeconomic environment remains unsupportive to the business activity (further interest rates increases bringing more negative pressure on the economy). Low demand recovering at a rather slow pace, excess production capacities, elevated inventory levels will continue to have an impact in the market situation in H2, both pricewise and quantity-wise.

Alro will intensify the efforts to reach end customers and new markets, such as Israel. Alro is actively involved in expanding its sales further downstream, driven by the tremendous opportunities and potential for growth that lie within several industrial sectors, such as the aerospace, space and automotive. By directly engaging with end users in these areas, we aim to build stronger connections and better understand the specific needs and requirements, helping us to offer tailored solutions. Our expansion into these dynamic markets aligns with our

strategic goals and vision for growth, as well as with our ongoing product portfolio expansion, with new alloys already qualified or in advanced stages of qualification with reputable OEMs. The successful development so far of our cut-to-size business will also play a significant role in attaining our sales goals.

Alro will continue to have an active presence at reputable fairs and B2B events targeting particularly the aerospace business, such as: Aerospace & Defense Meetings Torino (Nov 28-30), Seoul International Aerospace & Defense Exhibition (Oct 17-21), Aerospace Meetings Casablanca (Oct 3-5), Aviation Forum Germany (Dec 5-6). Aside these fairs, we have confirmed our attendance as visitors at Europort Rotterdam (Nov 7-10) and UK Metal Expo (Sep 13-14), International Aluminium Conference 2023 Fastmarkets (Sep 12-14), LME Week (Oct 9-11).

Procurement

In H2 2023, the Group targets to continue to keep under control the purchase of raw materials as much as possible regarding prices and stocks. It also aims to increase the purchase of aluminium scrap volumes according to the production plan, taking into account the increase in the recycling capacity of the Company. It also has in view the planning and scheduling of deliveries in order to avoid stock outs or over stocks and where possible dual and/or multiple sourcing in order to improve supply assurance.

Energy

The liquidity of the market is still low due to the law 270, which doesn't allow transactions from producers of energy directly on the market but through MACEE. However the prices are more stable in the past months, with a current trend at around 135 euro/MWh for the end of 2023. Since the CEAM is in place, we are currently securing all of our remaining quantities for 2023 at a 450 lei/MWh price through this mechanism.

Investments

In H2 2023, Alro will complete the implementation of the investment project "Develop the scrap remelting capacities in Eco Recycling Workshop by installing two double chamber furnaces, one holding furnace and the related fume collection and treatment plant" by the commissioning of the second double chamber furnace by the end of 2023. This project will secure the metal required for the FRP increase, while improving the technological process energy efficiency as a result of increasing the share of recycled scrap, Alro reaching an impressive 100,000 tpa scrap recycling capacity by the end of 2023.

The projects approved and started in the first part of the year, i.e. the new immersion ultrasound system, a new plate saw, "Fitting out a new production flow designed for cutting rolled plates at the dimensions required by the customers of ALRO SA", targeting

the increase of the flat rolled production up to 120 000 tpa and, respectively, the increase of the HVAP production and offer new types of products on the market, closer to the customers' dimensional and shape requirements, will continue according to the contract schedules so as to be operational in 2024.

In order to reduce the electric power consumption on the smelter pots and to continue the energy efficiency improvement programme, the smelter pots relining programme using AP12LE technology will continue, and 11 more new pots being planned to be relining in H2 2023 within the 2023 Investment Programme, according to the maintenance and production schedules, along with the maintenance and continuous improvement projects.

In terms of Research and Development, the applied research topics will continue to improve the operation of technological processes and reduce the consumption of utilities: submission of new projects within the Horizon program.

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

Abbreviations and definitions used in this report

| | |
|--------------------|---|
| ASF | Romanian Financial Supervisory Authority |
| ASI | Aluminium Stewardship Initiative |
| ATS | Alternative trading system on BSE |
| BAT | Best Available Techniques |
| BoD | Board of Directors |
| BSE | Bucharest Stock Exchange |
| BSE Code | Corporate Governance Code issued by BSE and applicable to listed companies |
| CIFGA | Interministerial Committee on Finance, Guarantees and Insurances |
| EBIT | Earnings before interest and taxes |
| EBITDA | Earnings before interest, taxes, depreciation, amortization and impairment |
| EGSM | Extraordinary General Shareholders Meeting |
| EO | Emergency Ordinance |
| EU ETS | European Union's Emissions Trading System |
| EUID | The European Unique Identifier |
| EURIBOR | Euro Interbank Offered Rate |
| FRP | Flat Rolled Product |
| FSA | Financial Supervisory Authority, Romania |
| GD | Government Decision |
| GSM | General Shareholders Meeting |
| H1/H2 | Half-year |
| HVAPs | High value added products |
| IATF | International Automotive Task Force |
| IAS | International Accounting Standards |
| IFRS | International Financial Reporting Standards |
| KPI | Key Performance Indicator |
| ISO | International Organization for Standardization |
| LC | Letter of credit |
| LIBOR | London Interbank Offered Rate |
| LME | Refers to LME 3 months (LME-London Metal Exchange) |
| NADCAP | National Aerospace and Defense Contractor Accreditation Program of Performance Review Institute |
| OEM | Original Equipment Manufacturer |
| OGSM | Ordinary General Shareholders Meeting |
| ROAFM | Romanian Register of the Environmental Fund Administration |
| ROBOR | Romanian Interbank Offered Rate |
| VHVAPs | Very high value added products |
| Q1/Q2/Q3/Q4 | Quarter 1/Quarter 2/Quarter 3/Quarter 4 |
| RES | Renewable Energy Sources |
| RTA | Rio Tinto Aluminium Pechiney |
| SIATD | The IT system for ensuring the traceability of waste |
| TPA | tonnes per annum |
| U.S.A | United States of America |
| RTA | Rio Tinto Aluminium Pechiney |
| SIATD | The IT system for ensuring the traceability of waste |
| TPA | tonnes per annum |
| U.S.A | United States of America |

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

**Interim condensed consolidated and separate financial
statements for the six months ended 30 June 2023**

Alro S.A. and its subsidiaries

Interim consolidated and separate statement of profit or loss and other comprehensive income for the six months ended 30 June 2023 - unaudited

in RON '000,
except per share data

| | Note | Alro Group | | Alro | |
|--|------|----------------------------------|-----------------------------------|----------------------------------|----------------------------------|
| | | Six months ended 30 June 2023 | Six months ended 30 June 2022* | Six months ended 30 June 2023 | Six months ended 30 June 2022 |
| Continuing operations | | | | | |
| Revenue from contracts with customers | 6 | 1,558,613 | 2,088,243 | 1,358,643 | 1,972,884 |
| Cost of goods sold | | -1,609,739 | -1,773,816 | -1,499,606 | -1,750,194 |
| Gross result | | -51,126 | 314,427 | -140,963 | 222,690 |
| General, administrative and selling expenses | 8 | -158,824 | -136,926 | -104,038 | -101,934 |
| Impairment of investments | | - | - | -74,480 | -180 |
| Other operating income | 9 | 247,037 | 7,559 | 232,408 | 6,339 |
| Other operating expenses | 10 | -42,554 | -14,051 | -10,059 | -9,285 |
| Operating result (EBIT) | | -5,467 | 171,009 | -97,132 | 117,630 |
| Interest expenses | 11 | -63,879 | -32,210 | -60,293 | -29,920 |
| Gains (losses) from derivative financial instruments, net | 18 | - | -2,446 | - | -2,446 |
| Other financial income | | 12,610 | 2,719 | 12,142 | 3,530 |
| Other financial costs | | -16,622 | -15,980 | -15,298 | -15,419 |
| Net foreign exchange gains / (losses) | | 8,978 | -64,837 | 9,364 | -59,100 |
| Result before income taxes from continuing operations | | -64,380 | 58,255 | -151,217 | 14,275 |
| Income tax | 12 | -3,206 | -19,480 | 5 | -13,561 |
| Result for the period from continuing operations | | -67,586 | 38,775 | -151,212 | 714 |
| Discontinued operations | | | | | |
| Result after tax for the period from discontinued operations | 5 | -96,508 | -23,458 | - | - |
| Result for the period | | -164,094 | 15,317 | -151,212 | 714 |
| Other comprehensive income / (expense), net of tax: | | | | | |
| Items that will not be reclassified subsequently to profit or loss: | | | | | |
| Remeasurements of post-employment benefit obligations | 7 | - | -30 | - | - |
| Items that may be reclassified subsequently to profit or loss: | | | | | |
| Translation adjustment | | -1,678 | 17,011 | - | - |
| Other comprehensive income / (expense) for the period, net of tax | | -1,671 | 16,981 | - | - |
| Total comprehensive income / (expense) for the period | | -165,765 | 32,298 | -151,212 | 714 |
| Result attributable to: | | | | | |
| Shareholders of Alro S.A. | | -163,407 | 15,357 | -151,212 | 714 |
| Non-controlling interest | | -687 | -40 | - | - |
| Total comprehensive income / (expense) attributable to: | | -164,094 | 15,317 | | |
| Shareholders of Alro S.A. | | -165,070 | 32,235 | -151,212 | 714 |
| Non-controlling interest | | -695 | 63 | - | - |
| Earnings per share | | | | | |
| Basic and diluted (RON) | 13 | -0.229 | 0.022 | -0.212 | 0.001 |
| Basic and diluted (RON) for continuing operations | | -0.095 | 0.054 | | |

* Prior year figures of the consolidated statement of profit or loss have been re-presented to show the discontinued operations separately from continuing operations (see Note 5 for details).

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

These financial statements were authorized for issue by the Board of Directors on 8 August 2023.

Interim consolidated and separate statement of financial position as at 30 June 2023 - unaudited

in RON '000

| | Note | Alro Group | | Alro | |
|---|------|------------------|------------------|------------------|------------------|
| | | 30 June 2023 | 31 December 2022 | 30 June 2023 | 31 December 2022 |
| Assets | | | | | |
| Non-current assets | | | | | |
| Property, plant and equipment | 14 | 996,941 | 1,090,979 | 736,749 | 752,559 |
| Investment properties | | 587 | 602 | 4,208 | 3,797 |
| Intangible assets | | 3,108 | 3,479 | 2,689 | 2,971 |
| Investments in subsidiaries | | - | - | 258,842 | 333,322 |
| Goodwill | 17 | 15,834 | 79,851 | - | - |
| Right-of-use assets | | 9,232 | 7,092 | 3,939 | 4,923 |
| Deferred tax asset | | 34,859 | 35,825 | 30,550 | 30,725 |
| Other non-current financial assets | 19 | 77,885 | 77,776 | 76,125 | 76,049 |
| Total non-current assets | | 1,138,446 | 1,295,604 | 1,113,102 | 1,204,346 |
| Current assets | | | | | |
| Inventories | 20 | 918,294 | 1,168,187 | 751,688 | 884,229 |
| Trade receivables, net | | 113,903 | 69,780 | 115,400 | 104,930 |
| Current income tax receivable | | 2,237 | 1,817 | - | - |
| Other current financial assets | 21 | 695,830 | 510,765 | 663,942 | 469,914 |
| Other current non-financial assets | | 57,384 | 25,025 | 91,219 | 59,596 |
| Restricted cash | 22 | 79,920 | 88,688 | 52,731 | 52,731 |
| Cash and cash equivalents | 22 | 321,081 | 630,068 | 272,911 | 600,090 |
| Assets held for sale | 5 | 108,231 | - | - | - |
| Total current assets | | 2,296,880 | 2,494,330 | 1,947,891 | 2,171,490 |
| Total assets | | 3,435,326 | 3,789,934 | 3,060,993 | 3,375,836 |
| Shareholders' Equity and Liabilities | | | | | |
| Shareholders' equity | | | | | |
| Share capital | | 370,037 | 370,037 | 370,037 | 370,037 |
| Share premium | | 86,351 | 86,351 | 86,351 | 86,351 |
| Other reserves | | 355,316 | 356,986 | 306,191 | 306,191 |
| Retained earnings | | 734,087 | 324,009 | 650,302 | 319,331 |
| Result for the period | | -163,407 | 410,071 | -151,212 | 330,971 |
| Equity attributable to shareholders of Alro S.A. | | 1,382,384 | 1,547,454 | 1,261,669 | 1,412,881 |
| Non-controlling interest | | 1,277 | 1,972 | - | - |
| Total shareholders' equity | | 1,383,661 | 1,549,426 | 1,261,669 | 1,412,881 |
| Non-current liabilities | | | | | |
| Bank and other loans, non-current | 23 | 544,650 | 670,097 | 543,135 | 667,034 |
| Leases, non-current | 23 | 5,565 | 3,831 | 2,146 | 2,812 |
| Provisions, non-current | 24 | 27,482 | 43,125 | 2,716 | 2,656 |
| Post-employment benefit obligations | | 24,413 | 27,154 | 22,331 | 22,301 |
| Government grants, non-current portion | | 33,036 | 35,169 | 27,139 | 28,861 |
| Other non-current financial liabilities | | 18,504 | 18,834 | 631 | 579 |
| Total non-current liabilities | | 653,650 | 798,210 | 598,098 | 724,243 |
| Current liabilities | | | | | |
| Bank and other loans, current | 23 | 1,010,713 | 1,015,044 | 994,254 | 976,572 |
| Leases, current | 23 | 2,829 | 2,465 | 1,815 | 2,067 |
| Provisions, current | 24 | 8,895 | 32,435 | 2,389 | 16,982 |
| Trade and other payables | | 216,097 | 230,633 | 159,917 | 127,637 |
| Contract liabilities | 6 | 12,075 | 20,222 | 11,649 | 19,637 |
| Current income taxes payable | | 4,922 | 70,056 | - | 65,810 |
| Government grants, current portion | | 4,267 | 4,267 | 3,442 | 3,442 |
| Other current liabilities | | 39,693 | 67,176 | 27,760 | 26,565 |
| Liabilities associated with the assets held for sale | 5 | 98,524 | - | - | - |
| Total current liabilities | | 1,398,015 | 1,442,298 | 1,201,226 | 1,238,712 |
| Total liabilities | | 2,051,665 | 2,240,508 | 1,799,324 | 1,962,955 |
| Total shareholders' equity and liabilities | | 3,435,326 | 3,789,934 | 3,060,993 | 3,375,836 |

The accompanying notes are an integral part of these interim condensed consolidated financial statements.
These financial statements were authorized for issue by the Board of Directors on 8 August 2023.

Interim consolidated statement of changes in shareholders' equity for the six months ended 30 June 2023 ALRO Group - unaudited

| | Share capital | Share premium | Other reserves |
|--|----------------|---------------|----------------|
| Balance at 1 January 2022 | 370,037 | 86,351 | 375,866 |
| Result for the period | - | - | - |
| Other comprehensive income / (expense) | | | |
| Translation adjustment | - | - | - |
| Remeasurements of post-employment benefits | - | - | - |
| Other comprehensive income / (expense) | - | - | - |
| Total comprehensive income / (expense) | - | - | - |
| Transactions with owners of the company recognized directly in equity | | | |
| Distributions to owners of the company | | | |
| Appropriation of prior year result | - | - | 414 |
| Balance at 30 June 2022 | 370,037 | 86,351 | 376,280 |
| Balance at 1 January 2023 | 370,037 | 86,351 | 375,866 |
| Result for the period | - | - | - |
| Other comprehensive income / (expense) | | | |
| Translation adjustment | - | - | - |
| Remeasurements of post-employment benefits | - | - | - |
| Other comprehensive income / (expense) | - | - | - |
| Total comprehensive income / (expense) | - | - | - |
| Transactions with owners of the company recognized directly in equity | | | |
| Distributions to owners of the company: | | | |
| Appropriation of prior year result | - | - | - |
| Balance at 30 June 2023 | 370,037 | 86,351 | 375,866 |

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

These financial statements were authorized for issue by the Board of Directors on 8 August 2023.

| Translation reserve | Total other reserves | Retained earnings | Result for the period | Attributable to shareholders of Alro SA | Non-controlling interests | Total shareholders' equity |
|---------------------|----------------------|-------------------|-----------------------|---|---------------------------|----------------------------|
| -33,043 | 342,823 | 288,344 | 26,426 | 1,113,981 | 2,475 | 1,116,456 |
| - | - | - | 15,357 | 15,357 | -40 | 15,317 |
| 16,908 | 16,908 | - | - | 16,908 | 103 | 17,011 |
| - | - | -30 | - | -30 | - | -30 |
| 16,908 | 16,908 | -30 | - | 16,878 | 103 | 16,981 |
| 16,908 | 16,908 | -30 | 15,357 | 32,235 | 63 | 32,298 |
| - | 414 | 26,012 | -26,426 | - | - | - |
| -16,135 | 360,145 | 314,326 | 15,357 | 1,146,216 | 2,538 | 1,148,754 |
| -18,880 | 356,986 | 324,009 | 410,071 | 1,547,454 | 1,972 | 1,549,426 |
| - | - | - | -163,407 | -163,407 | -687 | -164,094 |
| -1,670 | -1,670 | - | - | -1,670 | -8 | -1,678 |
| - | - | 7 | - | 7 | - | 7 |
| -1,670 | -1,670 | 7 | - | -1,663 | -8 | -1,671 |
| -1,670 | -1,670 | 7 | -163,407 | -165,070 | -695 | -165,765 |
| - | - | 410,071 | -410,071 | - | - | - |
| -20,550 | 355,316 | 734,087 | -163,407 | 1,382,384 | 1,277 | 1,383,661 |

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

These financial statements were authorized for issue by the Board of Directors on 8 August 2023.

Interim separate statement of changes in shareholders' equity for the six months ended 30 June 2023 - ALRO - unaudited

in RON '000

| | Share capital | Share premium | Other reserves | Retained earnings | Result for the period | Total |
|--|----------------|---------------|----------------|-------------------|-----------------------|------------------|
| Balance at 1 January 2022 | 370,037 | 86,351 | 306,191 | 275,397 | 35,210 | 1,073,186 |
| Result for the period | - | - | - | - | 714 | 714 |
| Total comprehensive income / (expense) | - | - | - | - | 714 | 714 |
| Transactions with owners of the company recognized directly in equity | | | | | | |
| Distributions to owners of the company | | | | | | |
| Appropriation of prior year result | - | - | - | 35,210 | -35,210 | - |
| Balance at 30 June 2022 | 370,037 | 86,351 | 306,191 | 310,607 | 714 | 1,073,900 |
| Balance at 1 January 2023 | 370,037 | 86,351 | 306,191 | 319,331 | 330,971 | 1,412,881 |
| Result for the period | - | - | - | - | -151,212 | -151,212 |
| Total comprehensive income / (expense) | - | - | - | - | -151,212 | -151,212 |
| Transactions with owners of the company recognized directly in equity | | | | | | |
| Distributions to owners of the company | | | | | | |
| Appropriation of prior year result | - | - | - | 330,971 | -330,971 | - |
| Balance at 30 June 2023 | 370,037 | 86,351 | 306,191 | 650,302 | -151,212 | 1,261,669 |

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

These financial statements were authorized for issue by the Board of Directors on 8 August 2023.

Interim consolidated and separate statement of cash flows for the six months ended 30 June 2023 - unaudited

in RON '000

| | Note | Alro Group | | Alro | |
|--|-----------|----------------------------------|----------------------------------|----------------------------------|----------------------------------|
| | | Six months ended 30 June 2023 | Six months ended 30 June 2022 | Six months ended 30 June 2023 | Six months ended 30 June 2022 |
| Cash flow from operating activities | | | | | |
| Result before income taxes from continuing operations | | -64,380 | 58,255 | -151,217 | 14,275 |
| Result after tax for the period from discontinued operations | | -96,508 | -23,485 | - | - |
| <i>Adjustments for:</i> | | | | | |
| Depreciation and amortisation | | 82,035 | 72,382 | 53,598 | 49,242 |
| Impairment of investments | | - | - | 74,480 | 180 |
| Impairment of property, plant and equipment | | 8,101 | - | - | - |
| Impairment of goodwill | | 63,062 | - | - | - |
| Movement in provisions | | -20,945 | 2,475 | -14,593 | - |
| Change in allowance for impairment of inventory | 20 | -38,607 | 12,352 | -48,144 | 12,352 |
| Change in allowance for impairment of doubtful receivables | 8 | 124 | -172 | 43 | -317 |
| Losses/(gains) on disposal of property, plant and equipment | | -262 | 535 | -464 | 345 |
| Net foreign exchange (gains)/ losses on loans revaluation | | -10,572 | 64,633 | -8,206 | 59,518 |
| Interest income | | -12,249 | -2,519 | -12,142 | -2,452 |
| Interest expense | 11 | 64,819 | 33,056 | 60,293 | 29,920 |
| Dividend income | | - | - | - | -1,078 |
| Gain/loss on derivative instruments at fair value through profit or loss | 18 | - | 2,446 | - | 2,446 |
| <i>Changes in working capital:</i> | | | | | |
| Change in inventories | | 255,672 | -296,612 | 176,807 | -281,757 |
| Change in trade receivables and other assets | | -276,561 | -112,495 | -236,441 | -53,271 |
| Change in trade and other payables | | 26,100 | -105,550 | 26,661 | -171,968 |
| Income taxes (paid)/refunded | | -69,467 | -6,895 | -65,630 | -3,360 |
| Interest paid | | -62,750 | -29,928 | -59,583 | -27,900 |
| Cash receipts/ (Payments) from derivatives, net | | - | -16,823 | - | -16,823 |
| Net cash generated by / (used in) operating activities | | -152,388 | -348,345 | -204,538 | -390,648 |
| Cash flow from investing activities | | | | | |
| Purchase of property, plant and equipment and intangible assets, net | | -56,673 | -60,231 | -36,202 | -36,570 |
| Proceeds from sale of property, plant and equipment | | 882 | 683 | 68 | 35 |
| Dividends received | | - | - | - | 1,078 |
| Change in restricted cash | 19, 22 | 8,768 | -66,333 | - | -66,235 |
| Interest received | | 12,142 | 2,514 | 12,142 | 2,452 |
| Net cash used in investing activities | | -34,881 | -123,367 | -23,992 | -99,240 |
| Cash flow from financing activities | | | | | |
| Proceeds from loans | | 48,294 | 431,266 | 19,003 | 420,052 |
| Repayment of loans and leases | | -166,684 | -84,136 | -117,652 | -47,336 |
| Dividends paid | | - | -1 | - | -1 |
| Net cash provided by/(used in) financing activities | | -118,390 | 347,129 | -98,649 | 372,715 |
| Net change in cash and cash equivalents | | -305,659 | -124,583 | -327,179 | -117,173 |
| Cash and cash equivalents at beginning of period | | 630,068 | 328,428 | 600,090 | 305,090 |
| Effect of exchange rate differences on cash and cash equivalents | | 3 | 104 | - | - |
| Cash and cash equivalents at end of period | 22 | 324,412 | 203,949 | 272,911 | 187,917 |

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

These financial statements were authorized for issue by the Board of Directors on 8 August 2023

Notes to the interim condensed consolidated and separate financial statements - unaudited

in RON '000, except per share data

1. Organisation and nature of business

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

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

The majority shareholder of Alro S.A. is Vimetco PLC, a private limited liability company registered under the laws of Cyprus, based in Navarinou 18, Navarinou Business Centre, Agios Andreas, 1100, Nicosia, Cyprus. The company is ultimately controlled by Maxon Limited (Bermuda).

Alro S.A. and its subsidiaries (collectively referred to as the Group) form a vertically integrated producer of primary and processed aluminium products: in Sierra Leone the bauxite was extracted and used to produce alumina in the Alum refinery at Tulcea; this is further used by Alro at its smelter in Slatina to produce aluminium. Alro casts aluminium into primary products that are sold or processed as higher value added products (flat rolled or extruded) within Alro or Vimetco Extrusion facilities. The Group has its customers primarily in Central and Eastern Europe. Due to the prohibitive power and natural gas prices, currently Alro works with 2 out of 5 of its electrolysis potrooms and starting August 2022 it ceased the production of alumina at Alum, which now buys alumina from the market for the Group at more efficient prices. Consequently, the subsidiary from Sierra Leone sells its entire bauxite production to external clients.

These interim condensed consolidated and separate financial statements were authorised for issue by the Board of Directors on 8 August 2023.

2. Basis of preparation

Statement of compliance

These interim condensed consolidated and separate financial statements of Alro and its subsidiaries (further named Condensed financial statements) for the 6 months ended 30 June 2023 are unaudited and have been prepared in accordance with IAS 34 *Interim financial reporting* as adopted by the European Union (EU). The accounting policies are in accordance with the Ministry of Public Finance Order no. 2844/2016, with subsequent amendments, which is in accordance with the International Financial Reporting Standards (IFRS) adopted by the European Union (EU)*.

Selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in financial position and performance of the Group and the Company since the last annual consolidated and separate financial statements as at and for the year ended 31 December 2022. These interim condensed consolidated and separate financial statements do not include all the information required for full annual financial statements and should be read in conjunction with the annual financial statements of the Group and the Company for the year ended 31 December 2022.

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

**The Ministry of Public Finance Order no. 2844/2016, with subsequent amendments, is in accordance with the International Financial Reporting Standards (IFRS) adopted by the European Union (EU), except for IAS 21 The effects of changes in foreign exchange rates regarding functional currency, except for the provisions of IAS 20 Accounting for Government Grants regarding the recognition of revenue from green certificates, except for the provisions of IFRS 15 Revenue from contracts with customers regarding the revenue from taxes of connection to the distribution grid. These exceptions do not affect the compliance of the financial statements of the Group with IFRS adopted by the EU.*

Functional and presentation currency

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

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

| | 30 June 2023 | 31 December 2022 |
|--|----------------------------------|----------------------------------|
| USD exchange rate at the end of the period** | 4.5750 USD/RON | 4.6346 USD/RON |
| | Six months ended 30 June 2023 | Six months ended 30 June 2022 |
| USD average exchange rate*** | 4.5654 USD/RON | 4.5242 USD/RON |

** as communicated by the National Bank of Romania

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

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

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

The accounting policies adopted in the preparation of the interim condensed consolidated and separate financial statements are consistent with those followed in the preparation of the Group's and the Company's annual consolidated and separate financial statements for the year ended 31 December 2022. The Group and the Company have not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Standards and interpretations effective in 2023 that the Group and the Company have applied to these financial statements:

The Group and the Company have adopted the following new standards and amendments to standards, including any consequential amendments to other standards, with a date of initial application of 1 January 2023:

- *IFRS 17 Insurance Contracts* (issued on 18 May 2017). This is a comprehensive new accounting standard for insurance contracts, covering recognition and measurement, presentation and disclosure. IFRS 17 applies to all types of insurance contracts issued, as well as to certain guarantees and financial instruments with discretionary participation contracts. The adoption of the standard had no effect on the Group.

- *Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies* (issued on 12 February 2021). An entity is required to disclose its material accounting policy information instead of its significant accounting policies. Amendments clarify what is a material accounting policy and give examples of when accounting policy information is likely to be material. In addition, IFRS Practice Statement 2 has been amended by adding guidance and examples to explain and demonstrate the application of the 'four-step materiality process' to accounting policy information in order to support the amendments to IAS 1. The amendments had no impact on the interim condensed consolidated and separate financial statements, but are expected to affect the accounting policy disclosures in the annual financial statements.

- *Amendments to IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates* (issued on 12 February 2021). The amendments further clarify the difference between accounting policies and accounting estimates as enforcers have identified divergent practices in this respect. The changes to IAS 8 focus entirely on accounting estimates and as a result, the definition of a change in accounting estimates is replaced with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty". Amendments clarify that a change in accounting estimate that results from new information or new developments is not the correction of an error. The effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period error and it may affect only the current period's profit or loss, or the profit or loss of both the current period and future periods. There is no impact from the application of these amendments on the financial statements.

- *Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction* (issued on 7 May 2021). The amendments narrowed the scope of the recognition exemption in paragraphs 15 and 24 of IAS 12 (recognition exemption) so that the exemption no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences. As a result of this amendments, on initial recognition, the companies should recognize deferred tax on temporary differences arising on right-of-use assets, lease liabilities, decommissioning, restoration and similar liabilities. The amendments had no impact on the interim condensed consolidated and separate financial statements.

Standards issued in 2023, but not yet effective and not early adopted

- *Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures: Supplier Finance Arrangements* (Issued on 25 May 2023), not yet adopted by the EU. The amendments introduce new disclosure requirements to enhance the transparency and, thus, the usefulness of the information provided by entities about supplier finance arrangements.

- *Amendments to IAS 12 Income taxes: International Tax Reform – Pillar Two Model Rules* (issued 23 May 2023), not yet adopted by the EU. The amendments are aimed to clarify the application of IAS 12 Income Taxes to income taxes arising from the Organisation for Economic Co-operation and Development's (OECD) international tax reform.

4. Estimates

The preparation of interim condensed consolidated and separate financial statements requires the Management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. The actual results may differ from these estimates.

In preparing these interim condensed consolidated financial statements, the significant judgements made by the management in applying the Group's and the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the financial statements for the year ended 31 December 2022.

5. Discontinued operations

On 31 May 2023, Alum publicly announced the convening of the Extraordinary General Meeting for the approval of the sale, as sole shareholder, of 100% of the share capital of Global Aluminum Ltd. (GAL group) and for the approval of the mandate of the Board of Directors of Alum to negotiate and approve the price and final form of the above transaction. The sale of GAL group was expected to be completed within a year from the reporting date. At 30 June 2023, GAL group was classified as a disposal group held for sale and as a discontinued operation.

The management considered the subsidiary to meet the criteria to be classified as held for sale at 30 June 2023 for the following reasons:

- GAL group is available for immediate sale and can be sold to the buyer in its current condition.
- The actions to complete the sale were initiated and expected to be completed within one year from the date of initial classification.
- A potential buyer has been identified and negotiations as at the reporting date are at an advance stage.
- The shareholders' approval of the transaction was assessed as highly probable. The shareholders actually approved the plan to sell on 7 July 2023.

The Group classifies non-current assets and disposal groups as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the statement of profit or loss. Assets and liabilities classified as held for sale are presented separately as current items in the statement of financial position. Prior year figures of the consolidated statement of profit or loss have been re-presented to show the discontinued operations separately from continuing operations, while amounts in the statements of financial position for prior periods were not re-presented.

The business of GAL group represented the entirety of the Group's Bauxite operating segment until 30 June 2023. With GAL group being classified as discontinued operations, the Bauxite segment is no longer presented in the segment note. The results of GAL group for the period are presented below:

| | Alro Group | |
|---|----------------------------------|----------------------------------|
| | Six months ended 30 June 2023 | Six months ended 30 June 2022 |
| Revenue from contracts with customers | 78,023 | 71,442 |
| Expenses | -102,685 | -95,344 |
| Other operating income | 1,009 | 95 |
| Impairment loss on the remeasurement to fair value less costs to sell | -71,166 | - |
| Finance costs, net | -1,689 | 322 |
| Result before tax from discontinued operations | -96,508 | -23,485 |
| Income tax | - | 27 |
| Result after tax for the period from discontinued operations | -96,508 | -23,458 |

The major classes of assets and liabilities of Global Aluminiu Limited Group classified as held for sale as at 30 June 2023 are as follows:

| | Alro Group 30 June 2023 |
|---|----------------------------|
| Assets | |
| Property, plant and equipment | 55,774 |
| Intangible assets | 50 |
| Inventories, net | 26,453 |
| Trade receivables and other current assets | 22,623 |
| Cash and cash equivalents | 3,331 |
| Assets held for sale | 108,231 |
| Liabilities | |
| Long-term provisions | 16,722 |
| Post-employment benefit obligations | 2,800 |
| Bank and other loans, current | 4,296 |
| Short-term provisions | 2,562 |
| Trade payables and other current liabilities | 72,144 |
| Liabilities associated with assets held for sale | 98,524 |
| Net assets directly associated with disposal group | 9,707 |

The net cash flows incurred by GAL group are, as follows:

| | Alro Group | |
|------------------------------------|----------------------------------|----------------------------------|
| | Six months ended 30 June 2023 | Six months ended 30 June 2022 |
| Operating | 592 | -12,150 |
| Investing | -32 | -1,226 |
| Financing | 2,461 | 10,845 |
| Net cash (outflow) / inflow | 3,021 | -2,531 |

Fair value of discontinued operations

The Group measures its non-current assets and disposal groups classified as held for sale at the lower of their carrying amount and fair value less costs to sell. Following the classification of GAL group as discontinued operations, a full impairment of RON 63,062 thousand was recognised on the remaining goodwill resulted on the initial acquisition of GAL group and an additional impairment of RON 8,104 thousand was recognized on the property, plant and equipment of SMHL. As the result of the assessment, the fair value of net assets of GAL group was determined to be of RON 9,707 thousand registering a significant decrease in value since its last estimation made as at 31 December 2022 for the purpose of annual impairment review. The deterioration of the financial situation of GAL group during the period of

6 months 2023 came mainly from lack of sales contracts for the entire production potential of the mine for the current period, as the result of low interest of market players in buying bauxite from this source and accelerated depletion of high quality bauxite reserves causing a gradually decrease in the quality of the delivered bauxite.

The fair value of GAL group was estimated using discounted cash-flow techniques and applying a market-based measurement. Financial forecasts estimated by the directors at 30 June 2023 cover a five-year period. The cash flows beyond the five-year period have been extrapolated until the year 2042, when according to management estimates, which are based on an independent mineral resources evaluation report, the estimated reserves (proved and probable) will be depleted at a 2.3% growth rate in line with the forecast inflation, except for the terminal year when a reduced production is foreseen at the level of the remaining reserves. The after-tax discount rate of 34.9% per annum was used for the year 2023, after which the discount rate was assumed to stabilize to a 21.6% until 2027, being the estimated period of depletion for proved reserves and of 23.6% per annum thereafter for probable mineral reserves due to the higher risk or uncertainty. The fair value measurement was categorized as a Level 3 fair value based on the inputs in the valuation technique used

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

| | 30 June 2023 | 31 December 2022 |
|--|----------------|------------------|
| Discount rate, after-tax | 21.6% to 34.9% | 20.7% to 29.3% |
| Growth rate (average of next five years) | 21.2% | 25.4% |
| EBITDA margin (average of next five years) | 12.1% | 10.6% |

The high average growth rate for next five years is due to the fact that following a significant drop in production registered in the period 2021-2024, the management estimated an increase to a normal level of bauxite output of 1,900,000 tons per year.

The discount rate is the CGU weighted-average cost of equity of 22.0% (in 2022: 21.2%), calculated based on the average unlevered betas of comparable companies within the industry and of a cost of debt after tax of 10.5% (in 2022: 9.1%), using the CGU's debt leverage of 3.3% (in 2021: 4.2%).

Growth rates during the next five years reflect the price in the market for long term contracts and on the Company's intention to develop sales to third party clients.

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

The changes in key assumptions used in the fair value estimation, taken in isolation, would result in the following increase/(decrease) of the fair value of GAL group.

| Increase / Decrease | + 1% | - 1% |
|---|--------|--------|
| Discount rate | -3,100 | 3,400 |
| Growth rate, average of next five years | 14,000 | -9,707 |
| EBITDA margin, average of next five years | 6,900 | -6,900 |

6. Revenue from contracts with customers

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

| | Six months ended 30 June 2023 | | | | |
|--|----------------------------------|-------------------|---------------------|---------------|------------------|
| Continuing operations | Alumina | Primary aluminium | Processed aluminium | Others | Total |
| Segments | | | | | |
| Type of good or service | | | | | |
| Sale of alumina | 157,823 | - | - | - | 157,823 |
| Sale of primary aluminium | - | 649,817 | - | - | 649,817 |
| Sale of processed aluminium | - | - | 1,092,545 | - | 1,092,545 |
| Other revenues and services performed | 3,299 | - | 75 | 19,295 | 22,669 |
| Total revenue from contracts with customers | 161,122 | 649,817 | 1,092,620 | 19,295 | 1,922,854 |

| Segments | Six months ended 30 June 2022 | | | | |
|--|----------------------------------|-------------------|---------------------|---------------|------------------|
| | Alumina | Primary aluminium | Processed aluminium | Others | Total |
| Type of good or service | | | | | |
| Sale of alumina | 332,093 | - | - | - | 332,093 |
| Sale of primary aluminium | - | 752,323 | - | - | 752,323 |
| Sale of processed aluminium | - | - | 1,516,807 | - | 1,516,807 |
| Other revenues and services performed | 929 | - | 224 | 61,032 | 62,185 |
| Total revenue from contracts with customers | 333,022 | 752,323 | 1,517,031 | 61,032 | 2,663,408 |

During the first six months of 2023, the Group revenue decreased compared to the same period of 2022 due to the overall downscaling of operation of the Group performed in 2022, with the preservation of the Group's core activities, i.e. the production and sale of high-value aluminium. However, the decrease was also influenced by lower aluminium prices than in the same period of 2022.

Set out below, is the reconciliation of the revenue from contracts with customers with the amounts disclosed in the segment information in Note 7:

| Revenue | Six months ended 30 June 2023 | | | | |
|---------------------------------------|----------------------------------|-------------------|---------------------|--------------|------------------|
| | Alumina | Primary aluminium | Processed aluminium | Others | Total |
| Revenue from contracts with customers | 161,122 | 649,817 | 1,092,620 | 19,295 | 1,922,854 |
| Inter-segment transactions | -152,736 | -200,047 | -2,111 | -9,347 | -364,241 |
| Total Group revenue (Note 7) | 8,386 | 449,770 | 1,090,509 | 9,948 | 1,558,613 |

| Revenue | Six months ended 30 June 2022 | | | | |
|---------------------------------------|----------------------------------|-------------------|---------------------|---------------|------------------|
| | Alumina | Primary aluminium | Processed aluminium | Others | Total |
| Revenue from contracts with customers | 333,022 | 752,323 | 1,517,031 | 61,032 | 2,663,408 |
| Inter-segment transactions | -300,751 | -225,464 | -2,059 | -46,891 | -575,165 |
| Total Group revenue (Note 7) | 32,271 | 526,859 | 1,514,972 | 14,141 | 2,088,243 |

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 7.

Contract liabilities

During the first six months of 2023, the Group and the Company recognized the amount of RON 19,871 thousand and RON 19,286 thousand, respectively, existing at 31 December 2022 under *Contract liabilities* as revenue from performance obligations satisfied (RON 20,222 thousand at the Group level and RON 19,637 thousand at the Company level balance as of 31 December 2022). The balance of RON 12,075 thousand and RON 11,649 thousand, respectively, existing at 30 June 2023 under *Contract liabilities* will be recognized from performance obligations that will be satisfied subsequently.

7. Segment information

For management purposes, the Group is organized on a vertically integrated basis into four segments: bauxite, alumina, primary aluminium and processed aluminium. For the purpose of resource allocation and assessment of segment performance the segments are the basis on which the Group reports its segment information to the chief operating decision maker. The bauxite segment is located in Sierra Leone. The alumina segment located in Tulcea, Romania, uses bauxite to produce alumina, which is the principal raw material for aluminium smelting. The alumina production has been temporarily suspended since August 2022 and replaced with alumina purchased from the market for the Group needs. The Primary aluminium division manufactures primary aluminium products like wire rod, slabs, billets and ingots. Most of the slabs are used in the Processed aluminium segment to manufacture flat rolled products, such as sheets, plates, coils that are further sold to external clients. The Primary aluminium segment include sales of aluminium finished products (such as billets and wire rod to group and external companies), which are processed out of the metal brought in by the client, and for which

revenue is recognized only at the level of a processing fee. Additionally, the Processed segment of the Group includes the extrusion plant in Slatina, which makes extruded aluminium products out of the billets mostly acquired from the Parent company. Both the Primary and Processed aluminium divisions are located in Slatina, Romania. No operating segments have been aggregated to form the above reportable operating segments.

At 30 June 2023, GAL group being classified as discontinued operations, the Bauxite segment is no longer presented in the segment note (see Note 5 for details).

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

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

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

Alro Group revenues and results for the six months ended 30 June 2023 and 2022 by segment, were as follows:

| Alro Group | Alumina | Primary aluminium | Processed aluminium | Others | Inter-segment operations | Total |
|--|----------------|--------------------------|----------------------------|---------------|---------------------------------|------------------|
| Six months ended 30 June 2023 | | | | | | |
| Sales to external customers | 8,386 | 449,770 | 1,090,509 | 9,948 | - | 1,558,613 |
| Inter-segment transfers | 143,235 | 861,469 | 2,111 | 9,347 | -1,016,162 | - |
| Total sales revenues | 151,621 | 1,311,239 | 1,092,620 | 19,295 | -1,016,162 | 1,558,613 |
| Segment results (gross profit) | 2,709 | -88,340 | 28,194 | 3,579 | 2,732 | -51,126 |
| Other operating income & expenses, net | -33,029 | 5,822 | 61,592 | 12,858 | -1,584 | 45,659 |
| Operating result (EBIT) | -30,320 | -82,518 | 89,786 | 16,437 | 1,148 | -5,467 |
| Total depreciation, amortisation and impairment | 12,624 | 34,316 | 26,499 | 219 | -1,077 | 72,581 |
| EBITDA | -17,696 | -48,202 | 116,285 | 16,656 | 71 | 67,114 |
| Interest and other finance costs, net | | | | | | -67,891 |
| Net foreign exchange gains / (losses) | | | | | | 8,978 |
| Result before income taxes from continuing operations | | | | | | -64,380 |
| Six months ended 30 June 2022 | | | | | | |
| Sales to external customers | 32,271 | 526,859 | 1,514,972 | 14,141 | - | 2,088,243 |
| Inter-segment transfers | 364,328 | 1,221,397 | 2,059 | 46,891 | -1,634,675 | - |
| Total sales revenues | 396,599 | 1,748,256 | 1,517,031 | 61,032 | -1,634,675 | 2,088,243 |
| Segment results (gross profit) | 97,743 | 105,921 | 96,513 | 13,896 | 354 | 314,427 |
| Other operating income & expenses, net | -18,327 | -62,825 | -60,078 | -1,697 | -491 | -143,418 |
| Operating result (EBIT) | 79,416 | 43,096 | 36,435 | 12,199 | -137 | 171,009 |
| Total depreciation, amortisation and impairment | 10,559 | 32,238 | 21,038 | 41 | -384 | 63,492 |
| EBITDA | 89,975 | 75,334 | 57,473 | 12,240 | -521 | 234,501 |
| Interest and other finance costs, net | | | | | | -47,917 |
| Net foreign exchange gains / (losses) | | | | | | -64,837 |
| Result before income taxes from continuing operations | | | | | | 58,255 |

In the first half of the year 2023, the aluminium segments were affected by the decrease of LME by almost 728 USD/t compared to the average level for the same period of the last year, which determined lower revenues. As concerns the sale of upstream products, in H1 2023 the Group focused on its core production, the aluminium, by coming to meet the market needs on industrial segments where this was favourable. At the same time, the Group recognized the compensation for energy costs of RON 219,209 thousand in H1 2023 based on the EU Emissions Trading Scheme (ETS) (in H1 2022 nil, as the relevant regulations came into force only in October 2022). The compensation for H1 2023, included in *Other operating income & expenses, net*, is allocated per primary aluminium and processed

aluminium segments based on the electricity costs incurred directly and indirectly, through the raw materials produced by one segment and transferred to another segment, such as the aluminium metal. The category *Other operating income and expenses, net* includes on one side the general and administrative expenses, and other operating expenses, and on the other side it includes sundry income generated from non-core activities. Where the costs and income cannot be allocated to a specific segment, they are included in the column *Others*. Also, in the first half of the year 2023 this category includes revenues from the sale of CO₂ emission certificates by the Group from its surplus in amount of RON 2,122 thousand and government grants in amount of RON 2,133 thousand (in H1 2022 this category included government grants in amount of RON 2,133 thousand (refer to Note 9 as well)).

Had the Group accounted for the portion of government grants related to the first half of 2022, it would have compensated the electricity costs incurred in the corresponding financial period and the result before tax for H1 2022 would have been higher by RON 218,530 thousand due to this subsidy, while the results per segments for the comparative periods would have been as follows:

2022 (recomputed by including the subsidy related H1 2022):

| | Alumina | Primary aluminium | Processed aluminium | Others | Inter-segment operations | Total |
|--|----------------|-------------------|---------------------|---------------|--------------------------|------------------|
| Sales to external customers | 32,271 | 526,859 | 1,514,972 | 14,141 | - | 2,088,243 |
| Inter-segment transfers | 364,328 | 1,221,397 | 2,059 | 46,891 | -1,634,675 | - |
| Total sales revenues | 396,599 | 1,748,256 | 1,517,031 | 61,032 | -1,634,675 | 2,088,243 |
| Segment results (gross profit) | 97,743 | 105,921 | 96,513 | 13,896 | 354 | 314,427 |
| Other operating income & expenses, net | -18,327 | 28,579 | 67,048 | -1,697 | -491 | 75,112 |
| Operating result (EBIT) | 79,416 | 134,500 | 163,561 | 12,199 | -137 | 389,539 |
| Total depreciation, amortisation and impairment | 10,559 | 32,238 | 21,038 | 41 | -384 | 63,492 |
| EBITDA | 89,975 | 166,738 | 184,599 | 12,240 | -521 | 453,031 |
| Interest and other finance costs, net | | | | | | -47,917 |
| Net foreign exchange gains / (losses) | | | | | | -64,837 |
| Result before income taxes from continuing operations | | | | | | 276,785 |

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 2023 and 31 December 2022, respectively, were as follows:

| Alro Group | Bauxite | Alumina | Primary aluminium | Processed aluminium | Others | Inter-segment operations | Total |
|-------------------------|---------|---------|-------------------|---------------------|-----------|--------------------------|-----------|
| 30 June 2023 | | | | | | | |
| Total assets | 108,231 | 340,254 | 1,365,227 | 1,234,050 | 1,059,409 | -671,845 | 3,435,326 |
| Total liabilities | 98,524 | 127,210 | 152,990 | 218,917 | 1,569,516 | -115,492 | 2,051,665 |
| 31 December 2022 | | | | | | | |
| Total assets | 133,559 | 470,751 | 1,299,110 | 1,141,297 | 1,566,227 | -821,010 | 3,789,934 |
| Total liabilities | 89,257 | 182,055 | 128,199 | 206,389 | 1,763,255 | -128,647 | 2,240,508 |

The bauxite segment is an asset held for sale (see Note 5).

The property, plant and equipment located in Sierra Leone amounts to RON 55,774 thousand at 30 June 2023 (at 31 December 2022: RON 73,880 thousand).

As at 30 June 2023, the total assets representing *Others* include mainly investments in subsidiaries of RON 549,708 thousand (as at 31 December 2022: RON 628,097 thousand), cash and restricted cash of RON 401,767 thousand (as at 31 December 2022: RON 728,870 thousand), administrative buildings of RON 41,205 thousand (as at 31 December 2022: RON 40,862 thousand), deferred tax asset of RON 30,550 thousand (as at 31 December 2022: RON 30,725 thousand) and derivative financial instruments, when applicable.

As at 30 June 2023, the total liabilities representing *Others* include mainly borrowings and leases of RON 1,541,350 thousand (as at 31 December 2022: borrowings and leases of RON 1,648,485 thousand), post-employment benefit obligations and provisions of RON 27,436 thousand (as at 31 December 2022: RON 41,939 thousand), and, when applicable, dividends.

Inter-segment operations include intercompany eliminations.

8. General, administrative and selling expenses

| | Alro Group | | Alro | |
|--|----------------------------------|----------------------------------|----------------------------------|----------------------------------|
| | Six months ended 30 June 2023 | Six months ended 30 June 2022 | Six months ended 30 June 2023 | Six months ended 30 June 2022 |
| Staff costs | -78,365 | -67,053 | -38,560 | -40,342 |
| Third party services | -28,844 | -22,036 | -28,622 | -24,538 |
| Consulting and audit | -14,559 | -14,710 | -10,231 | -11,992 |
| Consumables | -4,756 | -5,054 | -4,496 | -4,658 |
| Taxes other than income taxes | -5,566 | -4,944 | -4,913 | -4,008 |
| Depreciation and amortisation | -3,227 | -3,679 | -2,242 | -3,011 |
| Insurance | -4,873 | -3,776 | -3,622 | -3,034 |
| Marketing and public relations | -2,018 | -2,269 | -1,399 | -755 |
| Travelling | -4,914 | -1,500 | -811 | -256 |
| Research and development costs | -7,907 | -8,706 | -6,771 | -7,374 |
| Other | -3,671 | -3,371 | -2,328 | -2,283 |
| Change in allowance for doubtful debts | -124 | 172 | -43 | 317 |
| Total | -158,824 | -136,926 | -104,038 | -101,934 |

During the 6 months ended 30 June 2023, the category *Staff costs* increased compared to the same period of previous year, mainly due to salary increases based on current inflation as a result of the negotiations of the Collective Labour Contract and certain bonuses for good performance granted by one of the Group subsidiaries for the good results it obtained during the period and with the aim to boost the sales and financial performance of the subsidiary for the rest of the year.

9. Other operating income

| | Alro Group | | Alro | |
|--|----------------------------------|----------------------------------|----------------------------------|----------------------------------|
| | Six months ended 30 June 2023 | Six months ended 30 June 2022 | Six months ended 30 June 2023 | Six months ended 30 June 2022 |
| Other operating income | | | | |
| Rental income | 1,293 | 604 | 2,125 | 1,947 |
| Government grants | 221,342 | 2,267 | 219,989 | 1,855 |
| Income from sale of emission rights | 2,122 | - | - | - |
| Income from unused provision reversals | 11,847 | - | - | - |
| Income from claims and penalties | 6,539 | 40 | 6,662 | 8 |
| Other income | 3,894 | 4,648 | 3,632 | 2,529 |
| Total other operating income | 247,037 | 7,559 | 232,408 | 6,339 |

In the 6 months ended 30 June 2023, the Group and the Company recognized Government grants of RON 219,209 thousand, respectively RON 218,268 thousand representing compensation to which the Group and the Company are entitled for the high electricity costs incurred by them in the reporting period (during 6 months ended 30 June 2022: nil). The compensation scheme is a part of Europe and Romania's plans to sustain large energy-consuming enterprises for high electricity prices resulting from their indirect emission costs, in accordance with the EU Emissions Trading Scheme (ETS). See also *Note 21 Other current financial assets*. In addition, the category *Government grants* includes an amount of RON 2,133 thousand at the Group level and RON 1,721 thousand at the Company level (in H1 2022: RON 2,133 thousand at the Group level and RON 1,721 thousand at the Company level) representing government grants from EU funds received in the period 2013 - 2019 for the investment in equipment intended for the production activity, as 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.

In the first semester of 2023, the Group sold CO₂ emission certificates of RON 2,122 thousand and included them under *Income from sale of emission rights*, benefiting from the increase in the price of CO₂ emission certificates (in the first semester of 2022: nil).

In the first semester of 2023, the amount of RON 11,847 thousand at Group level in the category *Income from unused provisions* reversals represents the resumption of a provision for CO₂ certificates needed to be acquired for the year 2022 (in the first semester of 2022: nil) recorded by the Alum subsidiary.

An amount of RON 6,023 thousand is included in the category *Income from claims and penalties*, representing an indemnity received for a piece of equipment which was damaged during a fire incident that took place in 2018 at the Processing mill premises.

In the category *Other income* in 2022 is included an amount of RON 1,849 thousand representing dividends distributed by Alro before the year 2018 and yet uncollected by the shareholders, which were prescribed, in line with the regulations in force. No such amounts were recognised in the first semester of 2023.

10. Other operating expenses

| | Alro Group | | Alro | |
|---------------------------------------|----------------------------------|----------------------------------|----------------------------------|----------------------------------|
| | Six months ended 30 June 2023 | Six months ended 30 June 2022 | Six months ended 30 June 2023 | Six months ended 30 June 2022 |
| Other operating expenses | | | | |
| Idle plants depreciation expenses | -18,824 | -8,713 | -9,779 | -7,641 |
| Alum non-operating costs | -21,114 | - | - | - |
| Other operating expenses | -2,616 | -5,338 | -280 | -1,644 |
| Total other operating expenses | -42,554 | -14,051 | -10,059 | -9,285 |

The category *Idle plants depreciation expenses* represent the depreciation incurred by the Group on temporarily idled production facilities, mainly caused by the suspension of the operation of 3 electrolysis halls and the alumina plant in Tulcea in 2022.

The category *Alum non-operating costs* for the 6 months of 2023 includes the costs recorded by the subsidiary Alum after the cessation of alumina production in August 2022 (H1 2023: RON 21,114 thousand, H1 2022: nil).

11. Interest expenses

| | Alro Group | | Alro | |
|------------------|----------------------------------|----------------------------------|----------------------------------|----------------------------------|
| | Six months ended 30 June 2023 | Six months ended 30 June 2022 | Six months ended 30 June 2023 | Six months ended 30 June 2022 |
| Interest expense | -63,879 | -32,210 | -60,293 | -29,920 |
| Total | -63,879 | -32,210 | -60,293 | -29,920 |

Interest expense increased in H1 2023 compared to H1 2022 mainly due to higher LIBOR, EURIBOR and ROBOR benchmark interest rates, and also due to the increase of the loans balance of the Group and the Company.

For the period starting 1 July 2023 a new reference rate, namely, CME Term SOFR, will be used instead of USD LIBOR (London Interbank Offered Rate) in the existing facilities of the Group and the Company. CME Term SOFR means the Term SOFR reference rate administered by CME Group Benchmark Administration Limited (or any other person which takes over the administration of that rate). The replacing of the old reference rate with the new one will be made according with the interest calculation algorithm stipulated by each financing contract.

Interest expense includes the amount of RON 3,671 thousand for the Group and RON 3,602 thousand for the Company (in H1 2022: RON 3,558 thousand for the Group and RON 3,372 thousand for the Company) representing transaction costs on loans, which are recognized during the period as interest expense based on the effective interest rate method. The cash effectively paid as transaction costs in H1 2023 for loans was of RON 263 thousand for the Group and the Company and it is included in the Statement of cash flows under *Interest paid* (in H1 2022: RON 4,882 thousand were paid for the Group and RON 4,811 thousand for the Company).

12. Income tax

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

| | Alro Group | | Alro | |
|---------------------------|----------------------------------|----------------------------------|----------------------------------|----------------------------------|
| | Six months ended 30 June 2023 | Six months ended 30 June 2022 | Six months ended 30 June 2023 | Six months ended 30 June 2022 |
| Income tax | | | | |
| Current income tax | -2,240 | -22,552 | 180 | -15,226 |
| Deferred income tax | -966 | 3,072 | -175 | 1,665 |
| Total income taxes | -3,206 | -19,480 | 5 | -13,561 |

During the 6-month period of 2023, the total expenses of RON 57,310 thousand (6 months of 2022: RON 55,066 thousand) for the Group and the Company, representing interest expenses and items related to interest in respect of the exceeding borrowing costs, were treated as being non-deductible for tax purposes, and resulted in a negative income tax effect of RON 9,170 thousand (6 months of 2022: RON 8,811 thousand). According to the Romanian Fiscal Code, which transposes the EU Directive no. 2016/1164, issued in 2016, the exceeding borrowing costs include interest, expenses for obtaining finance and leasing, capitalized interest and foreign exchange losses above a threshold of EUR 1,000,000 per annum are deductible only up to the level of 30% of calculated fiscal EBITDA. The Group companies in Romania incur borrowing costs related to loans obtained from banks for capital expenditure and development purposes.

As at 30 June 2023, the Group did not recognise deferred income tax assets in respect of losses recorded during the 6-month period of 2023 amounting to RON 42,485 thousand (6-month period of 2022: RON 23,458 thousand).

13. Earnings per share

| | Alro Group | | Alro | |
|---|----------------------------------|----------------------------------|----------------------------------|----------------------------------|
| | Six months ended 30 June 2023 | Six months ended 30 June 2022 | Six months ended 30 June 2023 | Six months ended 30 June 2022 |
| Net result attributable to the owners of the Entity | -163,407 | 15,357 | -151,212 | 714 |
| Continuing operations | -67,586 | 38,775 | -151,212 | 714 |
| Discontinued operations | -95,821 | -23,418 | - | - |
| Weighted average number of ordinary shares | 713,779,135 | 713,779,135 | 713,779,135 | 713,779,135 |
| Basic and diluted earnings per share (RON/share) | -0.229 | 0.022 | -0.212 | 0.001 |
| Continuing operations | -0.095 | 0.054 | -0.212 | 0.001 |
| Discontinued operations | -0.134 | -0.033 | - | - |

Basic EPS is calculated by dividing the profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

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

During the reporting period, no interim dividends were declared by the Group related to the 6 months ended 30 June 2023.

At 30 June 2023, the Parent Company does not have outstanding dividends payable (31 December 2022: nil). During the 6 months ended 30 June 2022, the dividends of RON 1,849 thousand distributed in 2018 and uncollected by the shareholders were prescribed, in line with the regulations in force. These amounts were included under *Other operating income* in the consolidated and separate statement of profit or loss.

14. Property, plant and equipment

During the 6-month period ended 30 June 2023, the Group and the Company purchased property, plant and equipment amounting to RON 45,896 thousand at Group level and RON 32,641 thousand at Company level (during the 6 months ended 30 June 2022: RON 73,617 thousand for Group and RON 26,225 thousand for Company).

In the 6 months ended 30 June 2023, the Group continued its investment project to develop the scrap remelting capacities in the Eco Recycling Workshop. The purchase of the components belonging to the equipment for the development of the waste recycling capacity was completed by the end of 2022, and in June 2023 the Group inaugurated a USD 11 million investment for a double chamber furnace together with a new double chamber furnace and the related fume collection and treatment plant (additions during 6 months 2023: RON 10,287 thousand; during 6 months 2022: RON 10,451 thousand). The project aims to increase the waste recycling capacity to 100,000 tpa by the end of 2023 and supports ALRO's strategy to reduce dependence on electricity supply and increase production with added value.

Also, in the 6 months ended 30 June 2023, the Group continued to invest in its programs to increase energy efficiency, which include the reconditioning of electrolysis pots, by modernizing another 19 pots using the innovative AL12LE technology (during the first 6 months of 2022: 11 pots). AP12LE (Aluminium Pechiney 120 kA Low-Energy) represents a last generation technology developed by Rio Tinto Aluminum Pechiney. The objective of this project is to reduce the energy consumption of the electrolysis pots by approximately 300 kWh/ton of aluminum, while maintaining the production capacity. The program will continue in the following years until all pots are aligned with the new technology.

The Group also continued the strategy of developing value added products in close correlation with the evolution of the production mix, by developing the capacities of cutting plates and compact sheet packages, in accordance with the standards required by the customers.

Thus, in the first 6 months of 2023, the Group signed the contract for the delivery of a new plate cutting equipment which, together with the design of a new flow for cutting hot rolled plates to the dimensions requested by Group's customers (an objective that was started in 2022 and which also continues in 2023) will allow the diversification of the Alro Group's production by covering a much larger range of flat rolled products, with high value added, which will lead to the expansion into new market segments so that the Group can remain competitive in the global market (additions during 6 months 2023: RON 3,741 thousand; 6 months 2022: nil).

The same direction was followed by one of the Group's subsidiaries, Vimetco Extrusion, which paid an advance in the amount of EUR 914 thousand during the 6 months of 2023, for the purchase of an automatic assembly unit for extruded aluminium profiles on the purpose of increasing the competitiveness by applying "green steps". This project amounts to EUR 4.57 million and will benefit from a financing of EUR 1.85 million from Iceland, Lichtenstein and Norway via EEA the Financial Grant Mechanism 2014 - 2021 within the program "The Development of SME's in Romania", in the field "Green Innovation in industry, Blue Growth, and ICT". The commissioning term is April 2024.

Furthermore, the Group allocated resources to maintain and improve the equipment parameters, in order to increase the economic efficiency and reduce emissions, following the application of the best techniques available in the field.

Depreciation charge of PPE for the 6 months of 2023 for continuing operation was of RON 65,429 thousand at the Group level and RON 48,269 thousand at the Company level (during the 6 months ended 30 June 2022: RON 66,003 thousand for Group and RON 50,304 thousand for Company).

At 30 June 2023, the net book value of *Property, plant and equipment* pledged for securing the Group and Company's borrowings amounts to RON 810,973 thousand for Group, from which RON 14,426 thousand represent the net book value of Property, plant and equipment at GAL Group level and RON 643,452 thousand for Company (at 31 December 2022: RON 855,498 thousand at Group level and RON 673,772 thousand at Company level).

Impairment tests for property, plant and equipment

The Group performs its annual impairment test in the end of the financial year and when circumstances indicate that the carrying value may be impaired. As a result of the several factors, such as increasing prices and scarce availability of energy products and other raw materials with a negative impact on the production costs, which caused the Group to take a decision last year to temporary suspend the alumina production operations and reorientate the sales of bauxite, a test of the property, plant and equipment of Alum was carried out as at 30 June 2023. The resulting recoverable value of these property, plant and equipment was higher than their net book value, so no impairment expense was recognized.

The recovery value of the cash generating unit (CGU) Alum was determined based on a fair value of CGU less costs to sell calculation by using future cashflows extracted from budgets estimated by the management of the company. The cashflows in perpetuity beyond this period were extrapolated by using a growth rate of 2.0% per annum.

The key assumptions for the cash-generating unit Alum used during the impairment test performed as at 30 June 2023 were:

| | 30 June 2023 | 31 December 2022 |
|---|--------------|------------------|
| Discount rate | 13.8% | 13.8% |
| Growth rate, average of next five years | 5.33% | 5.31% |
| EBITDA margin, average of next five years | 7.08% | 4.44% |
| EBITDA margin, terminal value | 5.83% | 5.82% |

The estimated recoverable amount of the CGU Alum exceeded its carrying amount by approximately RON 821 thousand. The changes in key assumptions used in the estimation of the recoverable value, taken in isolation, would result in the following excess/(deficit) over the carrying value of CGU Alum:

| | +1% | -1% |
|---|---------|---------|
| Discount rate | -21,300 | 27,400 |
| Growth rate, average of next five years | 3,700 | -1,200 |
| EBITDA margin, average of next five years | 31,400 | -28,700 |
| EBITDA margin, terminal value | 55,100 | -53,400 |

Following the fair value estimation of the bauxite segment made as at 30 June 2023, an additional impairment of RON 8,104 thousand was recognized on the property, plant and equipment of the subsidiary from Sierra Leone SMHL. The details of the main assumption used and the sensitivity analysis are presented in the Note 5.

15. Financial instruments

Set out below, is an overview of financial assets and financial liabilities held by the Group as at 30 June 2023 and 31 December 2022.

Categories of financial instruments

| | Alro Group | | Alro | |
|--|------------------|------------------|------------------|------------------|
| | 30 June 2023 | 31 December 2022 | 30 June 2023 | 31 December 2022 |
| Financial assets | | | | |
| At amortised cost | | | | |
| Cash and bank balances | 401,001 | 718,756 | 325,642 | 652,821 |
| Receivables | 871,803 | 650,680 | 841,871 | 641,435 |
| Fair value through profit or loss (FVTPL) | | | | |
| Designated as at FVTPL | 18,052 | 9,458 | 13,596 | 9,458 |
| Total financial assets | 1,290,856 | 1,378,894 | 1,181,109 | 1,303,714 |
| | | | | |
| | Alro Group | | Alro | |
| | 30 June 2023 | 31 December 2022 | 30 June 2023 | 31 December 2022 |
| Financial liabilities | | | | |
| Fair value through profit or loss (FVTPL) | - | - | - | - |
| Amortised cost: | | | | |
| Trade and other payables | 274,294 | 316,643 | 188,308 | 154,781 |
| Non-current bank and other loans | 550,215 | 673,928 | 545,281 | 669,846 |
| Current bank and other loans | 1,013,542 | 1,017,509 | 996,069 | 978,639 |
| Total financial liabilities | 1,838,051 | 2,008,080 | 1,729,658 | 1,803,266 |

As at 30 June 2023 the value of financial assets designated as at FVTPL, consisting of invoices awaiting to be discounted by the factoring agent, increased mainly due to the top-up of the factoring limits for the Processed Aluminum segment, in line with our strategy to focus on high value-added production and sales.

Fair value of financial instruments

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

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

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

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

The Group and the Company do not have level 3 financial instruments.

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

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

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

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

16. Investments in subsidiaries

The value of Alro's financial investments was:

| | Six months ended 30 June 2023 | Six months ended 30 June 2022 |
|-------------------------------------|----------------------------------|----------------------------------|
| Cost | | |
| Balance at 1 January | 586,708 | 571,108 |
| Additions | - | 15,600 |
| Balance at 30 June | 586,708 | 586,708 |
| Impairment allowance | | |
| Balance at 1 January | -253,386 | -119,457 |
| Impairment loss of financial assets | -74,480 | -194 |
| Balance at 30 June | -327,866 | -119,651 |
| Net book value | | |
| Balance at 1 January | 333,322 | 451,651 |
| Balance at 30 June | 258,842 | 467,057 |

The Company's investments in other companies in which it holds control over the financial and operational policies are accounted for at cost less the impairment.

Impairment tests for investments in subsidiaries

Considering the current market conditions and after analyzing the internal and external factors, an impairment test of the financial investments was performed by the Group for the purpose of its interim financial reporting as at 30 June 2023. Due to the evolving economic landscape and specific challenges faced by the industry, as a result of the test, it recognized an impairment of RON 74,480 thousand, which includes an amount of RON 74,282 thousand representing impairment loss for investment in Alum and RON 198 thousand representing additional impairment loss recognised for the investment in Conef (6 months 2022: RON 194 thousand representing additional impairment loss recognised for the investment in Conef).

Alum

The recoverable value of the investment in Alum was determined based on the fair value, calculated by the discounted cashflow method (DCF). In the discounted cashflow method, future cashflows were used, based on forecasts estimated by the management, which cover a period of 5 years (2023 – 2027), discounted at a rate of 13.8% per year. The cashflows beyond that period have been extrapolated using a growth rate of 2.0% per year. The fair value measurement was categorized as a Level 3 fair value based on the inputs in the valuation techniques used.

Key assumptions:

| | 30 June 2023 | 31 December 2022 |
|---|--------------|------------------|
| Discount rate | 13.8% | 13.8% |
| Growth rate, average of next five years | 5.33% | 5.31% |
| EBITDA margin, average of next five years | 7.08% | 4.44% |
| EBITDA margin, terminal value | 5.83% | 5.82% |

The estimated fair value of the investment in Alum was significantly different from its carrying value, therefore an additional impairment charge was recognised in the Company's financial statements for the 6 months ended 30 June 2023 amounting to RON 74,282 thousand (6 months 2022: no charge or reversal of impairment was recognised in Company's financial statements). The impairment is attributable to the reduction of the enterprise value of the company as the result of the decision to temporary suspend the alumina production operations, but also to the decrease of the fair value of Alum's investment in Global Aluminium Ltd., see also Note 5.

The changes in key assumptions used in the fair value estimation, taken in isolation, would result in the following amount of reversal/ (impairment) to the carrying value of investment in Alum:

| Increase / Decrease | + 1% | - 1% |
|---|---------|---------|
| Discount rate | -22,500 | 27,000 |
| Growth rate, average of next five years | 2,900 | -2,000 |
| EBITDA margin, average of next five years | 31,000 | -29,900 |
| EBITDA margin, terminal value | 55,000 | -55,000 |

Conef

An additional impairment loss of RON 198 thousand was recognised on Alro investment in Conef, as a result of the decrease of the recoverable value of the investment in Conef which was determined with reference to its net assets value as at 30 June 2023 (6 months 2022: an impairment loss of RON 194 thousand was recognized).

There were no impairment indications identified for the investment in Vimetco Extrusion, therefore no impairment test was performed as at 30 June 2023 on this investment.

17. Goodwill

| | Alro Group | |
|---|----------------------------------|----------------------------------|
| | Six months ended 30 June 2023 | Six months ended 30 June 2022 |
| Cost | | |
| Balance 1 January | 173,700 | 167,061 |
| Translation adjustment | -1,499 | 9,351 |
| Balance at 30 June | 172,201 | 176,412 |
| Impairment | | |
| Balance 1 January | -93,849 | -70,753 |
| Impairment charge recognized for the discontinued operations (Note 5) | -63,062 | - |
| Translation adjustment | 544 | -2,508 |
| Balance at 30 June | -156,367 | -73,261 |
| Net book value | | |
| Balance at 1 January | 79,851 | 96,308 |
| Balance at 30 June | 15,834 | 103,151 |

The goodwill is allocated to the cash generating units at 30 June 2023 and 31 December 2022 as follows (after conversion into RON at the period end exchange rate):

| | Alro Group | |
|-------------------|---------------|------------------|
| | 30 June 2023 | 31 December 2022 |
| Alro Group | 15,408 | 79,425 |
| Vimetco Extrusion | 426 | 426 |
| Total | 15,834 | 79,851 |

Goodwill is tested for impairment annually (as at 31 December) and when circumstances indicate the carrying value may be impaired. Following the fair value estimation of the discontinued bauxite segment made as at 30 June 2023, a full impairment of RON 63,062 thousand was recognised on the remaining goodwill resulted on the initial acquisition of GAL group. The goodwill was allocated for the purpose of impairment testing to the group of cash generating units Alro Group, but following the recognition of GAL as a disposal group, the goodwill acquired in the business combination was written off, because GAL group is an operation within Alro Group CGU. The details of the main assumption used and the sensitivity analysis are presented in the Note 5.

18. Derivative financial instruments

Swap fixed-to-floating

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

The loss recorded during the 6 months ended 30 June 2022, of RON 2,446 thousand related to the positions settled during the period January - March 2022, due to the fact that the market price was below the fixed price of the contract, is included in the category *Gains/ (losses) from derivative financial instruments, net* in the Consolidated statement of profit or loss.

As at 30 June 2023 and 31 December 2022 no swap fixed-to-floating contracts were outstanding.

19. Other non-current assets

| | Alro Group | | Alro | |
|--------------------------|---------------|------------------|---------------|------------------|
| | 30 June 2023 | 31 December 2022 | 30 June 2023 | 31 December 2022 |
| Collateral deposits | 75,435 | 75,435 | 75,435 | 75,435 |
| Other non-current assets | 2,450 | 2,341 | 690 | 614 |
| Total | 77,885 | 77,776 | 76,125 | 76,049 |

At 30 June 2023 and 31 December 2022 *Collateral deposits* represent cash pledged to a bank until March 2026 for a loan of RON 470,000 thousand and for a non-cash facility of RON 168,000 thousand, until January 2027 and for another non-cash facility of RON 46,000 thousand, until February 2027.

Other non-current assets include the cash deposits, according to the environmental regulations, on the requirement of the Environmental Fund Management, during the period of service of the waste landfills, representing the equivalent value of the costs for the closure works and after-closure monitoring of the Group's waste dumps, as well as the environmental financial guarantee, that prove that the Group has enough financial resources to cover the potential costs which occur during the waste deposit activity.

20. Inventories

| | Alro Group | | Alro | |
|----------------------------------|----------------|------------------|----------------|------------------|
| | 30 June 2023 | 31 December 2022 | 30 June 2023 | 31 December 2022 |
| Raw and auxiliary materials | 369,564 | 480,637 | 300,555 | 323,851 |
| Work in progress | 264,831 | 320,713 | 200,569 | 228,954 |
| Finished goods | 340,256 | 489,715 | 306,899 | 435,903 |
| Less: allowance for obsolescence | -56,357 | -122,878 | -56,335 | -104,479 |
| Total | 918,294 | 1,168,187 | 751,688 | 884,229 |

In the category *Raw and auxiliary materials* are included: bauxite, alumina and other raw and auxiliary materials needed for aluminium production. The category *Finished goods* includes Alro's finished goods of aluminium and alumina at Alum.

Starting August 2022, when its production was suspended, the Group's subsidiary Alum has been purchasing alumina from the market at a lower cost than the one from its own production. This determined a decrease in the overall cost of inventories in respect of *Raw and auxiliary materials* where alumina is included. Additionally, the sales plan was made in such a way so as to sell available output and significantly decrease the stock levels, and during the 6-month period of 2023 the Group and the Company identified and took advantage of the opportunities existing in the market for aluminium wire rod and extruded products and this is visible in the variation of finished products presented above.

The value of inventories pledged for securing the Group's and the Company's borrowings amounts to RON 906,110 thousand for the Group and RON 751,688 thousand for the Company (at 31 December 2022: RON 1,105,831 thousand for the Group and RON 884,229 thousand for the Company).

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

| | Alro Group | | Alro | |
|---|----------------------------------|----------------------------------|----------------------------------|----------------------------------|
| | Six months ended 30 June 2023 | Six months ended 30 June 2022 | Six months ended 30 June 2023 | Six months ended 30 June 2022 |
| Balance at beginning of the year | -122,878 | -44,263 | -104,479 | -32,465 |
| (Charge) to cost of goods sold | -259 | -13,172 | -259 | -13,172 |
| Reversal to cost of goods sold | 48,403 | 820 | 48,403 | 820 |
| Reclassification as a result of discontinued operations | 27,697 | - | - | - |
| Translation adjustments | -9,320 | -1,001 | - | - |
| Balance at end of the period | -56,357 | -57,616 | -56,335 | -44,817 |

The Group and the Company reversed RON 48,403 thousand of a previous inventory write-down to its net realisable value made as at 31 December 2022, as the relevant goods that have been written down were mainly sold during the period of 6 months 2023.

21. Other current financial assets

| | Alro Group | | Alro | |
|---------------------------------------|----------------|------------------|----------------|------------------|
| | 30 June 2023 | 31 December 2022 | 30 June 2023 | 31 December 2022 |
| Government grants receivable | 656,268 | 437,059 | 654,626 | 436,358 |
| VAT recoverable | 34,078 | 69,695 | 6,570 | 29,985 |
| Other current financial assets | 5,609 | 4,135 | 2,749 | 3,574 |
| Allowance for sundry doubtful debtors | -125 | -124 | -3 | -3 |
| Total | 695,830 | 510,765 | 663,942 | 469,914 |

Movement in allowance for sundry debtors is as follows:

| | Alro Group | | Alro | |
|--|----------------------------------|----------------------------------|----------------------------------|----------------------------------|
| | Six months ended 30 June 2023 | Six months ended 30 June 2022 | Six months ended 30 June 2023 | Six months ended 30 June 2022 |
| Balance at beginning of the year | -124 | -124 | -3 | -3 |
| Release / (charge) in the current period | -1 | -1 | - | - |
| Balance at end of the period | -125 | -125 | -3 | -3 |

Government grants receivable represent compensations for the high electricity prices resulting from the indirect emission costs under the EU Emission Trading Scheme (ETS). As per European and Romanian regulations, the Group is entitled to receive the aforesaid compensations for the electricity costs incurred during 2022 and during the 6-month period of 2023. At 30 June 2023 the outstanding balance represents the compensation receivable for 2022 of RON 437,059 thousand which is expected to be collected in 2023 and, on an accrual basis, the compensation for 6 months 2023, of RON 219,209 thousand. These were calculated by using a clear and transparent formula published in the European Guideline on the emission allowance trading scheme (EU-ETS) after 2021 "Guidelines on certain supporting measures in the context of the system for GHG allowance trading post-2021" and reflected as such in the Emergency Ordinance 138/2022. For further details please see also Note 9.

During the first 6 months ended 30 June 2023, the Group submitted the documentation for receiving the compensation for the indirect emissions costs included in the energy price for 2022, which is expected to have a positive effect in Group's Operational Cash Flow in H2 2023.

At 30 June 2023, the category *VAT recoverable* decreased compared to the beginning of the year, as the taxes due to the State Budget by the Group and the Company were offset with VAT recoverable.

22. Cash and cash equivalents

| | Alro Group | | Alro | |
|-----------------------------------|----------------|------------------|----------------|------------------|
| | 30 June 2023 | 31 December 2022 | 30 June 2023 | 31 December 2022 |
| Cash at banks in RON | 241,577 | 546,719 | 229,597 | 535,526 |
| Cash at banks in other currencies | 79,429 | 83,274 | 43,284 | 64,542 |
| Petty cash and cash equivalents | 75 | 75 | 30 | 22 |
| Total | 321,081 | 630,068 | 272,911 | 600,090 |

At 30 June 2023 and 31 December 2022, a great part of cash was held in current accounts opened with reputable private banks in Romania or with State owned banks.

A part of the Group's bank accounts (RON 274,106 thousand as at 30 June 2023 and RON 602,785 thousand as of 31 December 2022) and of the Company (RON 272,881 thousand as at 30 June 2023 and RON 600,068 thousand as of 31 December 2022) are pledged to guarantee the borrowings from banks.

| | Alro Group | | Alro | |
|-----------------|---------------|------------------|---------------|------------------|
| | 30 June 2023 | 31 December 2022 | 30 June 2023 | 31 December 2022 |
| Restricted cash | 79,920 | 88,688 | 52,731 | 52,731 |
| Total | 79,920 | 88,688 | 52,731 | 52,731 |

At 30 June 2023 and 31 December 2022 restricted cash included an amount of RON 52,731 thousand, representing collateral deposits for a revolving facility of RON 180,000 thousand and a non-revolving loan of RON 167,312 thousand with maturity in November 2023. Furthermore, as at 30 June 2023 the category Restricted cash of the Group included the amount of RON 27,093 thousand, which consists of a cash collateral at banks for issuing letters of credit for the acquisition of raw materials (31 December 2022: RON 35,768 thousand).

For the purpose of the statement of cash-flows, cash and cash equivalents comprise the following at 30 June:

| | Alro Group | | Alro | |
|--|----------------|------------------|----------------|------------------|
| | 30 June 2023 | 31 December 2022 | 30 June 2023 | 31 December 2022 |
| Cash and cash equivalents | 321,081 | 630,068 | 272,911 | 600,090 |
| Cash and cash equivalents of discontinued operations | 3,331 | - | - | - |
| Total | 324,412 | 630,068 | 272,911 | 600,090 |

23. Borrowings and leases

| | Alro Group | | Alro | |
|--|------------------|------------------|------------------|------------------|
| | 30 June 2023 | 31 December 2022 | 30 June 2023 | 31 December 2022 |
| Long-term borrowings | | | | |
| Long-term bank loans | 1,541,938 | 1,669,841 | 1,537,389 | 1,643,606 |
| Less: Short-term portion of long-term bank loans | -997,288 | -999,744 | -994,254 | -976,572 |
| Bank loans, non-current | 544,650 | 670,097 | 543,135 | 667,034 |
| Leases, non-current | 5,565 | 3,831 | 2,146 | 2,812 |
| Total long-term borrowings and leases | 550,215 | 673,928 | 545,281 | 669,846 |
| Short-term borrowings | | | | |
| Short-term bank loans | 13,425 | 15,300 | - | - |
| Short-term portion of long-term bank loans | 997,288 | 999,744 | 994,254 | 976,572 |
| Bank loans, current | 1,010,713 | 1,015,044 | 994,254 | 976,572 |
| Short-term loans, total | 1,010,713 | 1,015,044 | 994,254 | 976,572 |
| Leases, current | 2,829 | 2,465 | 1,815 | 2,067 |
| Total short-term borrowings and leases | 1,013,542 | 1,017,509 | 996,069 | 978,639 |
| Total borrowings and leases | 1,563,757 | 1,691,437 | 1,541,350 | 1,648,485 |

The bank borrowings of the Group and the Company will mature until 2028. Their related interest rates ranged between 3.66% for EUR and 26% for SLE (Sierra Leone Leones) in 2023 and 2.80% for EUR and 19% for SLE 2022 at Group level and between 3.66% for EUR and 9.76% for RON in 2023 at Company level (2022: between 2.80% for EUR and 7.90% for RON).

In February 2023, the Parent Company drew down the remaining part of RON 19,003 thousand from the non-revolving facility of RON 470,000 thousand that it had received in March 2022 from a syndicate of banks within the framework of state-support scheme within the context of Covid-19 pandemics.

In May 2023 the Group subsidiary in Sierra Leone signed with a commercial bank a short term loan of USD 939 thousand until November 2023 and an overdraft facility of USD 368 thousand until May 2024. This loan has been transferred to the net balance of the liabilities held for sale (see Note 5).

At 30 June 2023, the Group had the amount of RON 47,295 thousand undrawn and available from the borrowing facilities contracted with the banks (at 31 December 2022: RON 61,196 thousand) and the amount of RON 193,467 thousand unutilized and available from the non-cash facilities for letters of credit and letters of guarantee (at 31 December 2022: RON 170,175 thousand).

The Group is carrying out discussions with the lending banks for refinancing the working capital loans maturing at the end of 2023. For a part of the facilities (having non-cash purposes), we have obtained the extension approval.

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 and total net leverage ratio that has to be reported at 30 June and 31 December each year. At 30 June 2023, the Group and the Company were compliant with all the financial loan covenants.

The Group and the Company borrowings and leases are secured with accounts receivable amounting to RON 56,605 thousand for the Group and RON 98,666 thousand for the Company (at 31 December 2022: RON 26,519 thousand for the Group and RON 91,816 thousand for the Company), with their current accounts opened with banks (see Note 22), with collateral deposits of RON 128,166 thousand for the Group and the Company (at 31 December 2022: RON 128,166 thousand) (see Notes 19 and 22), with property, plant and equipment (land, buildings, equipment) with a net book value of RON 813,129 thousand for the Group from which RON 14,426 thousand represent the net book value of Property, plant and equipment at GAL Group level and RON 643,777 thousand for the Company (including for lease contracts) (at 31 December 2022: RON 857,921 thousand for the Group and RON 674,143 thousand for the Company) (see Note 14) and with inventories of RON 906,110 thousand for the Group and RON 751,688 thousand for the Company (at 31 December 2022: RON 1,105,831 thousand for the Group and RON 884,229 thousand for the Company) (see Note 20), with a letter of guarantee issued in the name and account of the State in favour of the lending State bank for 70% of the 180 million RON loan, a guarantee from the Romanian State for 90% of the 167 million RON signed in 2021 and for 90% of the 470 million RON, contracted in March 2022, within the Framework support scheme in the context of the Covid-19 pandemic and also with a letter of guarantee issued in the name and account of the Romanian State in favour of the lending bank for 80% of the 168 million RON non-cash facility, signed in March 2022.

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

24. Provisions

Provision for land restoration in amount of RON 16,722 thousand and other provisions in amount of RON 2,562 thousand of disposal group (GAL Group) has been transferred from Provisions, non-current and Provisions, current respectively to the net balance of the liabilities held for sale in consolidated statement of financial position as at 30 June 2023 (see also Note 5 for details).

The provisions for employee remuneration are recognized by the Group and the Company in accordance with the Collective Labour Agreements and with GSM decisions regarding the Directors' remuneration. During the period ended 30 June 2023, the Group and the Company used the provision for remuneration of staff and management in amount of RON 14,593 thousand, recorded at 31 December 2022.

At Group level, the amount of RON 11,847 thousand representing a provision recognized by one of its subsidiaries for CO2 certificates needed to be acquired for the year 2022 in accordance with the legal requirements, was reversed during the period ending 30 June 2023 (6 months 2022: nil). See also Note 9 Other operating income.

25. Related party transactions

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

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

| Related party | |
|--------------------------------|-------------------|
| Vimetco PLC | Major shareholder |
| Paval Holding SRL | Shareholder |
| Alum S.A. | Subsidiary |
| Vimetco Extrusion SRL | Subsidiary |
| Conef S.A. | Subsidiary |
| Sierra Mineral Holdings 1, Ltd | Subsidiary* |
| Global Aluminum Ltd. | Subsidiary* |
| Bauxite Marketing Ltd. | Subsidiary* |
| Vimetco Trading SRL | Subsidiary |
| 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 Fire SRL | Common control |

*Subsidiaries Global Aluminum Ltd., Sierra Mineral Holdings 1, Ltd. and Bauxite Marketing Ltd. are related to discontinued operations (see also Note 5). Group transactions are eliminated on consolidation.

The primary related party transactions are described below:

| Sales of goods and services | Alro Group | | Alro | |
|---|----------------------------------|----------------------------------|----------------------------------|----------------------------------|
| | Six months ended 30 June 2023 | Six months ended 30 June 2022 | Six months ended 30 June 2023 | Six months ended 30 June 2022 |
| Subsidiaries | - | - | 210,596 | 274,218 |
| Companies under common control | 778 | 496 | 739 | 457 |
| Total goods and services provided to related parties | 778 | 496 | 211,335 | 274,675 |

During the 6 months ended 30 June 2023, the category *Sales of goods and services* mainly includes income obtained by the Parent Company from the sale of billets to its subsidiary Vimetco Extrusion in the amount of RON 200,047 thousand (during 6-month period ended 30 June 2022: RON 225,464 thousand) and from the sale of electricity to its subsidiaries in the amount of RON 8,656 thousand (during 6-month period ended 30 June 2022: RON 46,398 thousand). Additionally, this category includes income booked by the Group from renting office space and various administrative services provided to companies under common control.

| Goods and services purchased from related parties: | Alro Group | | Alro | |
|--|----------------------------------|----------------------------------|----------------------------------|----------------------------------|
| | Six months ended 30 June 2023 | Six months ended 30 June 2022 | Six months ended 30 June 2023 | Six months ended 30 June 2022 |
| Subsidiaries | - | - | -162,263 | -310,226 |
| Companies under common control | -83,221 | -257,293 | -74,179 | -108,907 |
| Total goods and services purchased from related parties | -83,221 | -257,293 | -236,442 | -419,133 |

The purchases from related parties include acquisitions of alumina by the Parent Company from its subsidiary Alum, in amount of RON 152,736 thousand during the 6 months ended 30 June 2023 and RON 300,751 thousand during the 6 months ended 30 June 2022 and acquisitions of gas for the production process by the Group companies from their related party Conef Gaz (during H1 2023: RON 54,445 thousand at the Group level and RON 51,850 thousand at the Company level (during H1 2022: RON 234,538 thousand at the Group level and RON 90,747 thousand at the Company level). The acquisitions of gas in H1 2023 was lower compared to H1 2022 mainly due to the suspension of production activity in Alum, in August 2022. Additionally, the companies within the Group received services of a supportive nature from other entities under common control, such as advisory services, sales agency services, guard, logistics and administrative services.

The following balances were outstanding at 30 June 2023 and 31 December 2022:

| | Alro Group | | Alro | |
|---|--------------|------------------|----------------|------------------|
| | 30 June 2023 | 31 December 2022 | 30 June 2023 | 31 December 2022 |
| Trade and other accounts receivable: | | | | |
| Subsidiaries | - | - | 100,988 | 106,951 |
| Companies under common control | 3,675 | 3,987 | 165 | 88 |
| Allowance for doubtful receivables | -3,522 | -3,522 | -49 | -49 |
| Total trade and other accounts receivable from related parties | 153 | 465 | 101,104 | 106,990 |
| - non-current | - | - | - | - |
| - current | 153 | 465 | 101,104 | 106,990 |

| | Alro Group | | Alro | |
|--|---------------|------------------|---------------|------------------|
| | 30 June 2023 | 31 December 2022 | 30 June 2023 | 31 December 2022 |
| Trade and other accounts payable: | | | | |
| Subsidiaries | - | - | 3,577 | 11,032 |
| Companies under common control | 19,774 | 9,977 | 16,049 | 8,890 |
| Total trade and other accounts payable to related parties | 19,774 | 9,977 | 19,626 | 19,922 |

The total compensation of the Group and the Company's key management personnel included in *General, administrative and selling expenses* in the *Statement of Profit or Loss and other Comprehensive Income* amounts to RON 11,804 thousand (during the 6 months of year 2022: RON 6,364 thousand) at Group level and to RON 7,605 thousand at Company level (during the 6 months of year 2022: RON 4,152 thousand), respectively, while the expense for determined contribution plan (social contributions) for the first 6 months of 2023 was RON 2,877 thousand for the Group and RON 1,850 thousand for the Company (the first 6 months of year 2022: RON 1,338 thousand at Group level and RON 950 thousand at Company level).

Key management personnel transactions

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

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

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

| | Alro Group | | Alro | |
|---|----------------------------------|----------------------------------|----------------------------------|----------------------------------|
| | Six months ended 30 June 2023 | Six months ended 30 June 2022 | Six months ended 30 June 2023 | Six months ended 30 June 2022 |
| Goods and services purchased from entities controlled by key management personnel or their close family members | 51 | 98 | 18 | 11 |
| Total | 51 | 98 | 18 | 11 |

26. Commitments and contingencies

Commitments

Investment commitments

As at 30 June 2023, the Group's and the Company's commitments pertaining to the investments amounted to RON 53,028 thousand (31 December 2022: RON 46,284 thousand) at the Group level and to RON 33,511 thousand (31 December 2022: RON 20,152 thousand) at the Company level.

Raw material purchase contracts

As at 30 June 2023, the Group and the Company had contracts for purchases of raw materials, other consumables and utilities in amount of RON 924,241 thousand (31 December 2022: RON 1,679,919 thousand) for the Group and in amount of RON 920,518 thousand (31 December 2022: RON 1,672,498 thousand) for the Company.

Contingencies

Litigations

As at 30 June 2023 the Group was subject to a number of lawsuits resulting from the normal course of the business. The Management believes that these actions will not have a significant impact on the financial performance and financial position of the Group.

The Group as a plaintiff: in 2016, the Parent Company contested before the Court of Law a decision of the Competition Council that fined the Company by RON 21,239 thousand for an alleged vertical agreement on the energy market, which was firmly challenged by the Company, as well as several Romanian Energy Regulatory Authority ("ANRE") orders regarding the calculation of green certificate quota for the Company's energy consumptions in 2015. The disputes are ongoing before the competent Courts of Law. The appeal against the sanction decision issued by the Competition Council was rejected by the Primary Court - the Bucharest Court of Appeal and, as a result of the communication of the motivated decision by this Court, it filed an appeal in the case, which will be judged by the High Court of Cassation and Justice, during the year 2023. On 11 May 2023, following deliberation, the High Court dismissed the appeal brought by the Parent Company as unfounded.

Taxation

In November 2022, the Group's Parent Company was subject to an audit by the General Directorate for Fiscal Anti-fraud regarding the contribution to the Energy Transition Fund, the purchases and deliveries of electricity, the monthly evolution of the purchase prices and delivery for the period January 2021- September 2022. On 24 May 2023, the fiscal inspection was completed by communicating the minutes without additional debits, interest and penalties calculated.

27. Events after the reporting date

Starting July 2023, the Parent Company of the Group has been subject to a substantive fiscal audit by the National Agency for Fiscal Administration for the period January 2016 - December 2020. The Company management cannot estimate a potential impact from this fiscal audit.

The Group has received an unsolicited offer from a local investor in Sierra Leone for acquiring 100% of the capital of Sierra Mineral Holdings 1 Ltd ("SMHL"), a company registered in the British Virgin Islands, owned 100% by Alum S.A. through the company Global Aluminum Limited, also registered in the British Virgin Islands. On 10 July 2023 the Extraordinary General Meeting of Shareholders of the subsidiary Alum approved the sale of Global Aluminium Ltd BVI (GAL) and mandated the Company's Board of Directors to negotiate and to approve the price and the final form of the transaction.

On 11 July 2023 the Law 206/2023 was published in the Official Gazette, regarding the approval of the Government's Emergency Ordinance no. 153/2022 which ultimately amends the Government Emergency Ordinance no. 27/2022 regarding the measures applicable to final customers in the electricity and natural gas market in the period 1 April 2022 – 31 March 2023 with entry into force starting from 14 July 2023. The modification of Articles 5 and 6 changes the mechanism for calculating the final invoiced price for some of the end customers of natural gas and electricity based on the supplier's acquisition costs plus margin and taxes, during the period 1 January 2023 – 31 March 2025. If the price from the supply contract in force concluded with the final customers is lower than the final price resulting from the application of the emergency ordinance, the contractual price is applied. The Group and the Company expect a positive future impact on its financial results coming from the implementation of this law, but are currently unable to make a certain estimation of the financial outcome. Discussions with the electricity suppliers and clarifications from the authorities to determine the application of the new law are undergoing and any material updates or further details will be disclosed subsequently as appropriate.

In respect of the joint venture project between Alro SA and Complexul Energetic Oltenia (CE Oltenia) related to the construction of a new gas-fired power unit of 850 MW combined cycle power plant, the negotiations were finalized for the documentation necessary to set up the SPV, the final form of these projects has been agreed upon, and at present work is in progress for the financing of Alro's equity contribution to the new SPV company called CCGT Power Isalnita SA. On 31 July 2023, CE Oltenia summoned its General Shareholders' Meeting for 28 August 2023 to approve the joint venture shareholders' agreement and the set up of the company.

At the date when these interim financial statements were authorized for issue, negotiations with the banks were still ongoing in respect of the terms and conditions for extending the two revolving loans expiring in November 2023.

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

**CONSOLIDATED AND SEPARATE QUARTERLY REPORT
Q2/2023**

**Consolidated and Separate Financial Results
for the Second Quarter of 2023 (Q2/2023)
as Compared to the Second Quarter of 2022 (Q2/2022)
(unaudited)**

ALRO S.A. and its subsidiaries

Quarterly Report Q2 2023

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

in RON '000, except per share data

| Alro Group | | | Alro Group | |
|-----------------|----------------|---|----------------------------------|-----------------------------------|
| Q2 2023 | Q2 2022* | | Six months ended 30 June 2023 | Six months ended 30 June 2022* |
| | | Continuing operations | | |
| 768,532 | 988,487 | Revenue from contracts with customers | 1,558,613 | 2,088,243 |
| -784,614 | -771,767 | Cost of goods sold | -1,609,739 | -1,773,816 |
| -16,082 | 216,720 | Gross result | -51,126 | 314,427 |
| | | | | |
| -88,190 | -73,774 | General, administrative and selling expenses | -158,824 | -136,926 |
| 134,964 | 2,790 | Other operating income | 247,037 | 7,559 |
| -21,594 | -7,565 | Other operating expenses | -42,554 | -14,051 |
| 9,098 | 138,171 | Operating result (EBIT) | -5,467 | 171,009 |
| | | | | |
| -31,926 | -19,343 | Interest expenses | -63,879 | -32,210 |
| - | - | Gains (losses) from derivative financial instruments, net | - | -2,446 |
| 6,617 | 1,385 | Other financial income | 12,610 | 2,719 |
| -8,930 | -7,936 | Other financial costs | -16,622 | -15,980 |
| -4,196 | -49,757 | Net foreign exchange gains / (losses) | 8,978 | -64,837 |
| -29,337 | 62,520 | Result before income taxes from continuing operations | -64,380 | 58,255 |
| | | | | |
| 1,249 | -15,622 | Income tax | -3,206 | -19,480 |
| -28,088 | 46,898 | Result for the period from continuing operations | -67,586 | 38,775 |
| | | | | |
| | | Discontinued operations | | |
| -83,571 | -13,472 | Result after tax for the period from discontinued operations | -96,508 | -23,458 |
| -111,659 | 33,426 | Result for the period | -164,094 | 15,317 |
| | | | | |
| | | Other comprehensive income / (expense), net of tax: | | |
| | | <i>Items that will not be reclassified subsequently to profit or loss</i> | | |
| -3 | -22 | Remeasurements of post-employment benefit obligations | 7 | -30 |
| | | <i>Items that may be reclassified subsequently to profit or loss:</i> | | |
| 395 | 13,268 | Translation adjustment | -1,678 | 17,011 |
| 392 | 13,246 | Other comprehensive income / (expense) for the period, net of tax | -1,671 | 16,981 |
| | | | | |
| -111,267 | 46,672 | Total comprehensive income / (expense) for the period | -165,765 | 32,298 |
| | | | | |
| | | Result attributable to: | | |
| -111,148 | 33,455 | Shareholders of Alro SA | -163,407 | 15,357 |
| -511 | -29 | Non-controlling interest | -687 | -40 |
| -111,659 | 33,426 | | -164,094 | 15,317 |
| | | Total comprehensive income / (expense) attributable to: | | |
| -110,758 | 46,622 | Shareholders of Alro S.A. | -165,070 | 32,235 |
| -509 | 50 | Non-controlling interest | -695 | 63 |
| -111,267 | 46,672 | | -165,765 | 32,298 |
| | | Earnings per share | | |
| -0.156 | 0.047 | Basic and diluted (RON) | -0.229 | 0.022 |
| -0.039 | 0.066 | Basic and diluted (RON) for continuing operations | -0.095 | 0.054 |

* Prior year figures of the consolidated statement of profit or loss has been re-presented to show the discontinued operations separately from continuing operations (see for details Note 5 from *Interim condensed consolidated and separate financial statements for the six months ended 30 June 2023*)

Quarterly Report Q2 2023

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

in RON '000, except per share data

| Alro | | | Alro | |
|-----------------|----------------|---|----------------------------------|----------------------------------|
| Q2 2023 | Q2 2022 | | Six months ended 30 June 2023 | Six months ended 30 June 2022 |
| 669,639 | 922,656 | Revenue from contracts with customers | 1,358,643 | 1,972,884 |
| -734,848 | -746,076 | Cost of goods sold | -1,499,606 | -1,750,194 |
| -65,209 | 176,580 | Gross result | -140,963 | 222,690 |
| -53,552 | -53,180 | General, administrative and selling expenses | -104,038 | -101,934 |
| -74,399 | -137 | Impairment of investments | -74,480 | -180 |
| 121,218 | 2,197 | Other operating income | 232,408 | 6,339 |
| -5,465 | -6,881 | Other operating expenses | -10,059 | -9,285 |
| -77,407 | 118,579 | Operating result (EBIT) | -97,132 | 117,630 |
| -30,511 | -18,139 | Interest expenses | -60,293 | -29,920 |
| - | - | Gains (losses) from derivative financial instruments, net | - | -2,446 |
| 6,310 | 2,230 | Other financial income | 12,142 | 3,530 |
| -8,075 | -7,788 | Other financial costs | -15,298 | -15,419 |
| -3,296 | -45,457 | Net foreign exchange gains / (losses) | 9,364 | -59,100 |
| -112,979 | 49,425 | Result before income taxes | -151,217 | 14,275 |
| 615 | -13,769 | Income tax | 5 | -13,561 |
| -112,364 | 35,656 | Result for the period | -151,212 | 714 |
| | | Earnings per share | | |
| -0.157 | 0.050 | Basic and diluted (RON) | -0.212 | 0.001 |

in RON '000

| | Alro Group | |
|---|------------------|------------------|
| | 30 June 2023 | 31 December 2022 |
| Assets | | |
| Non-current assets | | |
| Property, plant and equipment | 996,941 | 1,090,979 |
| Investment properties | 587 | 602 |
| Intangible assets | 3,108 | 3,479 |
| Goodwill | 15,834 | 79,851 |
| Right-of-use assets | 9,232 | 7,092 |
| Deferred tax asset | 34,859 | 35,825 |
| Other non-current financial assets | 77,885 | 77,776 |
| Total non-current assets | 1,138,446 | 1,295,604 |
| Current assets | | |
| Inventories | 918,294 | 1,168,187 |
| Trade receivables, net | 113,903 | 69,780 |
| Current income tax receivable | 2,237 | 1,817 |
| Other current financial assets | 695,830 | 510,765 |
| Other current non-financial assets | 57,384 | 25,025 |
| Restricted cash | 79,920 | 88,688 |
| Cash and cash equivalents | 321,081 | 630,068 |
| Assets held for sale | 108,231 | - |
| Total current assets | 2,296,880 | 2,494,330 |
| Total assets | 3,435,326 | 3,789,934 |
| Shareholders' Equity and Liabilities | | |
| Shareholders' equity | | |
| Share capital | 370,037 | 370,037 |
| Share premium | 86,351 | 86,351 |
| Other reserves | 355,316 | 356,986 |
| Retained earnings | 734,087 | 324,009 |
| Result for the period | -163,407 | 410,071 |
| Equity attributable to shareholders of Alro S.A. | 1,382,384 | 1,547,454 |
| Non-controlling interest | 1,277 | 1,972 |
| Total shareholders' equity | 1,383,661 | 1,549,426 |
| Non-current liabilities | | |
| Bank and other loans, non-current | 544,650 | 670,097 |
| Leases, non-current | 5,565 | 3,831 |
| Provisions, non-current | 27,482 | 43,125 |
| Post-employment benefit obligations | 24,413 | 27,154 |
| Government grants, non-current portion | 33,036 | 35,169 |
| Other non-current financial liabilities | 18,504 | 18,834 |
| Total non-current liabilities | 653,650 | 798,210 |
| Current liabilities | | |
| Bank and other loans, current | 1,010,713 | 1,015,044 |
| Leases, current | 2,829 | 2,465 |
| Provisions, current | 8,895 | 32,435 |
| Trade and other payables | 216,097 | 230,633 |
| Contract liabilities | 12,075 | 20,222 |
| Current income taxes payable | 4,922 | 70,056 |
| Government grants, current portion | 4,267 | 4,267 |
| Other current liabilities | 39,693 | 67,176 |
| Liabilities associated with the assets held for sale | 98,524 | - |
| Total current liabilities | 1,398,015 | 1,442,298 |
| Total liabilities | 2,051,665 | 2,240,508 |
| Total shareholders' equity and liabilities | 3,435,326 | 3,789,934 |

in RON '000

| | Alro | |
|---|------------------|------------------|
| | 30 June 2023 | 31 December 2022 |
| Assets | | |
| Non-current assets | | |
| Property, plant and equipment | 736,749 | 752,559 |
| Investment properties | 4,208 | 3,797 |
| Intangible assets | 2,689 | 2,971 |
| Investments in subsidiaries | 258,842 | 333,322 |
| Right-of-use assets | 3,939 | 4,923 |
| Deferred tax asset | 30,550 | 30,725 |
| Other non-current financial assets | 76,125 | 76,049 |
| Total non-current assets | 1,113,102 | 1,204,346 |
| Current assets | | |
| Inventories | 751,688 | 884,229 |
| Trade receivables, net | 115,400 | 104,930 |
| Other current financial assets | 663,942 | 469,914 |
| Other current non-financial assets | 91,219 | 59,596 |
| Restricted cash | 52,731 | 52,731 |
| Cash and cash equivalents | 272,911 | 600,090 |
| Total current assets | 1,947,891 | 2,171,490 |
| Total assets | 3,060,993 | 3,375,836 |
| Shareholders' Equity and Liabilities | | |
| Shareholders' equity | | |
| Share capital | 370,037 | 370,037 |
| Share premium | 86,351 | 86,351 |
| Other reserves | 306,191 | 306,191 |
| Retained earnings | 650,302 | 319,331 |
| Result for the period | -151,212 | 330,971 |
| Total shareholders' equity | 1,261,669 | 1,412,881 |
| Non-current liabilities | | |
| Bank and other loans, non-current | 543,135 | 667,034 |
| Leases, non-current | 2,146 | 2,812 |
| Provisions, non-current | 2,716 | 2,656 |
| Post-employment benefit obligations | 22,331 | 22,301 |
| Government grants, non-current portion | 27,139 | 28,861 |
| Other non-current financial liabilities | 631 | 579 |
| Total non-current liabilities | 598,098 | 724,243 |
| Current liabilities | | |
| Bank and other loans, current | 994,254 | 976,572 |
| Leases, current | 1,815 | 2,067 |
| Provisions, current | 2,389 | 16,982 |
| Trade and other payables | 159,917 | 127,637 |
| Contract liabilities | 11,649 | 19,637 |
| Current income taxes payable | - | 65,810 |
| Government grants, current portion | 3,442 | 3,442 |
| Other current liabilities | 27,760 | 26,565 |
| Total current liabilities | 1,201,226 | 1,238,712 |
| Total liabilities | 1,799,324 | 1,962,955 |
| Total shareholders' equity and liabilities | 3,060,993 | 3,375,836 |

| Alro Group | Share capital | Share premium | Other reserves |
|--|----------------|---------------|----------------|
| Balance at 1 January 2022 | 370,037 | 86,351 | 375,866 |
| Result for the period | - | - | - |
| Other comprehensive income / (expense) | | | |
| Translation adjustment | - | - | - |
| Remeasurements of post-employment benefits | - | - | - |
| Other comprehensive income / (expense) | - | - | - |
| Total comprehensive income / (expense) for the period | - | - | - |
| Transactions with owners of the company recognized directly in equity | | | |
| Distributions to owners of the company | | | |
| Appropriation of prior year result | - | - | 414 |
| Balance at 30 June 2022 | 370,037 | 86,351 | 376,280 |
| Balance at 1 January 2023 | 370,037 | 86,351 | 375,866 |
| Result for the period | - | - | - |
| Other comprehensive income / (expense) | | | |
| Translation adjustment | - | - | - |
| Remeasurements of post-employment benefits | - | - | - |
| Other comprehensive income / (expense) | - | - | - |
| Total comprehensive income / (expense) for the period | - | - | - |
| Transactions with owners of the company recognized directly in equity | | | |
| Distributions to owners of the company: | | | |
| Appropriation of prior year result | - | - | - |
| Balance at 30 June 2023 | 370,037 | 86,351 | 375,866 |

| Translation reserve | Total other reserves | Retained earnings | Result for the period | Attributable to shareholders of Alro SA | Non-controlling interests | Total shareholders' equity |
|---------------------|----------------------|-------------------|-----------------------|---|---------------------------|----------------------------|
| -33,043 | 342,823 | 288,344 | 26,426 | 1,113,981 | 2,475 | 1,116,456 |
| - | - | - | 15,357 | 15,357 | -40 | 15,317 |
| 16,908 | 16,908 | - | - | 16,908 | 103 | 17,011 |
| - | - | -30 | - | -30 | - | -30 |
| 16,908 | 16,908 | -30 | - | 16,878 | 103 | 16,981 |
| 16,908 | 16,908 | -30 | 15,357 | 32,235 | 63 | 32,298 |
| - | 414 | 26,012 | -26,426 | - | - | - |
| -16,135 | 360,145 | 314,326 | 15,357 | 1,146,216 | 2,538 | 1,148,754 |
| -18,880 | 356,986 | 324,009 | 410,071 | 1,547,454 | 1,972 | 1,549,426 |
| - | - | - | -163,407 | -163,407 | -687 | -164,094 |
| -1,670 | -1,670 | - | - | -1,670 | -8 | -1,678 |
| - | - | 7 | - | 7 | - | 7 |
| -1,670 | -1,670 | 7 | - | -1,663 | -8 | -1,671 |
| -1,670 | -1,670 | 7 | -163,407 | -165,070 | -695 | -165,765 |
| - | - | 410,071 | -410,071 | - | - | - |
| -20,550 | 355,316 | 734,087 | -163,407 | 1,382,384 | 1,277 | 1,383,661 |

| Alro | Share capital |
|--|----------------|
| Balance at 1 January 2022 | 370,037 |
| Result for the period | - |
| Total comprehensive income / (expense) | - |
| Transactions with owners of the company recognized directly in equity | |
| Distributions to owners of the company | |
| Appropriation of prior year result | - |
| Balance at 30 June 2022 | 370,037 |
| Balance at 1 January 2023 | 370,037 |
| Result for the period | - |
| Total comprehensive income / (expense) | - |
| Transactions with owners of the company recognized directly in equity | |
| Distributions to owners of the company | |
| Appropriation of prior year result | - |
| Balance at 30 June 2023 | 370,037 |

in RON '000

| Share premium | Other reserves | Retained earnings | Result for the period | Total |
|---------------|----------------|-------------------|-----------------------|-----------|
| 86,351 | 306,191 | 275,397 | 35,210 | 1,073,186 |
| - | - | - | 714 | 714 |
| - | - | - | 714 | 714 |
| - | - | - | - | - |
| - | - | - | - | - |
| - | - | 35,210 | -35,210 | - |
| 86,351 | 306,191 | 310,607 | 714 | 1,073,900 |
| 86,351 | 306,191 | 319,331 | 330,971 | 1,412,881 |
| - | - | - | -151,212 | -151,212 |
| - | - | - | -151,212 | -151,212 |
| - | - | - | - | - |
| - | - | - | - | - |
| - | - | 330,971 | -330,971 | - |
| 86,351 | 306,191 | 650,302 | -151,212 | 1,261,669 |

Quarterly Report Q2 2023

Interim consolidated statement of cash flows - unaudited

in RON '000

Alro Group

| Q2 2023 | Q2 2022 | | Six months ended 30 June 2023 | Six months ended 30 June 2022 |
|-----------------|----------------|--|----------------------------------|----------------------------------|
| | | Cash flow from operating activities | | |
| -29,337 | 62,546 | Result before income taxes from continuing operations | -64,380 | 58,255 |
| -83,571 | -13,499 | Result after tax for the period from discontinued operations | -96,508 | -23,485 |
| | | <i>Adjustments for:</i> | | |
| 38,881 | 35,110 | Depreciation and amortisation | 82,035 | 72,382 |
| 8,101 | - | Impairment of property, plant and equipment | 8,101 | - |
| 63,062 | - | Impairment of goodwill | 63,062 | - |
| -22,689 | 1,982 | Movement in provisions | -20,945 | 2,475 |
| -2,348 | 13,291 | Change in allowance for impairment of inventory | -38,607 | 12,352 |
| -4 | -257 | Change in allowance for impairment of doubtful receivables | 124 | -172 |
| 243 | 395 | Losses/(gains) on disposal of property, plant and equipment | -262 | 535 |
| - | - | Loss on disposal of intangible assets | - | - |
| 4,205 | 49,575 | Net foreign exchange (gains)/ losses on loans revaluation | -10,572 | 64,633 |
| -6,361 | -1,196 | Interest income | -12,249 | -2,519 |
| 32,439 | 19,947 | Interest expense | 64,819 | 33,056 |
| - | - | Gain/loss on derivative instruments at fair value through profit or loss | - | 2,446 |
| | | <i>Changes in working capital:</i> | | |
| 26,201 | -168,737 | Change in inventories | 255,672 | -296,612 |
| -46,776 | 24,874 | Change in trade receivables and other assets | -276,561 | -112,495 |
| -18,189 | -38,531 | Change in trade and other payables | 26,100 | -105,550 |
| -69,501 | -6,895 | Income taxes (paid)/refunded | -69,467 | -6,895 |
| -34,131 | -16,717 | Interest paid | -62,750 | -29,928 |
| - | -1,894 | Cash receipts/ (Payments) from derivatives, net | - | -16,823 |
| -139,775 | -40,006 | Net cash generated by / (used in) operating activities | -152,388 | -348,345 |
| | | Cash flow from investing activities | | |
| -30,578 | -29,526 | Purchase of property, plant and equipment and intangible assets, net | -56,673 | -60,231 |
| 528 | 318 | Proceeds from sale of property, plant and equipment | 882 | 683 |
| -416 | -100 | Change in restricted cash | 8,768 | -66,333 |
| 6,310 | 1,214 | Interest received | 12,142 | 2,514 |
| -24,156 | -28,094 | Net cash used in investing activities | -34,881 | -123,367 |
| | | Cash flow from financing activities | | |
| 12,250 | 203,612 | Proceeds from loans | 48,294 | 431,266 |
| -97,091 | -72,531 | Repayment of loans and leases | -166,684 | -84,136 |
| - | - | Dividends paid | - | -1 |
| -84,841 | 131,081 | Net cash provided by/(used in) financing activities | -118,390 | 347,129 |
| -248,772 | 62,981 | Net change in cash and cash equivalents | -305,659 | -124,583 |
| 573,177 | 140,904 | Cash and cash equivalents at beginning of period | 630,068 | 328,428 |
| 7 | 64 | Effect of exchange rate differences on cash and cash equivalents | 3 | 104 |
| 324,412 | 203,949 | Cash and cash equivalents at end of period | 324,412 | 203,949 |

Quarterly Report Q2 2023

Interim separate statement of cash flows - unaudited

in RON '000

Alro

| Q2 2023 | Q2 2022 | | Six months ended 30 June 2023 | Six months ended 30 June 2022 |
|-----------------|----------------|--|----------------------------------|----------------------------------|
| | | Cash flow from operating activities | | |
| -112,979 | 49,425 | Result before income taxes | -151,217 | 14,275 |
| | | <i>Adjustments for:</i> | | |
| 25,786 | 23,053 | Depreciation and amortisation | 53,598 | 49,242 |
| 74,399 | 136 | Impairment of investments | 74,480 | 180 |
| -14,593 | - | Movement in provisions | -14,593 | - |
| -11,885 | 13,291 | Change in allowance for impairment of inventory | -48,144 | 12,352 |
| -9 | -285 | Change in allowance for impairment of doubtful receivables | 43 | -317 |
| 82 | 232 | Losses/(gains) on disposal of property, plant and equipment | -464 | 345 |
| 4,350 | 45,690 | Net foreign exchange (gains)/ losses on loans revaluation | -8,206 | 59,518 |
| -6,310 | -1,152 | Interest income | -12,142 | -2,452 |
| 30,511 | 18,139 | Interest expense | 60,293 | 29,920 |
| - | -1,078 | Dividend income | - | -1,078 |
| - | - | Gain/loss on derivative instruments at fair value through profit or loss | - | 2,446 |
| | | <i>Changes in working capital:</i> | | |
| 20,962 | -182,493 | Change in inventories | 176,807 | -281,757 |
| -72,251 | 58,700 | Change in trade receivables and other assets | -236,441 | -53,271 |
| -55,312 | -87,904 | Change in trade and other payables | 26,661 | -171,968 |
| -65,630 | -3,360 | Income taxes (paid)/refunded | -65,630 | -3,360 |
| -32,567 | -15,121 | Interest paid | -59,583 | -27,900 |
| - | -1,894 | Cash receipts/ (Payments) from derivatives, net | - | -16,823 |
| -215,446 | -84,621 | Net cash generated by / (used in) operating activities | -204,538 | -390,648 |
| | | Cash flow from investing activities | | |
| -16,758 | -19,558 | Purchase of property, plant and equipment and intangible assets, net | -36,202 | -36,570 |
| 8 | - | Proceeds from sale of property, plant and equipment | 68 | 35 |
| - | 1,078 | Dividends received | - | 1,078 |
| - | -1 | Change in restricted cash | - | -66,235 |
| 6,310 | 1,152 | Interest received | 12,142 | 2,452 |
| -10,440 | -17,329 | Net cash used in investing activities | -23,992 | -99,240 |
| | | Cash flow from financing activities | | |
| -5 | 200,449 | Proceeds from loans | 19,003 | 420,052 |
| -56,448 | -36,525 | Repayment of loans and leases | -117,652 | -47,336 |
| - | - | Dividends paid | - | -1 |
| -56,453 | 163,924 | Net cash provided by/(used in) financing activities | -98,649 | 372,715 |
| -282,339 | 61,974 | Net change in cash and cash equivalents | -327,179 | -117,173 |
| 555,250 | 125,943 | Cash and cash equivalents at beginning of period | 600,090 | 305,090 |
| - | - | Effect of exchange rate differences on cash and cash equivalents | - | - |
| 272,911 | 187,917 | Cash and cash equivalents at end of period | 272,911 | 187,917 |

1. Organisation and nature of business

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

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

At 30 June 2023, the majority shareholder of Alro S.A. was Vimetco PLC, a private limited liability company registered under the laws of Cyprus, based in Navarinou 18, Navarinou Business Centre, Agios Andreas, 1100, Nicosia, Cyprus. The company is ultimately controlled by Maxon Limited (Bermuda).

2. Basis of preparation

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

The financial information for the 6-month period ended 30 June 2023 has not been audited and has not been subject to an external auditor's review.

3. Significant accounting policies

The same accounting policies and methods of computation have been followed in this quarterly report as those applied in preparing the Group's financial statements as at 31 December 2022, except for the adoption of new standards effective as of 1 January 2023

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

**The Ministry of Public Finance Order no. 2844/2016, with subsequent amendments, is in accordance with the International Financial Reporting Standards (IFRS) adopted by the European Union (EU), except for IAS 21 The effects of changes in foreign exchange rates regarding functional currency, except for the provisions of IAS 20 Accounting for Government Grants regarding the recognition of revenue from green certificates, except for the provisions of IFRS 15 Revenue from contracts with customers regarding the revenue from taxes of connection to the distribution grid. These exceptions do not affect the compliance of the financial statements of the Group with IFRS adopted by the EU.*

4. Explanatory notes

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

Revenues from contracts with customers

| Q2 2023 | Q2 2022 | | Six months ended 30 June 2023 | Six months ended 30 June 2022 |
|----------------|----------------|---|----------------------------------|----------------------------------|
| 4,102 | 11,548 | Revenues from the alumina segment | 8,386 | 32,271 |
| 221,400 | 221,157 | Revenues from the primary aluminium segment | 449,770 | 526,859 |
| 536,536 | 746,304 | Revenues from the processed aluminium segment | 1,090,509 | 1,514,972 |
| 6,494 | 9,478 | Other | 9,948 | 14,141 |
| 768,532 | 988,487 | Total | 1,558,613 | 2,088,243 |
| 46,291 | 45,675 | Revenue from discontinued operations (Bauxite) | 78,023 | 48,070 |

On 31 May 2023, the Group's subsidiary, Alum, publicly announced the convening of the Extraordinary General Meeting for the approval of the sale, as sole shareholder, of 100% of the share capital of Global Aluminum Ltd. (GAL Group) and for the approval of the mandate of the Board of Directors of Alum to negotiate and approve the price and final form of the above transaction. The sale of GAL Group was expected to be completed within a year from the reporting date. At 30 June 2023, GAL Group was classified as a disposal group held for sale and as a discontinued operation. The business of GAL Group represented the entirety of the Group's Bauxite operating segment until 30 June 2023, and with the GAL Group being classified as discontinued operations, the Bauxite segment is no longer presented as a segment in this present report. The results of GAL Group for the reporting period are presented in *Note 5 Discontinued operations* from *Interim condensed consolidated and separate financial statements for the six months ended 30 June 2023*. In terms of comparability of information, the revenues from the bauxite segment for Q2 2023 and Q2 2022 were presented in the consolidated statement of profit or loss, as revenues from discontinued operations.

In 2023, Alro Group had to show adaptability in order to face a series of challenges: the slowdown of the world economy which impacted the demand, the volatility of aluminium prices and exchange rates, high inflation and interest rates, the still high raw material and electricity costs, the supply chain disruptions and the unfair competition.

After a difficult first quarter of 2023 for the Group, with weak consumer demand, in Q2 2023 an increase was recorded in the orders in the Primary Aluminium Division, particularly for wire rod. The billets destocking seems to have come to an end, but demand is still weak for this type of product. Also, in the first months of 2023, the demand for flat rolled products continued the unfavourable trend it had at the end of 2022, but in March 2023 signs of a recovery in the demand for sheet and coils started to appear, after which in June 2023, the demand began to deteriorate again. From July 2022, anti-dumping taxes were applied in the European Union against the export of flat rolled products from China, which generated stockpiles among European distributors. We do not expect EU authorities to get involved in the short term in reviewing the anti-dumping taxes in force, which are far from covering at least part of the price difference from the flat products manufactured in Europe. In Q2 2023, metal is still abundant on the market, for immediate delivery from various distribution warehouses across Europe, and the plants are working with large stocks of standard alloys to win any available business opportunities by offering very short lead times. Transport costs, although on a downward trend in the last months, are still significantly higher than the levels recorded before the coronavirus pandemic. At the same time, in Q2 2023 the premiums continued to be under intense pressure due to declining demand and aggressive competition, especially from Turkey. Prices situation in the market has changed dramatically towards the end of Q2 2023, with one reputable market analyst stating that we are recording the most aggressive decline over a 6 months period in the past 20 years.

The first quarter of 2022 was a particularly favourable period for the LME (London Metal Exchange aluminium quotation), with a peak recorded in March 2022 of USD 3,968/tonne, followed by a continued decline in the aluminium price. This downward trend continued in 2023, such that in Q2 2023 the LME 3M average was 2,281 USD/tonne, down by 617/USD tonne as compared to Q2 2022 (2,898 USD/tonne), whereas in Q1 2023 the average aluminium price was 2,435 USD/tonne.

Consequently, in Q2 2023 the Group's results followed the market trend, when the achieved turnover from continuing operations was RON 768,532 thousand, down by 22% as compared to Q2 2022 (RON 988,487 thousand).

However, in Q2 2023, the Primary segment reported sales revenues at the same level as those recorded in the same quarter of the previous year (Q2 2023: RON 221,400 thousand, Q2 2022: RON 221,157 thousand). Despite weak demand in the reporting period in the cable industry, the Group sold almost 5,800 tonnes more wire rod in Q2 2023 as compared to Q2 2022. In 2022, to offset the reduction of the electrolytic aluminium production following the shutting down of three of the five electrolysis potrooms in the first part of the year, the Group entered into wire rod processing contracts with a number of customers and agreed to process the metal supplied by them, the related revenue being recognised only as a processing fee charged to these customers. In this context, the Group processed over 5,000 tonnes of wire rod in Q2 2022. Instead, in Q2 2023 the Group no longer processed wire rod and preferred to buy aluminium ingots from the market to produce wire rod, and the outlook for wire rod sales appears good for the remaining part of 2023. In March 2023, there were signs of improvement in billet demand and then the demand for this product line deteriorated starting May 2023, so the billets sales decreased by almost 275 tonnes in Q2 2023 compared to the same period of 2022. The billet stocks accumulated by distributors appear to have decreased, nevertheless billets demand is still weak. We expect additional sales in the coming period if the market recovers as per our forecasts. In addition, the Group benefited from the opportunities on the market and sold almost 500 tonnes of slabs in Q2 2023 (Q2 2022: nil).

Following the same downward market trend, the revenues from the Processed Aluminium Division decreased by 28% in Q2 2023 as compared to the same quarter of last year (Q2 2023: RON 536,536 thousand versus Q2 2022: RON 746,304 thousand). However, a positive evolution was recorded on the extruded products, as the Group delivered 2,625 tonnes more, in Q2 2023 as compared to Q2 2022, as a result of the investments that the Group's subsidiary, Vimetco Extrusion, made in 2022 in a state-of-the-art extrusion press to increase the production of customised, high value-added products. In return, for the flat-rolled products, June was the most difficult month so far in 2023, with the sharpest drop of the market demand and, at the same time, with the most aggressive sales price cuts. In Q2 2023 as compared to Q2 2022, quantitative sales of sheets and coils were higher by more than 2,300 tonnes, but the demand began to deteriorate towards the end of the reporting quarter, particularly in the building&construction sector. Instead, the plate sales were limited amid very weak demand in the general engineering sector, mainly from service centres and distributors, and decreased by more than 5,000 tonnes in Q2 2023 as compared to Q2 2022. As regards the plates for the aerospace sector, we capitalised the advantages of the temporary disruptions in the aerospace sector supply chain, by entering into new agreements, which will materialise in the coming periods, and we made progress in negotiations for long-term contracts.

The cost of goods sold increased by 2% in Q2 2023 as compared to the same period of last year (Q2 2023: RON 784,614 thousand as compared to Q2 2022: RON 771,767 thousand). Although the price of electricity had a downward trend in 2023, the Group continued to face pressure from the high cost of electricity. At the same time, the price of raw materials (scrap and primary metal purchased from third parties), which is linked to the LME quotation, recorded a decrease in Q2 2023 as compared to Q2 2022, due to the downward trend in aluminium prices. As a result of the temporary suspension of alumina production at Alum in August 2022, in Q2 2023 the Group purchased alumina from the market at a lower cost than the one produced by its subsidiary in Q2 2022. However, the cost for most of the raw materials purchased by the Group remained at high levels, increasing in Q2 2023 as compared to Q2 2022. The Group also purchased higher quantities of aluminium scrap and ingots for its liquid aluminium production, which increased by 48% in Q2 2023 as compared to Q2 2022, in line with the Group's strategy to reduce its specific electricity consumption and increase the sustainability of its business by expanding its Eco-Recycling capacity. This increase of the market metal used in production offset the amount of electrolytic aluminium that was no longer produced as a result of temporary suspension of 3 electrolysis potrooms in Q1 2022.

In Q2 2023, the Group recorded a **negative gross result** in the amount of RON 16,082 thousand (Q2 2022: positive gross result of RON 216,720 thousand) due to the negative influence of the market, marked by the global demand decrease, the downward trend of the LME, the sales prices decrease, the further increase in prices for most raw materials and the still high pressure of electricity prices.

In Q2 2023, **Other operating income** was of RON 134,964 thousand (in T2 2022: RON 2,790 thousand) and mainly included compensation of RON 110,398 thousand (Q2 2022: nil) recorded by the Group for high energy costs as per EU legislation on the EU-ETS scheme, on an accrual basis for the first six months of 2023. For more details, see also the *Interim condensed consolidated and separate financial statements for the six months ended 30 June 2023*. In addition, in Q2 2023 this category included income from the reversal of a provision for CO₂ certificates needed to be acquired for the year 2022 of RON 11,847 thousand, recognised by one of the Group's subsidiaries at the end of 2022. The Group also received in Q2 2023 the amount of RON 6,023 thousand (Q2 2022: 0), representing an indemnity for a piece of equipment that had been damaged in a fire occurred in 2018 at the premises of the Parent Company's Processing Division, recorded in the same category, i.e. *Other operating income*.

In Q2 2023, the category **Other operating expenses** included the depreciation of idle plants of RON 9,184 thousand (in Q2 2022: RON 6,140 thousand), having in view the temporary suspension of the operations of 3 electrolysis halls and of the alumina plant in Tulcea in 2022, as well as costs of RON 10,957 thousand that were recognized by Alum during the subsequent period to the production capacity shutdown in August 2022 (in Q2 2022: nil).

Considering the extremely difficult economic context of the second quarter of 2023, **the operational result (EBIT)** of the Group was positive of RON 9,098 thousand, but lower than the one recorded in the same quarter of the previous year (Q2 2022: a positive EBIT of RON 138,171 thousand).

On the other hand, **interest expenses** increased by 65% in Q2 2023 (RON 31,926 thousand) as compared to Q2 2022 (RON 19,343 thousand) mainly due to the increase in LIBOR, EURIBOR and ROBOR reference rates, and also due to the increase of the loans balance of the Group.

The amount of RON 4,196 thousand reported in Q2 2023 representing **net foreign exchange loss** results mainly from the revaluation of the loans and other liabilities of the Group in foreign currencies due to the depreciation of RON at 30 June 2023 compared to 31 March 2023 (in Q2 2022: a loss of RON 49,757 thousand).

In Q2 2023 as compared to Q2 2022, despite lower aluminium prices, lower sales volumes caused by lower demand, highly volatile and highly competitive economic environment, the Group continued its strategy of consolidating its position as a supplier of high value-added products and managed to increase deliveries of extruded products by 39%. The conflict in Ukraine, the energy crisis, disruptions in supply chains, rising inflation and interest rates at unprecedented levels represent challenges in the highly unstable global economic environment of the recent period. As at 30 June 2023, the management of the Parent Company carried out an impairment review of the financial investments. Following the classification of GAL Group as discontinued operations, at 30 June 2023 a full impairment of RON 63,062 thousand was recognised on the remaining goodwill resulted on the initial acquisition of GAL Group and an additional impairment of RON 8,104 thousand was recognized on the property, plant and equipment of SMHL. Under these conditions, the Group's **net result** in Q2 2023 was a loss in the amount of RON 111,659 thousand as compared to the net profit of RON 33,426 thousand reported in Q2 2022.

The reconciliation between the net result and the adjusted net result for Q2 2023 and Q2 2022 is detailed below:

| | | | in RON '000 | |
|----------------|---------------|---|----------------------------------|----------------------------------|
| Q2 2023 | Q2 2022 | | Six months ended 30 June 2023 | Six months ended 30 June 2022 |
| -111,659 | 33,426 | Net result of the period | -164,094 | 15,317 |
| 8,101 | - | Impairment of other non-current assets | 8,101 | - |
| 63,062 | - | Impairment of goodwill | 63,062 | - |
| - | - | Derivative financial instruments for which hedge accounting was not applied | - | 2,446 |
| 253 | -3,210 | Deferred income tax | 966 | -3,072 |
| -40,243 | 30,216 | Adjusted net result | -91,965 | 14,691 |

4.2. Consolidated Statement of Financial Position

The Group's management considered that the GAL Group meets the criteria to be classified as held for sale at 30 June 2023. In these conditions, assets and liabilities classified as held for sale are presented separately as current items in the *Consolidated statement of financial position* as *Assets held for sale* and *Liabilities associated with the assets held for sale*. The figures in the *statement of financial position* as at 31 December 2022 were not re-presented. For further details, please see the Note 5 *Discontinued operations* from *Interim condensed consolidated and separate financial statements for the six months ended 30 June 2023*.

Non-current assets

In the first 6 months of 2023, the Group continued its programmes to reduce its dependence on electricity and increase the high value-added production. Thus, in June 2023, the Group inaugurated an investment in the total amount of USD 11 million in the environmentally friendly aluminium scrap recycling facility. The investment will increase the recycling capacity of the Parent Company to 100,000 tons/year by the end of 2023, following the installation of a double chamber furnace together with a new double chamber furnace and the related fume collection and treatment plant. The state-of-the-art technology will also have a positive impact on the environment, keeping ALRO's emissions below the EU approved levels. The amount spent for this project in the first 6 months of 2023 was RON 10,287 thousand (6 months 2022: RON 10,451 thousand).

In H1 2023, the Group also continued its programmes to improve the energy efficiency of its equipment and technological processes by replacing the smelter pot components using the innovative AP12LE (Aluminium Pechiney 120 kA Low-Energy) technology (19 pots were upgraded in H1 2023 and 11 pots in H1 2022).

In line with the strategy of increasing the share of high value-added products in the production mix, since 2022 the Group has started a project to fit out a new production flow designed for cutting rolled plates at the dimensions required by the ALRO's customers (CUT TO SIZE) and in 2023 paid an advance for the purchase of a plate saw. These investments will allow the Group to diversify its portfolio of very high profitability product and expand into new markets (the amount spent in H1 2023 was RON 3,741 thousand and nil in H1 2022).

The Group's subsidiary, Vimetco Extrusion, started in H1 2023 the implementation of an automatic packaging line for extruded aluminium profiles (amount spent in H1 2023: RON 6,034 thousand, in H1 2022: nil), which is part of the Company's investment program to increase the efficiency of the production process and the sustainable use of natural resources by reducing CO2 emissions and fuel consumption and increasing annual waste collection. This project amounts to EUR 4.57 million and will benefit from a financing of EUR 1.85 million from Iceland, Lichtenstein and Norway via EEA the Financial Grant Mechanism 2014 - 2021 within the program "The Development of SME's in Romania", in the field "Green Innovation in industry, Blue Growth, and ICT". The commissioning term is April 2024.

Current assets

In order to cope with these difficult times, the Group has implemented programmes to optimise the production costs by reducing the utilities and raw materials consumption and by optimising the production processes, so that the inventories decreased from RON 1,168,187 thousand as at 31 December 2022 to RON 918,294 thousand as at 30 June 2023. In addition, the Group identified and took advantage of market opportunities for some of its products (such as: extruded products, wire rod, sheet and coils), and in this way, it significantly reduced its finished products stocks that were in balance as at 31 December 2022 (30 June 2023: RON 340,256 thousand, 31 December 2022: RON 489,715 thousand). Also, starting August 2022, the Group subsidiary, Alum, suspended its activity and purchased alumina from the market at a much lower cost than the one it had for producing alumina. This led to a decrease in raw materials from RON 480,637 thousand as at 31 December 2022 to RON 369,564 thousand as at 30 June 2023.

Other current financial assets mainly includes government grants receivable that the Group is entitled to receive as compensation for higher electricity costs resulting from indirect emission costs under the EU Emission Trading Scheme (ETS). As at 30 June 2023, the outstanding balance of the government grants receivable represents the compensation receivable of RON 437,059 thousand for costs related to the year 2022, which the Group recognised as at 31 December 2022 and which is expected to be received in 2023 and, on an accrual basis, the compensation for 6 months 2023 of RON 219,209 thousand. In December 2022, in accordance with the legal regulations, the Group received the government grants representing the compensation receivable for 2021 costs of RON 367,264 thousand, so that the Group closed the year with cash flow in the amount of RON 630,068 thousand. As at 30 June 2023, the cash flow was down by RON 308.987 thousand as compared to the beginning of the year. In order to receive the compensation for indirect emission costs incorporated in the energy price for 2022, the Group submitted the documentation within the legal deadline and expects that this will have a positive impact on the operating cash flow of the year 2023.

Liabilities

The Group's *total liabilities* decreased by 8% and reached RON 2,051,665 thousand as at 30 June 2023 (31 December 2022: RON 2,240,508 thousand), mainly due to the decrease of short-term loans by RON 125,447 thousand as a result of the payment of loan instalments according to the payment schedules agreed with the financing banks. Moreover, the appreciation of the LEU against the US dollar as at 30 June 2023 (4.5750 USD/RON) as compared to 31 December 2022 (4.6346 USD/RON) has determined a decrease in the value of the short term loans that the Group has contracted in USD, as a result of their revaluation on the reporting date.

4.3. Consolidated Statement of Cash Flows

As at 30 June 2023, the Group had a consolidated cash position of RON 321,081 thousand (at 31 December 2022 it was of RON 630,068 thousand), and RON 47,295 thousand available to draw from loan facilities (at 31 December 2022: RON 61,196 thousand).

In Q2 2023 the net cash flow used by the Group in operating activities was RON 139,775 thousand (in Q2 2022 the cash flow used from operating activities was RON 40,006 thousand), being influenced by the negative evolution of turnover affected by the slowdown of the global economy and lower aluminium prices in Q2 2023 as compared to Q2 2022. On the other hand, the positive

flows from change in inventories of RON 26,201 thousand, reported in Q2 2023, are the result of the Group's strategy to manage its inventories as efficiently as possible. Furthermore, in Q2 2023 the change in trade receivables and other assets represents, in particular, the effect of recording, in Q2 2023, the compensation receivable for the cost of indirect emissions, in the amount of RON 110,398 thousand.

Net cash outflows related to investment activities in Q2 2023 in the amount of RON 24,156 thousand, represent investments for the reduction of the Group's dependence on electricity by developing and modernizing the scrap recycling activity, payments for the smelter pots relining and furnaces revamping, payments for the purchase of a machine for new plate cutting and a machine for cutting rolled plates at the dimensions required by the customers and for the purchase of an automatic packaging line for extruded aluminium profiles, as well as investments for the maintenance and improvement of the Group's equipment parameters.

The net cash flow from the financing activity in Q2 2023 was negative of RON 84,841 thousand, coming mainly from the refunding of the due loan instalments according to the repayment schedules agreed with the banks, and from leasing debts, in the reporting period.

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

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

Ratios

| Ratio description | Formula | Alro Group | | Alro | |
|-----------------------------|--|----------------------------------|----------------------------------|----------------------------------|----------------------------------|
| | | Six months ended 30 June 2023 | Six months ended 30 June 2022 | Six months ended 30 June 2023 | Six months ended 30 June 2022 |
| Current ratio | Current assets/ Current liabilities | 1.64 | 3.06 | 1.62 | 3.99 |
| Gearing ratio | Long-term borrowings/ Equity x 100 | 39.77 | 118.59 | 43.22 | 126.33 |
| | Long-term borrowings/ Capital employed x 100 | 28.45 | 54.25 | 30.18 | 55.82 |
| Receivables turnover | Receivables average balance/ Turnover x180 | 10.61 | 10.55 | 14.60 | 12.85 |
| Non-current assets turnover | (Turnover x 360/180)/ Non-current assets | 2.74 | 2.98 | 2.44 | 2.85 |

At 30 June 2023, the Current Ratio as well as the Gearing ratio decreased as a result of the classification from long term to short term at 30 June 2023, of some bank loan facilities with maturities within one year from the reporting date.

To ensure the comparability of the ratios *Current Ratio* and *Gearing Ratio*, the ratios for 30 June 2023 are presented below, adjusted with the aforementioned credit facilities by transferring them in the Long-term borrowings from the *Current liabilities* category.

Adjusted ratios

| Ratio description | Formula | Alro Group | | Alro | |
|------------------------|--|----------------------------------|----------------------------------|----------------------------------|----------------------------------|
| | | Six months ended 30 June 2023 | Six months ended 30 June 2022 | Six months ended 30 June 2023 | Six months ended 30 June 2022 |
| Adjusted current ratio | Current assets/ Current liabilities | 3.43 | 3.06 | 4.12 | 3.99 |
| Adjusted gearing ratio | Long-term borrowings/ Equity x 100 | 92.44 | 118.59 | 100.98 | 126.33 |
| | Long-term borrowings/ Capital employed x 100 | 48.03 | 54.25 | 50.24 | 55.82 |

Statement of the Persons in Charge

Statement of the Persons in Charge

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

1. We confirm to the best of our knowledge that the interim condensed consolidated and separate financial statements of ALRO Group for the period ended on 30 June 2023 and ALRO Group quarterly financial results for Q2 2023 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 2023;

2. The Consolidated Directors' Report gives a true and fair view of the development and the performance of ALRO Group for the six months ended 30 June 2023.

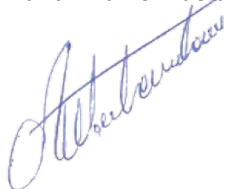
The Board of Directors represents the interests of the Group, of the Parent-company and of its shareholders and is responsible for the overall management of the Group and of the Company.

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

| | | |
|-----|-----------------------|----------------|
| 1. | Marian-Daniel Nastase | Chairman |
| 2. | Svetlana Pinzari | Vice-President |
| 3. | Gheorghe Dobra | Member |
| 4. | Vasile Iuga | Member |
| 5. | Marinel Burduja | Member |
| 6. | Adrian Fercu | Member |
| 7. | Darius Pavăl | Member |
| 8. | Voicu Cheta | Member |
| 9. | Genoveva Nastase | Member |
| 10. | Igor Higer | Member |
| 11. | Dragos-Adrian Voncu | Member |

The interim condensed consolidated and separate financial statements of ALRO Group for the period ended on 30 June 2023 and ALRO Group quarterly financial results for Q2 2023 are not audited.

Chairman of the Board of Directors
Marian Daniel Nastase



Chief Executive Officer
Gheorghe Dobra



Chief Financial Officer
Genoveva Nastase



8 August 2023