

## Current Report

To: Financial Supervisory Authority  
Bucharest Stock Exchange

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

Date of report: **August 11, 2023**

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

Headquarters: **Tulcea, 82 Isaccei Street, Tulcea County**

Telephone/ fax number: **+40 240 535 022 / +40 240 535 495**

Sole registration number at the Trade Register Office: **RO 2360405**

Trade Register Number: **J36/29/1991**

The European Unique Identifier (EUID): **ROONRCJ36/29/1991**

Legal Entity Identifier (LEI): **254900TPAV17KVG33J81**

Subscribed and paid-in share capital: **488,412,907.85 RON**

Regulated market on which the issued shares are traded: **AeRO (market symbol: BBGA)**

Class, type, number and main details about securities issued by ALUM S.A.: **82,086,203 shares at a nominal value of 5.95 lei/share**

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

### **Communiqué regarding the publication of the Half-Year Report for the six months ended 30 June 2023**

ALUM S.A. ("ALUM") informs shareholders and investors on the **release of the financial results of ALUM for the six months ended 30 June 2023**, as follows:

- **The Half-Year Report for the period ended 30 June 2023 (unaudited)**, prepared in accordance with the Ministry of Public Finance Order no. 2195/2023 for the approval of the Accounting Reporting System for the economic operators will be available starting with **11 August 2023**, after **8:20 (Bucharest time)**.
- ALUM Half-Year Report for the six months ended 30 June 2023 is not audited and will be available on:
  - ✓ Bucharest Stock Exchange website, [www.bvb.ro](http://www.bvb.ro) – symbol BBGA;
  - ✓ Alum's website, category "Investor Relations", section "Reports": <http://www.alum.ro/en/ir/alum/reports> and at the below link.

**Gheorghe Dobra**  
**Chairman of the Board of Directors**  
**Chief Executive Officer**

**Mihaela Duralia**  
**Chief Financial Officer**

**Report of the directors  
and  
their discharge from liabilities**

**- June 2023 -**

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## Report of the directors for first semester 2023 and their discharge from liabilities

### 1.1 Company orientation

The main goal of ALUM SA ("ALUM"/ "Company") is to continue its efforts to capitalize its human and material resources in order to be among the profitable and competitive companies on the alumina market. The Company aims to become a model of private plant, which will continue to bring important economical and social benefits both to Tulcea town and to the national economy

**For this purpose, the Company established the following main objectives:**

- Ensuring the operational continuity by extending the lifetime of the red mud pond in compliance with the provisions of the environmental agreements to which ALUM is obligated to comply with;
- Continuation of the modernization process in order to meet the new demands regarding the economical efficiency, environmental protection and social responsibility;
- Ensuring raw materials and energy resources on long term basis;
- Increasing the energetical efficiency for the entire production process;
- Active management of contractual and market risks (financial), taking into account the evolution of the domestic and international market;
- Continuous compliance with environmental rules;
- Achieving savings in fuel consumption/primary energy prince of high efficiency cogeneration processes;
- Increasing the safety in operation of static and dynamic equipments necessary to carry out the activity of ALUM's departments;
- The continuation of the consolidation works at the precipitation vessels and at the transformer stations and the accomplishment of the documentation with the obtaining of the Approvals and Agreements necessary to start the consolidation works of the White Filtration building;

#### 1.1.1. The main development directions of ALUM

The development projects which are currently implemented by ALUM are briefly presented below :

1. Environmental projects to ensure operational continuity:
  - Increasing the storage capacity of the red mud pond by elevating the dikes throughout the perimeter +51mdm;
  - Extending the surface of the red mud pond and securing the red mud storage in the S + SE area;
2. Projects to ensure the operating conditions and the safe continuity of the production process:
  - Energy efficiency of Alum S.A. by installing a photovoltaic park within Alum S.A.;
  - Maintenance Capex;
  - PPE;
  - Endowments.

#### 1.1.2. Branch offices of ALUM

We mention that ALUM does not have fiscally registered branch offices.

### 1.2 Management and organizational culture

**The management team promotes the values that define the Company's organizational culture and mainly:**

- **Performance**
- In Alum continues the implementation of an efficient performance management system based on establishing department goals, derived from Company's goals, quantifiable and agreed between the managers and their subordinates
- **Competence**

- Main performance competences will be identified in close relation with Company's strategic objectives, by means of real, financial, operational and behaviour indicators. The existing strong points that facilitate the implementation of this system consist in the good experience gathered in the field and in the human, financial and technical potential of the Company.
- **Rentability**, meaning the concern, on all decisional levels, for the increase of the profitability through measures that ensure the continuous improvement on technological, commercial at financial level
- **Ecological and social responsibility**, that presumes, among other things, the protection of the environment (compliance with the requirements from the Integrated Environmental Licence), the contribution to the local society development and for the general economic progress.

Alum's main goals regarding the environment are the following:

- Compliance with the environmental law adopted under the requirements of the European Directives and strictly respect all legal regulations applicable to the company;
- Continuous improvement of activities, processes, products and environmental performance;
- Preparation for emergencies situations and the ability to respond, organizing and conducting simulation exercises for incidents involving dangerous substances;
- Pollution prevention and combat the environmental factors through investments, organizational measures, maintenance and repairs and technological changes;
- Continuous monitoring of environmental aspects of production activity through weekly environmental programs.

Through its environmental policy, the Company creates the premises for the activity in the most demanding environmental standards set by the authorities.

Design and execution work of raising (+51 msl) the perimeter dams of the Red mud pond have been completed. The works for raising the dams from the Red mud pond have been carried out based on a project made by Iprolam Bucharest and approved by UTCB Bucharest. Currently, works are being carried out to expand the moistening system at the Red mud pond.

### 1.3 Corporate social responsibility

The concept of corporate social responsibility (CSR) refers to the involvement of the companies in solving some of the problems of the communities where it operates.

The advantages of implementing the social responsibility management system are:

- Demonstrated commitment to business ethics, socially responsible;
- Protecting the brand;
- Enhanced reputation as a responsible corporate citizen;
- Consumers confidence and a positive perception of investors;
- A better employee morale;
- Attracting, maintaining and motivating competent employees, while improving relations with staff, unions and other interested parties, the opportunity to negotiate collectively, constructive social dialogue in the organization;
- A properly working environment, safe and fair;
- Better control of processes and risks, protecting health, reducing administrative costs
- Promoting the principles of respect for employees, for the local community and respect for professional ethics;
- Improved working conditions;
- Commercial risk management;
- Efficiency and effectiveness in the application of corrective and preventive actions;
- Differentiation from global competitors.

In order to implement CSR in Alum were made the following steps:

- In order to maintain a close and continuous relationship with the local community in which ALUM operates, a series of internal procedures have been developed: for the development of the mechanism regarding the resolution of petitions (procedure for the resolution of petitions), the organization of hearings, as well as the procedure regarding the relationship with mass media. In this way, the Company shows its openness to listening and solving the problems of the community and/or other interested parties (citizens, employees, local authorities, collaborating companies, etc.). The Company is involved in education, training and other activities of social utility.

- A procedure has also been developed regarding the granting of sponsorships that members of the local or national community can benefit from (educational units, students, talented students or students with special potential, hospital units, etc.). Sponsorships are carried out in compliance with the legislation in force.
- Questionnaires were developed and distributed regarding the way in which the Company is perceived within the community by the various interested parties with whom it comes into contact (public administration, financial-banking institutions, cultural and sports organizations, religious, educational, protection the environment, etc.). Following the feedback received from such entities, it resulted that Alum is actively involved in the life of the local community, having a determining influence.
- Considering ALUM's policy regarding staff consultation in the field of quality, environment, health, occupational safety and energy, according to internal procedures, an analysis of the degree of satisfaction of the employees was carried out in order to improve the activity, as well as the external recognition of the quality of the activities carried out. The result was satisfactory.
- Maintaining a continuous dialogue with the local community, ALUM representatives being actively involved as members of various organizations (Romanian Red Cross - Tulcea branch, County Commission for Equal Opportunities between Women and Men, Local Social Partnership Development Committee Tulcea, Advisory Council Tripartite constituted at the level of the Tulcea Territorial Labor Inspectorate, etc.), as well as voluntary activities in which employees of the company participate (charitable actions, blood donations, etc.).

As of March 8, 2022, pandemic restrictions have been lifted nationwide. However, even if the measures imposed during the pandemic were no longer mandatory, at ALUM level the measures regarding hands hygiene were still maintained, including in 2023, as a recommendation (disinfectant devices/dispensers are still used). In addition, electronic/distance communication means are still used (video conferencing) and qualified digital signature (for decision makers).

In the reporting period, the following actions were carried out in ALUM:

- repairs and maintenance work to prepare equipment and installations for restart;
- the research activity continues in the installations within the project financed by European funds and within the projects carried out at the European level (Removal, Reescue and Reactiv);
- environmental investment objectives and compliance with ANRE recommendations are continued;
- the need for calcined alumina for Alro is ensured through purchases from external partners.

Also, ALUM management is focused on identifying new sources of development and diversification of activity that will increase the company's income in order to overcome this particularly difficult period ALUM management is focused on identifying new sources of development and diversification of the activity that will increase the company's revenues to overcome this challenging period.

ALUM was involved in the relationship with the community and by providing material support to disadvantaged population categories.

At the initiative of ALUM employees, during the Easter holidays, voluntary actions were carried out to collect material goods (clothes, sweets, books, toys, etc.) for children from disadvantaged families, as well as food for several needy families.

Also, during the Easter holidays, ALUM offered food and gifts to institutionalized children and elderly people.

Despite the current difficult situation facing the society, ALUM proves to be an active partner of the local community, getting involved in various social activities in the area, acting on several directions, through:

- Continuation of a sports-educational partnership for training the children of Alum employees in sports activities (swimming) while also supporting the organization and participation of children in sports competitions (swimming, triathlon).
- At the level of the Local Social Partnership Development Committee (CLDPS), ALUM has 2 representatives (one full member and one alternate). To support actions to support educational institutions and professional training at the local level, the company was actively involved in establishing and approving the annual activity plans in school and professional education (2023-2024 school year);

- ALUM also has a representative in the Board of Directors of the "Henri Coandă" Technological High School in Tulcea, (LTHC), being also its main collaborator;
- ALUM participated, through its representatives, as evaluators in the professional qualification certification exams of the vocational education graduates within the LTHC, being also a co-participant in the actions to promote the educational offer of the high school, by presenting leaflets with the educational offer of the ATHC;
- ALUM is part of the County Commission for Equal Opportunities (COJES), having one member and one alternate. Through its members, ALUM participates in various meetings and information sessions that they later disseminate to employees (the "Support for the implementation of the Istanbul Convention in Romania" project and the COJES Tulcea information and awareness session with the topics: "conciliation of family life with the professional one" and "the integration of the gender perspective in education", both actions carried out in May 2023);
- ALUM specialists participated in a locally organized seminar, which addressed the topic of the application of integrated solutions applicable to the digitization of HSE and HR activities. The event was organized with the support and participation of the General State Inspectorate - Labor Inspection and ITM Tulcea.

ALUM also joined companies that provided humanitarian assistance by providing aid to refugees in Ukraine; thus, also in 2023, during the reporting period, ALUM hosted a group of refugees, providing them with accommodation in the rooms located within the Professional Development Center on the company's premises, also providing the necessary food. Alum continues to provide direct support to the needs of Ukrainian refugees, but also joins the efforts of the authorities and civil society to overcome this humanitarian crisis.

Starting with 2017, ALRO Group publishes, in addition to the Annual Report, a Sustainability Report in line with the G4 Core Global Reporting Initiative Guidelines (GRI). This report describes how ALRO Group performs, monitors and achieves the most important environmental, social and corporate governance issues. The Sustainability Report enhances the information provided on the Group, Parent-Company and its main subsidiaries actions realised in the sustainability area in the same transparent manner as the Annual Report and adds value to shareholders, other stakeholders and to the communities in which the Group and its subsidiaries operate.

ALUM is part of ALRO Group and the mandatory requirement for preparing a Sustainability Report (i.e. a Non-Financial Report) is covered by the fact that the Parent-Company, ALRO decided to prepare a Consolidated Non-Financial Report, i.e. ALRO Group's Sustainability Report. This Report is available for the public to consult on ALUM's website.

#### **1.4 Internal control**

Company's internal control aims at ensuring:

- Compliance with the existing law;
- Implementation of decisions taken by the Company's management;
- Proper functioning of the internal affairs of the Company;
- Reliability of financial information;
- The effectiveness of its operations;
- Efficient use of resources;
- Prevention and control of risks of not achieving the objectives set.

As a result, the main objectives of the internal control procedures:

- On one hand, the Company's business registration and tracking behavior of staff within the framework defined by applicable laws, values, rules and internal rules of society;
- On the other hand, checking whether the accounting, financial and business management information communicated accurately reflect the situation of society.

Control activities are an integral part of the process by which the entity seeks to achieve management objectives. Control concerns the application of rules and internal control procedures at all levels: approval, authorization, verification, assessment of operational performance, asset security, separation of functions.

## 1.5 Financial risk management policies

### a) Currency risk

The Company is exposed to foreign exchange risk because the predominant part of its sales of alumina is denominated in or linked to the USD while the vast majority of its operating costs (such as power costs, wages, etc.) are denominated in or linked to the RON. The currency exposure is related to the fact that most of the Company's receivables are linked to USD or EUR while the liabilities are denominated in RON. The Company is therefore exposed to the risk that movements in the RON/USD exchange rates will affect both its net income and financial position, as expressed in RON.

### b) Interest rate risk on cash flow and fair value

Interest rate risk on cash flow is a risk that future cash flows will fluctuate because of changes in market interest rates.

The interest rate risk is the risk that the value of a financial instrument would fluctuate as a result of the variation of the interest rates on market. Financial instruments are bearing interest at market rate; therefore, it is considered that their fair values do not differ significantly from book values.

On 17 May 2018, Alum concluded a loan in amounting to USD 20 million with Black Sea Trade and Development Bank and USD 5 million with Garanti Bank Romania S.A., respectively. The scope of these loan facilities was mainly investments. The loans were repaid in 7 equal semi-annual installments, the last installment being paid in May 2023.

In February 2021, the Company signed a loan agreement with Garanti Bank Romania, for a limit of USD 3,000 thousand, to be used for working capital needs of the company both cash and non-cash. At 30 June 2023 the drawn amount from the revolving facility was RON 13,359 thousand, i.e. the equivalent of USD 2,920 thousand (30 June 2022: RON 13,848 thousand, i.e. the equivalent of USD 2,920 thousand). The loan agreement was supplemented with a non-revolving facility in amount of USD 2,000 thousand in December 2021 to be used for financing working capital needs, and which has the maturity in December 2024. As of 30 June 2023, the balance of the loan was of USD 1,000 thousand (30 June 2022: USD 1,667 thousand).

In the reporting period, the interest rates ranged between 8.35% and 8.70% (2022: 3.25% and 5.59%).

As of June 30<sup>th</sup>, 2023 Alum was following the financial covenants established by the credit facilities.

Financial assets classified at fair value through profit or loss are trade receivables covered by factoring contracts. They are used in a business model that manages financial assets with the aim of achieving cash flows mainly through the sale of assets, so they have been classified at fair value through profit or loss and are subsequently measured at fair value through profit or loss. Fair value measurement is classified at level 2 of the fair value measurement hierarchy. Net gains or losses, if any, are recognized in profit or loss. Due to the very short time between the date of debt generation and the settlement date, their cost is a reasonable approximation of their fair value, and the gain / loss on their settlement is zero.

Alum has entered into export factoring contracts with non-regressive factoring operations. The global factoring limit is in the amount of 1,000,000 euros, of which 70,339 euros were used. The factoring ceiling is of the "revolving" type, which is reconstituted as the covered receivables are collected.

### c) Credit risk

Credit risk refers to the risk that a counter party will default on its contractual obligations resulting in financial loss to the Company. The Company has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults.

Trade receivables consist of number of customers, spread across diverse industries and geographical areas. In order for the Company to minimize the credit risk, a part of the receivables is immediately sold to banks by factoring transactions on a non-recourse basis. For other receivables, which is not covered by factoring contracts, the financial quality of the debtors is permanently monitored, and the Company exposure from the



concluded transactions is spread amongst approved counterparties. The Company has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. Credit exposure is controlled by counterparty limits that are reviewed and approved by the Management. Ongoing credit evaluation is performed on the financial condition of accounts receivable and credit history of debtors and, where appropriate, credit risk insurance is required.

Credit risk from transactions with banks and financial institutions is managed by the Treasury department. Investment of surplus funds is done only with approved counterparties and within credit limits assigned to each counterparty. The limits are set to minimise the concentration of risks and therefore mitigate the potential for financial loss through counterparty failure. No material exposure is considered to exist by virtue of the possible non-performance by the counterparties in respect of financial instruments.

**d) Liquidity risk**

The liquidity risk, also named financing risk, is the risk that a plant has difficulties in accumulating funds in order to fulfill the obligations related to the financial instruments. The liquidity risk can arise from the inability to sell quickly a financial asset at a value close to its actual value.

Prudent liquidity risk management implies maintaining sufficient cash and available credit lines, through continuous monitoring of estimated and real cash flows and matching the estimated maturities of financial assets and liabilities. Due to the nature of the business, the Company seeks to maintain flexibility in funding opportunities, including majority shareholder support.

**e) Fair value of financial instruments**

Fair value is the amount a financial instrument can be traded, voluntarily, between informed parties, in a transaction whose price is determined objectively.

Specific methods of recognition are presented in Company's policies for each item. The carrying values of financial instruments at balance sheet date approximates their fair values, as listed in the Company's accounting policies and as OMF no. 1802/2014 amended.

The Company does not use financial instruments traded in active markets.

**1.6 Market**

In the first semester 2023 Alum had a turnover in amount of 162,457 th RON structured as follows:

✓ Sales of alumina	156,087	th RON
✓ Sales of hydrate	1,735	th RON
✓ Revenues from sales of scrap iron and wastes	2,621	th RON
✓ Revenues from sales of utilities	1,273	th RON
✓ Other revenues	741	th RON

In the first half of 2023, sales revenue was impacted by the temporary suspension of alumina production starting with August 2022 and its replacement with alumina purchased from the market, at an optimized cost, which is sold to ALRO according to production needs.

**1.7 Competition**

The competition on the alumina market is given by the sale price and quality of products. In order to get an as big as possible market share, each producer supports the marketing strategy with investments in technology and continuous modernization of the production process.

Under the circumstances of a more and more competitive global market, ALUM must continue the strategy for reducing the production cost by means of reducing consumptions (development of new ecological technologies), promoting the products and investing in human capital and development of new, competitive and high added value products.

In this respect, under the financing contract signed on 8 September 2016, Alum SA launched a project (SMIS 2014+) co-financed under the European Regional Development through Operational Program of Competitiveness 2014-2020 " Investing in Sustainable Development " .

The equipments purchased in 2018 within these investment projects were placed into operation in 2019 and the subsidies received are recognized as income on a straight line basis during the useful life of the equipments.

## 1.8 Shareholding structure and share capital

SHAREHOLDERS	Number of shares	Owned percentage (%)
ALRO SA SLATINA	81,595,860	99.4026
Other shareholders – natural persons	471,054	0.5739
Other shareholders – legal persons	19,289	0.0235
<b>TOTAL</b>	<b>82,086,203</b>	<b>100</b>

On 30.06.2023, the share capital is of 488.412.908 RON and the number of issued shares 82.086.203.

## 2.1 Status of synthetic indicators defining company's activity as compared to the income and expenditure budget

SYNTHETIC INDICATORS	BUDGET H1 2023	ACTUAL H1 2023	Difference as compared to Budget	%
	RON	RON	RON	
<b>TURNOVER</b>	<b>199,183,011</b>	<b>162,457,088</b>	<b>(36,725,923)</b>	<b>82</b>
<b>TOTAL OPERATING REVENUES</b>	<b>190,486,532</b>	<b>149,559,054</b>	<b>(40,927,478)</b>	<b>79</b>
<b>TOTAL OPERATING EXPENSES</b>	<b>214,346,992</b>	<b>168,431,844</b>	<b>(45,915,149)</b>	<b>79</b>
of which: - raw material and material expenses	2,198,413	1,008,357	(1,190,056)	46
- other expenses (inventory objects)	157,565	141,260	(16,305)	90
- energy, gas and water expenses	2,552,199	3,514,059	961,860	138
- staff expenses	12,666,673	12,419,083	(247,590)	98
- depreciation expenses	9,861,779	9,865,011	3,232	100
- third parties services	14,091,251	9,447,073	(4,644,178)	67
- merchandise expenses	172,759,112	143,248,654	(29,510,458)	83
- other operating expenses	60,000	553,471	493,471	922
- value adjustments		(11,765,124)	(11,765,124)	
<b>Operating result</b>	<b>(23,860,460)</b>	<b>(18,872,790)</b>	<b>4,987,670</b>	<b>79</b>
<b>FINANCIAL REVENUES</b>	-	8,348,986	8,348,986	-
<b>FINANCIAL EXPENSES</b>	2,178,859	68,209,885	66,031,026	3,131
<b>Financial result</b>	<b>(2,178,859)</b>	<b>(59,860,900)</b>	<b>(57,682,040)</b>	<b>2,747</b>
<b>TOTAL REVENUES</b>	190,486,532	157,908,040	(32,578,492)	83
<b>TOTAL EXPENSES</b>	216,525,851	236,641,729	20,115,878	109
<b>GROSS PROFIT</b>	<b>(26,039,319)</b>	<b>(78,733,689)</b>	<b>(52,694,370)</b>	<b>302</b>
<b>PROFIT TAX</b>	-	-	-	-
<b>SPECIFIC TAX</b>	-	-	-	-
<b>NET PROFIT</b>	<b>(26,039,319)</b>	<b>(78,733,689)</b>	<b>(52,694,370)</b>	<b>302</b>

The turnover was below the budgeted value mainly due to the lower quantities sold than the budgeted ones, the main variations being as follows:

			Value:
<b>- turnover</b>	-	36,726	<b>th RON</b>
The difference from forecasts was mainly determined by:			
- alumina sales	-	35,555	th RON
- hydrate sales	-	3,064	th RON
- revenues from scrap sales	+	2,592	th RON
- revenues from utilities sales	+	175	th RON
- other operating revenues	-	875	th RON
<b>- other operating revenues:</b>			
- revenues from CO2 certificates sales	+	2,122	th RON
- revenues from immobilized production	+	7	th RON
- revenues from stored production	-	6,631	th RON
- other operating revenues	+	300	th RON

In the first half of 2023, the Company sold CO2 emission certificates in amount of RON 2,122 thousand (H1 2022: nil) benefiting from the increase in the price of CO2 emission certificates. The Company was in the position to have a surplus of emission certificates as it made numerous efforts to invest in energy efficiency in the latest years.

Additionally, in H1 2023 the category Government grants includes an amount of RON 189 thousand (in H1 2022: RON 189 thousand) representing government grants from EU funds received by the Company for purchasing of equipments for research and development activities. The grants are recognized as income linearly during the useful life of the equipments for which they were received.

In the first half of 2023, the company recorded the reversal of the provision for CO2 emission certificates in amount of RON 11,847 thousand (in the first half of 2022: RON 1,274 thousand).

Operating expenses were lower than the budget by RON 45,915 thousand due, mainly, to the lower quantity of alumina purchased and sold to Alro by 12,381 tons compared to the budget, the main variations being as follows:

			Value:
- Raw materials and materials expenses, out of which :	-	1,190	th RON
- raw materials expenses	+	1	th RON
- other material expenses (fuel, spare parts, auxiliary materials)	-	1,191	th RON
- energy and water expenses	+	962	th RON
- goods expenses	-	29,510	th RON
- staff expenses	-	248	th RON
- value adjustments	-	11,765	th RON
- depreciation expenses	+	3	th RON
- other expenses (penalties, ceased assets, social aids other operating expenses)	+	477	th RON
- third parties services (commissions, insurrances, transport, processing, advertising, import – export services, etc,)	-	4,644	th RON

As for the financial revenues, they were exceeded by 8,349 th RON due to revenues from exchange rate differences.

Financial expenses were exceeded by 66,031 th RON and factorially, they were due to:

			Value:
✓ expenses with exchange rate differences	+	8,372	th RON
✓ expenses with interests	+	10	th RON
✓ expenses with depreciation of financial assets	+	57,649	th RON

As of June 30, 2023 was performed an impairment test for Alum's investment in Global Aluminium Ltd. The recoverable amount of the investment in Global Aluminium Ltd. was determined based on fair value less costs of disposal, estimated using discounted cash-flow techniques and applying a market-based measurement. According to the analysis the fair value less costs to sell of the investment in Global Aluminium Ltd. BVI amounts to USD 2,172 thousand (equivalent of RON 9,707 thousand) (31 December 2022: USD 14,533 thousand (equivalent of RON 67,356 thousand)), therefore an impairment in amount of RON 57,649 thousand was recognised in Company's financial statements for the period ended 30 June 2023 (2022: impairment in amount of RON 128,670 thousand).

Concluding, at the end of first semester 2023 ALUM registered net los of 78,734 th RON compared to the loss budgeted of 26,039 th ron.

We mention that the financial statements for the first semester 2023 have not been audited.

#### ❖ **Fiscally non-deductible expenses**

The fiscally non-deductible expenses amount to 14.33 million RON of which the most important are the following:

- RON 9.05 million depreciation expenses for fixed assets in technological preservation in amount of RON
- RON 4.16 million non-deductible interest expenses in the amount of;
- RON 1.01 other fiscally non-deductible expenses (compensations, amortization of fixed assets written off, interest for the value adjustment for the estimated expenses to close the red mud lake, fines, penalties, resident, fuel).

#### ❖ Investments

ALUM has forecasted and approved for 2023 an investment program in amount of 1,050 th. USD. In the first semester of 2023 Alum spent the amount of 171 th. USD for the planned investments, splitted on the following main projects:

No.	Investment project	Budget (ths. USD)	Achieved (ths. USD)	Differences (ths. USD)
1	Increasing the storage capacity of the red mud pond by elevating the dikes throughout the perimeter +51mdm	50	0	(50)
2	Extending the surface of the red mud pond and securing the red mud storage in the S + SE area	200	2	(198)
3	Energy efficiency of Alum S.A. by installing a photovoltaic park within Alum S.A.	160	0	(160)
4	Maintenance Capex	490	166	(324)
5	PPE	50	0	(50)
6	Endowments	100	4	(96)
	<b>TOTAL</b>	<b>1,050</b>	<b>171</b>	<b>(879)</b>

#### ❖ Litigations status

On 30.06.2023 ALUM is involved in some litigations as a result of its normal activity.

On 20.09.2019 we filed appeal at Tulcea Court against the Decision no. 64411/21.08.2019 issued by Ministry of European Funds - DGPEC, by which we asked for its cancellation as well as the financial corrections established in the Alum task in the amount of RON 631,300.

By Decision no. 1252/21.12.2020, the Court admitted Alum's request and ordered the annulment of Decisions and the Notes on irregularities and establishing financial corrections issued by the same defendant. An appeal was filed by the Ministry of European Funds - DGPEC, an action registered at the Constanta Court of Appeal in July 2021. The file was transferred starting from 01.01.2022 to the fiscal administrative litigation section. The court decided to suspend the trial due to the suspicion of the use of a false document in the process by the opposing party, further notifying the competent prosecutor's office to investigate these aspects. The judgment of the trial is to be resumed later depending on what the prosecutor's office will order following the investigations it will carry out.

Following the fiscal inspection carried out by ANAF, DGFP Galați, through AJFP Constanța, having as objectives: the verification of the value added tax in the period 01.12.2014-31.12.2018 and the verification of the profit tax in the period 01.01.2014-31.12.2018, according to the approval of fiscal inspection no.

F-CT 782/ 15.11.2019 and completed on 27.05.2021, an additional profit tax of 19,643,114 lei and VAT in the amount of 31,587 lei has been established. The amount of 19,674,701 lei was paid by Alum within the communicated legal term. Subsequently, the Company filed a tax appeal to the National Agency for Fiscal Administration against the Fiscal Inspection Report. The appeal was rejected by the National Agency for Fiscal Administration and on 08.03.2022 an appeal was filed in court against decision no. 264/10.09.2021 and in december 2022 it was requested to carry out the judicial expertise in the specialty of accounting/taxation. In the first semester of 2023 was performed the fiscal expertise that will be analyzed until the next term established for September. Alum considers the tax adjudgement to be unfounded and illegal.

As of June 30<sup>th</sup>. 2023 the Company has in its balance the amount of 231,493 RON for uncertain clients or under litigation, amount for which value adjustment is registered.

## 2.2 Economic indicators chart

Indicator	<u>30.06.2022</u>	<u>30.06.2023</u>
<b>1. Liquidity indicators</b>		
Current liquidity indicator – index	1.75	1.77
Immediate liquidity indicator - index	0.04	0.38
<b>2. Risk indicators</b>		
Indebtness degree indicator - index	1.15	0.73
Interest coverage indicator – index	5.63	(35.11)
<b>3. Activity indicators (management indicators)</b>		
Inventory turnover – no. turnovers	1.56	1.15
Number of days of storage - days	234.31	316.51
Rate of debit turnover – clients - days	19.76	12.44
Rate of credit turnover – supplier – days	44.70	89.35
Rate of fixed assets turnover – no. turnovers	0.93	0.96
Rate of total assets turnover – no. turnovers	0.58	0.48
<b>4. Profitability indicators</b>		
Rentability of engaged capital – index	(0.02)	(0.36)
Gross margin from sales - %	4.66	(11.62)
<b>5. Share result indicators</b>		
Result per share – RON / share	0.09	(0.96)

Analyzing the economic – financial indicators from the balance sheet elements rate of turnover, the following conclusions may be drawn:

- the inventory turnover decreased as compared to the previous year due to the decrease of stocks and the decrease of the cost of sales;
- as regards the receivables recovery period, respectively the period for reimbursing the debts, ALUM collects its receivables at 12 days and pays its commercial debts at 89 days.
- regarding the fixed assets turnover, it increased due to decrease of the turnover more than the decrease of the fixed assets.
- the turnover of the total assets decreased due to the decrease of the turnover and the decrease of total assets.

## 2.3 Discharging from liabilities of the Board of Directors for first semester 2023

For the period 01.01.2023 – 30.06.2023 based on CA Decision no. 320/07.03.2022 and based on the Decision of the General Shareholders Meeting no. 49/08.04.2022, the Board of Directors consisted of:

1. Dobra Gheorghe	-	Chairman
2. Higer Igor	-	Vice Chairman
3. Cilianu Marin	-	Member
4. Popa Ioan	-	Member
5. Duralia Mihaela	-	Member

We propose the discharge from liabilities of the Board of Directors of ALUM SA Tulcea for the first semester 2023.

**CHAIRMAN OF THE BOARD OF DIRECTORS**  
**PhD Eng Gheorghe Dobra**