

ALRO AND SUBSIDIARIES

PRELIMINARY CONSOLIDATED AND SEPARATE FINANCIAL RESULTS

for the year ended
31 December 2023

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. Consequently, the final financial statements for the year 2023 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 2023 - unaudited
in RON '000, except per share data

Alro stand alone			Alro stand alone		
Q4 2023	Q4 2022		Note	2023	2022
565,611	523,984	Revenue from contracts with customers	1	2,533,585	3,180,972
-663,947	-607,616	Cost of goods sold	2	-2,889,882	-3,044,622
-98,336	-83,632	Gross result	3	-356,297	136,350
-72,216	-76,539	General, administrative and selling expenses		-226,465	-227,441
-114,518	-133,506	Impairment of investments	4	-189,144	-133,735
100,880	806,640	Other operating income	5	324,112	815,067
-13,179	-18,665	Other operating expenses	6	-28,032	-34,820
-197,369	494,298	Operating result (EBIT)	7	-475,826	555,421
-33,687	-31,560	Interest expenses	8	-124,380	-86,890
-	-	Gains (losses) from derivative financial instruments, net		-	-2,446
3,865	4,502	Other financial income		18,851	10,395
-3,505	-5,893	Other financial costs		-26,594	-28,407
24,015	58,847	Net foreign exchange gains / (losses)	9	18,045	-45,976
-206,681	520,194	Result before income taxes		-589,904	402,097
22,149	-64,337	Income tax		52,044	-71,126
-184,532	455,857	Result for the period	10	-537,860	330,971
		Other comprehensive income / (expense), net of tax:			
		<i>Items that will not be reclassified subsequently to profit or loss</i>			
-5,244	10,386	Remeasurements of post-employment benefit obligations		-5,244	10,386
839	-1,662	Income tax on items that will not be reclassified		839	-1,662
-4,405	8,724	Other comprehensive income / (expense) for the period, net of tax		-4,405	8,724
-188,937	464,581	Total comprehensive income / (expense) for the period		-542,265	339,695
		Earnings per share			
-0.259	0.639	Basic and diluted (RON)		-0.754	0.464

Alro Group

Consolidated statement of profit or loss and other comprehensive income for the year 2023 - unaudited in RON '000, except per share data

Alro Group			Alro Group		
Q4 2023	Q4 2022*		Note	2023	2022*
		Continuing operations			
608,270	583,711	Revenue from contracts with customers	1	2,849,717	3,411,745
-692,990	-634,205	Cost of goods sold	2	-3,063,736	-3,102,205
-84,720	-50,494	Gross result	3	-214,019	309,540
-93,888	-96,522	General, administrative and selling expenses		-329,180	-304,824
104,220	835,893	Other operating income	5	346,058	869,306
-104,683	-51,929	Other operating expenses	6	-164,568	-91,369
-179,071	636,948	Operating result (EBIT)	7	-361,709	782,653
-34,471	-32,931	Interest expenses	8	-129,419	-91,762
-	-	Gains (losses) from derivative financial instruments, net		-	-2,446
3,813	4,515	Other financial income		19,424	9,858
-3,870	-6,163	Other financial costs		-29,120	-29,454
24,455	63,168	Net foreign exchange gains / (losses)	9	-3,810	-49,253
-189,144	665,537	Result before income taxes from continuing operations		-504,634	619,596
23,767	-77,153	Income tax		48,155	-95,418
-165,377	588,384	Result for the period from continuing operations		-456,479	524,178
-367	-69,383	Result after tax for the period from discontinued operations		-103,343	-114,699
-165,744	519,001	Result for the period	10	-559,822	409,479
		Other comprehensive income / (expense), net of tax:			
		<i>Items that will not be reclassified subsequently to profit or loss</i>			
-5,412	11,110	Remeasurements of post-employment benefit obligations		-4,804	11,056
857	-1,813	Income tax on items that will not be reclassified		857	-1,813
		<i>Items that may be reclassified subsequently to profit or loss:</i>			
-	-14,979	Translation adjustment		18,880	14,248
-4,555	-5,682	Other comprehensive income / (expense) for the period, net of tax		14,933	23,491
-170,299	513,319	Total comprehensive income / (expense) for the period		-544,889	432,970
		Result attributable to:			
-165,170	519,419	Shareholders of Alro SA		-558,340	410,071
-574	-418	Non-controlling interest		-1,482	-592
-165,744	519,001			-559,822	409,479
		Total comprehensive income / (expense) attributable to:			
-169,723	513,826	Shareholders of Alro S.A.		-543,411	433,473
-576	-507	Non-controlling interest		-1,478	-503
-170,299	513,319			-544,889	432,970
		Earnings per share			
-0.629	0.609	Basic and diluted (RON)		-0.782	0.575
-0.640	0.734	Basic and diluted (RON) for continuing operations		-0.640	0.734

* Prior year figures of the consolidated statement of profit or loss have been re-presented to show the discontinued operations separately from continuing operations.

Alro

Separate statement of financial position as of 31 December 2023 - unaudited
in RON '000

Alro Stand-alone

	Note	31 December 2023	31 December 2022
Assets			
Non-current assets			
Property, plant and equipment		724,656	752,559
Investment properties		4,040	3,797
Intangible assets		2,507	2,971
Investments in subsidiaries		144,178	333,322
Equity accounted investments	11	108,269	-
Right-of-use assets		4,950	4,923
Deferred tax asset		89,884	30,725
Other non-current financial assets	12	149,010	76,049
Total non-current assets		1,227,494	1,204,346
Current assets			
Inventories		698,578	884,229
Trade receivables, net		69,690	104,930
Other current financial assets	5	407,309	469,914
Other current non-financial assets		106,479	59,596
Restricted cash	12	-	52,731
Cash and cash equivalents		160,281	600,090
Total current assets		1,442,337	2,171,490
Total assets		2,669,831	3,375,836
Shareholders' Equity and Liabilities			
Shareholders' equity			
Share capital		370,037	370,037
Share premium		86,351	86,351
Other reserves		306,191	306,191
Retained earnings		645,897	319,331
Result for the period	10	-537,860	330,971
Total shareholders' equity		870,616	1,412,881
Non-current liabilities			
Bank and other loans, non-current	12	1,176,067	667,034
Leases, non-current		3,061	2,812
Provisions, non-current		2,776	2,656
Post-employment benefit obligations		26,845	22,301
Government grants, non-current portion		25,419	28,861
Other non-current financial liabilities		794	579
Total non-current liabilities		1,234,962	724,243
Current liabilities			
Bank and other loans, current	12	295,741	976,572
Leases, current		1,696	2,067
Provisions, current		3,357	16,982
Trade and other payables		193,357	127,637
Contract liabilities		21,957	19,637
Current income taxes payable		6,456	65,810
Government grants, current portion		3,442	3,442
Other current liabilities		38,247	26,565
Total current liabilities		564,253	1,238,712
Total liabilities		1,799,215	1,962,955
Total shareholders' equity and liabilities		2,669,831	3,375,836

Alro Group

Consolidated statement of financial position as of 31 December 2023 - unaudited in RON '000

		Alro Group	
	Note	31 December 2023	31 December 2022
Assets			
Non-current assets			
Property, plant and equipment	6	901,604	1,090,979
Investment properties		571	602
Intangible assets		2,877	3,479
Equity accounted investments	11	108,269	-
Goodwill		15,834	79,851
Right-of-use assets		9,690	7,092
Deferred tax asset		95,195	35,825
Other non-current financial assets	12	151,293	77,776
Total non-current assets		1,285,333	1,295,604
Current assets			
Inventories		887,081	1,168,187
Trade receivables, net		56,163	69,780
Current income tax receivable		1,100	1,817
Other current financial assets	5	433,205	510,765
Other current non-financial assets		33,980	25,025
Restricted cash	12	19,814	88,688
Cash and cash equivalents		206,126	630,068
Total current assets		1,637,469	2,494,330
Total assets		2,922,802	3,789,934
Shareholders' Equity and Liabilities			
Shareholders' equity			
Share capital		370,037	370,037
Share premium		86,351	86,351
Other reserves		375,866	356,986
Retained earnings		730,129	324,009
Result for the period	10	-558,340	410,071
Equity attributable to shareholders of Alro S.A.		1,004,043	1,547,454
Non-controlling interest		494	1,972
Total shareholders' equity		1,004,537	1,549,426
Non-current liabilities			
Bank and other loans, non-current	12	1,176,067	670,097
Leases, non-current		5,963	3,831
Provisions, non-current		27,216	43,125
Post-employment benefit obligations		29,048	27,154
Government grants, non-current portion		30,902	35,169
Other non-current financial liabilities		13,541	18,834
Total non-current liabilities		1,282,737	798,210
Current liabilities			
Bank and other loans, current	12	298,728	1,015,044
Leases, current		2,782	2,465
Provisions, current		7,854	32,435
Trade and other payables		240,807	230,633
Contract liabilities		23,579	20,222
Current income taxes payable		6,617	70,056
Government grants, current portion		4,267	4,267
Other current liabilities		50,894	67,176
Total current liabilities		635,528	1,442,298
Total liabilities		1,918,265	2,240,508
Total shareholders' equity and liabilities		2,922,802	3,789,934

Alro

Separate statement of cash flows for the year 2023 - unaudited
in RON '000

Q4 2023	Q4 2022		Alro Stand-alone 2023	2022
		Cash flow from operating activities		
-206,681	520,194	Result before income taxes	-589,904	402,097
		<i>Adjustments for:</i>		
23,510	24,586	Depreciation and amortisation	101,720	99,319
114,517	133,505	Impairment of investments	189,144	133,735
-491	-	Impairment of property, plant and equipment	-491	-
968	16,982	Movement in provisions	-13,625	16,982
14,854	26,005	Change in allowance for impairment of inventory	-21,906	72,014
-73	9,629	Change in allowance for expected credit losses of trade receivables	-61	9,304
496	-93	Losses/(gains) on disposal of property, plant and equipment	-68	239
-25,005	-64,369	Net foreign exchange (gains)/ losses on loans revaluation	-18,177	40,787
-3,865	-4,499	Interest income	-18,851	-9,314
33,687	31,560	Interest expense	124,380	86,890
-	-3	Dividend income	-	-1,081
-	-	Gain/loss on derivative instruments at fair value through profit or loss	-	2,446
		<i>Changes in working capital:</i>		
-8,900	26,076	Change in inventories	204,935	-210,974
-88,589	-411,142	Change in trade receivables and other assets	48,722	-416,953
42,633	-9,730	Change in trade and other payables	76,884	-187,337
-	-1	Income taxes paid	-65,630	-18,864
-51,439	-29,650	Interest paid	-136,202	-74,995
-	-	Cash receipts/ (payments) from derivatives, net	-	-16,823
-154,378	269,050	Net cash generated by / (used in) operating activities	-119,130	-72,528
		Cash flow from investing activities		
-13,394	-26,475	Purchase of property, plant and equipment and intangible assets, net	-66,944	-77,390
-	1,022	Proceeds from sale of property, plant and equipment	68	1,068
-	-15,600	Acquisition of subsidiary, net of cash acquired	-	-15,600
-108,233	-	Acquisition of associates	-108,269	-
-	3	Dividends received	-	3
-20,081	-	Change in restricted cash	-20,081	-66,234
3,865	4,499	Interest received	18,851	9,314
-137,843	-36,551	Net cash used in investing activities	-176,375	-148,839
		Cash flow from financing activities		
79,011	14	Proceeds from loans	98,020	609,380
-71,852	145,827	Repayment of loans and leases	-242,324	-93,012
-	-	Dividends paid	-	-1
7,159	145,841	Net cash provided by/(used in) financing activities	-144,304	516,367
-285,062	378,340	Net change in cash and cash equivalents	-439,809	295,000
445,343	221,750	Cash and cash equivalents at beginning of period	600,090	305,090
-	-	Effect of exchange rate differences on cash and cash equivalents	-	-
160,281	600,090	Cash and cash equivalents at end of period	160,281	600,090

Alro Group
Consolidated statement of cash flows for the year 2023 - unaudited
in RON '000

Alro Group

Alro Group			Alro Group	
Q4 2023	Q4 2022		2023	2022
		Cash flow from operating activities		
-189,144	665,537	Result before income taxes from continuing operations	-504,634	619,596
-367	-52,449	Result after tax for the period from discontinued operations	-103,343	-97,793
		<i>Adjustments for:</i>		
32,887	39,570	Depreciation and amortisation	151,993	153,038
77,087	5,319	Impairment of property, plant and equipment	85,177	5,319
225	21,580	Impairment of goodwill	63,206	21,580
-5,104	26,595	Movement in provisions	-21,986	30,290
21,874	31,969	Change in allowance for impairment of inventory	-5,360	77,978
174	9,552	Change in allowance for expected credit losses of trade receivables	217	9,534
483	101	Losses/(gains) on disposal of property, plant and equipment	1,534	908
-	-	Loss on disposal of investments	529	-
-22,942	-68,739	Net foreign exchange (gains)/ losses on loans revaluation	-17,598	45,167
-3,913	-4,568	Interest income	-19,057	-9,537
34,671	33,517	Interest expense	130,848	93,677
-	-3	Dividend income	-	-3
-	-	Gain/loss on derivative instruments at fair value through profit or loss	-	2,446
		<i>Changes in working capital:</i>		
-29,496	30,508	Change in inventories	273,879	-231,303
-51,031	-396,318	Change in trade receivables and other assets	53,883	-407,476
51,748	-6	Change in trade and other payables	72,170	-102,572
-402	-4,378	Income taxes paid	-74,752	-31,659
-51,821	-31,292	Interest paid	-140,215	-79,325
-	-	Cash receipts/ (payments) from derivatives, net	-	-16,823
-135,071	306,495	Net cash generated by / (used in) operating activities	-53,509	83,042
		Cash flow from investing activities		
-19,512	-37,666	Purchase of property, plant and equipment and intangible assets, net	-103,296	-129,450
812	1,532	Proceeds from sale of property, plant and equipment	1,952	2,507
-	-	Proceeds from sale of investments	3,125	-
-	-15,600	Acquisition of subsidiary, net of cash acquired	-	-15,600
-108,233	-	Acquisition of associates	-108,269	-
-	3	Dividends received	-	3
-39,795	2,526	Change in restricted cash	-3,938	-102,040
3,865	4,346	Interest received	18,852	9,315
-162,863	-44,859	Net cash used in investing activities	-191,574	-235,265
		Cash flow from financing activities		
79,112	-642	Proceeds from loans	127,378	611,143
-72,740	127,166	Repayment of loans and leases	-306,234	-157,472
-	-	Dividends paid	-	-1
6,372	126,524	Net cash provided by/(used in) financing activities	-178,856	453,670
-291,562	388,160	Net change in cash and cash equivalents	-423,939	301,447
497,686	242,293	Cash and cash equivalents at beginning of period	630,068	328,428
2	-385	Effect of exchange rate differences on cash and cash equivalents	-3	193
206,126	630,068	Cash and cash equivalents at end of period	206,126	630,068

Alro

Separate statement of changes in equity for the year 2023 - unaudited
in RON '000

	Share capital	Share premium	Other reserves	Retained earnings	Result for the period	Total
Balance at 1 January 2022	370,037	86,351	306,191	275,397	35,210	1,073,186
Result for the period	-	-	-	-	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
Balance at 1 January 2023	370,037	86,351	306,191	319,331	330,971	1,412,881
Result for the period	-	-	-	-	-537,860	-537,860
Other comprehensive income / (expense)						
Remeasurements of post-employment benefits	-	-	-	-5,244	-	-5,244
Deferred tax on benefits remeasurement	-	-	-	839	-	839
Total other comprehensive income / (expense)	-	-	-	-4,405	-	-4,405
Total comprehensive income / (expense)	-	-	-	-4,405	-537,860	-542,265
Transactions with owners of the company recognized directly in equity						
Distributions to owners of the company:						
Appropriation of prior year result	-	-	-	330,971	-330,971	-
Balance at 31 December 2023	370,037	86,351	306,191	645,897	-537,860	870,616

Alro Group
Consolidated statement of changes in shareholders' equity for the year 2023 - unaudited
in RON '000

			Other reserves							
	Share capital	Share premium	Other reserves	Translation reserve	Total other reserves	Retained earnings	Result for the period	Attributable to shareholders of Alro SA	Non-controlling interests	Total shareholders' equity
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	-	-	-	-	-	-	410,071	410,071	-592	409,479
Other comprehensive income / (expense)										
Translation adjustment	-	-	-	14,163	14,163	-	-	14,163	85	14,248
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)	-	-	-	14,163	14,163	9,239	-	23,402	89	23,491
Total comprehensive income / (expense)	-	-	-	14,163	14,163	9,239	410,071	433,473	-503	432,970
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	-18,880	356,986	324,009	410,071	1,547,454	1,972	1,549,426
Balance at 1 January 2023	370,037	86,351	375,866	-18,880	356,986	324,009	410,071	1,547,454	1,972	1,549,426
Result for the period	-	-	-	-	-	-	-558,340	-558,340	-1,482	-559,822
Other comprehensive income / (expense)										
Translation adjustment	-	-	-	18,880	18,880	-	-	18,880	-	18,880
Remeasurements of post-employment benefits	-	-	-	-	-	-4,808	-	-4,808	4	-4,804
Deferred tax on benefits remeasurement	-	-	-	-	-	857	-	857	-	857
Other comprehensive income / (expense)	-	-	-	18,880	18,880	-3,951	-	14,929	4	14,933
Total comprehensive income / (expense)	-	-	-	18,880	18,880	-3,951	-558,340	-543,411	-1,478	-544,889
Transactions with owners of the company recognized directly in equity										
Distributions to owners of the company:										
Appropriation of prior year result	-	-	-	-	-	410,071	-410,071	-	-	-
Balance at 31 December 2023	370,037	86,351	375,866	-	375,866	730,129	-558,340	1,004,043	494	1,004,537

Notes to the preliminary consolidated financial results
- unaudited -

1. The year 2023 was another turning point for Alro, in that it made several strategic decisions to align its activity to the new global realities. It kept on improving its portfolio sales mix in the direction of high value added products and it increased its access to the aerospace industry by pursuing new clients and qualifications. Cost wise, the Group started projects meant to reduce the electricity consumption and the dependence on external energy sources: it invested in aluminium recycling and in energy supply facilities, such as the partnership in a power plant. These are all investments meant to streamline the activity of Alro in the near and remote future.

As far as the figures are concerned, Alro Group ended the year 2023 with a **turnover** of RON 2,849,717 thousand (16% lower compared to the year 2022), a negative EBIT of RON 361,709 thousand (in 2022 a positive EBIT of RON 782,653 thousand RON) and a consolidated net loss of RON 559,822 thousand as compared to a net profit of RON 409,479 thousand recorded in 2022.

Compared to the same period of last year, the aluminium quotation on the London Metal Exchange decreased by 16% in 2023 (average 3M cash seller in 2023: 2,285 USD/tonne, in 2022: 2,713 USD/tonne), with an impact on the revenues of the Group. After reaching the lowest level of 2023 of 2,123 USD/tonne, in August, in Q4 2023 the LME quotation recorded a slight upward trend reaching an average 3M cash seller of 2,224 USD/tonne, however down by 5% as compared to Q4 2022 (2,345 USD/tonne). Comparing the quarters, the decrease in aluminium prices was offset by the Group's efforts to strengthen its position on international markets, materialized in higher sales volumes, so that the Group's consolidated turnover increased by 4% in Q4 2023 as compared to the same quarter of the previous year (Q4 2023: RON 608,270 thousand; Q4 2022: RON 583,711 thousand).

In 2023, the Primary Aluminium segment reported sales revenues at the same level as in the previous year (2023: RON 850,546 thousand; 2022: RON 854,168 thousand), but higher by 32% in Q4 2023 as compared to the same quarter of the previous year (Q4 2023: RON 189,490 thousand; Q4 2022: RON 143,072 thousand). In spite of the fact that the beginning of 2023 was a weak season for the cable industry, demand for aluminium wire rod was good in 2023, but with more aggressive competition from suppliers based on Malaysia, India and Russia. The Group sold 13,900 tonnes more wire rod in 2023 as compared to 2022 and with 5,710 tonnes more wire rod in Q4 2023 as compared to Q4 2022, with this proving Alro's efforts to maintain its market share even with reduced electrolysis capacities.

Regarding the billets, after a long period of declining demand for this product, in March 2023 there were slight signs of improvement, and then, it deteriorated again starting May 2023. Stockpiles of billets at the distributors seem to have decreased, nevertheless demand for billets was weak in H2 2023, such that the billets sales were lower by almost 1,800 tonnes in 2023 as compared to the year 2022 and by 910 tonnes in Q4 2023 as compared to Q4 2022, due to the weak performance of the construction sector. Nevertheless, the Group closed processing agreements with its customers and processed 3,125 tonnes of billets in 2023 (2022: nil) and 738 tonnes of billets in Q4 2023 (Q4 2022: nil). For these agreements, the Group agreed to process metal supplied by its customers, with the related revenue being recognised only as a processing premium charged to them. As regards the slabs, the Group benefited from market opportunities and sold over 1,620 tonnes of slabs in 2023 (2022: nil), of which over 590 tonnes of slabs in Q4 2023 (Q4 2022: nil).

The revenues of the Processed Aluminium segment decreased by 21% in 2023 as compared to the previous year (2023: RON 1,965,881 thousand; 2022: RON 2,479,397 thousand). Analysing the quarterly figures, in Q4 2023, revenues from sales of processed products decreased by 5% as compared to Q4 2022 (Q4 2023: RON 411,423 thousand; Q4 2022: RON 431,812 thousand), amid lower LME and sales premiums, but were partially offset by higher sales volumes (Q4 2023: 21,663 tonnes; Q4 2022: 15,504 tonnes). As a result of the investments that the Group's subsidiary, Vimetco Extrusion, made in a new press, deliveries of extruded products recorded an increase by 7,422 tonnes in 2023 as compared to 2022 and by 968 tonnes in Q4 2023 as compared to Q4 2022. Regarding the flat rolled products, in the first half of 2023, the market was characterised by low demand in almost all industrial sectors (except for the aerospace and automotive industries), abundance of metal in European warehouses among key distributors, while slow down of the economy and intense competition between European and non-European producers increased price pressure for all flat rolled products. Under these circumstances, deliveries of flat rolled products dropped by almost 5,200 tonnes in 2023 compared to the previous year. Towards the end of 2023, demand from buildings and construction sector remained unchanged as compared to the previous months and we do not expect this situation to improve in the coming period, as long as many residential and industrial projects are currently on hold. As for the automotive industry, we have signed new contracts for deliveries covering the year 2024, for a total annual volume of up to 2,500 tonnes. Demand for the general engineering sector also started to increase in December 2023, especially for the 6xxx, 2xxx and 7xxx series alloy plates. In the aerospace industry, in addition to the volumes booked under the new contract with Airbus, we continued to respond to more demands from the spot market and we entered into new partnerships for our very high value-added cut-to-size products covering deliveries in 2024 and 2025. In this context, the Group increased its sales volume of flat rolled products in Q4 2023 by almost 5,200 tonnes as compared to Q4 2022.

In context of the difficult economic environment of 2023, Alro Group signed new agreements with partners in the aerospace, automotive and general engineering industries for deliveries to the European market and destinations abroad. In October 2023, Alro signed a multi-year agreement with Airbus for the supply of aluminium plates for the aerospace industry. The production of these type of plates is a part of the Group's strategy to diversify its high and very high value-added production, and has been made possible by constant investment in state-of-the-art technologies. Also, at the end of September 2023, Alro representatives met with the representatives of the Industrial Union of Turin at an event organised with the Romanian Embassy in Italy and the Consulate General of Romania in Turin. Given the consolidation of Turin's importance as a central point for the Italian aerospace industry, it was an excellent opportunity for Alro to present vision of the company, the products and business development strategy to Italian industry leaders such as Leonardo Grup, Stellantis, Prysmian, Altec Space, Ansaldo, Brembo and Collins Aerospace. In the same context, in order to be closer to our customers and their needs, as a result of manufacturing customized products, at the end of 2022, we started the investment in a rolled plates processing line able to process products on demand (cut-to-size), according to the dimensions requested by customers, therefore with a very high added value. The investment is expected to be completed in early 2024.

2. In terms of **Cost of goods sold**, the Group reported a 1% lower level in 2023 (RON 3,063,736 thousand) as compared to 2022 (RON 3,102,205 thousand), but the Cost of goods sold increased by 9% in Q4 2023 as compared to the same period of the previous year (Q4 2023: RON 692,990 thousand as compared to Q4 2022: RON 634,205 thousand), as a result of the quantitative increase in sales. Although the electricity price had a downward market trend in 2023, with the publication of the updated Government Ordinance no. 27/2022, the electricity prices stabilized. However, the Group continued to face pressure from the high cost of electricity as a result of one-year contracts signed with a nuclear power producer at much higher prices, back in June 2022. The Group's reaction to the increase in the electricity prices was the efficient recycling of both internal aluminium scrap as well as scrap and primary metal purchased from third party suppliers. The Group purchased higher quantities of aluminium scrap and ingots for its liquid aluminium production, which increased by more than 22,290 tonnes in 2023 as compared to 2022, while the increase in Q4 was 10,121 tonnes. The quantity of metal purchased from the market and used in production offset the amount of electrolytic aluminium that was no longer produced once the 3 electrolysis plants had been temporarily suspended in early 2022. The price of purchased aluminium scrap and ingots is linked to the LME quotation and recorded a decrease in 2023 as compared to 2022, in line with the downward trend in aluminium prices during this period. Starting August 2022, when its production was suspended, the Group's subsidiary, Alum, purchased alumina from the market at a lower cost than this subsidiary had for producing alumina. Even though raw material prices decreased in 2023 as compared to 2022, the consumption cost for certain raw materials remained high due to stocks purchased in 2022, when prices were higher.

3. Although the Group seized the market opportunities and increased its quantitative sales for part of its production lines, the decrease in LME quotations, the weak demand in certain industrial sectors and the still high cost of utilities and raw materials influenced the Group's **gross result** which was negative, in the amount of RON 214,019 thousand as compared to a positive gross result recorded in 2022 in amount of RON 309,540 thousand. The cost of goods sold in 2023 and 2022 does not include the compensation received by the Group, which was included in *Other operating income*.

4. After conducting an analysis of prevailing market conditions, following the evaluation of both internal and external factors, the Company undertook an impairment test of its financial investments as at 31 December 2023. Given the dynamic economic landscape and the unique challenges encountered within the industry, the test resulted in the recognition in the separate financial statements of an impairment expense, subject to auditor's review, totaling RON 189,144 thousand, which includes mainly additional **impairment loss recognised for the investment** in Alum of RON 188,639 thousand (in 2022: total impairment of RON 133,735 thousand of which RON 133,412 thousand related to investment in Alum).

5. In 2023, **other operating income** totaled RON 346,058 thousand (compared to RON 869,306 thousand in 2022), primarily comprising RON 373,980 thousand of government compensations for indirect emissions included in the electricity price accrued for the year 2023. This amount was partially offset by RON 77,629 thousand representing the negative variance recognised in the current reporting period between the government compensations for the year 2022 accrued as at 31 December 2022 of RON 437,059 thousand and the amount actually received in September 2023 of RON 359,430 thousand. The main explanation for the difference between the accrued and received compensation is linked to the pro-rata allocation of the capped budget of EUR 150 million to all beneficiaries of the scheme correlated with the reduced level of 2022 production of Alro compared to 2021. The Group is entitled to government compensations for indirect emissions included in the energy price, in accordance with EU Emissions Trading Scheme (ETS) and the European Directive adopted in the Romanian legislation. 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 embed the indirect emissions costs from energy producers.

The amount of income from compensations recorded by the Group in Q4 2022 was of RON 804,323 thousand and was attributable to the energy costs incurred in years 2022 and 2021. 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 compensation related to the year 2021 of RON 367,264 thousand was received by the Group in December 2022.

Additionally, in 2023, the category *Other operating income* included income from the reversal of a provision for CO₂ certificates needed to be acquired for the year 2022 of RON 11,847 thousand, recognised by Alum at the end of 2022 (2022: RON 1,274 thousand). Also within the position of other operating income are included the amounts which the Group received in 2023, representing indemnities for a piece of equipment that had been damaged in a fire that occurred in 2018 at the premises of the Parent Company's Processing Division (2023: RON 8,361 thousand; 2022: nil) and indemnities received from the insurance company for fire that broke out at the Eco recycling section of the aluminium plant in Slatina in July 2022 (2023: RON 6,091 thousand; 2022: nil). In the same category mentioned above, in 2023, the Group recorded revenues from the sale of carbon dioxide emission certificates in the amount of RON 8,997 thousand (2022: RON 52,178 thousand), as the Group took advantage of the high price of these certificates.

6. The category **Other operating expenses** mainly includes the depreciation of idle plants of RON 36,593 thousand (in 2022: RON 28,472 thousand) following 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 35,700 thousand (in 2022: RON 15,048 thousand) that were recognized by Alum during the subsequent period to the production capacity shutdown in August 2022. In 2022 this category included a provision for CO₂ certificates needed to be acquired for the year 2022 in amount of RON 11,847 thousand recognized by Alum, no more needed in 2023 as the company does not have a production activity nowadays. Furthermore, at 31 December 2023, as a result of the impairment review of property, plant and equipment, carried out by an independent evaluator, the Group's subsidiary Alum recognized an impairment of RON 77,547 thousand (2022: nil), as the recoverable value of property, plant and equipment was below its carrying value.

7. **The Group's operating result** decreased from a profit of RON 782,653 thousand in 2022 to a loss of RON 361,709 thousand in 2023. In 2022, the Group recorded income of RON 804,323 thousand as compensation for high energy costs (ETS) incurred during the years 2021 and 2022. As concerns the year 2023, an income from compensation of RON 373,980 thousand was registered on an accrual basis. Additionally, in 2023 the Group had to adjust its operating result negatively by RON 77,629 thousand due to the changes in accounting estimates of 2022 explained above, in the paragraph 4. However, the revenues from indirect emission included in the cost of energy in 2023 could not alleviate the pressure on energy and raw material costs and the Group reported a loss from operations in 2023.

8. In 2023 **interest expenses** increased by 41% as compared to 2022 and by 5% in Q4 2023 versus Q4 2022 respectively, due to the increase in LIBOR, EURIBOR and ROBOR reference rates. For the period starting 1 July 2023 a new reference rate, namely, CME Term SOFR, was used instead of USD LIBOR (London Interbank Offered Rate) in the existing facilities of the Group. CME Term SOFR means the Term SOFR reference rate administered by CME Group Benchmark Administration Limited (or any other person which takes over the administration of that rate). The replacing of the old reference rate with the new one was made according to the interest calculation algorithm stipulated by each financing contract. At the same time, the new SOFR reference rates were higher than the LIBOR reference rates used in the interest calculation in H2 2022.

9. **Net foreign exchange gains / (losses)** are mainly amounts arising from the revaluation of the Group's loans and other foreign currency liabilities. While in 2023 and 2022 per year as a whole, 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 2023 and 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.

10. Although the Group seized the market opportunities and reported higher quantitative sales in 2023 as compared to 2022 for wire rod and extruded products, and in the fourth quarter of the compared periods also for flat rolled products, the unfavourable economic context in the 2023 (decreasing aluminium prices, the market characterised by intense competition which increased pressure on sales prices, demand which continued its negative trend, still high raw material and electricity prices), as well as the adjustment of indirect compensation mentioned above, negatively impacted the Group's **net result** in 2023, which was a loss in amount of RON 559,822 thousand as compared to a net profit in the amount of RON 409,479 thousand reported in 2022. The same trend was recorded in the fourth quarter, with the Group reporting a net loss of RON 165,744 thousand in Q4 2023 and a net profit of RON 519,001 thousand in Q4 2022.

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

in RON '000 Q4 2023	in RON '000 Q4 2022*		in RON '000 2023	in RON '000 2022*
-165,744	519,001	Result for the period	-559,822	409,479
77,087	5,319	Plus/(minus) charge/ (reversal) of non-current assets impairment expense/(income)	85,177	5,319
225	21,580	Plus charge of impairment of goodwill	63,206	21,580
-	-	Plus/(minus) the loss/(gain) from derivative financial instruments for which hedge accounting was not applied	-	2,446
-29,390	23,089	Plus/(minus) deferred tax expense	-58,512	15,760
-117,822	568,989	Adjusted net result	-469,951	454,584

11. **Equity accounted investments:** at 18 September 2023, the company CCGT Power Isalnita SA ("CCGT Power") was registered, with Complexul Energetic Oltenia holding an interest of 59.9% and Alro SA holding 40.1% of the shareholders equity. At 31 December 2023, Alro' contribution amounted to RON 108,269 thousand, financed in proportion of 15% by own funds and 85% by bank loans under a state guarantee, which were signed in November 2023. The Group's interest in CCGT Power is accounted by using the equity method in the preliminary report.

12. **Bank and other loans:** in November 2023, the Parent company re-negotiated and signed the extension until November 2026 of the revolving loan agreement with a nominal value of USD 120,000 thousand with a syndicate of banks, and until February 2027 of the non-cash financing line of USD 30,000 thousand. At the same time, in November 2023 the Parent Company signed the extension until November 2026 of another revolving loan amounting to RON 180,000 thousand contracted from a commercial bank. Consequently, cash collateral of RON 36,000 thousand pledged in relation to some of the extended loans for more than one year was reclassified from **Restricted cash** (at 31 December 2022) to **Other non-current financial assets** (at 31 December 2023).

Also, in November 2023, the Parent Company signed two credit facilities, one in amount of EUR 22,000 thousand concluded with a syndicate of banks and one in amount of EUR 15,000 thousand concluded with a commercial bank to support the investment in the CCGT Power Isalnita SA. Both facilities have a maturity of 8 years, with a grace period of 2 years for the payment of instalments and they are collateralized with a state guarantee for 80% of the amount. At 31 December 2023 the Group had the amount of RON 108,297 thousand (equivalent of EUR 21,770 thousand) undrawn and available from these facilities. Cash collateral of RON 36,812 thousand (equivalent of EUR 7,400 thousand) pledged in relation to these loans was classified at 31 December 2023 under **Other non-current financial assets**.

Strategic investment / divesting

There are several investing projects started or followed in the 2023, out of which the following ones have a great weight in the Company strategy to align to the most recent standards of sustainability and good practices:

In September 2023, the company CCGT Power Isalnita SA was registered, through which a gas-fired power production capacity of a total installed power of 850 MW will be developed. The project represents an investment in the construction of a combined cycle power plant leading to the revamping of the energy systems improvement of the energy efficiency including the reduction of CO₂ emissions. The project will benefit from a non-refundable financing of EUR 253 million to be granted from the Modernisation Fund.

In order to provide its own production of energy from sustainable sources, the Group started to analyse the possibility of installing its own sustainable energy production capacities and for this purpose, in H2 2023 the Group started the procedures for the construction of a photovoltaic system consisting in the installation of a 1500 KW photovoltaic power plant and two electrical charging stations. The Group will use the entire amount of energy produced, which will contribute to the increase in the percentage of green energy used in technological processes and reduction of their carbon impact, thus promoting the production of green aluminium.

Committed to its strategy of reducing dependence on electricity supply and increasing the sustainability of its business, in 2023, the Group inaugurated the investment totalling USD 11 million aimed at developing the scrap re-melting capacities in Eco recycling Facility, consisting in installation of two double-chamber furnaces, one holding furnace and the related fume collection and treatment plant (additions in 2023: RON 13,827 thousand; in 2022: RON 33,250 thousand).

On 31 May 2023, Alum publicly announced the convening of the Extraordinary General Meeting for the approval of the sale, as sole shareholder, of 100% of the share capital of Global Aluminum Ltd. (GAL group), which owns 100% in Sierra Minerals. On 10 July 2023, the Extraordinary General Meeting of Shareholders of Alum SA, approved the sale of GAL. The disposal was completed on 1 September 2023.