

ALRO AND SUBSIDIARIES

PRELIMINARY CONSOLIDATED AND SEPARATE FINANCIAL RESULTS

for the year ended
31 December 2022

Note: the preliminary financial figures presented in this document are reported in accordance with the Order of the Minister of Public Finance no. 2844/2016, with subsequent amendments, which is as per the International Financial Reporting Standards (IFRS) as adopted by the European Union, except for *IAS 21 The Effects of Changes in Foreign Exchange Rates* regarding the functional currency, for the provisions of *IAS 20 Accounting for Government Grants* regarding the recognition of revenues from green certificates, and except for *IFRS 15 Revenue from Contracts with Customers* regarding the revenues from the taxes related to the distribution grid connection. These exceptions do not affect the conformity with IFRS of the preliminary financial figures of the Group and the Company.

The preliminary financial figures are not audited. Therefore, the final financial statements for the year 2022 may differ from these.

The functional and the presentation currency is the Romanian leu (RON). This report is prepared in RON thousand, rounded to the nearest unit.

This is a free translation from the original Romanian binding version

Alro

Separate statement of profit or loss and other comprehensive income for the year 2022 - unaudited
in RON '000, except per share data

Alro stand alone			Alro stand alone		
Q4 2022	Q4 2021		Note	2022	2021
523,984	985,975	Revenue from contracts with customers	1	3,180,972	3,280,341
-607,616	-890,293	Cost of goods sold	2	-3,044,622	-2,927,698
-83,632	95,682	Gross result	3	136,350	352,643
-76,539	-57,043	General, administrative and selling expenses		-227,441	-202,714
-133,506	-66	Impairment of investments		-133,735	-194
806,640	20,820	Other operating income	4	815,067	64,839
-18,665	-2,177	Other operating expenses	5	-34,820	-3,574
494,298	57,216	Operating result (EBIT)	6	555,421	211,000
-31,560	-9,839	Interest expenses	7	-86,890	-36,853
-	6,906	Gains (losses) from derivative financial instruments, net	8	-2,446	-63,902
4,502	1,627	Other financial income		10,395	4,390
-5,893	-6,293	Other financial costs		-28,407	-21,987
58,847	-13,090	Net foreign exchange gains / (losses)	9	-45,976	-53,451
520,194	36,527	Result before income taxes		402,097	39,197
-64,337	3,551	Income tax		-71,126	-3,987
455,857	40,078	Result for the period	10	330,971	35,210
Other comprehensive income / (expense), net of tax:					
<i>Items that will not be reclassified subsequently to profit or loss</i>					
10,386	7,160	Remeasurements of post-employment benefit obligations		10,386	7,160
-1,662	-1,146	Income tax on items that will not be reclassified		-1,662	-1,146
8,724	6,014	Other comprehensive income / (expense) for the period, net of tax		8,724	6,014
464,581	46,092	Total comprehensive income / (expense) for the period		339,695	41,224
Earnings per share					
0.639	0.056	Basic and diluted (RON)		0.464	0.049

In 2022, in *Other operating income*, Alro included the compensation related to two years, namely 2021 and 2022, of which for 2021 the amount of RON 366,583 thousand and for 2022 the amount of RON 436,358 thousand due to the fact that the relevant legislation (Government Ordinance no. 138/2022) was in place starting October 2022, covering the period 2021-2030. Further explanations on this can be found in Note 4.

Had the amount for 2021 been booked in 2021 itself, i.e. compensating the energy costs of the year for which it was received, the result of the Company would have been the following:

	2022	2021
Compensation for indirect emission costs related to each year	436,358	366,583
Operating result (EBIT)	188,838	577,583
Result before income taxes	35,514	405,780

Alro Group

Consolidated statement of profit or loss and other comprehensive income for the year 2022 - unaudited

Alro Group			Alro Group		
Q4 2022	Q4 2021		Note	2022	2021
619,501	1,033,534	Revenue from contracts with customers	1	3,554,066	3,499,958
-684,257	-887,491	Cost of goods sold	2	-3,274,661	-3,007,304
-64,756	146,043	Gross result	3	279,405	492,654
-106,566	-94,461	General, administrative and selling expenses		-344,487	-316,283
-21,580	-	Impairment of goodwill	12	-21,580	-
836,622	21,936	Other operating income	4	870,207	68,656
-57,230	-9,277	Other operating expenses	5	-97,028	-16,888
586,490	64,241	Operating result (EBIT)	6	686,517	228,139
-33,517	-11,197	Interest expenses	7	-93,677	-41,830
-	6,906	Gains (losses) from derivative financial instruments, net	8	-2,446	-63,902
4,687	1,653	Other financial income		9,858	4,472
-6,257	-6,884	Other financial costs		-30,078	-24,009
64,313	-1,548	Net foreign exchange gains / (losses)	9	-45,743	-45,398
615,716	53,171	Result before income taxes		524,431	57,472
-94,087	-2,251	Income tax		-112,324	-31,216
521,629	50,920	Result for the period	10	412,107	26,256
		Other comprehensive income / (expense), net of tax:			
		<i>Items that will not be reclassified subsequently to profit or loss</i>			
11,110	8,031	Remeasurements of post-employment benefit obligations		11,056	8,005
-1,813	-1,281	Income tax on items that will not be reclassified		-1,813	-1,281
		<i>Items that may be reclassified subsequently to profit or loss:</i>			
-15,012	-9,430	Translation adjustment		14,215	7,753
-5,715	-2,680	Other comprehensive income / (expense) for the period, net of tax		23,458	14,477
515,914	48,240	Total comprehensive income / (expense) for the period		435,565	40,733
		Result attributable to:			
522,032	50,915	Shareholders of Alro SA		412,684	26,426
-403	5	Non-controlling interest		-577	-170
521,629	50,920	Total comprehensive income / (expense) attributable to:		412,107	26,256
516,406	48,288	Shareholders of Alro S.A.		436,053	40,853
-492	-48	Non-controlling interest		-488	-120
515,914	48,240			435,565	40,733
		Earnings per share			
0.731	0.071	Basic and diluted (RON)		0.578	0.037

In 2022, the Group included in *Other operating income* the compensation related to two years, namely 2021 and 2022, of which for 2021 the amount of RON 367,264 thousand and for 2022 the amount of RON 437,059 thousand due to the fact that the relevant legislation (Government Ordinance no. 138/2022) was in place starting October 2022, covering the period 2021-2030. Further explanations on this can be found in Note 4.

Had the amount for 2021 been booked in 2021 itself, i.e. compensating the energy costs of the year for which it was received, the result of the Group would have been the following:

	2022	2021
Compensation for indirect emission costs related to each year	437,059	367,264
Operating result (EBIT)	319,253	595,403
Result before income taxes	157,167	424,736

Alro

Separate statement of financial position as of 31 December 2022 - unaudited

	Note	Alro Stand-alone	
		31 December 2022	31 December 2021
Assets			
Non-current assets			
Property, plant and equipment		752,559	778,151
Investment properties		3,797	4,118
Intangible assets		2,971	4,070
Investments in subsidiaries	12	333,322	467,057
Right-of-use assets		4,923	5,048
Deferred tax asset		30,725	22,199
Other non-current financial assets	11	76,049	61,931
Total non-current assets		1,204,346	1,342,574
Current assets			
Inventories		884,229	740,920
Trade receivables, net		104,930	121,956
Other current financial assets	4	469,914	75,691
Other current non-financial assets		59,596	31,564
Restricted cash	11	52,731	-
Cash and cash equivalents		600,090	305,090
Total current assets		2,171,490	1,275,221
Total assets		3,375,836	2,617,795
Shareholders' Equity and Liabilities			
Shareholders' equity			
Share capital		370,037	370,037
Share premium		86,351	86,351
Other reserves		306,191	306,191
Retained earnings		319,331	275,397
Result for the period	10	330,971	35,210
Total shareholders' equity		1,412,881	1,073,186
Non-current liabilities			
Bank and other loans, non-current	11	667,034	987,886
Leases, non-current		2,812	2,834
Provisions, non-current		2,656	2,541
Post-employment benefit obligations		22,301	32,867
Government grants, non-current portion		28,861	32,303
Other non-current financial liabilities		579	567
Total non-current liabilities		724,243	1,058,998
Current liabilities			
Bank and other loans, current	11	976,572	88,895
Leases, current		2,067	1,854
Provisions, current		16,982	-
Trade and other payables		127,637	285,207
Contract liabilities		19,637	45,456
Derivative financial instruments liability, current	8	-	6,004
Current income taxes payable		65,810	3,360
Government grants, current portion		3,442	3,442
Other current financial liabilities		26,565	51,393
Total current liabilities		1,238,712	485,611
Total liabilities		1,962,955	1,544,609
Total shareholders' equity and liabilities		3,375,836	2,617,795

The comparative figures as of 31 December 2021 were reclassified in accordance with the presentation adopted in 2022. The amount of RON 31,564 thousand which was reported at 31 December 2021 under the category *Other current assets* is now presented separately under *Other current non-financial assets* category.

Alro Group

Consolidated statement of financial position as of 31 December 2022 - unaudited

	Note	Alro Group	
		31 December 2022	31 December 2021
Assets			
Non-current assets			
Property, plant and equipment		1,090,979	1,097,788
Investment properties		602	633
Intangible assets		3,479	4,532
Goodwill		79,851	96,308
Right-of-use assets		7,092	8,197
Deferred tax asset		35,825	52,238
Other non-current financial assets	11	77,776	61,931
Total non-current assets		1,295,604	1,321,627
Current assets			
Inventories		1,168,187	1,005,891
Trade receivables, net		69,780	75,014
Current income tax receivable		1,817	2,024
Other current financial assets	4	510,765	100,712
Other current non-financial assets		25,025	38,020
Restricted cash	11	88,688	151
Cash and cash equivalents		630,068	328,428
Total current assets		2,494,330	1,550,240
Total assets		3,789,934	2,871,867
Shareholders' Equity and Liabilities			
Shareholders' equity			
Share capital		370,037	370,037
Share premium		86,351	86,351
Other reserves		356,953	342,823
Retained earnings		324,009	288,344
Result for the period	10	412,684	26,426
Equity attributable to shareholders of Alro S.A.		1,550,034	1,113,981
Non-controlling interest		1,987	2,475
Total shareholders' equity		1,552,021	1,116,456
Non-current liabilities			
Bank and other loans, non-current	11	670,097	1,040,321
Leases, non-current		3,831	4,364
Provisions, non-current		43,125	43,291
Post-employment benefit obligations		27,154	40,888
Government grants, non-current portion		35,169	39,436
Other non-current financial liabilities		18,834	1,710
Total non-current liabilities		798,210	1,170,010
Current liabilities			
Bank and other loans, current	11	1,015,044	135,704
Leases, current		2,465	2,664
Provisions, current		29,840	2,176
Trade and other payables		230,633	314,919
Contract liabilities		20,222	45,662
Derivative financial instruments liability, current	8	-	6,004
Current income taxes payable		70,056	5,447
Government grants, current portion		4,267	4,267
Other current financial liabilities		67,176	68,558
Total current liabilities		1,439,703	585,401
Total liabilities		2,237,913	1,755,411
Total shareholders' equity and liabilities		3,789,934	2,871,867

The comparative figures as of 31 December 2021 were reclassified in accordance with the presentation adopted in 2022. The amount of RON 38,020 thousand for the Group which was reported at 31 December 2021 under the category *Other current assets* is now presented separately under *Other current non-financial assets* category.

Alro

Separate statement of cash flows for the year 2022 - unaudited
in RON '000

Q4 2022	Q4 2021		Alro Stand-alone 2022	2021
		Cash flow from operating activities		
520,194	36,527	Result before income taxes	402,097	39,197
		<i>Adjustments for:</i>		
24,586	22,875	Depreciation and amortisation	99,319	101,301
133,505	66	Impairment of investments	133,735	194
16,982	-29,672	Movement in provisions	16,982	-28,620
26,005	20,229	Change in allowance for impairment of inventory	72,014	4,698
9,629	6,281	Change in allowance for impairment of doubtful receivables	9,304	8,956
-93	27	Losses/(gains) on disposal of property, plant and equipment	239	138
-64,369	12,120	Net foreign exchange (gains)/ losses on loans revaluation	40,787	55,059
-4,499	-1,627	Interest income	-9,314	-4,388
31,560	9,839	Interest expense	86,890	36,853
-3	-	Dividend income	-1,081	-2
-	-6,906	Gain/loss on derivative instruments at fair value through profit or loss	2,446	63,902
		<i>Changes in working capital:</i>		
26,076	-209,265	Change in inventories	-210,974	-260,352
-411,142	362,113	Change in trade receivables and other assets	-416,953	290,881
-25,330	11,063	Change in trade and other payables	-202,937	-36,707
-1	-5,235	Income taxes (paid)/refunded	-18,864	-13,470
-29,650	-8,611	Interest paid	-74,995	-33,070
-	-34,743	Cash receipts/ (Payments) from derivatives, net	-16,823	-44,650
253,450	185,081	Net cash generated by / (used in) operating activities	-88,128	179,920
		Cash flow from investing activities		
-26,475	-28,583	Purchase of property, plant and equipment and intangible assets, net	-77,390	-78,933
1,022	51	Proceeds from sale of property, plant and equipment	1,068	332
3	-	Dividends received	3	2
-	-	Change in restricted cash	-66,234	-16,731
4,499	1,629	Interest received	9,314	4,390
-20,951	-26,903	Net cash used in investing activities	-133,239	-90,940
		Cash flow from financing activities		
14	57,437	Proceeds from loans	609,380	214,005
145,827	-33,032	Repayment of loans and leases	-93,012	-86,607
-	-6	Dividends paid	-1	-38
145,841	24,399	Net cash provided by/(used in) financing activities	516,367	127,360
378,340	182,577	Net change in cash and cash equivalents	295,000	216,340
221,750	122,513	Cash and cash equivalents at beginning of period	305,090	88,750
600,090	305,090	Cash and cash equivalents at end of period	600,090	305,090

Alro Group
Consolidated statement of cash flows for the year 2022 - unaudited
in RON '000

Alro Group

Alro Group			2022	2021
Q4 2022	Q4 2021			
		Cash flow from operating activities		
615,716	53,171	Result before income taxes	524,431	57,472
		<i>Adjustments for:</i>		
39,570	34,220	Depreciation and amortisation	153,038	152,534
5,319	5,558	Impairment of property, plant and equipment	5,319	5,554
21,580	-	Impairment of goodwill	21,580	-
23,967	-32,393	Movement in provisions	27,662	-31,101
31,969	20,205	Change in allowance for impairment of inventory	77,978	4,674
9,552	9,492	Change in allowance for impairment of doubtful receivables	9,534	12,082
101	-348	Losses/(gains) on disposal of property, plant and equipment	908	1,540
-68,739	11,103	Net foreign exchange (gains)/ losses on loans revaluation	45,167	61,863
-4,568	-1,646	Interest income	-9,537	-4,447
33,517	11,197	Interest expense	93,677	41,830
-3	-	Dividend income	-3	-2
-	-6,906	Gain/loss on derivative instruments at fair value through profit or loss	2,446	63,902
		<i>Changes in working capital:</i>		
30,508	-264,760	Change in inventories	-231,303	-316,121
-396,318	380,817	Change in trade receivables and other assets	-407,476	298,167
6,588	44,640	Change in trade and other payables	-95,978	26,635
-4,378	-11,462	Income taxes (paid)/refunded	-31,659	-52,351
-31,292	-10,016	Interest paid	-79,325	-36,359
-	-34,743	Cash receipts/ (Payments) from derivatives, net	-16,823	-44,650
313,089	208,129	Net cash generated by / (used in) operating activities	89,636	241,222
		Cash flow from investing activities		
-59,860	-59,745	Purchase of property, plant and equipment and intangible assets, net	-151,644	-147,573
1,532	453	Proceeds from sale of property, plant and equipment	2,507	2,153
-	2,340	Acquisition of subsidiary, net of cash acquired	-	2,340
3	-	Dividends received	3	2
2,526	-2	Change in restricted cash	-102,040	-16,787
4,346	1,629	Interest received	9,315	4,390
-51,453	-55,325	Net cash used in investing activities	-241,859	-155,475
		Cash flow from financing activities		
-642	80,194	Proceeds from loans	611,143	256,553
127,166	-45,810	Repayment of loans and leases	-157,472	-119,511
-	-6	Dividends paid	-1	-38
126,524	34,378	Net cash provided by/(used in) financing activities	453,670	137,004
388,160	187,182	Net change in cash and cash equivalents	301,447	222,751
242,293	141,173	Cash and cash equivalents at beginning of period	328,428	105,500
-385	73	Effect of exchange rate differences on cash and cash equivalents	193	177
630,068	328,428	Cash and cash equivalents at end of period	630,068	328,428

Alro

Separate statement of changes in equity for the year 2022 - unaudited

in RON '000

	Share capital	Share premium	Other reserves	Retained earnings	Result for the period	Total
Balance at 1 January 2021	370,037	86,351	306,191	-25,823	295,206	1,031,962
Result for the period	-	-	-	-	35,210	35,210
Other comprehensive income / (expense)						
Remeasurements of post-employment benefits	-	-	-	7,160	-	7,160
Deferred tax on benefits remeasurement	-	-	-	-1,146	-	-1,146
Total other comprehensive income / (expense)	-	-	-	6,014	-	6,014
Total comprehensive income / (expense)	-	-	-	6,014	35,210	41,224
Transactions with owners of the company recognized directly in equity						
Distributions to owners of the company						
Appropriation of prior year result	-	-	-	295,206	-295,206	-
Balance at 31 December 2021	370,037	86,351	306,191	275,397	35,210	1,073,186
Balance at 1 January 2022	370,037	86,351	306,191	275,397	35,210	1,073,186
Result for the period	-	-	-	-	330,971	330,971
Other comprehensive income / (expense)						
Remeasurements of post-employment benefits	-	-	-	10,386	-	10,386
Deferred tax on benefits remeasurement	-	-	-	-1,662	-	-1,662
Total other comprehensive income / (expense)	-	-	-	8,724	-	8,724
Total comprehensive income / (expense)	-	-	-	8,724	330,971	339,695
Transactions with owners of the company recognized directly in equity						
Distributions to owners of the company						
Appropriation of prior year result	-	-	-	35,210	-35,210	-
Balance at 31 December 2022	370,037	86,351	306,191	319,331	330,971	1,412,881

Alro Group
Consolidated statement of changes in shareholders' equity for the year 2022 - unaudited
in RON '000

	Other reserves					Retained earnings	Result for the period	Attributable to shareholders of Alro SA	Non-controlling interests	Total shareholders' equity
	Share capital	Share premium	Other reserves	Translation reserve	Total other reserves					
Balance at 1 January 2021	370,037	86,351	375,866	-40,750	335,116	-40,723	334,289	1,085,070	2,595	1,087,665
Result for the period	-	-	-	-	-	-	26,426	26,426	-170	26,256
Other comprehensive income / (expense)										
Translation adjustment	-	-	-	7,707	7,707	-	-	7,707	46	7,753
Remeasurements of post-employment benefits	-	-	-	-	-	8,000	-	8,000	5	8,005
Deferred tax on benefits remeasurement	-	-	-	-	-	-1,280	-	-1,280	-1	-1,281
Other comprehensive income / (expense)	-	-	-	7,707	7,707	6,720	-	14,427	50	14,477
Total comprehensive income / (expense)	-	-	-	7,707	7,707	6,720	26,426	40,853	-120	40,733
Transactions with owners of the company recognized directly in equity										
Distributions to owners of the company										
Appropriation of prior year result	-	-	-	-	-	334,289	-334,289	-	-	-
Loss on acquisition of subsidiary under common control	-	-	-	-	-	-11,942	-	-11,942	-	-11,942
Balance at 31 December 2021	370,037	86,351	375,866	-33,043	342,823	288,344	26,426	1,113,981	2,475	1,116,456
Balance at 1 January 2022	370,037	86,351	375,866	-33,043	342,823	288,344	26,426	1,113,981	2,475	1,116,456
Result for the period	-	-	-	-	-	-	412,684	412,684	-577	412,107
Other comprehensive income / (expense)										
Translation adjustment	-	-	-	14,130	14,130	-	-	14,130	85	14,215
Remeasurements of post-employment benefits	-	-	-	-	-	11,051	-	11,051	5	11,056
Deferred tax on benefits remeasurement	-	-	-	-	-	-1,812	-	-1,812	-1	-1,813
Other comprehensive income / (expense)	-	-	-	14,130	14,130	9,239	-	23,369	89	23,458
Total comprehensive income / (expense)	-	-	-	14,130	14,130	9,239	412,684	436,053	-488	435,565
Transactions with owners of the company recognized directly in equity										
Distributions to owners of the company:										
Appropriation of prior year result	-	-	-	-	-	26,426	-26,426	-	-	-
Balance at 31 December 2022	370,037	86,351	375,866	-18,913	356,953	324,009	412,684	1,550,034	1,987	1,552,021

Notes to the preliminary consolidated financial results

- unaudited -

1. Alro Group ended the year 2022 with a turnover of RON 3,554,066 thousand (1.5% higher as compared to the year 2021), an EBIT of RON 686,517 thousand (by RON 458,378 thousand more than the previous year) and a consolidated net profit of RON 412,107 thousand as compared to a net profit of RON 26,256 thousand recorded in 2021.

The year 2022 came with multiple challenges and, implicitly, with a powerful impact on the world economy. Starting the second half of 2021, the price of the energy products sharply increased, which was foreseen at some extent, following the world economy recovery after the Covid-19 pandemic. Nevertheless, this increase was much higher than anticipated and the conflict between Russia and Ukraine, outbroken in February 2022, has even more aggravated the global economy situation, with the price of electricity and natural gas reaching levels not seen so far. The situation has become even worse, as the energy crisis was followed by a raw material crisis and serious disturbances in the supply chains with demand being very low in all industrial sectors, and with the inflation and interest rates reaching record values.

The escalation of the energy crisis and inflation has determined the governments in the entire world to take protection measures, both for industries and for residential areas. The European aluminium markets go through difficult times as well, facing LME volatility, higher costs of electricity and raw materials and an increased stocks level, caused by the postponing since 2021 until July 2022 of the antidumping taxes imposed by the European Union on the cheap imports of the Chinese flat rolled products.

Under these circumstances, the Group was forced to take immediate measures to preserve the business model. Consequently, we decided to temporarily suspend the production activity in three of five electrolysis potrooms at Alro starting January 2022 and the alumina production at ALUM starting August 2022, by employing technological measures that would allow a fast and efficient restart when the power market conditions return to normal.

With the uncertainty of the energy market and of the raw material prices, the Group has decided to temporarily replace a part of the necessary electrolytic aluminium with primary cold metal purchased in the market, and also, to purchase alumina from third parties, at more effective costs. At the same time, after the temporary shutdown of the Alum production, the Group subsidiary in Sierra Leone delivered its entire bauxite production to external clients. Another important step towards costs efficiency and decrease of the electric energy dependence was the Eco Recycling Facility further upgrading and development. The investment commenced in 2022 is expected to be placed into operation mid 2023 with an increase of the scrap recycling capacity from the existing capacity of 47,000 tonnes in 2022 to 85,000 tonnes per annum. The Group's Processed Segment has also made significant changes by installing a new state-of-the-art extrusion press in September 2022, with an investment of approximately EUR 10 million that is meant to increase the annual production capacity of Vimetco Extrusion to 35,000 tonnes.

The Group pays utmost attention to the secure supply of the electric energy, with this being an essential cost component of the aluminium production. Thus, in October 2022, Complexul Energetic Oltenia, on the basis of a public tender, nominated Alro as a selected investor to build a gas power plant. The new established company will build a 850 MW natural gas power plant which will replace two old coal-fired installations, each with the capacity of 315 MW. The total project value is estimated at EUR 506 million, out of which EUR 253 million will be financed by the Modernisation Fund, a new financing tool that contributes to the objectives of the European Green Deal by supporting a socially just transition to a green economy. The equity participation of Alro will be the RON equivalent of EUR 43,514 thousand representing 40.1% of the share capital of the Joint Company established for the project implementation.

The Emergency Ordinance no. 138 regarding the compensation of indirect emissions costs embedded in the electricity price for the years 2021-2030 was published in October 2022, and thus, starting from this date and covering the 2021-2030 period, the Group has predictability for the amount of the energy compensation to be received on an annual basis. ALRO Group submitted the required documentation regarding the eligible costs incurred in 2021 by the deadline set by the relevant authorities and in December 2022 it received the compensation of RON 367,264 thousand, which was calculated using a clear and transparent formula published in the European Guideline on the emission allowance trading scheme (EU-ETS) after 2021 *“Guidelines on certain supporting measures in the context of the system for GHG allowance trading post-2021”* and reflected as such in the Emergency Ordinance 138/2022. For 2022, the Group incurred already indirect emissions costs embedded in the energy prices, it calculated the relevant amount of compensation due (RON 437,059 thousand) and has the assurance that it will be received according to the legal regulations, therefore it booked it as a receivable in its accounts at 31 December 2022. The legal deadline to submit the file for the relevant compensation for 2022 is the end of March 2023.

The Group's turnover was RON 3,554,066 thousand in 2022, by 1.5% higher compared to the 2021 turnover of RON 3,499,958 thousand. In the beginning of 2022, the Group benefited from the favourable evolution of the aluminium price, the good demand of the extrusion products and plates for the aerospace industry, the increase of the sales premiums and the USD appreciation. In the first half of the 2022, the aluminium price (LME 3M) had an upward trend, on 7 March 2022 reaching the maximum value of the year, of 3,968 USD/tonne. Thus, in 2022 the LME recorded an average value of 2,713 USD/tonne, higher by 225 USD/tonne, compared to the average value of 2021 (2,488 USD/tonne). Nevertheless, the LME quotation started to decrease at the end of the second quarter of 2022, the minimum level of the 2022 being of 2,103 USD/tonne, recorded on 28 September 2022. The same downward trend continued in Q4 2022, when the LME average quotation was of 2,345 USD/tonne, lower by 423 USD/tonne compared to the average of the Q4 2021 (2,768 USD/tonne). Considering this price decrease in Q4 2022 and the significant decline of all industrial sectors in this timeframe, the turnover recorded a decrease in Q4 2022 (RON 619,501 thousand) compared to Q4 2021 (RON 1,033,534 thousand).

In 2022, Alro Group continued its sales strategy aiming to increase its presence on the most sophisticated industrial sectors. Thus, in 2022 the share of processed high value-added products in the total sales was of 70% (48% in 2021), with the rest being primary products. With the increase of the production costs, the Group took all the necessary measures to align its production mix to the new market realities, therefore, the sales of the processed products increased by 46% in 2022 compared to 2021. This good performance was achieved due to the quantitative increase of the sales of 2xxx si 7xxx series heat treated plates and Aero plates by over 4,150 tonnes in 2022 compared to the previous year. The quantitative sales of extruded products also registered a positive evolution, with the Group delivering a higher quantity by 1,660 tonnes compared to 2021. Other factors, which contributed to the increase of the processed sales, were the higher sales premiums, higher exchange rate and LME positive evolution in 2022 compared to 2021.

The beginning of 2022 indicated a solid demand for the Group's products: a constant demand for the consumer goods sector, construction and general engineering industry, while the aerospace sector started to show signs of recovery. Nevertheless, the uncertain geopolitical context, crisis of energy and raw materials, increasing inflation and higher financing costs led to the demand slowdown in all industrial sectors starting the Q2 2022, which continued until the end of 2022. Even if the European Union lifted the suspension of the antidumping taxes for the Chinese flat rolled products in July 2022, the postponement of this decision in 2021 led to cheap metal imports from China and to overstocking among the European distributors, that limited the Groups deliveries of flat rolled products, especially coils and sheets in 2022 as well as during Q4 2022. Even if the LME average quotations reached almost 4,000 USD/tonne in Q1 2022, up to the end of Q2 2022, LME started to decrease and this downward tendency continued also in Q4 2022. All these factors had a negative impact on the sales of processed products in Q4 2022, which decreased by 13% compared to Q4 2021. Nevertheless, the Group benefited from the profitable conditions in the extrusion market and sold about 6,000 tonnes of profiles in Q4 2022 (and 5,910 tonnes in Q4 2021) thus obtaining an increase of the extruded products sales by 34% in Q4 2022 compared to Q4 2021.

Sales of primary products decreased by 42% in 2022 compared to 2021 and by 64% in Q4 2022 compared to Q4 2021

in the context of lower quantitative sales of aluminium wire rod and billets, partly offset by higher sales premiums, by gains from foreign exchange and by higher LME quotations in 2022, with aluminium prices having a downward trend in Q4 2022. However, the wire rod sales in 2022 were higher than budgeted, and additionally we implemented the wire rod tolling for our traditional cable clients. The billets market and the premiums for this product were quite elevated in the first half of the year, but the construction and logistic sectors pushed the demand down in correlation with the important quantities sold by Turkey from Russia, particularly to the South-East Europe. At the same time, the Group no longer sold slabs in 2022, and the entire slabs production was redirected for internal consumption.

Considering the temporary shutdown of the electrolytic aluminium production, in 2022 the Group concluded tolling agreements with a few customers for processing the metal that was brought in by these customers and returning back a customized product to the customers against a fee for the metal melting and processing, i.e. wire rod. In this circumstances, the Group delivered almost 14,000 tonnes of processed wire rod in 2022 (2021: nil), out of which almost 3,100 tonnes in Q4 2022 (Q4 2021: nil).

Along with the temporary ceasing of Alum operation starting August 2022, the activity of the subsidiary in Sierra Leone was aligned to the new Group's business strategy, with the entire production of bauxite being sold to the third parties. In terms of value, SMHL reported bauxite sales to third parties of RON 126,560 thousand (2021: nil) and in the last quarter of 2022, of RON 32,584 thousand, in 2021 the Group continuing to focus on ensuring the internal requirements of raw materials, following the pandemic period of COVID-19 (Q4 2021: nil).

2. Concerning **the cost of the goods sold**, the Group recorded an increase by 9% in 2022 compared to the similar period of the previous year (2022: RON 3,274,661 thousand versus 2021: RON 3,007,304 thousand), especially due to the higher costs of utilities and raw materials, that remained high worldwide also in 2022. The price upward tendency was sustained by the context of Russian-Ukrainian conflict, which negatively impacted the energy market, as well as the entire raw material supply chain. The extremely high costs of energy and gas determined the Group to take the temporary decision to interrupt the alumina production in Q3 2022 and to replace it with the alumina purchased from the market, at an optimized cost. In Q4 2022 the cost of goods sold decreased by 23% compared to Q4 2021 (Q4 2022: RON 684,257 thousand versus Q4 2021: RON 887,491 thousand), due to the Group's efforts to efficiently use the raw materials in a context when the necessity of an adequate resource management is paramount, as well as due to the low level of demand, noticed since the second quarter of 2022 in all European industrial sectors.

3. In 2022 the Group achieved a **positive gross result** of RON 279,405 thousand, lower than the gross profit of the last year of RON 492,654 thousand, mainly due to the high prices of utilities. The cost of the goods sold, which caused the decrease of the gross profit in 2022, does not include the compensation received by the Group, which was included under *Other operating income*. Considering other factors, which in the second half of the 2022 led to a global economy slowdown, such as: unstable geopolitical context, high inflation rates, high interest rates, in Q4 2022 the Group reported a negative gross result of RON 64,756 thousand compared to the positive gross result of RON 146,043 thousand recorded in Q4 2021.

4. In 2022 **other operating income** was of RON 870,207 thousand (compared to 2021: RON 68,656 thousand) and mainly includes the amount of RON 804,323 thousand (2021: nil) recorded by Alro Group in Q4 2022 as compensation for higher energy costs and incurred in the years 2022 and 2021, according to EU legislation regarding EU-ETS scheme. The compensation scheme is part of Europe's and also Romania's plans to sustain the energy-intensive companies due to the high electricity prices which embedded the indirect emissions costs from energy producers. In September 2020, the European Commission adopted the new Guide on the emission allowance trading scheme (EU-ETS) after 2021 "*Guidelines on certain supporting measures in the context of the system for GHG allowance trading post-2021*", which entered into force on 1 January 2021 and applies until 2030, replacing the guide applicable until December 2020. Following the approval of this scheme for Romania by the European Commission, based on the decision no. 6586/12.09.2022, on 13 October 2022 the Emergency Ordinance no. 138/12.10.2022 was published in the Official Gazette, for the establishment of a state aid scheme granted to companies in the sectors considered to be exposed to a real risk of carbon dioxide emissions relocation because of the significant indirect costs that they actually bear as a result of the transfer of the costs of greenhouse gas emissions incurred by the energy producers, to the price of electricity. The Group received the compensation of RON 367,264 thousand for 2021 in December 2022. The difference of RON 437,059 thousand, representing the compensation for 2022, is included in the *Statement of financial position*, under *Other current financial assets*. In addition, in 2022, the Group sold CO₂ emission certificates of RON 52,178 thousand (in 2021: nil) and included them in the category *Other operating income*, by benefiting from the higher price of CO₂ emission certificates. In Q4 2022 the sales of CO₂ emission certificates were of RON 28,443 thousand (Q4 2021: nil).

5. The category **Other operating expenses** mainly includes the depreciation of idle plants of RON 28,472 thousand (in 2021: RON 635 thousand) on the occasion of the temporary suspension of the operation of 3 electrolysis halls and of the alumina plant in Tulcea in 2022, as well as other costs of RON 14,838 thousand (in 2021: nil) that were recognized by Alum as one-off costs in relation to the temporary suspension of its production activity. In addition, in 2022 this category includes non-operational costs of RON 15,048 thousand that were incurred by the subsidiary Alum in the subsequent period to the production capacity shutdown (2021: nil) and RON 11,847 thousand recognized by the same subsidiary as a provision for CO₂ certificates needed to be acquired for the year 2022 (in 2021: RON 1,274 thousand). Also, in 2022, the Group granted sponsorships of RON 14,447 thousand for projects with significant impact on the local communities and the medical system (in 2021: RON 3,127 thousand), recognized under the same category, *Other operating expenses*.

6. **The operating result** in 2022 was of RON 686,517 thousand compared to RON 228,139 thousand in 2021, mainly due to the compensation recognized in Q4 2022 under the above mentioned category *Other operating income*. Consequently, the Group reported a 3- time higher level of EBIT compared to the previous year (in Q4 2022 the EBIT was of RON 586,490 thousand compared to the EBIT registered in Q4 2021 of RON 64,241 thousand).

7. **Interest expenses** increased by 124% in 2022 compared to 2021 (2022: RON 93,677 thousand compared to 2021: RON 41,830 thousand) due to the increase in the LIBOR and ROBOR reference rates and the increase of the loans balance of the Group. The same upward trend was maintained in Q4 2022, when the interest expenses reached a value of RON 33,517 thousand compared to RON 11,197 thousand recorded in Q4 2021.

8. In 2022 **the net losses from derivative financial instruments** are related to the fixed-for-floating swap derivative on electricity concluded with a trader. The loss of RON 2,446 thousand recorded in 2022 related to the positions settled during the period January - March 2022, was due to the fact that the market price was below the fixed price of the contract. In 2021 an unrealized loss of RON 6,004 thousand was recorded for the outstanding derivatives, representing their mark-to-market at 31 December 2021. Additionally, in 2021 the net losses from derivative financial instruments are related to the 100% collar options concluded by the Group in March 2021 for a quantity of 60,000 tons of aluminum. In 2021, from the exercise of the options between July and December 2021 due to the fact that the price of aluminum reflected by the LME quotation was higher than the cap of the collar, the Group recorded a loss of RON 57,898 thousand including their cost and the options not exercised when the LME values were within the collar range. However, the loss from hedging was offset by the higher level of LME incorporated in the price of aluminium sold to the customers.

9. **Net foreign exchange gains / (losses)** are mainly amounts with no effect on the cash flow arising from the revaluation of the Group's loans and other foreign currency liabilities. While in 2022 and 2021 per year as a whole and in Q4 2021 the Group recorded a loss in the exchange rate, due to the depreciation of the Romanian Leu against the US dollar, at the level of the 4th quarter of 2022, the Group recorded gains from exchange rate differences especially from the revaluation of loans denominated in USD on the background of the appreciation of the Romanian Leu in that period of time.

10. Even if in 2022 the increase of the electricity and gas prices determined the Group management to temporarily shut down the production capacities to maintain its position in the aluminium industry, the Group succeeded to increase its turnover by 1.5% in extremely difficult conditions, encompassing inflation and increase in interest rates, decrease of demand and very high market volatility. However, adopting the measure of indirect emissions compensation incorporated in the electric energy price for the years 2021-2030 diminished a part of the energy costs pressure in the following period and the Group achieved a **net profit** of RON 412,107 thousand compared to a net profit of RON 26,256 thousand in 2021. In the same sense, at the level of Q4 2022 the net profit was of RON 521,629 thousand compared to the net profit of RON 50,920 thousand reported in Q4 2021.

Reconciliation of **adjusted net result** with the net result of Alro Group:

in RON '000 Q4 2022	in RON '000 Q4 2021		in RON '000 2022	in RON '000 2021
521,629	50,920	Result for the period	412,107	26,256
5,319	5,558	Plus/(minus) charge/ (reversal) of non-current assets impairment expense/(income)	5,319	5,554
21,580	-	Plus charge of impairment of goodwill	21,580	-
-	-6,906	Plus/(minus) the loss/(gain) from derivative financial instruments for which hedge accounting was not applied	2,446	63,902
23,089	-3,574	Plus/(minus) deferred tax expense	15,760	-3,858
571,617	45,998	Adjusted net result	457,212	91,854

11. **Bank and other loans:** In March 2022, the Parent Company of the Group signed a non-revolving working capital facility of RON 470,000 thousand with a syndicate of banks within the framework of state-support scheme within the context of Covid-19 pandemics, repayable within 4 years, with state guarantee covering maximum 90% of the facility amount. At the same time, the Parent Company also signed a non-cash financing facility for letters of guarantee with a commercial bank for the amount of RON 168,000 thousand. This facility ends on 31 January 2024, it is designated mainly for the acquisitions of electricity, and it is collateralized with a state guarantee for 80% of the amount. The collateral deposit made for this facility of RON 19,235 thousand is recorded on 31 December 2022 under *Other non-current financial assets*.

At 31 December 2022, the Parent Company reclassified from long-term to short-term a revolving facility of USD 120,000 thousand contracted from a bank syndicate, a revolving loan concluded with a commercial bank of RON 180,000 thousand and a loan for working capital contracted with a commercial bank of RON 167,312 thousand, all these facility having the maturity in November 2023. As a result of these reclassifications, the collateral deposits of RON 52,731 thousand for the above mentioned loans were reclassified from *Other non-current financial assets* (at 31 December 2021) to *Restricted cash* (at 31 December 2022). The Group intends to prolong the revolving loans.

12. As at 31 December 2022, the management of the Parent Company carried out an impairment review of the financial investments. As a result, having in view the current market conditions and volatilities, which triggered uncertainties related to the short-term prospects of its upstream investments, i.e. the mining business in Sierra Leone, which is facing high costs of production compared to the market expectations, and the alumina plant in Tulcea that was temporarily shut down in 2022 due to high processing costs, all these leading to low profitability of the two segments in the next years, an impairment charge of RON 133,412 thousand was recognized for the investment in Alum in Alro's books at 31 December 2022, mainly coming from SMHL/GAL evaluation, and an impairment charge of RON 21,580 thousand for the goodwill related to the Global Aluminium segment was recognized in Alro Group consolidated results.

Gheorghe Dobra
Chief Executive Officer

Genoveva Nastase
Chief Financial Officer