

# Quarterly Report 31 March 2021

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## ALRO GROUP

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## **ALRO GROUP**

### **CONSOLIDATED QUARTERLY REPORT FOR THE FIRST QUARTER OF 2021**

#### **Consolidated Financial Results for the First Quarter of 2021 (Q1 2021) as Compared to the First Quarter of 2020 (Q1 2020) (unaudited)**

#### **ALRO Group**

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

# Alro Group

## Consolidated quarterly report for Q1 2021

### Highlights of the first quarter of 2021 (Q1 2021)

- Consolidated turnover of RON 744 million in Q1 2021, higher by 4.4% than the one reported in Q1 2020 (RON 712 million), in the context of a global economy still affected by the coronavirus pandemic;
- The average LME quotation was 2,096 USD/ tonne in Q1 2021, rising by 406 USD/ tonne, as compared to Q1 2020 (1,690 USD/ tonne);
- The Group obtained positive cashflow from operations (RON 21 million in Q1 2021, and RON 87 million in Q1 2020), and a positive gross profit of RON 65 million in Q1 2021 compared to the loss of RON 2.7 million in Q1 2020;
- In Q1 2021, Alro Group continued to support the efforts of the medical staff in fighting against the COVID-19 effects by donations amounting to RON 400,000 for the Slatina County Emergency Hospital, for the Tulcea County Emergency Hospital, for the hospital Dr. Victor Babes and for the Foundation Prof. Dr. Matei Bals.
- In Q1 2021, the Group did not record income from subsidies related to the indirect emissions due to the fact that Europe entered into a new phase for ETS legislation, Phase 4 valid for 2021-2030. The Romanian authorities need to implement the European ETS Guidelines post 2021, no. C(2020) 6400 final\* into the local legislation and only then we will be entitled to recognise the subsidy for indirect emissions (\*Communication from the Commission Guidelines on certain State aid measures in the context of the system for greenhouse gas emission allowance trading post 2021).

### ALRO Group

Indicator	Q1 2021	Q1 2020
Primary aluminium production (tonnes)	72,343	69,204
Processed aluminium production (tonnes)	26,978	26,014
Alumina production (tonnes)	117,464	99,803
Bauxite production (tonnes)	328,973	363,319
Sales (thousand RON)	743,948	712,271
EBITDA <sup>1</sup> (thousand RON)	33,547	-30,628
EBITDA margin (%)	4.5%	-4.3%
Adjusted net result <sup>2</sup> (thousand RON)	-60,257	-123,776
Net result (thousand RON)	-61,857	-110,020

### ALRO S.A.

Indicator	Q1 2021	Q1 2020
Primary aluminium production (tonnes)	72,343	69,204
Processed aluminium production (tonnes)	21,012	19,917
Primary aluminium sales (tonnes)	42,429	41,058
Processed aluminium sales (tonnes)	22,325	21,031
Sales (thousand RON)	688,438	642,433
EBITDA <sup>1</sup> (thousand RON)	16,541	-60,873
EBITDA margin (%)	2.4%	-9.5%
Adjusted net result <sup>2</sup> (thousand RON)	-58,565	-132,624
Net result (thousand RON)	-61,015	-119,233
Adjusted net result <sup>2</sup> per share (RON)	-0.082	-0.186
Net result per share (RON)	-0.085	-0.167

<sup>1</sup> EBITDA earnings before interest, taxes, depreciation, amortization and impairment;

<sup>2</sup> Adjusted Net Result: net result plus/(minus) non-current assets impairment, plus/(minus) the loss/(gain) from derivative financial instruments that for which hedge accounting was not applied, plus/(minus) deferred tax.

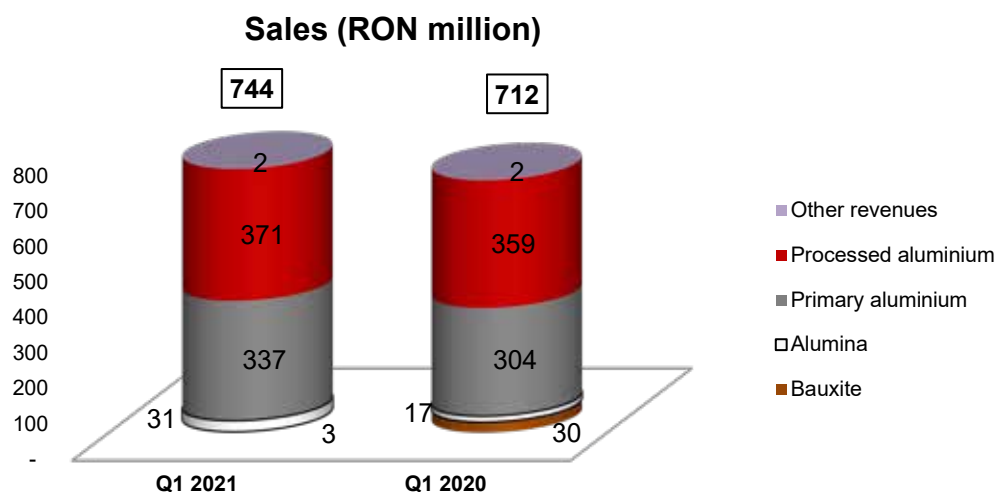
The first quarter of 2021 was still affected by the global economic crisis caused by the coronavirus pandemic that broke out in February 2020. A new epidemic wave in early 2021 forced European countries to maintain traffic restrictions and partial quarantine measures, established since the last part of the year 2020, after a period of relative stability around the middle of 2020. However, in Q1 2021, in Europe, where Alro Group sells most of its production, there is an improvement in the economic activity, especially in the automotive, building and construction sectors, and an increasing market demand for our products. However, the aerospace sector where the Group sells flat rolled products continues to have low demand and an uncertain outlook. Most of the states that have been facing Covid-19 since December 2020, have started the vaccination campaign, and as vaccination programs move forward and the measures taken so far for limiting the virus gradually relaxed, an economic growth is expected in the future.

## Sales

The Group's consolidated sales in Q1 2021 amounted to RON 743,948 thousand, increasing by 4.4% as compared to Q1 2020, thanks to the sales quantitative increase and aluminium price quotations increase, partially offset by an unfavourable exchange rate, in spite of an international economic environment still fighting the coronavirus pandemic.

As regards the aluminium quotations at the London Stock Exchange, there was a high aluminium price volatility on the market during 2020. The average LME in Q1 2020 was 1,690 USD/ tonne, a minimum level of 1,422 USD/ tonne being reached in April 2020, and recording over 2,000 USD/ tonne by the end of the year. The growth trend that was present towards the end of the year 2020, remained the same in Q1 2021 when the average LME was 2,096 USD/ tonne, the aluminium price gaining 406 USD/ tonne as compared to Q1 2020.

Revenues from contracts with customers	Q1 2021	Q1 2020
Revenues from bauxite segment	2,850	29,939
Revenues from alumina segment	31,020	16,792
Revenues from primary aluminium segment	337,178	304,219
Revenues from processed aluminium segment	371,134	359,453
Other	1,766	1,868
<b>Total</b>	<b>743,948</b>	<b>712,271</b>



The primary products sales volume increased by 4% in Q1 2021 as compared to Q1 2020 despite the adverse global economic conditions. The increase came from the aluminium wire rod sales which were over 1,300 tonnes higher as compared to Q1 2020, as the Group managed to sell above the budgeted level for this type of product. The market demand recorded in November-December 2020 was not as high as during the year, and in Q1 2021 the Group decreased its aluminium wire rod inventories produced in the end of 2020. However, starting February 2021, the wire rod demand returned to the normal level and we expect it to remain stable throughout 2021.

Although the billet deliveries did not achieve the same performance as those of aluminium wire in Q1 2021, compared to Q1 2020, the Group recorded sales higher than budgeted for this product line. The instability of the extruded products sector in 2020, caused by the coronavirus pandemic, led to a decrease in demand, and a positive trend started to be visible in September 2020. Thus, in Q1 2021, the

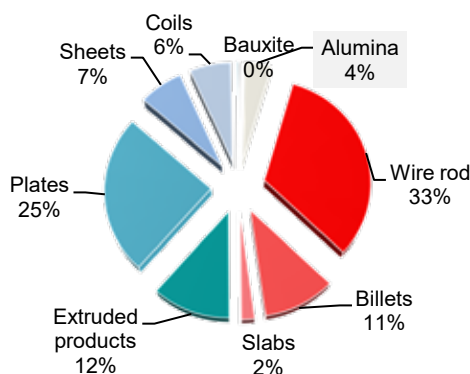
billets demand was stable and it was supported by the improvement of the automotive and construction business and by the anti-dumping tariffs imposed by the European Union on Chinese extruded products.

The processed aluminium sales volume was 4% higher for all flat-rolled products in Q1 2021, as compared to the same period of the year 2020. Increased demand in the automotive and construction sectors in Q1 2021, as well as the positive effects of the EU anti-dumping investigation against imports of Chinese flat rolled products, led to an increase in the sales of flat rolled products by roughly 1,300 tonnes compared to the same quarter of 2020. However, the aerospace industry has continued to have the same low level of demand as in the previous year, without real signs improvement.

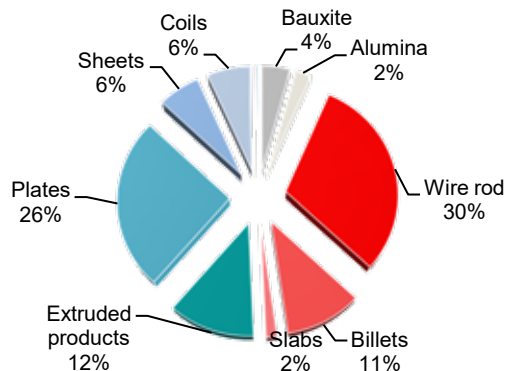
With higher quantities sold, both for primary products and processed products, and with the increase of aluminium price quotations in Q1 2021 as compared to Q1 2020, the primary aluminium sales value increased by 11%, and processed aluminium sales value increased by 3% in the analysed period.

The share of Primary Aluminium Division sales to third parties was of RON 337,178 thousand in Q1 2021 and accounted for 45% of the total revenues of the Group (Q1 2020: RON 304,219 thousand; 43%). Processed Aluminium Division sales to third parties accounted for 50% of the Group's total revenues in Q1 2021, with RON 371,134 thousand (Q1 2020: RON 359,453 thousand; 50%), in accordance with the Group's strategy of improving the products mix and focusing on the production and sales of high value-added products.

**Sales structure (RON '000), Q1 2021**



**Sales structure (RON '000), Q1 2020**

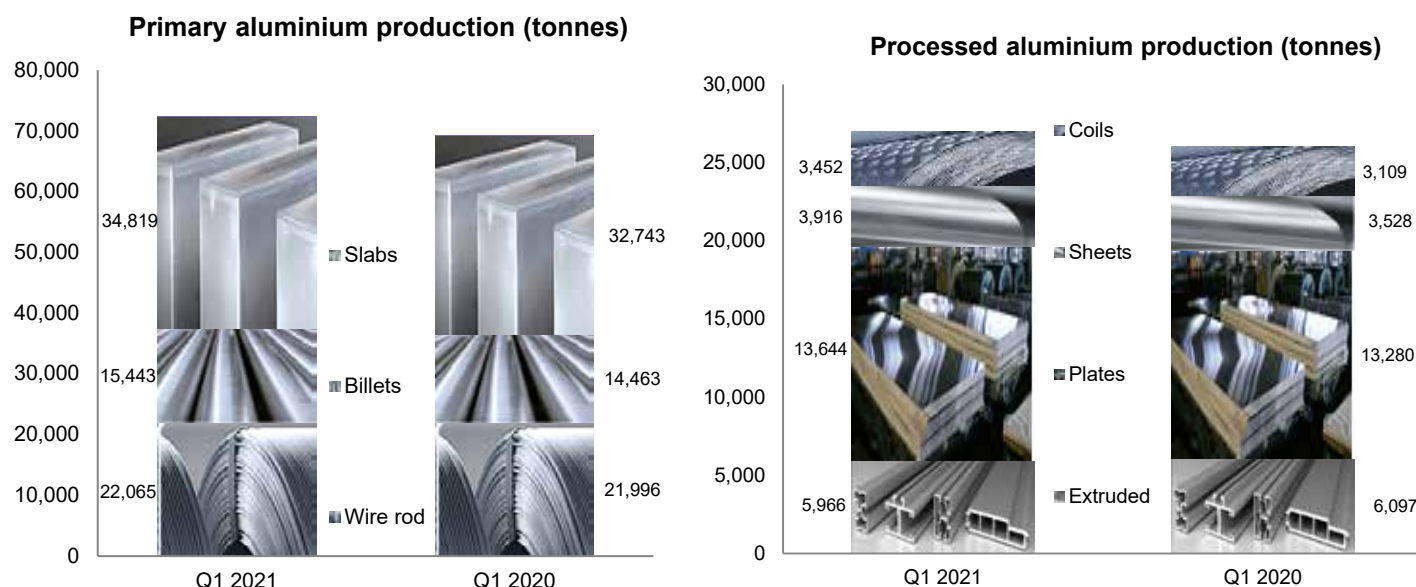


Apart from the Group aluminium sales, in Q1 2021, the Group subsidiary Alum sold alumina and hydrate amounting to RON 31,020 thousand (in Q1 2020: RON 16,792 thousand). In the adverse environment faced by the subsidiary in the reporting period, it still managed to increase alumina sales to third parties by 13,712 tonnes more in Q1 2021 compared to Q1 2020.

## Production

In spite of the crisis caused by the coronavirus pandemic, in Q1 2021 as well as throughout 2020, the Group continued to maintain all the production facilities for aluminium, alumina and bauxite mining in operation and no restructuring action were taken in respect of the personnel or for the existing production capacity.

In Q1 2021, the Group's primary aluminium production was 72,343 tons, 5% higher than the level reported in the same period of last year (Q1 2020: 69,204 tons). The amount of produced aluminium billets increased by almost 1,000 tons in Q1 2021 as compared to Q1 2020, due to the increase in the automotive and construction industries market demand. A significant increase was also recorded in slabs production, which was higher by over 2,000 tons, due to the rising Group internal requirement for the production of flat rolled products. In the Processed Aluminium division, the production reported in Q1 2021 was 4% higher than the one achieved in the same period of last year (Q1 2021: 26,978 tons versus Q1 2020: 26,014 tons). The FRP production increased by almost 1,100 tons in Q1 2021 as compared to Q1 2020 (Q1 2021: 21,012 tons versus Q1 2020: 19,917 tons), as a result of the Group's policy of increasing its sales of higher profit margin products.



As regards the **cost of goods sold**, the Group reported a 5% lower level in Q1 2021 (in Q1 2021: RON 679,063 thousand versus Q1 2020: RON 715,038 thousand), mainly due to the decrease in the purchase prices of raw materials and utilities, in line with market specific prices and with the long-term strategy of the Group for cost reduction. Under these circumstances, the Group's gross margin increased to 9% in Q1 2021 as compared to a negative gross margin reported in Q1 2020.

In Q1 2021, the Group recorded a positive **gross result** in amount of RON 64,885 thousand (in Q1 2020: gross loss of RON 2,767 thousand) as a result of the positive evolution of the aluminium price and the increase of aluminium demand on the market and thanks to lower costs.

A significant influence in the Group's net result was the **net loss from exchange rate differences** in amount of RON 35,796 thousand recorded in Q1 2021 mainly coming from the revaluation of credit facilities and other debts of the Group denominated in foreign currency (in Q1 2020 the net loss was RON 26,236 thousand)

The Group's **net result** for the first quarter of 2021 is a loss of RON 61,857 thousand compared to a loss of RON 110,020 thousand recorded in the first quarter of 2020.

The reconciliation between the net result and the adjusted net result for Q1 2021 and Q1 2020 is detailed below:

Adjusted net result	Q1 2021	Q1 2020
<b>NET RESULT (RON '000)</b>	<b>-61,857</b>	<b>-110,020</b>
Plus/(minus) the loss/(gain) from derivative financial instruments for which hedge accounting was not applied	4,129	-
Plus/(minus) deferred tax expense/ (income)	-2,529	-13,756
<b>ADJUSTED NET RESULT</b>	<b>-60,257</b>	<b>-123,776</b>

**ALRO GROUP**

**Interim condensed consolidated financial statements for the three  
months ended 31 March 2021 (unaudited)**



# Consolidated statement of profit or loss and other comprehensive income for the three months ended 31 March 2021 - unaudited

in RON '000,  
except per share data

	Note	Three months ended 31 March 2021	Three months ended 31 March 2020
Revenue from contracts with customers	5	743,948	712,271
Cost of goods sold		-679,063	-715,038
<b>Gross result</b>		<b>64,885</b>	<b>-2,767</b>
General, administrative and selling expenses	7	-74,134	-71,630
Other operating income		2,532	2,565
Other operating expenses		-1,791	-2,732
<b>Operating result (EBIT)</b>		<b>-8,508</b>	<b>-74,564</b>
Interest expenses	8	-9,944	-16,924
Gains (losses) from derivative financial instruments, net		-4,129	-
Other financial income		971	1,204
Other financial costs		-5,552	-5,861
Net foreign exchange gains / (losses)		-35,796	-26,236
<b>Result before income taxes</b>		<b>-62,958</b>	<b>-122,381</b>
Income tax	9	1,101	12,361
<b>Result for the period</b>		<b>-61,857</b>	<b>-110,020</b>
<b>Other comprehensive income / (expense), net of tax:</b>			
<i>Items that will not be reclassified subsequently to profit or loss:</i>			
Remeasurements of post-employment benefit obligations		-21	2
Income tax on items that will not be reclassified		-	-
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Translation adjustment		10,778	3,372
<b>Other comprehensive income / (expense) for the period, net of tax</b>		<b>10,757</b>	<b>3,374</b>
<b>Total comprehensive income / (expense) for the period</b>		<b>-51,100</b>	<b>-106,646</b>
Result attributable to:			
<b>Shareholders of Alro SA</b>		<b>-61,850</b>	<b>-110,065</b>
<b>Non-controlling interest</b>		<b>-7</b>	<b>45</b>
		-61,857	-110,020
Total comprehensive income / (expense) attributable to:			
<b>Shareholders of Alro S.A.</b>		<b>-51,157</b>	<b>-106,712</b>
<b>Non-controlling interest</b>		<b>57</b>	<b>66</b>
		-51,100	-106,646
<b>Earnings per share</b>			
Basic and diluted (RON)	10	-0.087	-0.154

**Dr. Ing Gheorghe DOBRA**  
Chief Executive Officer

**Ec. Genoveva NĂSTASE**  
Chief Financial Officer

The comparative figures for 3-month period of 2020, were reclassified in accordance with the presentation adopted in 2021. RON 5,861 thousand representing bank commissions and commissions paid in relation with factoring agreements, previously included under Other financial gains / (losses), net, are now presented under Other financial costs.

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

These financial statements were authorized for issue by the management on 13 May 2021.

# Consolidated statement of financial position as at 31 March 2021 - unaudited

in RON '000

	Note	31 March 2021	31 December 2020
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	11	1,081,476	1,089,217
Investment properties		656	664
Intangible assets		5,451	5,957
Goodwill	13	93,107	88,856
Right-of-use assets		9,510	10,731
Deferred tax asset	9	51,593	48,027
Other non-current assets		45,331	45,329
<b>Total non-current assets</b>		<b>1,287,124</b>	<b>1,288,781</b>
<b>Current assets</b>			
Inventories	15	647,314	678,441
Trade receivables, net		79,101	51,389
Current income tax receivable		970	642
Other current assets		497,158	504,571
Derivative financial instruments asset, current	14	907	-
Restricted cash		97	95
Cash and cash equivalents	16	102,457	105,500
<b>Total current assets</b>		<b>1,328,004</b>	<b>1,340,638</b>
<b>Total assets</b>		<b>2,615,128</b>	<b>2,629,419</b>
<b>Shareholders' Equity and Liabilities</b>			
<b>Shareholders' equity</b>			
Share capital		370,037	370,037
Share premium		86,351	86,351
Other reserves		345,830	335,116
Retained earnings		293,545	-40,723
Result for the period		-61,850	334,289
<b>Equity attributable to shareholders of Alro S.A.</b>		<b>1,033,913</b>	<b>1,085,070</b>
Non-controlling interest		2,652	2,595
<b>Total shareholders' equity</b>		<b>1,036,565</b>	<b>1,087,665</b>

Dr. Ing Gheorghe DOBRA  
Chief Executive Officer

Ec. Genoveva NĂSTASE  
Chief Financial Officer

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

These financial statements were authorized for issue by the management on 13 May 2021

# Consolidated statement of financial position as at 31 March 2021 - unaudited (cont.)

in RON '000

	Note	31 March 2021	31 December 2020
<b>Non-current liabilities</b>			
Bank and other loans, non-current	17	875,430	848,285
Leases, non-current	17	3,005	3,712
Provisions, non-current		38,486	37,463
Post-employment benefit obligations		49,562	49,430
Government grants, non-current portion		42,638	43,703
Other non-current liabilities		986	1,148
<b>Total non-current liabilities</b>		<b>1,010,107</b>	<b>983,741</b>
<b>Current liabilities</b>			
Bank and other loans, current	17	137,000	120,293
Leases, current	17	3,184	3,401
Provisions, current		33,270	33,276
Trade and other payables		280,194	245,929
Contract liabilities		10,801	31,742
Current income taxes payable		14,389	21,797
Government grants, current portion		4,267	4,267
Other current financial liabilities		85,351	97,308
<b>Total current liabilities</b>		<b>568,456</b>	<b>558,013</b>
<b>Total liabilities</b>		<b>1,578,563</b>	<b>1,541,754</b>
<b>Total shareholders' equity and liabilities</b>		<b>2,615,128</b>	<b>2,629,419</b>

Dr. Ing Gheorghe DOBRA  
Chief Executive Officer

Ec. Genoveva NĂSTASE  
Chief Financial Officer

The comparative figures for the year 2020 were reclassified in accordance with the presentation adopted in 2021. The amount of RON 31,742 thousand and the amount of RON 12,275 thousand which were reported at 31 December 2020 under the category *Other current financial liabilities* are now included under *Contract liabilities* and *Trade and other payables*, respectively.

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

These financial statements were authorized for issue by the management on 13 May 2021

## Consolidated statement of changes in shareholders' equity for the three months ended 31 March 2021 - unaudited

	Share capital	Share premium	Other reserves
<b>Balance at 1 January 2020</b>	<b>370,037</b>	<b>86,351</b>	<b>372,397</b>
Result for the period	-	-	-
<b>Other comprehensive income / (expense)</b>			
Translation adjustment	-	-	-
Remeasurements of post-employment benefits	-	-	-
<b>Other comprehensive income / (expense)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total comprehensive income / (expense) for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Transactions with owners of the company recognized directly in equity</b>			
<b>Distributions to owners of the company</b>			
Appropriation of prior year result	-	-	22
<b>Balance at 31 March 2020</b>	<b>370,037</b>	<b>86,351</b>	<b>372,419</b>
<b>Balance at 1 January 2021</b>	<b>370,037</b>	<b>86,351</b>	<b>375,866</b>
Result for the period	-	-	-
<b>Other comprehensive income / (expense)</b>			
Translation adjustment	-	-	-
Remeasurements of post-employment benefits	-	-	-
<b>Other comprehensive income / (expense)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total comprehensive income / (expense) for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Transactions with owners of the company recognized directly in equity</b>			
<b>Distributions to owners of the company:</b>			
Appropriation of prior year result	-	-	-
<b>Balance at 31 March 2021</b>	<b>370,037</b>	<b>86,351</b>	<b>375,866</b>

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

These financial statements were authorized for issue by the management on 13 May 2021.

Translation reserve	Total other reserves	Retained earnings	Result for the period	Attributable to shareholders of Alro SA	Non-controlling interests	Total shareholders' equity
-29,730	342,667	36,446	-67,734	767,767	2,185	769,952
-	-	-	-110,065	-110,065	45	-110,020
3,351	3,351	-	-	3,351	21	3,372
-	-	2	-	2	-	2
3,351	3,351	2	-	3,353	21	3,374
3,351	3,351	2	-110,065	-106,712	66	-106,646
-	22	-67,756	67,734	-	-	-
-26,379	346,040	-31,308	-110,065	661,055	2,251	663,306
-40,750	335,116	-40,723	334,289	1,085,070	2,595	1,087,665
-	-	-	-61,850	-61,850	-7	-61,857
10,714	10,714	-	-	10,714	64	10,778
-	-	-21	-	-21	-	-21
10,714	10,714	-21	-	10,693	64	10,757
10,714	10,714	-21	-61,850	-51,157	57	-51,100
-	-	334,289	-334,289	-	-	-
-30,036	345,830	293,545	-61,850	1,033,913	2,652	1,036,565

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Chief Executive Officer

Ec. Genoveva NĂSTASE  
Chief Financial Officer

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

These financial statements were authorized for issue by the management on 13 May 2021.

# Consolidated statement of cash flows for the three months ended 31 March 2021 - unaudited

in RON '000

	Note	Three months ended 31 March 2021	Three months ended 31 March 2020
<b>Cash flow from operating activities</b>			
Result before income taxes		-62,958	-122,381
<i>Adjustments for:</i>			
Depreciation and amortisation		42,061	43,936
Movement in provisions		-7	-19
Change in allowance for impairment of inventory	15	-14,911	13,432
Change in allowance for impairment of doubtful receivables	7	-72	-241
Losses/(gains) on disposal of property, plant and equipment		169	269
Net foreign exchange (gains)/ losses on loans revaluation		38,381	22,817
Interest income		-967	-1,203
Interest expense		9,944	16,924
Dividend income	9	-2	-
Effect of derivative financial instruments	14	4,129	-
<i>Changes in working capital:</i>			
Change in inventories		47,982	115,131
Change in trade receivables and other assets		-20,861	-989
Change in trade and other payables		-854	17,632
Income taxes (paid)/refunded		-9,171	-664
Interest paid	8	-6,843	-17,436
Cash receipts/ (Payments) from derivatives, net		-4,887	-701
<b>Net cash generated by / (used in) operating activities</b>		<b>21,133</b>	<b>86,507</b>
<b>Cash flow from investing activities</b>			
Purchase of property, plant and equipment and intangible assets, net		-26,598	-18,685
Proceeds from sale of property, plant and equipment		526	151
Dividends received		2	-
Change in restricted cash	16	-2	-30,010
Interest received		954	1,166
<b>Net cash used in investing activities</b>		<b>-25,118</b>	<b>-47,378</b>
<b>Cash flow from financing activities</b>			
Proceeds from loans	17	16,049	102,825
Repayment of loans and leases	17	-15,244	-35,536
Dividends paid	10	-17	-23
<b>Net cash provided by/(used in) financing activities</b>		<b>788</b>	<b>67,266</b>
<b>Net change in cash and cash equivalents</b>		<b>-3,197</b>	<b>106,395</b>
<b>Cash and cash equivalents at beginning of period</b>		<b>105,500</b>	<b>83,182</b>
Effect of exchange rate differences on cash and cash equivalents		154	14
<b>Cash and cash equivalents at end of period</b>	<b>16</b>	<b>102,457</b>	<b>189,591</b>

**Dr. Ing Gheorghe DOBRA**  
Chief Executive Officer

**Ec. Genoveva NĂSTASE**  
Chief Financial Officer

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

These financial statements were authorized for issue by the management on 13 May 2021.

# Notes to the interim condensed consolidated financial statements - unaudited

in RON '000, except per share data

## 1. Organisation and nature of business

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

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

Vimetco N.V. (the Netherlands) is the major shareholder of Alro S.A., holding 54.19% of the Company's share capital at 31 March 2021. Vimetco N.V. is a privately held company and its registered office is at Strawinskylaan 403, World Trade Center, A Tower, 4th floor, 1077 XX Amsterdam, The Netherlands. The Company's ultimate controlling entity is Maxon Limited (Bermuda).

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

These interim condensed consolidated financial statements were authorised for issue by the management on 13 May 2021.

## 2. Basis of preparation

### Statement of compliance

These interim condensed consolidated financial statements of Alro and its subsidiaries (further named *Condensed financial statements*) for the 3 months ended 31 March 2021 are unaudited and have been prepared in accordance with *IAS 34 Interim financial reporting* as adopted by the European Union (EU). The accounting policies are in accordance with the Ministry of Public Finance Order no. 2844/2016, with subsequent amendments, which is in accordance with the International Financial Reporting Standards (IFRS) adopted by the European Union (EU)\*.

Selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the last annual consolidated financial statements as at and for the year ended 31 December 2020. These interim condensed consolidated financial statements do not include all the information required for full annual financial statements and should be read in conjunction with the annual financial statements of the Group for the year ended 31 December 2020.

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](http://www.alro.ro) within the applicable legal time frame.

### Going concern

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

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

## 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:

	31 March 2021	31 December 2020
USD exchange rate at the end of the period**	4.1969 USD/RON	3.9660 USD/RON
USD average exchange rate***	Three months ended 31 March 2021 4.0489 USD/RON	Three months ended 31 March 2020 4.3516 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 financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2020. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

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

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

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

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

- Amendments to IAS 8 *Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates* (issued on 12 February 2021), not yet adopted by the EU. The amendments are effective for annual reporting periods beginning on or after 1 January 2023, with earlier application permitted. The amendments aim to further clarify the difference between accounting policies and accounting estimates as enforcers have identified divergent practices in this respect. The changes to IAS 8 focus entirely on accounting estimates and as a result, the definition of a change in accounting estimates is replaced with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty". Amendments clarify that a change in accounting estimate that results from new information or new developments is not the correction



of an error. The effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period error and it may affect only the current period's profit or loss, or the profit or loss of both the current period and future periods. The directors do not anticipate that the application of the standard in the future will have an impact on the Group's financial statements.

- Amendments to *IFRS 16 Leases*: Covid-19-Related Rent Concessions beyond 30 June 2021 (issued on 31 March 2021), not yet endorsed by the EU. The amendment extends, by one year, the May 2020 amendment that provides lessees with an exemption from assessing whether a COVID-19-related rent concession is a lease modification. The amendments are not expected to have an impact on the Group's financial statements.

#### 4. Estimates

The preparation of interim condensed consolidated 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 accounting policies and the key sources of estimation uncertainty were the same as those that applied to the financial statements for the year ended 31 December 2020.

#### 5. Revenue from contracts with customers

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

Segments						Three months ended 31 March 2021
	Bauxite	Alumina	Primary aluminium	Processed aluminium	Others	Total
<b>Type of good or service</b>						-
Sale of bauxite	43,413	-	-	-	-	43,413
Sale of alumina	-	178,531	-	-	-	178,531
Sale of primary aluminium	-	-	391,837	-	-	391,837
Sale of processed aluminium	-	-	-	370,989	-	370,989
Other revenues and services performed	2,850	169	-	579	11,906	15,504
<b>Total revenue from contracts with customers</b>	<b>46,263</b>	<b>178,700</b>	<b>391,837</b>	<b>371,568</b>	<b>11,906</b>	<b>1,000,274</b>

Segments						Three months ended 31 March 2020
	Bauxite	Alumina	Primary aluminium	Processed aluminium	Others	Total
<b>Type of good or service</b>						
Sale of bauxite	58,868	-	-	-	-	58,868
Sale of alumina	-	177,411	-	-	-	177,411
Sale of primary aluminium	-	-	357,243	-	-	357,243
Sale of processed aluminium	-	-	-	359,633	-	359,633
Other revenues and services performed	4,665	517	-	217	11,888	17,287
<b>Total revenue from contracts with customers</b>	<b>63,533</b>	<b>177,928</b>	<b>357,243</b>	<b>359,850</b>	<b>11,888</b>	<b>970,442</b>

The increase in the Group revenue was mainly due to the Primary and Processed Aluminium segments following the increase of the aluminium quotations in the international markets, as well as due to the alumina segment, where the sale of alumina and hydrate were higher.

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

	Three months ended 31 March 2021					
Revenue	Bauxite	Alumina	Primary aluminium	Processed aluminium	Others	Total
Revenue from contracts with customers	46,263	178,700	391,837	371,568	11,906	1,000,274
Inter-segment transactions	-43,413	-147,680	-54,659	-434	-10,140	-256,326
<b>Total Group revenue (Note 6)</b>	<b>2,850</b>	<b>31,020</b>	<b>337,178</b>	<b>371,134</b>	<b>1,766</b>	<b>743,948</b>

	Three months ended 31 March 2020					
Revenue	Bauxite	Alumina	Primary aluminium	Processed aluminium	Others	Total
Revenue from contracts with customers	63,533	177,928	357,243	359,850	11,888	970,442
Inter-segment transactions	-33,594	-161,136	-53,024	-397	-10,020	-258,171
<b>Total Group revenue (Note 6)</b>	<b>29,939</b>	<b>16,792</b>	<b>304,219</b>	<b>359,453</b>	<b>1,868</b>	<b>712,271</b>

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

## 6. Segment information

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

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

In order to have a better visibility on the operational and financial performance of the Group segments, to be able to benefit from its synergies as an integrated group, the Management 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 three months ended 31 March 2021 and 2020 by segment, were as follows:

	Bauxite	Alumina	Primary aluminium	Processed aluminium	Others	Inter-segment operations	Total
<b>Three months ended 31 March 2021</b>							
Sales to external customers	2,850	31,020	337,178	371,134	1,766	-	743,948
Inter-segment transfers	39,903	137,442	281,342	434	10,140	-469,261	-
<b>Total sales revenues</b>	<b>42,753</b>	<b>168,462</b>	<b>618,520</b>	<b>371,568</b>	<b>11,906</b>	<b>-469,261</b>	<b>743,948</b>
<b>Segment results (gross profit)</b>	<b>8,852</b>	<b>2,515</b>	<b>30,398</b>	<b>26,206</b>	<b>1,902</b>	<b>-4,988</b>	<b>64,885</b>
Other operating income & expenses, net	-8,815	-8,817	-32,606	-24,093	1,077	-139	-73,393
<b>Operating result (EBIT)</b>	<b>37</b>	<b>-6,302</b>	<b>-2,208</b>	<b>2,113</b>	<b>2,979</b>	<b>-5,127</b>	<b>-8,508</b>
Total depreciation, amortisation and impairment	5,478	6,489	19,108	11,207	-	-227	42,055
<b>EBITDA</b>	<b>5,515</b>	<b>187</b>	<b>16,900</b>	<b>13,320</b>	<b>2,979</b>	<b>-5,354</b>	<b>33,547</b>
Interest and other finance costs, net							-18,654
Net foreign exchange gains / (losses)							-35,796
<b>Result before income taxes</b>							<b>-62,958</b>
<b>Three months ended 31 March 2020</b>							
Sales to external customers	29,939	16,792	304,219	359,453	1,868	-	712,271
Inter-segment transfers	34,386	157,292	270,224	397	10,020	-472,319	-
<b>Total sales revenues</b>	<b>64,325</b>	<b>174,084</b>	<b>574,443</b>	<b>359,850</b>	<b>11,888</b>	<b>-472,319</b>	<b>712,271</b>
Segment results (gross profit)	12,415	10,210	-56,976	27,319	1,226	3,039	-2,767
Other operating income & expenses, net	-11,231	-8,480	-31,704	-21,447	1,246	-181	-71,797
<b>Operating result (EBIT)</b>	<b>1,184</b>	<b>1,730</b>	<b>-88,680</b>	<b>5,872</b>	<b>2,472</b>	<b>2,858</b>	<b>-74,564</b>
Total depreciation, amortisation and impairment	7,097	6,470	19,903	10,688	-	-222	43,936
<b>EBITDA</b>	<b>8,281</b>	<b>8,200</b>	<b>-68,777</b>	<b>16,560</b>	<b>2,472</b>	<b>2,636</b>	<b>-30,628</b>
Interest and other finance costs, net							-21,581
Net foreign exchange gains / (losses)							-26,236
<b>Result before income taxes</b>							<b>-122,381</b>

In the first quarter of the year 2021, the aluminium segments recorded higher revenues compared with the same period of last year reflecting an increased LME quotation but also the Group's efforts to identify every opportunity in the market and match its own production to market demands. In Q1 2021, alumina sales to third parties increased compared to the previous period, but due to a still depressed market price, could not be reflected into a higher gross profit for the segment. As regards the bauxite segment, the subsidiary decreased its sales to third parties in the pandemic context and limited its operations to delivering within the Group.

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 31 March 2021 and 31 December 2020, respectively, were as follows:

Alro Group	Bauxite	Alumina	Primary aluminium	Processed aluminium	Others	Inter-segment balances	Total
<b>31 March 2021</b>							
Total assets	150,769	657,114	1,052,967	763,787	811,726	-821,235	<b>2,615,128</b>
Total liabilities	283,308	205,452	363,367	140,586	1,011,696	-425,846	<b>1,578,563</b>
<b>31 December 2020</b>							
Total assets	143,282	660,712	1,063,844	748,623	823,164	-810,206	<b>2,629,419</b>
Total liabilities	270,830	207,054	345,556	137,685	980,579	-399,950	<b>1,541,754</b>

The property, plant and equipment located in Sierra Leone amounts to RON 83,023 thousand (at 31 December 2020: RON 82,203 thousand).

As at 31 March 2021, the total assets representing *Others* include mainly investments in subsidiaries of RON 451,623 thousand (as at 31 December 2020: RON 451,651 thousand), cash and restricted cash of RON 134,940 thousand (as at 31 December 2020: RON 133,950 thousand), administrative buildings of RON 43,806 thousand (as at 31 December 2020: RON 43,874 thousand), deferred tax asset of RON 20,291 thousand (as at 31 December 2020: RON 18,583 thousand) and derivative financial instruments of RON 907 thousand (as at 31 December 2020: nil).

As at 31 March 2021, the total liabilities representing *Others* include mainly borrowings of RON 916,559 thousand (as at 31 December 2020: RON 886,385 thousand), post-employment benefit obligations and provisions of RON 71,300 thousand (as at 31 December 2020: RON 71,287 thousand), and, when applicable, dividends.

*Inter-segment operations* include intercompany eliminations.

## 7. General, administrative and selling expenses

	Three months ended 31 March 2021	Three months ended 31 March 2020
Staff costs	-31,912	-31,536
Third party services	-15,651	-15,760
Consulting and audit	-8,471	-5,858
Consumables	-3,128	-3,116
Taxes other than income taxes	-2,225	-2,224
Depreciation and amortisation	-2,415	-3,122
Insurance	-1,858	-2,010
Marketing and public relations	-1,397	-1,478
Travelling	-401	-676
Research and development costs	-4,023	-3,823
Other	-2,725	-2,268
Change in allowance for doubtful debts	72	241
<b>Total</b>	<b>-74,134</b>	<b>-71,630</b>

## 8. Interest expenses

	Three months ended 31 March 2021	Three months ended 31 March 2020
Interest expense	-9,944	-16,924
<b>Total</b>	<b>-9,944</b>	<b>-16,924</b>

Interest expense decreased during the first three months of 2021 compared to the same period of the previous year mainly due to lower LIBOR and ROBOR benchmark interest rates, but also due to the decrease of the indebtedness of the Group compared to 31 March 2020.

*Interest expense* includes the amount of RON 1,600 thousand (in Q1 2020: RON 2,856 thousand) representing transaction costs on loans, which are recognized during the period as interest expense based on the effective interest rate method. The cash effectively paid as transaction costs in 2021 for loans was of RON 129 thousand and it is included in the Statement of cash flows under Interest paid (in Q1 2020: RON 2,335 thousand).

## 9. Income tax

At 31 March 2021, the Group had a net deferred income tax asset of RON 51,593 thousand (at 31 December 2020: RON 48,027 thousand), as the management believes there will be sufficient taxable profits in future against which these fiscal losses carried forward could be used.

During the 3-month period of 2021, the total expenses of RON 42,045 thousand representing interest expenses and items related to interest in respect of the exceeding borrowing costs, were treated as being non-deductible for tax purposes, and resulted in a negative income tax effect of RON 6,727 thousand (3 months of 2020: RON 6,137 thousand). The exceeding borrowing costs were calculated based on the provisions of the Romanian Fiscal Code, which transpose the EU legislation i.e. the Directive no. 2016/1164, issued in 2016. According to the Directive, the exceeding borrowing costs are those costs that are interest, expenses for obtaining finance, but also expenses for leasing finance, capitalized interest and foreign exchange losses. According to the provisions of the directive, these costs, when incurred by the companies above a threshold of EUR 3,000,000 per annum are deductible only up to the level of 30% of their EBITDA. Romania implemented the above mentioned EU directive starting 1 January 2018, and the thresholds of exceeding borrowing costs, regardless of the size of the companies, were EUR 1,000,000 and 30% of EBITDA both in 2020 and 2021. The Group companies in Romania incur borrowing costs related to loans obtained from banks for capital expenditure and development purposes. As these loans are mainly expressed in foreign currency, due to the devaluation of RON against major currencies in the first quarter of 2021, these resulted in significant foreign exchange losses, which have limited deductibility for income tax purposes.

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

	Three months ended 31 March 2021	Three months ended 31 March 2020
<b>Income tax</b>		
Current income tax	-1,428	-1,395
Deferred income tax	2,529	13,756
<b>Income tax</b>	<b>1,101</b>	<b>12,361</b>
<b>Total income taxes</b>	<b>1,101</b>	<b>12,361</b>

The variation of *Deferred income tax* in the period of 3 months of 2021 compared to the same period of the year 2020 was mainly due to the lower amount of fiscal tax losses registered by the Parent Company in the first quarter of 2021 in amount of RON 26,014 thousand, for which it recognized a deferred tax asset, whereas during the same period of 2020 the Parent Company's fiscal tax losses amounted RON 70,539 thousand.

## 10. Earnings per share

	Three months ended 31 March 2021	Three months ended 31 March 2020
Net result attributable to the owners of the Entity	-61,850	-110,065
Weighted average number of ordinary shares	713,779,135	713,779,135
Basic and diluted earnings per share (RON/share)	-0.087	-0.154

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 3 months ended 31 March 2021.

During the 3 months ended 31 March 2021, the Group paid dividends amounting to RON 17 thousand to the shareholders in respect of dividends declared for the previous years (in the same period of 2020 the Group paid RON 23 thousand of the dividends declared for the previous years).

## 11. Property, plant and equipment

At 31 March 2021, the book value of Property, plant and equipment of the Group is RON 1,081,476 thousand (at 31 December 2020: RON 1,089,217 thousand). During the 3-month period ended 31 March 2021, the Group purchased property, plant and equipment of RON 27,065 thousand (during the 3-month period of the year 2020: RON 17,665 thousand).

One of the main objectives on long-term is represented by the optimization of the energy consumption and the Group continued to invest in this direction during the 3-month period ended 31 March 2021. AP12LE (Aluminium Pechiney Low Energy), implemented by the Group in 2018, represents a state of the art technology, the latest innovative measures that could be applied in respect of energy efficiency and environmental protection within the electrolysis sector. Another benefit resulting from this technology is that more operating cycles are available for the AP12LE pots. The investment programme will be continued in the following years until all the pots are relined according to the new technology.

At the same time, the Group allocated resources for investments with effect in decreasing production costs, increasing competitiveness and improve the equipment parameters at Alum, in order to increase the economic efficiency and for reducing emissions, following the application of the best techniques available in the field. Simultaneously with the investment activity within the technological processes, the Group performed various refurbishing works and purchased equipment necessary to support the mining activity in Sierra Leone.

Depreciation expense of PPE for 3 months of 2021 was of RON 39,127 thousand, while in the same period of the year 2020, it was of RON 39,212 thousand.

During the 3-month period ended 31 March 2021 no borrowing costs were capitalized under Property, plant and equipment of the Group (the borrowing costs capitalized in the Property, plant and equipment during the 3 months ended 31 March 2020 were of RON 271 thousand at an average interest rate of 5.77% p.a.).

At 31 March 2021, the net book value of Property, plant and equipment pledged for securing the Group's borrowings amounts to RON 926,606 thousand (at 31 December 2020: RON 929,262 thousand).

## 12. Financial instruments

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

### Categories of financial instruments

	31 March 2021	31 December 2020
<b>Financial assets</b>		
<b>At amortised cost</b>		
Cash and bank balances	147,754	150,795
Receivables	523,257	520,211
<b>Fair value through profit or loss (FVTPL)</b>		
Designated as at FVTPL	22,380	14,782
Derivative financial instruments	907	-
<b>Total financial assets</b>	<b>694,298</b>	<b>685,788</b>

	31 March 2021	31 December 2020
<b>Financial liabilities</b>		
<b>Fair value through profit or loss (FVTPL)</b>	-	-
<b>Amortised cost:</b>		
Trade and other payables	379,934	365,034
Non-current bank and other loans	878,435	851,997
Current bank and other loans	140,184	123,694
<b>Total financial liabilities</b>	<b>1,398,553</b>	<b>1,340,725</b>

## Fair value of financial instruments

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

- The fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets is determined with reference to quoted market prices (includes listed redeemable notes, bills of exchange, debentures and perpetual notes).
- The fair value of other financial assets and financial liabilities (excluding derivative instruments) is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.
- Financial assets mandatory at FVTPL represent trade receivables covered by factoring contracts that were not yet sold to the factor at the reporting date. These are used within the business' model to manage the financial assets with the objective of realising cashflows mainly through the sale of the assets, therefore they are classified as at fair value through profit or loss, and are subsequently measured at fair value. Their fair value measurement is classified within Level 2 of the fair value measurement hierarchy. Net gains and losses, if any, are recognised in profit or loss. Due to the very short term between their issuance and the settlement, their cost is a fair approximate of their fair value, and the gain or loss on disposal is nil.
- The fair value of derivative instruments is calculated using quoted prices. Where such prices are not available, the fair value of financial instruments is determined by using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each reporting date. Refer to Note 14 for the specific models used to value outstanding derivatives.

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

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

The Group does not have level 3 financial instruments.

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

The Management consider that the fair values of financial assets and financial liabilities recognised at amortised cost in the financial statements approximate their carrying amounts largely due to the short term maturities, low transaction costs of these instruments as of financial position date, and for the long-term borrowings due to the fact that 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 financial assets;
- Cash and cash equivalents;
- Trade and other payables;
- Borrowings.

### 13. Goodwill

The goodwill is allocated to the cash generating units at 31 March 2021 and 2020 as follows (after conversion into RON at the period end exchange rate):

	31 March 2021	31 December 2020
Alro Group	73,379	70,190
Global Aluminium Ltd.	19,302	18,240
Vimetco Extrusion	426	426
<b>Total</b>	<b>93,107</b>	<b>88,856</b>

#### Impairment test

Goodwill is tested for impairment annually (as at 31 December) and when circumstances indicate the carrying value may be impaired. The Group performed an impairment test as at 31 December 2020 and no impairment was recognized as the result of this analysis. As at 31 March 2021 the management has not identified impairment indicators additional to those for which the test as at 31 December 2020 was performed, therefore no separate impairment tests of the goodwill was made as at 31 March 2021. The variation of the Goodwill balance between 31 March 2021 and 31 December 2020 is due to translation differences from operations in foreign countries.

### 14. Derivative financial instruments

	Assets	Liabilities
<b>31 March 2021</b>		
Commodity options	907	-
<b>Total</b>	<b>907</b>	<b>-</b>
Thereof:		
Non-current	-	-
<b>Current</b>	<b>907</b>	<b>-</b>
<b>31 December 2020</b>		
<b>Commodity options</b>	<b>-</b>	<b>-</b>
Total	-	-
<b>Thereof:</b>		
Non-current	-	-
<b>Current</b>	<b>-</b>	<b>-</b>

#### Commodity options

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

The unrealized net loss recorded in Q1 2021, resulting from the mark-to-market of these options at 31 March 2021 amounting to RON 4,129 thousand (in Q1 2020: nil) is included in the category *Gains/ (losses) from derivative financial instruments, net in the Consolidated statement of profit or loss*.

As at 31 March 2021 the fair value of the options is an asset of RON 907 thousand (31 December 2020: nil).

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



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

## 15. Inventories

	31 March 2021	31 December 2020
Raw and auxiliary materials	299,566	293,427
Work in progress	209,824	192,839
Finished goods	162,062	230,606
Less: allowance for obsolescence	-24,138	-38,431
<b>Total</b>	<b>647,314</b>	<b>678,441</b>

In the category *Raw and auxiliary materials* are included: at Alro, alumina and other raw and auxiliary materials needed for aluminium production, and, at the Group level, also the bauxite on stock at Alum. The category Finished goods includes Alro's finished goods of aluminium, as well as the alumina produced that is on stock at Alum and the bauxite stock of the subsidiary in Sierra Leone.

During the first quarter of 2021, on the one side, the Group management continued to develop its strategy to reduce the level of inventories that was placed in operation in 2020, and on the other side it took advantage of the opportunities existing in the market, especially for aluminium wire rod, aluminium billets, extruded products and plates, and this is visible in the variation of finished products presented above.

The value of inventories pledged for securing the Group's borrowings amounts to RON 615,581 thousand at 31 March 2021 (at 31 December 2020: RON 641,790 thousand).

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

	Three months ended 31 March 2021	Three months ended 31 March 2020
<b>Balance at beginning of the year</b>	<b>-38,431</b>	<b>-42,879</b>
(Charge) to cost of goods sold	-	-13,432
Reversal to cost of goods sold	14,911	-
Translation adjustments	-618	-363
<b>Balance at end of the period</b>	<b>-24,138</b>	<b>-56,674</b>

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

## 16. Cash and cash equivalents

	31 March 2021	31 December 2020
Cash at banks in RON	64,526	20,993
Cash at banks in other currencies	37,865	84,445
Petty cash and cash equivalents	66	62
<b>Total</b>	<b>102,457</b>	<b>105,500</b>

A part of the Group's bank accounts (RON 90,278 thousand as at 31 March 2021 and RON 94,018 thousand as of 31 December 2020) are pledged to guarantee the borrowings from banks.

## Restricted cash:

	31 March 2021	31 December 2020
Restricted cash	97	95
<b>Total</b>	<b>97</b>	<b>95</b>

## 17. Borrowings and leases

	31 March 2021	31 December 2020
<b>Long-term borrowings</b>		
Long-term bank loans	1,004,036	968,162
Less: Short-term portion of long-term bank loans	-128,606	-119,877
<b>Bank loans, non-current</b>	<b>875,430</b>	<b>848,285</b>
Leases, non-current	3,005	3,712
<b>Total long-term borrowings and leases</b>	<b>878,435</b>	<b>851,997</b>
<b>Short-term borrowings</b>		
Short-term bank loans	8,394	416
Short-term portion of long-term bank loans	128,606	119,877
<b>Bank loans, current</b>	<b>137,000</b>	<b>120,293</b>
Leases, current	3,184	3,401
<b>Total short-term borrowings and leases</b>	<b>140,184</b>	<b>123,694</b>
<b>Total borrowings and leases</b>	<b>1,018,619</b>	<b>975,691</b>

The bank borrowings of the Group will mature until 2024. Their related interest rates ranged between 2.80% for EUR and 19% for SLL (Sierra Leone Leones) in 2021 and 2020.

In February 2021, a subsidiary of the Group signed a loan agreement with a commercial bank, for a limit of USD 3,000 thousand, to be used for working capital needs of the company both cash and non-cash. The maturity of the loan is November 2021 and the final maturity for the non-cash facility is November 2023. At 31 March 2021 the drawn amount from the revolving facility was RON 8,394 thousand, i.e. the equivalent of USD 2 million, while the undrawn amount available for any of these two facilities was of USD 438 thousand (the equivalent of RON 1,837 thousand).

Additionally, at 31 March 2021, the Group had the amount of RON 37,565 thousand undrawn and available from the borrowing facilities contracted with the banks (at 31 December 2020: RON 34,647 thousand) and the amount of RON 82,075 thousand unutilized and available from the non-cash facilities for letters of credit and letters of guarantee (at 31 December 2020: RON 66,912 thousand).

According to the existing borrowing agreements the Group is subject to certain restrictive covenants. These covenants require the Group, among other things, to refrain from paying dividends to its shareholders unless certain conditions are met, and at 31 December and 30 June of each year to maintain a minimum or maximum level for certain financial ratios, including: debt service coverage ratio, net debt to EBITDA, net debt to equity, current ratio, net financial debt to shareholders equity, solvency ratio, interest cover ratio, total net leverage ratio.

The Group borrowings and leases are secured with accounts receivable amounting to RON 46,855 thousand (at 31 December 2020: RON 30,064 thousand), with their current accounts opened with banks (see Note 16), with collateral deposits of RON 45,200 thousand (at 31 December 2020: RON 45,200 thousand), with property, plant and equipment (land, buildings, equipment) with a net book value of RON 929,675 thousand (including for lease contracts) (2020: RON 934,852 thousand) and with inventories of RON 615,581 thousand (2020: RON 641,790 thousand).

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

## 18. Related party transactions

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

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

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

Group transactions are eliminated on consolidation.

The primary related party transactions are described below:

Sales of goods and services	Three months ended 31 March 2021	Three months ended 31 March 2020
Vimetco N.V.	-	-
Companies under common control	380	404
<b>Total goods and services provided to related parties</b>	<b>380</b>	<b>404</b>

### Goods and services purchased from related parties:

Vimetco N.V.	-	-
Companies under common control	-59,614	-61,476
<b>Total goods and services purchased from related parties</b>	<b>-59,614</b>	<b>-61,476</b>

The purchases from related parties include acquisitions of gas for the production process by the Group companies from their related party Conef Gaz (during Q1 2021: RON 44,678 thousand; during Q1 2020: RON 47,714 thousand). 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 31 March 2021 and 31 December 2020:

**Trade and other accounts receivable:**

	31 March 2021	31 December 2020
Vimetco N.V.	-	-
Companies under common control	3,809	3,851
Allowance for doubtful receivables	-416	-416
<b>Total trade and other accounts receivable from related parties</b>	<b>3,393</b>	<b>3,435</b>
- non-current	-	-
- current	3,393	3,435

**Trade and other accounts payable:**

	31 March 2021	31 December 2020
Vimetco N.V.	-	-
Companies under common control	8,964	10,206
<b>Total trade and other accounts payable to related parties</b>	<b>8,964</b>	<b>10,206</b>

**Management compensation**

The total compensation of the Group's key management personnel included in *General, administrative and selling expenses* in the Statement of Profit or Loss and other Comprehensive Income amounts to RON 3,021 thousand (during the 3 months of the year 2020: RON 2,638 thousand), while the expense for determined contribution plan (social contributions) during the 3 months of the year 2021 was RON 616 thousand (during the 3 months of the year 2020: RON 464 thousand).

**Key management personnel transactions**

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

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

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

	Three months ended 31 March 2021	Three months ended 31 March 2020
Goods and services purchased from entities controlled by key management personnel or their close family members	3	13
<b>Total</b>	<b>3</b>	<b>13</b>

**19. Commitments and contingencies**

**Commitments**

*Investment commitments*

As at 31 March 2021, the Group's commitments pertaining to the investments amounted to RON 74,569 thousand (31 December 2020: RON 44,894 thousand).

*Raw material purchase*

As at 31 March 2021, the Group had contracts for purchases of raw materials, other consumables and utilities in amount of RON 963,643 thousand (31 December 2020: RON 1,135,583 thousand).

## Contingencies

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

## Litigations

As at 31 March 2021 the Group was subject to a number of lawsuits resulting from the normal course of the business. Management believes that these actions will not have a significant impact on the financial performance and financial position of the Group.

*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 and regarding the quota settlement methodology. The disputes are ongoing before the competent Courts of Law. The appeal against the sanction decision issued by the Competition Council was rejected by the Primary Court - the Bucharest Court of Appeal. The Company will use legal remedies to defend its position in the case.

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

## Taxation

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

## 20. Events after the reporting date

In 2021, the Group received a new valuation report in accordance with the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves, the JORC Code, Edition 2012 ("JORC"), prepared by an independent valuator, the Competent Person as named by the JORC code, regarding its bauxite reserves in Sierra Leone. According to this report, SMHL has established additional resources of about 90 million tonnes of bauxite in the northern part of the SMHL concession (Mokanji region), as follows: measured 0.54 m tonnes, indicated 84 m tonnes and inferred 5 m tonnes. The aforementioned mineral resource statements have been classified in accordance with the JORC Code certified by the Competent Person on unwashed basis. Mineral Resources are estimated on the basis of the geological continuity, grade continuity, data quantity, data quality, and estimation confidence, and considers that at the current time mainly Inferred and Indicated Mineral Resources can be reported. Further exploration work is being carried out in 2021 to upgrade resource categorization from indicated level to measured category.

In 2021, in a difficult context with pressure on the de-carbonization of the energy in Romania and Europe, the electricity market is dominated by a surge in prices of electricity delivery that embed also a surge in the prices of emission certificates (the quantities for H2 are now traded for almost 400 RON/MWh, compared to the reference of 220 - 260 RON/MWh at the moment of contracting, while the emission rights prices have increased to over 50 EUR/CO2 certificate, i.e. by more than 24 EUR/tonne of CO2 from the moment we contracted the energy until today), and some of the Group's suppliers of electricity claimed the modification of prices contracted in advance by the Group, diminishing of quantities and terms of payment, while a few of them declined the contracts completely. The Group is currently taking all the possible actions to mitigate the effect of this event.

At 31 March 2021, one of the Group subsidiaries was subject to fiscal audit from the National Agency for Fiscal Administration related to income tax and VAT transactions, regarding the period 2014 - 2018. At the date when these consolidated financial statements were approved, the fiscal inspection was finalized, and the final inspection report was yet to be received. The Group's management cannot estimate a potential impact from this fiscal audit.

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

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

## Ratios

Ratio description	Formula	Three months ended 31 March 2021	Three months ended 31 March 2020
Current ratio	Current assets/ Current liabilities	2.34	0.87
Gearing ratio	Long-term borrowings/ Equity x 100	84.74	54.92
	Long-term borrowings/ Capital employed x 100	45.87	35.45
Receivables turnover	Receivables average balance/ Turnover x 90	7.89	10.21
Non-current assets turnover	(Turnover x 360/ 90)/ Non-current assets	2.31	2.14

In the 3-month period ended 31 March 2021, the *Current Ratio* as well as the *Gearing ratio* increased as compared to the same period of the year 2020, as a result of the classification from short term to long term at 31 December 2020, of some bank loan facilities as a result of the extension of these loans facilities until November 2023.

To ensure the comparability of the ratios *Current Ratio* and *Gearing Ratio*, the ratios for the 3-month period ended 31 March 2020 are presented below, adjusted with the aforementioned credit facilities by transferring them in the *Long-term borrowings* from the *Current liabilities category*.

### Adjusted ratios

Ratio description	Formula	Three months ended 31 March 2021	Three months ended 31 March 2020
Adjusted current ratio	Current assets/ Current liabilities	2.34	1.89
Adjusted gearing ratio	Long-term borrowings/ Equity x 100	84.74	161.56
	Long-term borrowings/ Capital employed x 100	45.87	61.77