

# Quarterly Report 31 March 2022

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## ALRO GROUP

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## **ALRO GROUP**

### **CONSOLIDATED QUARTERLY REPORT FOR THE FIRST THREE MONTHS ENDED 31 MARCH 2022**

#### **Consolidated Financial Results for the First Quarter of 2022 (Q1 2022) as Compared to the First Quarter of 2021 (Q1 2021) (unaudited)**

#### **ALRO Group**

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



# Alro Group

## Consolidated quarterly report for Q1 2022

### Highlights of the first quarter of 2022 (Q1 2022)

- Consolidated turnover of RON 1,102 million in Q1 2022, i.e. 48% higher than in Q1 2021 (RON 744 million), as a result of a quantitative increase in processed product deliveries and higher aluminium prices on the London Metal Exchange (LME);
- Average LME quotation: 3,280 USD/ ton in Q1 2022, rising by 1,184 USD/ ton, as compared to Q1 2021 (2,096 USD/ ton) (a 56% increase of the quotation in the market);
- The Group obtained a positive gross profit of RON 97 million in Q1 2022 compared to the gross profit of RON 65 million in Q1 2021;
- Positive EBIT of RON 23,037 thousand in Q1 2022, compared to the operating loss of RON 8,508 thousand in Q1 2021;
- A new working capital facility of RON 470 million obtained from a syndicate of banks, and a non-cash facility of RON 168 million to finance the electricity purchase;
- Bottom-line result: loss of RON 18,109 thousand in Q1 2022, compared to the net loss of RON 61,857 thousand in Q1 2021, as the sales revenues could not offset the high production costs resulting from raw materials and utilities prices.
- Social responsibility: the Group supported UNICEF in Romania with donations of RON 300,000 to help the children that go through a difficult situation in Ukraine. Furthermore, the Group also joined the Romanian Government's campaign called "Ukraine - Together we help more" by donating 300,000 RON in medicines, medical supplies, personal items and fuel for refugees and by providing accommodation for refugees.

### ALRO Group

Indicator	Q1 2022	Q1 2021
Primary aluminium production (tonnes)	63,545	72,343
Processed aluminium production (tonnes)	31,774	26,978
Alumina production (tonnes)	58,547	117,464
Bauxite production (tonnes)	187,141	328,973
Sales (thousand RON)	1,102,151	743,948
EBITDA <sup>1</sup> (thousand RON)	60,309	33,547
EBITDA margin (%)	5.5%	4.5%
Adjusted net result <sup>2</sup> (thousand RON)	-15,525	-60,257
Net result (thousand RON)	-18,109	-61,857

### ALRO S.A.

Indicator	Q1 2022	Q1 2021
Primary aluminium production (tonnes)	63,545	72,343
Processed aluminium production (tonnes)	25,377	21,012
Primary aluminium sales (tonnes)	28,354	42,429
Processed aluminium sales (tonnes)	23,985	22,325
Sales (thousand RON)	1,050,228	688,438
EBITDA <sup>1</sup> (thousand RON)	25,283	16,541
EBITDA margin (%)	2.4%	2.4%
Adjusted net result <sup>2</sup> (thousand RON)	-32,661	-58,565
Net result (thousand RON)	-34,942	-61,015
Adjusted net result <sup>2</sup> per share (RON)	-0.046	-0.082
Net result per share (RON)	-0.049	-0.085

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

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



In 2021, the Group faced the second year of the coronavirus pandemic and additionally, it had to face new challenges and overcome an unprecedented energy crisis and a raw materials crisis in Europe. The exponential increase in the electricity prices, especially in the second half of the year 2021, have severely impacted Europe's aluminium producers. A large number of aluminium smelter plants in Europe had to reduce their production capacity or even close down completely. In Romania, in addition to the increase in the price of electricity, the Group faced shortages in the electricity supply, as well as changes in the cost of energy quantities contracted in advance, it faced quantity reduction and tighter payment terms, while in some cases, some suppliers preferred to terminate the contracts and pay the related penalties.

In this exceptional context, the Group had to reduce its production of electrolytic aluminium in Q1 2022, by shutting down the activity of three of its five electrolysis potlines, by implementing specific technological measures that would allow a fast and efficient restart of the electrolysis potlines when energy market conditions return to sustainable levels. This decision of the Group's management was based on an economic model that helps us to preserve our liquidity and meet all our financial obligations, including the timely payment of salaries, taxes and duties to the state budget, as well as the payables to our suppliers and the instalments on contracted loans. In addition, in order to offset the impact on turnover, the Group purchased cold primary metal from the market in Q1 2022 and managed to increase the production of flat rolled products by 21% compared to Q1 2021. At the same time, in Q1 2022, the Group reconsidered the business strategy also for its subsidiaries. Alum has temporarily adjusted operations at its production units to meet the reduced alumina needs of the Parent Company, and Sierra Mineral Holdings I, Ltd is reducing its production to ensure bauxite delivery in line with Alum requirements.

The geo-political situation in Eastern Europe has intensified with the outburst of the conflict between Russia and Ukraine on 24 February 2022. The conflict between the two countries has led to various sanctions imposed on the Russian Federation including funding restrictions, sanctions imposed on several individuals, restrictive economic measures that have suddenly led to high volatility in the markets. Alro Group has no direct exposure to key related parties and/or customers or key suppliers in these countries and there are no other sanctions directly affecting the Group's business. In addition to the impact on humans and the impact on the economic activity of the companies operating in Russia or Ukraine or doing business with their counterparties, the war has affected global economic and financial markets and led to new challenges, such as rising inflation through higher energy and raw material prices and disruption of international trade.

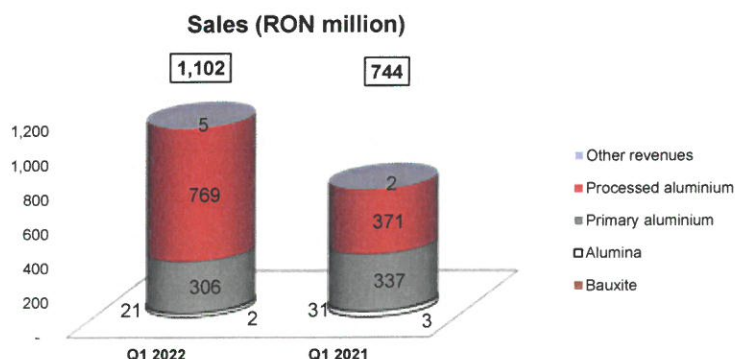
## Sales

In Q1 2022 the aluminium price on the London Metal Exchange (LME) grew at record levels reaching an average of 3,280 USD/ton, higher by 56% than it had been in Q1 2021, when the average was 2,096 USD/ton. In March 2022, the most part of the LME daily quotations were above 3,500 USD/ton with a maximum price of 3,985 USD/ton recorded on 7 March 2022 (the highest LME quotation recorded in Q1 2021 was 2,261 USD/ton on 26 March 2021).

With a favourable LME quotation, a growing demand for high and very high value added processed products, especially from the aerospace sector, and an increase in the exchange rate, the Group's turnover was RON 1,102,151 thousand in Q1 2022, higher by 48% as compared to Q1 2021 (RON 743,948 thousand).

Set out below is a breakdown of sales by segment in Q1 2022 and Q1 2021:

Revenues from contracts with customers	Q1 2022	Q1 2021
Revenues from bauxite segment	2,395	2,850
Revenues from alumina segment	20,723	31,020
Revenues from primary aluminium segment	305,702	337,178
Revenues from processed aluminium segment	768,668	371,134
Other	4,663	1,766
<b>Total</b>	<b>1,102,151</b>	<b>743,948</b>





The main contribution to the Group's turnover in Q1 2022 was the sale of processed products, which doubled in the first quarter of 2022 (RON 768,668 thousand), as compared to the same quarter of 2021 (RON 371,134 thousand). This very good performance of the processed Aluminium Division was supported by the growing demand for plates, our highest profitability products, of which the Group sold 3,200 tons more in Q1 2022 as compared to Q1 2021 (representing a percentage increase of 23%), mainly for the aerospace sector. The other factors that contributed to high sales were: the upward trend of the LME quotations and the appreciation of the US dollar. The demand in the aerospace sector improved significantly in Q1 2022 as a result of this sector strengthening, as the aerospace industry progressed from a nearly inactive field at the beginning of 2021 to an increasingly active one towards the end of the year.

In the current geo-political context, as the prices continue to rise, the shipping generates logistical problems and the availability of trucks to major European destinations is beginning to shrink. For non-heat treated and heat treated plates, the demand continues to be at a good level, although a slowdown in order placement has become visible since the beginning of March 2022. Instead, there is a strong demand for heat treated hard alloy plates, and the Group grasped these opportunities during the first quarter of 2022.

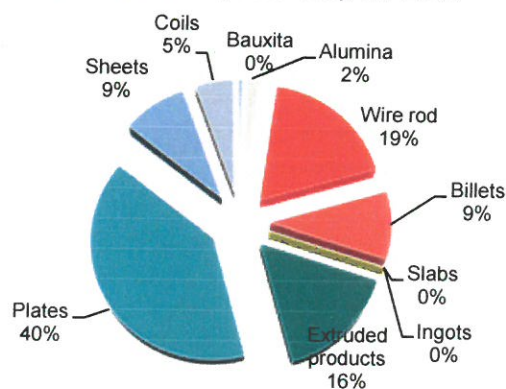
A positive evolution was also recorded in terms of quantity of extruded products sold, and the Group delivered 580 tons more standard and customer profiles in the first quarter of 2022 than in the first quarter of the previous year.

On the other hand, the deliveries of cold rolled products (sheets and coils) decreased by 19% in Q1 2022, amid declining demand for these product lines due to massive imports from China. No short-term improvement is expected for this situation, at least unless a decision is made on imposing anti-dumping duties on flat-rolled products imports from China across the EU (decision pending by the first half of July 2022). March 2022 was another record month for imports of flat rolled products from China and, with the current significant situation of over-stock among major European distributors, the demand for sheets and coils is almost completely covered for the next 2-3 months. The prices were also subject to a growing pressure, with major differences reported between the premiums of Alro Group / other European producers and the premiums of the Chinese producers.

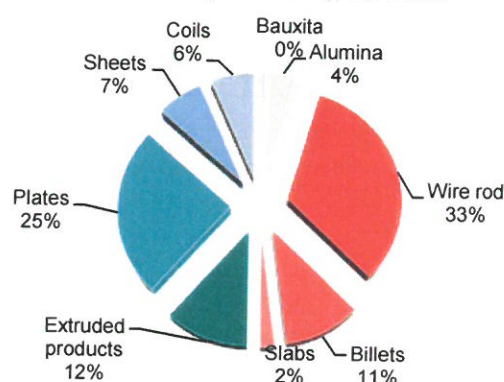
The revenues from the primary products sales decreased by 9% in Q1 2022 as compared to Q1 2021 due to the decrease in the quantity of wire rod and billets generated by the Group's production capacity reduction, offset by the increase in the LME quotation and the exchange rate. However, in 2022 wire rod sales were above budgeted sales for the first quarter of this year, with the Group decreasing its aluminium wire rod inventories produced in the end of 2021. As regards the billet production, there have been signs of slackening demand for the extruded sector for this product since December 2021, especially in South East Europe. In Q1 2022, the market participants continued to note a lower to no level of liquidity in the billets spot market and put this inactivity on the account of the LME volatility, higher energy costs and the existence of the uncertainty about the supply of Russian metal to the market. At the same time, the Group no longer sold slabs during Q1 2022 and redirected the entire slab production for domestic consumption, in line with the Group's objectives of increasing the sales of processed products.

In this context, the contribution of the sales from the Processed Aluminium Segment to third parties was RON 768,668 thousand in Q1 2022 and increased to 70% of the total sales (Q1 2021: RON 371,134 thousand; 50%), while the sales from the Primary aluminium segment to third parties was RON 305,702 thousand in Q1 2022 and decreased to 28% of the Group's total revenues (Q1 2021: RON 337,178 thousand; 45%) as a result of the Group's strategy to increase the processed products portfolio and to adjust the portfolio of less profitable primary products, and so to achieve a balanced and efficient production mix.

Sales structure (RON '000), Q1 2022



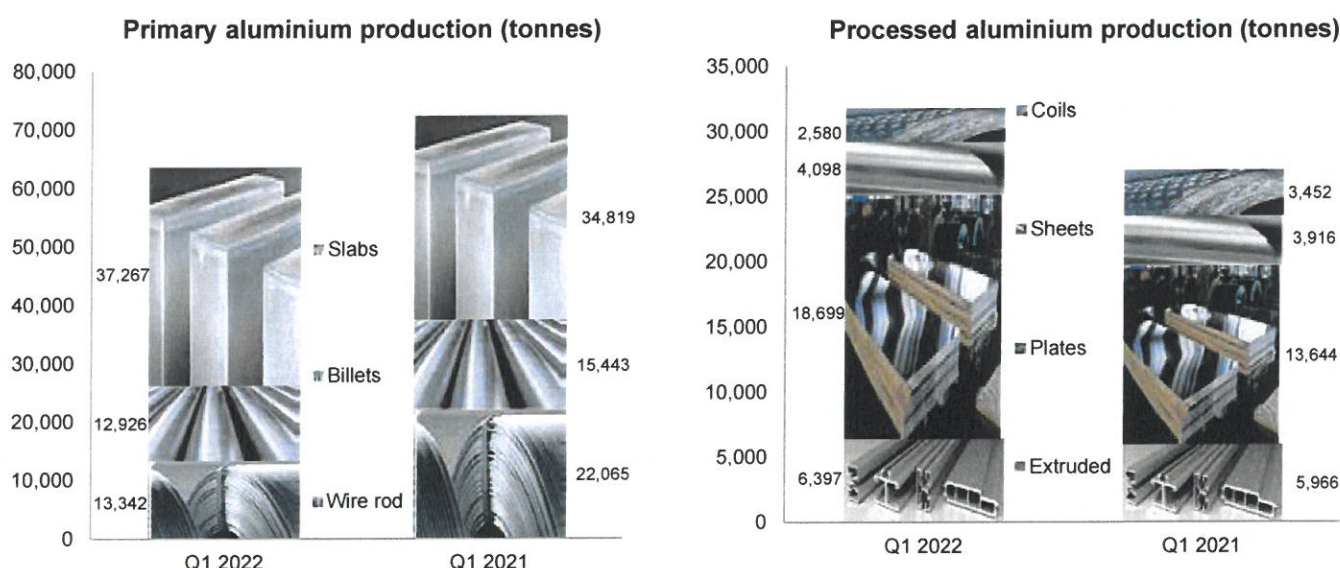
Sales structure (RON '000), Q1 2021





## Production

The unprecedented high levels of energy and gas prices in 2021 led the Group's management to cut down the electrolytic aluminium production by three potrooms starting January 2022, and currently two electrolysis potrooms are in operation. Under these circumstances, the production of wire rod and billets decreased by over 11,200 tons in Q1 2022 than in Q1 2021 and in order to cover the metal requirement for production, the Group purchased cold primary metal from the market. In addition, in order to secure its internal consumption and increase the processed products production, the Group Alro produced 2,450 tons more slabs in Q1 2022 as compared to the Q1 of the previous year. A significant increase was recorded in Q1 2022 in the production of plates, which was over 5,000 tons higher as compared to Q1 2021, amid the increase in demand for this product. The production of sheets and coils decreased by 690 tons instead, due to the difficult market conditions generated by the massive imports of flat rolled products from Chinese producers. The extruded products output recorded an increase of over 430 tons in Q1 2022 as compared to the same quarter of the previous year, and the Group focused on the production of custom-made profiles, which are more profitable, besides the standard ones.



**The cost of goods sold** increased by 48% in Q1 2022 as compared to Q1 2021 (Q1 2022: RON 1,005,185 thousand as compared to Q1 2021: RON 679,063 thousand), due to the increase in the prices of utilities and raw materials on the international market. The high pressure for energy decarbonization in Romania and Europe led to anomalies on the local energy market, especially in the second half of 2021, which led to an increase in the electricity supply prices, while the high level of energy prices continued in Q1 2022. At the same time, the volatile economic environment that marked the year 2021 led to rising prices of raw and auxiliary materials and further affected the economic activity in 2022. In addition, the Russian-Ukrainian conflict that erupted in Q1 2022 affected many sectors of the world economy and influenced the prices of utilities and raw materials by rising inflation and disrupting supply chains.

In order to mitigate the impact of the temporary shutdown of the three smelter potrooms production on the turnover, the quantities of primary metal that were no longer produced were partially offset by procuring in Q1 2022 over 13,800 tons of recycled scrap and primary metal (ingots) from third parties, whose price is related to the LME quotation (Q1 2021: over 9,850 tons). In the same context, the Group entered into tolling contracts with a few clients and agreed to process the metal brought in by these clients by charging a smelting and processing fee, and rendering them back a specific ordered product, such as wire rod. At the same time, in order to reduce the dependence on electric power, in Q1 2022 the Group continued the investment started in 2021 in expanding the Eco Recycling Facility, by developing the capacity and so to ensure the molten metal requirement for the flat rolled products output.

The positive evolution of the aluminium price, the increase of the processed product deliveries as a result of the robust demand in certain industrial sectors, together with the exchange rate which positively influenced the turnover, led to a **consolidated gross profit** higher by RON 32,081 thousand in Q1 2022, as against the comparative period (Q1 2022: RON 96,966 thousand as compared to Q1 2021: RON 64,885 thousand).

At the same time, as a result of the Group's efforts to maintain its profitability, the **General, administrative and sales expenses** decreased to RON 71,977 thousand in Q1 2022 from a value of RON 74,134 thousand reported in Q1 2021. Thus, the EBIT achieved in Q1 2022 was a profit of RON 23,037 thousand as compared to the negative **EBIT** reported in Q1 of the previous year of RON 8,508 thousand. The EBIT was even lower than the potential of the Group, had it been able to book a compensation for its high energy costs, as it did in the prior years (2019 and 2020). The compensation scheme is a part of Romania's plans to partly compensate large energy-consuming enterprises for higher electricity prices resulting from their indirect emission costs, in accordance with the EU Emissions Trading Scheme (ETS). Romania needs to first implement the relevant EU Guide, for the companies to be entitled to receive the compensation, and the implementation process is yet at an early stage.

On the contrary, the **Interest expenses** increased by 32% in Q1 2022 as compared to Q1 2021 (Q1 2022: RON 13,109 thousand versus Q1 2021: RON 9,944 thousand) mainly as a result of the increase in LIBOR and ROBOR benchmark interest rates.

A significant influence in the Group's net result was from the **net foreign exchange loss**, without affecting the cash flow, in amount of RON 14,952 thousand recorded in Q1 2022, mainly coming from the revaluation of loans and other debts of the Group in foreign currency (in Q1 2021 the net loss was RON 35,796 thousand).

In spite of the increasing LME trend, growing market demand for our highly profitable processed products and exchange rate increase, which led to a 48% increase in turnover in Q1 2022 compared to Q1 2021, the **Group's net result** for Q1 2022 is a loss of RON 18,109 thousand. The global economic conditions that determined inflationary trends of the production factors had an effect on the results obtained, bringing about a 48% increase in the cost of goods sold and thus the Group incurred a loss. However, the loss reported in Q1 2022 is lower by RON 43,748 thousand than the loss recorded in Q1 2021 which was in amount of RON 61,857 thousand.

The reconciliation between the net result and the adjusted net result for Q1 2022 and Q1 2021 is detailed below:

Adjusted net result	Q1 2022	Q1 2021
<b>NET RESULT (RON '000)</b>	<b>-18,109</b>	<b>-61,857</b>
Plus/(minus) the loss/(gain) from derivative financial instruments for which hedge accounting was not applied	2,446	4,129
Plus/(minus) deferred tax expense/ (income)	138	-2,529
<b>ADJUSTED NET RESULT</b>	<b>-15,525</b>	<b>-60,257</b>



# INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## ALRO GROUP

**Interim condensed consolidated financial statements for the three  
months ended 31 March 2022 (unaudited)**



# Interim consolidated statement of profit or loss and other comprehensive income for the three months ended 31 March 2022 - unaudited

in RON '000,  
except per share data

	Note	Three months ended 31 March 2022	Three months ended 31 March 2021
Revenue from contracts with customers	5	1,102,151	743,948
Cost of goods sold		-1,005,185	-679,063
<b>Gross result</b>		<b>96,966</b>	<b>64,885</b>
General, administrative and selling expenses	7	-71,977	-74,134
Other operating income		4,848	2,532
Other operating expenses		-6,800	-1,791
<b>Operating result (EBIT)</b>		<b>23,037</b>	<b>-8,508</b>
Interest expenses	8	-13,109	-9,944
Gains (losses) from derivative financial instruments, net	13	-2,446	-4,129
Other financial income		1,334	971
Other financial costs		-8,141	-5,552
Net foreign exchange gains / (losses)		-14,952	-35,796
<b>Result before income taxes</b>		<b>-14,277</b>	<b>-62,958</b>
Income tax	9	-3,832	1,101
<b>Result for the period</b>		<b>-18,109</b>	<b>-61,857</b>
<b>Other comprehensive income / (expense), net of tax:</b>			
<i>Items that will not be reclassified subsequently to profit or loss:</i>			
Remeasurements of post-employment benefit obligations		-8	-21
Income tax on items that will not be reclassified		-	-
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Translation adjustment		3,743	10,778
<b>Other comprehensive income / (expense) for the period, net of tax</b>		<b>3,735</b>	<b>10,757</b>
<b>Total comprehensive income / (expense) for the period</b>		<b>-14,374</b>	<b>-51,100</b>
Result attributable to:			
Shareholders of Alro S.A.		-18,098	-61,850
Non-controlling interest		-11	-7
		-18,109	-61,857
Total comprehensive income / (expense) attributable to:			
Shareholders of Alro S.A.		-14,387	-51,157
Non-controlling interest		13	57
		-14,374	-51,100
<b>Earnings per share</b>			
Basic and diluted (RON)	10	-0.025	-0.087

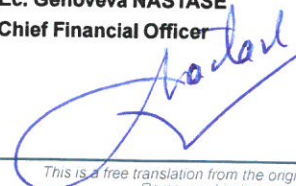
The accompanying notes are an integral part of these interim condensed consolidated financial statements.

These financial statements were authorized for issue by the management on 13 May 2022.

Dr. Ing Gheorghe DOBRA  
Chief Executive Officer



Ec. Genoveva NĂSTASE  
Chief Financial Officer





# Interim consolidated statement of financial position as at 31 March 2022 - unaudited

		in RON '000	
	Note	31 March 2022	31 December 2021
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	11	1,079,091	1,097,788
Investment properties		553	633
Intangible assets		4,129	4,532
Goodwill	14	97,782	96,308
Right-of-use assets		7,488	8,197
Deferred tax asset	9	52,393	52,238
Other non-current assets	15	128,166	61,931
<b>Total non-current assets</b>		<b>1,369,602</b>	<b>1,321,627</b>
<b>Current assets</b>			
Inventories	16	1,138,507	1,005,891
Trade receivables, net		106,840	75,014
Current income tax receivable		1,891	2,024
Other current assets	17	245,178	138,732
Restricted cash	18	149	151
Cash and cash equivalents	18	140,904	328,428
<b>Total current assets</b>		<b>1,633,469</b>	<b>1,550,240</b>
<b>Total assets</b>		<b>3,003,071</b>	<b>2,871,867</b>
<b>Shareholders' Equity and Liabilities</b>			
<b>Shareholders' equity</b>			
Share capital		370,037	370,037
Share premium		86,351	86,351
Other reserves		346,590	342,823
Retained earnings		314,714	288,344
Result for the period		-18,098	26,426
<b>Equity attributable to shareholders of Alro S.A.</b>		<b>1,099,594</b>	<b>1,113,981</b>
Non-controlling interest		2,488	2,475
<b>Total shareholders' equity</b>		<b>1,102,082</b>	<b>1,116,456</b>
<b>Non-current liabilities</b>			
Bank and other loans, non-current	19	1,223,448	1,040,321
Leases, non-current	19	3,700	4,364
Provisions, non-current		44,028	43,291
Post-employment benefit obligations		40,860	40,888
Government grants, non-current portion		38,369	39,436
Other non-current liabilities		1,213	1,710
<b>Total non-current liabilities</b>		<b>1,351,618</b>	<b>1,170,010</b>
<b>Current liabilities</b>			
Bank and other loans, current	19	184,855	135,704
Leases, current	19	2,311	2,664
Provisions, current		2,671	2,176
Trade and other payables		263,092	314,919
Contract liabilities	5	24,933	45,662
Derivative financial instruments liability, current	13	-	6,004
Current income taxes payable		8,985	5,447
Government grants, current portion		4,267	4,267
Other current financial liabilities		58,257	68,558
<b>Total current liabilities</b>		<b>549,371</b>	<b>585,401</b>
<b>Total liabilities</b>		<b>1,900,989</b>	<b>1,755,411</b>
<b>Total shareholders' equity and liabilities</b>		<b>3,003,071</b>	<b>2,871,867</b>

The accompanying notes are an integral part of these interim condensed consolidated financial statements.  
These financial statements were authorized for issue by the management on 13 May 2022.

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

**Ec. Genoveva NĂSTASE**  
Chief Financial Officer

Interim consolidated statement of changes in shareholders' equity for  
the three months ended 31 March 2022 - unaudited

	Share capital	Share premium	Other reserves
<b>Balance at 1 January 2021</b>	<b>370,037</b>	<b>86,351</b>	<b>375,866</b>
Result for the period	-	-	-
<b>Other comprehensive income / (expense)</b>			
Translation adjustment	-	-	-
Remeasurements of post-employment benefits	-	-	-
<b>Other comprehensive income / (expense)</b>	-	-	-
<b>Total comprehensive income / (expense) for the period</b>	-	-	-
<b>Transactions with owners of the company recognized directly in equity</b>			
<b>Distributions to owners of the company</b>			
Appropriation of prior year result	-	-	-
<b>Balance at 31 March 2021</b>	<b>370,037</b>	<b>86,351</b>	<b>375,866</b>
<b>Balance at 1 January 2022</b>	<b>370,037</b>	<b>86,351</b>	<b>375,866</b>
Result for the period	-	-	-
<b>Other comprehensive income / (expense)</b>			
Translation adjustment	-	-	-
Remeasurements of post-employment benefits	-	-	-
<b>Other comprehensive income / (expense)</b>	-	-	-
<b>Total comprehensive income / (expense) for the period</b>	-	-	-
<b>Transactions with owners of the company recognized directly in equity</b>			
<b>Distributions to owners of the company:</b>			
Appropriation of prior year result	-	-	48
<b>Balance at 31 March 2022</b>	<b>370,037</b>	<b>86,351</b>	<b>375,914</b>

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

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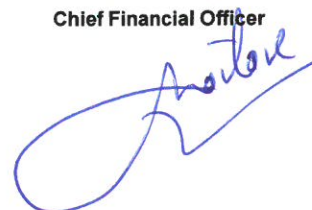
in RON '000

Translation reserve	Total other reserves	Retained earnings	Result for the period	Attributable to shareholders of Alro SA	Non-controlling interests	Total shareholders' equity
-40,750	335,116	-40,723	334,289	1,085,070	2,595	1,087,665
-	-	-	-61,850	-61,850	-7	-61,857
10,714	10,714	-	-	10,714	64	10,778
-	-	-21	-	-21	-	-21
10,714	10,714	-21	-	10,693	64	10,757
10,714	10,714	-21	-61,850	-51,157	57	-51,100
-	-	334,289	-334,289	-	-	-
-30,036	345,830	293,545	-61,850	1,033,913	2,652	1,036,565
-33,043	342,823	288,344	26,426	1,113,981	2,475	1,116,456
-	-	-	-18,098	-18,098	-11	-18,109
3,719	3,719	-	-	3,719	24	3,743
-	-	-8	-	-8	-	-8
3,719	3,719	-8	-	3,711	24	3,735
3,719	3,719	-8	-18,098	-14,387	13	-14,374
-	48	26,378	-26,426	-	-	-
-29,324	346,590	314,714	-18,098	1,099,594	2,488	1,102,082

Dr. Ing Gheorghe DOBRA  
Chief Executive Officer



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Chief Financial Officer



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

These financial statements were authorized for issue by the management on 13 May 2022.



# Interim consolidated statement of cash flows for the three months ended 31 March 2022 - unaudited

in RON '000

	Note	Three months ended 31 March 2022	Three months ended 31 March 2021
<b>Cash flow from operating activities</b>			
Result before income taxes		-14,277	-62,958
<i>Adjustments for:</i>			
Depreciation and amortisation		37,272	42,061
Movement in provisions		493	-7
Change in allowance for impairment of inventory	16	-939	-14,911
Change in allowance for impairment of doubtful receivables	7	85	-72
Losses/(gains) on disposal of property, plant and equipment		140	169
Net foreign exchange (gains)/ losses on loans revaluation		15,058	38,381
Interest income		-1,323	-967
Interest expense	8	13,109	9,944
Dividend income		-	-2
Gain/loss on derivative instruments at fair value through profit or loss	13	2,446	4,129
<i>Changes in working capital:</i>			
Change in inventories		-127,875	47,982
Change in trade receivables and other assets		-137,369	-20,861
Change in trade and other payables		-67,019	-854
Income taxes (paid)/refunded		-	-9,171
Interest paid	8	-13,211	-6,843
Cash receipts/ (Payments) from derivatives, net		-14,929	-4,887
<b>Net cash generated by / (used in) operating activities</b>		<b>-308,339</b>	<b>21,133</b>
<b>Cash flow from investing activities</b>			
Purchase of property, plant and equipment and intangible assets, net		-30,705	-26,598
Proceeds from sale of property, plant and equipment		365	526
Dividends received		-	2
Change in restricted cash	15, 18	-66,233	-2
Interest received		1,300	954
<b>Net cash used in investing activities</b>		<b>-95,273</b>	<b>-25,118</b>
<b>Cash flow from financing activities</b>			
Proceeds from loans	19	227,654	16,049
Repayment of loans and leases	19	-11,605	-15,244
Dividends paid	10	-1	-17
<b>Net cash provided by/(used in) financing activities</b>		<b>216,048</b>	<b>788</b>
<b>Net change in cash and cash equivalents</b>		<b>-187,564</b>	<b>-3,197</b>
<b>Cash and cash equivalents at beginning of period</b>		<b>328,428</b>	<b>105,500</b>
Effect of exchange rate differences on cash and cash equivalents		40	154
<b>Cash and cash equivalents at end of period</b>	<b>18</b>	<b>140,904</b>	<b>102,457</b>

Dr. Ing Gheorghe DOBRA  
Chief Executive Officer

Ec. Genoveva NĂSTASE  
Chief Financial Officer

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

These financial statements were authorized for issue by the management on 13 May 2022.



# Notes to the interim condensed consolidated financial statements - unaudited

in RON '000, except per share data

## 1. Organisation and nature of business

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

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

At 31 March 2022, the majority shareholder of Alro S.A. was Vimetco PLC, a private limited liability company registered under the laws of Cyprus, based in Poseidonos 1, Ledra Business Center, Egkomi, 2406, Nicosia, Cyprus. The company is ultimately controlled by Maxon Limited (Bermuda).

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

These interim condensed consolidated financial statements were authorised for issue by the Board of Directors on 13 May 2022.

## 2. Basis of preparation

### Statement of compliance

These interim condensed consolidated financial statements of Alro and its subsidiaries (further named *Condensed financial statements*) for the 3 months ended 31 March 2022 are unaudited and have been prepared in accordance with *IAS 34 Interim financial reporting* as adopted by the European Union (EU). The accounting policies are in accordance with the Ministry of Public Finance Order no. 2844/2016, with subsequent amendments, which is in accordance with the International Financial Reporting Standards (IFRS) adopted by the European Union (EU)\*.

Selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the last annual consolidated financial statements as at and for the year ended 31 December 2021. These interim condensed consolidated financial statements do not include all the information required for full annual financial statements and should be read in conjunction with the annual financial statements of the Group for the year ended 31 December 2021.

The financial statements of Alro Group are available in hard copy at the Parent Company's premises, upon request. They are also available on the website of the Parent Company [www.alro.ro](http://www.alro.ro) within the applicable legal time frame.

### Going concern

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

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

## Functional and presentation currency

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

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

	31 March 2022	31 December 2021
USD exchange rate at the end of the period**	4.4508 USD/RON	4.3707 USD/RON
	Three months ended 31 March 2022	Three months ended 31 March 2021
USD average exchange rate***	4.4107 USD/RON	4.0489 USD/RON

\*\* as communicated by the National Bank of Romania

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

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

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

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2021. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

### **Standards and interpretations effective in 2022 that the Group has applied to these financial statements:**

The Group has adopted the following new standards and amendments to standards, including any consequential amendments to other standards, with a date of initial application of 1 January 2022:

- *Amendments to IFRS 3 Business Combinations* (issued on 14 May 2020). The amendments update a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations. Amendment also add a requirement that, for transactions and other events within the scope of IAS 37 or IFRIC 21, an acquirer applies IAS 37 or IFRIC 21 (instead of the Conceptual Framework) to identify the liabilities it has assumed in a business combination; and add to IFRS 3 an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination. The amendments are effective for annual periods beginning on or after 1 January 2022. There is no impact from the application of these amendments, on the Group's financial statements.

- *Amendments to IAS 16 Property, Plant and Equipment* (issued on 14 May 2020). The amendments prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss. The amendments are effective for annual periods beginning on or after 1 January 2022. There is no impact from the application of these amendments, on the Group's financial statements.

- *Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets* (issued on 14 May 2020). Amendments specify which costs a company includes when assessing whether a contract will be loss-making. The amendments are effective for annual periods beginning on or after 1 January 2022. There is no impact from the application of these amendments, on the Group's financial statements.

- *Annual Improvements to IFRS Standards 2018 – 2020 Cycle* (effective for annual periods beginning on or after 1 January 2022), issued on 14 May 2020. The improvements do not have a material impact on the Group's financial statements. These annual improvements are a collection of amendments to IFRSs:

- *IFRS 1 First-time Adoption of International Financial Reporting Standards*. The amendment permits a subsidiary that applies paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported by its parent, based on the parent's date of transition to IFRSs.



- *IFRS 9 Financial Instruments*. The amendment clarifies which fees an entity includes when it applies the '10 per cent' test in assessing whether to derecognise a financial liability. An entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf.

- *IFRS 16 Leases*. The proposed amendment to Illustrative Example 13 accompanying IFRS 16 would remove from the example the illustration of the reimbursement of leasehold improvements by the lessor. The proposed amendment would resolve any potential confusion regarding the treatment of lease incentives that might arise because of how lease incentives are illustrated in that example.

- *IAS 41 Agriculture*. The amendment aligns the fair value measurement requirements in IAS 41 with those in other IFRS Standards.

#### 4. Estimates

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

In preparing these interim condensed consolidated financial statements, the significant judgements made by the management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the financial statements for the year ended 31 December 2021.

#### 5. Revenue from contracts with customers

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

						Three months ended 31 March 2022
Segments	Bauxite	Alumina	Primary aluminium	Processed aluminium	Others	Total
Type of good or service						
Sale of bauxite	14,710	-	-	-	-	14,710
Sale of alumina	-	169,217	-	-	-	169,217
Sale of primary aluminium	-	-	423,159	-	-	423,159
Sale of processed aluminium	-	-	-	769,526	-	769,526
Other revenues and services performed	2,395	420	-	129	32,720	35,664
Total revenue from contracts with customers	17,105	169,637	423,159	769,655	32,720	1,412,276

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

During the first three months of 2022, the Group's revenue increased mainly due to the Processed Aluminium segment following the increase in the demand for plates and extruded products, which are our highest profitable products, due to the upward trend of the LME quotations and due to favourable exchange rate.

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

						Three months ended 31 March 2022
Revenue	Bauxite	Alumina	Primary aluminium	Processed aluminium	Others	Total
Revenue from contracts with customers	17,105	169,637	423,159	769,655	32,720	1,412,276
Inter-segment transactions	-14,710	-148,914	-117,457	-987	-28,057	-310,125
<b>Total Group revenue (Note 6)</b>	<b>2,395</b>	<b>20,723</b>	<b>305,702</b>	<b>768,668</b>	<b>4,663</b>	<b>1,102,151</b>

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

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

#### Contract liabilities

During the first three months of 2022, the Group recognized the amount of RON 44,399 thousand from the existing balance at 31 December 2021 under *Contract liabilities* as revenue from performance obligations satisfied (RON 45,662 thousand balance as of 31 December 2021). The balance of RON 24,933 thousand existing at 31 March 2022 under *Contract liabilities* will be recognized from performance obligations that will be satisfied subsequently.

## 6. Segment information

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

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

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

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



Alro Group revenues and results for the three months ended 31 March 2022 and 2021 by segment, were as follows:

	Bauxite	Alumina	Primary aluminium	Processed aluminium	Others	Inter-segment operations	Total
<b>Three months ended 31 March 2022</b>							
Sales to external customers	2,395	20,723	305,702	768,668	4,663	-	1,102,151
Inter-segment transfers	20,950	184,650	654,081	987	28,057	-888,725	-
<b>Total sales revenues</b>	<b>23,345</b>	<b>205,373</b>	<b>959,783</b>	<b>769,655</b>	<b>32,720</b>	<b>-888,725</b>	<b>1,102,151</b>
<b>Segment results (gross profit)</b>	<b>5,499</b>	<b>43,431</b>	<b>18,649</b>	<b>20,288</b>	<b>433</b>	<b>8,666</b>	<b>96,966</b>
Other operating income & expenses, net	-9,037	-10,635	-27,604	-25,241	2,500	-3,912	-73,929
<b>Operating result (EBIT)</b>	<b>-3,538</b>	<b>32,796</b>	<b>-8,955</b>	<b>-4,953</b>	<b>2,933</b>	<b>4,754</b>	<b>23,037</b>
Total depreciation, amortisation and impairment	3,890	5,293	16,044	12,217	20	-192	37,272
<b>EBITDA</b>	<b>352</b>	<b>38,089</b>	<b>7,089</b>	<b>7,264</b>	<b>2,953</b>	<b>4,562</b>	<b>60,309</b>
Interest and other finance costs, net							-22,362
Net foreign exchange gains / (losses)							-14,952
<b>Result before income taxes</b>							<b>-14,277</b>
<b>Three months ended 31 March 2021</b>							
Sales to external customers	2,850	31,020	337,178	371,134	1,766	-	743,948
Inter-segment transfers	39,903	137,442	281,342	434	10,140	-469,261	-
<b>Total sales revenues</b>	<b>42,753</b>	<b>168,462</b>	<b>618,520</b>	<b>371,568</b>	<b>11,906</b>	<b>-469,261</b>	<b>743,948</b>
<b>Segment results (gross profit)</b>	<b>8,852</b>	<b>2,515</b>	<b>30,398</b>	<b>26,206</b>	<b>1,902</b>	<b>-4,988</b>	<b>64,885</b>
Other operating income & expenses, net	-8,815	-8,817	-32,606	-24,093	1,077	-139	-73,393
<b>Operating result (EBIT)</b>	<b>37</b>	<b>-6,302</b>	<b>-2,208</b>	<b>2,113</b>	<b>2,979</b>	<b>-5,127</b>	<b>-8,508</b>
Total depreciation, amortisation and impairment	5,478	6,489	19,108	11,207	-	-227	42,055
<b>EBITDA</b>	<b>5,515</b>	<b>187</b>	<b>16,900</b>	<b>13,320</b>	<b>2,979</b>	<b>-5,354</b>	<b>33,547</b>
Interest and other finance costs, net							-18,654
Net foreign exchange gains / (losses)							-35,796
<b>Result before income taxes</b>							<b>-62,958</b>

The processed aluminium segment achieved healthy sales, on one side due to the upward evolution of the LME, but on the other side also due to the Group's efforts to increase the processed products share in the portfolio, to adjust its sales and production mix into a balanced and efficient one. The Group grasped every opportunity in the market, and this was reflected by the higher revenue in the Primary aluminium segment in Q1 2022 compared to the same period of the last year.

The Group put in place the plan for 2022 to produce less electrolytic aluminium and gradually closed 3 out of its 5 electrolysis potrooms in January- February 2022. In exchange, it supplemented its need of aluminium by buying cold metal from the market and processing it. However, with most of the costs increasing worldwide in the latest months, (electricity, gas, fuels, raw materials), the gross margin was slim and could not cover the other operating costs allocated to the segment. As for the bauxite and alumina, contracts with third parties were kept at the minimum, having in view the performance of these international markets, and at the same time the inter-segment deliveries were aligned to the new production capacity in place with Alro.

Segment assets include all operating assets used by a segment and consist principally of operating cash, receivables, inventories, property, plant and equipment and intangible assets, net of allowances for impairment. While most of such assets can be directly attributed to individual segments, the carrying amount of certain assets used jointly by two or more segments is allocated to the segments on a reasonable basis. Segment liabilities include all operating liabilities and consist principally of trade payables, wages and taxes payable and accrued liabilities. Segment assets and liabilities do not include deferred income taxes, borrowings, financial liabilities and other un-allocatable items.

Segment assets and liabilities at 31 March 2022 and 31 December 2021, respectively, were as follows:

Alro Group	Bauxite	Alumina	Primary aluminium	Processed aluminium	Others	Inter-segment balances	Total
<b>31 March 2022</b>							
Total assets	164,000	591,421	1,138,880	875,443	1,289,194	-1,055,867	3,003,071
Total liabilities	42,976	180,653	239,376	188,195	1,380,521	-130,732	1,900,989
<b>31 December 2021</b>							
Total assets	164,881	592,285	1,116,208	689,600	1,350,709	-1,041,816	2,871,867
Total liabilities	36,163	171,345	333,605	186,991	1,148,300	-120,993	1,755,411

The property, plant and equipment located in Sierra Leone amounts to RON 87,948 thousand (at 31 December 2021: RON 91,938 thousand).

As at 31 March 2022, the total assets representing *Others* include mainly investments in subsidiaries of RON 750,107 thousand (as at 31 December 2021: RON 745,070 thousand), cash and restricted cash of RON 254,107 thousand (as at 31 December 2021: RON 367,021 thousand), administrative buildings of RON 40,913 thousand (as at 31 December 2021: RON 41,527 thousand), deferred tax asset of RON 22,407 thousand (as at 31 December 2021: RON 22,199 thousand) and derivative financial instruments, when applicable.

As at 31 March 2022, the total liabilities representing *Others* include mainly borrowings and leases of RON 1,304,952 thousand (as at 31 December 2021: RON 1,081,469 thousand), post-employment benefit obligations and provisions of RON 35,437 thousand (as at 31 December 2021: RON 35,408 thousand), derivative financial instruments liabilities (nil at 31 March 2022 and RON 6,004 thousand as at 31 December 2021), and, when applicable, dividends.

*Inter-segment operations* include intercompany eliminations.

## 7. General, administrative and selling expenses

	Three months ended 31 March 2022	Three months ended 31 March 2021
Staff costs	-34,350	-31,912
Third party services	-12,129	-15,651
Consulting and audit	-6,576	-8,471
Consumables	-3,599	-3,128
Taxes other than income taxes	-2,357	-2,225
Depreciation and amortisation	-2,303	-2,415
Insurance	-1,879	-1,858
Marketing and public relations	-1,400	-1,397
Travelling	-1,137	-401
Research and development costs	-4,158	-4,023
Other	-2,004	-2,725
Change in allowance for doubtful debts	-85	72
<b>Total</b>	<b>-71,977</b>	<b>-74,134</b>

## 8. Interest expenses

	Three months ended 31 March 2022	Three months ended 31 March 2021
Interest expense	-13,109	-9,944
<b>Total</b>	<b>-13,109</b>	<b>-9,944</b>

Interest expense increased during the first three months of 2022 compared to the same period of the previous year mainly due to higher LIBOR and ROBOR benchmark interest rates, and also due to the increase of the loans balance of the Group.



*Interest expense* includes the amount of RON 1,665 thousand (in Q1 2021: RON 1,600 thousand) representing transaction costs on loans, which are recognized during the period as interest expense based on the effective interest rate method. The cash effectively paid as transaction costs in 2022 for loans was of RON 4,876 thousand and it is included in the Statement of cash flows under Interest paid (in Q1 2021: RON 129 thousand).

## 9. Income tax

At 31 March 2022, the Group had a net deferred tax asset of RON 52,393 thousand (at 31 December 2021: RON 52,238 thousand), as the management believes there will be sufficient taxable profits in future against which these fiscal losses carried forward could be used.

During the 3-month period of 2022, the total expenses of RON 25,617 thousand representing interest expenses and items related to interest in respect of the exceeding borrowing costs, were treated as being non-deductible for tax purposes, and resulted in a negative income tax effect of RON 4,099 thousand (3 months of 2021: RON 6,727 thousand). According to the Romanian Fiscal Code, which transposes the EU Directive no. 2016/1164, issued in 2016, the exceeding borrowing costs include interest, expenses for obtaining finance and leasing, capitalized interest and foreign exchange losses above a threshold of EUR 1,000,000 per annum are deductible only up to the level of 30% of calculated fiscal EBITDA. The Group companies in Romania incur borrowing costs related to loans obtained from banks for capital expenditure and development purposes. As these loans are mainly expressed in foreign currency, due to the devaluation of RON against major currencies in 2022, these resulted in significant foreign exchange losses, which have limited deductibility for income tax purposes.

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

	Three months ended 31 March 2022	Three months ended 31 March 2021
<i>Income tax</i>		
Current income tax	-3,694	-1,428
Deferred income tax	-138	2,529
<b>Total income taxes</b>	<b>-3,832</b>	<b>1,101</b>

## 10. Earnings per share

	Three months ended 31 March 2022	Three months ended 31 March 2021
Net result attributable to the owners of the Entity	-18,098	-61,850
Weighted average number of ordinary shares	713,779,135	713,779,135
Basic and diluted earnings per share (RON/share)	-0.025	-0.087

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

During the reporting period, no interim dividends were declared by the Group related to the 3 months ended 31 March 2022.

During the 3 months ended 31 March 2022, the Group paid dividends amounting to RON 1 thousand to the shareholders in respect of dividends declared for the previous years (in the same period of 2021 the Group paid RON 17 thousand of the dividends declared for the previous years).

The dividends distributed in 2018 and yet uncollected by the shareholders were prescribed during the reporting period, in line with the regulations in force. These amounts are included under *Other operating income* in the Consolidated statement of profit or loss (Q1 2022: RON 1,849 thousand, Q1 2021: nil).

## 11. Property, plant and equipment

At 31 March 2022, the book value of *Property, plant and equipment* of the Group was RON 1,079,091 thousand (at 31 December 2021: RON 1,097,788 thousand). During the 3-month period ended 31 March 2022, the Group purchased property, plant and equipment of RON 19,186 thousand (during the 3-month period of the year 2021: RON 27,065 thousand).

Starting January 2022, the Management decided to adopt a business model aimed at, on one hand, reducing the Group's dependence on electricity and on the other hand, maintaining the actual products portfolio, except for the unprofitable or low profit margin products. The Investment Programme for 2022 is correlated with the production program, and its purpose is implementing on a priority basis those investments that will bring immediate gains and improvements to the business or those necessary to ensure safe and legal operations. Therefore, in the first quarter of 2022 the acquisitions of property, plant and equipments focused primarily on developing the capacity of the Eco-Recycling Facility to provide the molten metal requirement for the production of flat-rolled products.

The Group also continued its program of using AP12LE repair technology and refurbished another 5 electrolysis pots in Q1 2022 to ensure the smelter operation with improved energy efficiency.

During the year 2021, the Group started investing in a completely new state-of-the-art aluminum profiles extrusion line, a project estimated to be implemented by September 2022 and whose value will be around of EUR 10 million. In the first quarter of 2022, RON 3,721 thousand were spent for this project (during the first quarter of 2021: RON 3,850 thousand).

Depreciation expense of PPE for the 3 months of 2022 was of RON 38,931 thousand, while in the same period of the year 2021, it was of RON 39,127 thousand.

At 31 March 2022, the net book value of *Property, plant and equipment* pledged for securing the Group's borrowings amounts to RON 883,655 thousand (at 31 December 2021: RON 899,063 thousand).

## 12. Financial instruments

Set out below, is an overview of financial assets and financial liabilities held by the Group as at 31 March 2022 and 31 December 2021.

### Categories of financial instruments

	31 March 2022	31 December 2021
<b>Financial assets</b>		
<b>At amortised cost</b>		
Cash and bank balances	141,053	328,579
Receivables	351,701	224,282
<b>Fair value through profit or loss (FVTPL)</b>		
Designated as at FVTPL	12,235	15,792
<b>Total financial assets</b>	<b>504,989</b>	<b>568,653</b>
	31 March 2022	31 December 2021
<b>Financial liabilities</b>		
<b>Fair value through profit or loss (FVTPL)</b>		
Designated as at FVTPL	-	6,004
Derivative instruments in designated hedge accounting relationships	-	6,004
<b>Amortised cost:</b>		
Trade and other payables	330,334	388,924
Non-current bank and other loans	1,227,148	1,044,685
Current bank and other loans	187,166	138,368
<b>Total financial liabilities</b>	<b>1,744,648</b>	<b>1,577,981</b>



## Fair value of financial instruments

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

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

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

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

The Group does not have level 3 financial instruments.

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

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

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

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

## 13. Derivative financial instruments

### *Swap fixed-to-floating*

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

The loss recorded in Q1 2022 of RON 2,446 thousand related to the positions settled during the period January - March 2022, due to the fact that the market price was below the fixed price of the contract, is included in the category *Gains/ (losses) from derivative financial instruments, net* in the Consolidated statement of profit or loss (in Q1 2021: nil).

As at 31 March 2022 no swap fixed-to-floating contract was outstanding (as at 31 December 2021: RON 6,004 thousand, as a liability).

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

### Commodity options

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

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

## 14. Goodwill

The goodwill is allocated to the cash generating units at 31 March 2022 and 31 December 2021 as follows (after conversion into RON at the period end exchange rate):

	31 March 2022	31 December 2021
Alro Group	76,887	75,781
Global Aluminium Ltd.	20,469	20,101
Vimetco Extrusion	426	426
<b>Total</b>	<b>97,782</b>	<b>96,308</b>

Goodwill is tested for impairment annually (as at 31 December) and when circumstances indicate the carrying value may be impaired. The Group performed an impairment test as at 31 December 2021 and no impairment was recognized as the result of this analysis. As at 31 March 2022 the management has not identified impairment indicators additional to those for which the test as at 31 December 2021 was performed, therefore no separate impairment tests of the goodwill was made as at 31 March 2022. The variation of the Goodwill balance between 31 March 2022 and 31 December 2021 is due to translation differences from operations in foreign countries.

## 15. Other non-current assets

	31 March 2022	31 December 2021
Collateral deposits	128,166	61,931
<b>Total</b>	<b>128,166</b>	<b>61,931</b>

*Collateral deposits* at 31 March 2022 represent cash pledged to a bank until November 2023 for two loans and until February 2024 for a non-cash facility contracted by the Parent Company. The variation at 31 March 2022 compared to 31 December 2021 of RON 66,235 thousand, represents collateral deposits placed for a new facility of RON 470,000 thousand and for a non-cash facility obtained from banks in March 2022. For further details please see also Note 19 *Borrowings and leases*.

## 16. Inventories

	31 March 2022	31 December 2021
Raw and auxiliary materials	527,724	436,656
Work in progress	315,458	281,617
Finished goods	338,864	331,881
Less: allowance for obsolescence	-43,539	-44,263
<b>Total</b>	<b>1,138,507</b>	<b>1,005,891</b>

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



The increase in value of inventories as at 31 March 2022 compared to 31 December 2021 was influenced by the increase in commodity prices at high levels, being influenced by the unstable economic environment, the increase in electricity prices that affect the industrial sector, with pressure on aluminum production which is a highly energy-intensive process.

The value of inventories pledged for securing the Group's borrowings amounts to RON 1,086,917 thousand at 31 March 2022 (at 31 December 2021: RON 932,937 thousand).

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

	Three months ended 31 March 2022	Three months ended 31 March 2021
Balance at beginning of the year	-44,263	-38,431
(Charge) to cost of goods sold	-707	-
Reversal to cost of goods sold	1,321	12,659
Utilization	325	2,252
Translation adjustments	-215	-618
Balance at end of the period	-43,539	-24,138

#### 17. Other current assets

	31 March 2022	31 December 2021
VAT recoverable	115,178	90,270
Other current assets	15,046	10,566
Advances to suppliers	79,597	7,518
Prepayments	35,482	30,502
Allowance for sundry doubtful debtors	-125	-124
<b>Total</b>	<b>245,178</b>	<b>138,732</b>

Movement in allowance for sundry debtors is as follows:

	Three months ended 31 March 2022	Three months ended 31 March 2021
Balance at beginning of the year	-124	-121
Release / (charge) in the current period	-1	-3
Balance at end of the period	-125	-124

At 31 March 2022 the category *Advances to suppliers* contains down-payments of RON 47,650 thousand to one company under common control for the acquisition of gas (31 December 2021: RON 2,173 thousand), as well as an advance of RON 17,171 thousand paid to a supplier for the purchase of raw materials (31 December 2021: nil).

#### 18. Cash and cash equivalents

	31 March 2022	31 December 2021
Cash at banks in RON	48,254	237,393
Cash at banks in other currencies	92,526	90,928
Petty cash and cash equivalents	124	107
<b>Total</b>	<b>140,904</b>	<b>328,428</b>

At 31 March 2022 and 31 December 2021, a great part of cash was held in current accounts opened with reputable private banks in Romania or with State owned banks.

A part of the Group's bank accounts (RON 127,397 thousand as at 31 March 2022 and RON 305,676 thousand as of 31 December 2021) are pledged to guarantee the borrowings from banks.

## Restricted cash:

	31 March 2022	31 December 2021
Restricted cash	149	151
<b>Total</b>	<b>149</b>	<b>151</b>

## 19. Borrowings and leases

	31 March 2022	31 December 2021
<b>Long-term borrowings</b>		
Long-term bank loans	1,392,606	1,163,262
Less: Short-term portion of long-term bank loans	-169,158	-122,941
<b>Bank loans, non-current</b>	<b>1,223,448</b>	<b>1,040,321</b>
Leases, non-current	3,700	4,364
<b>Total long-term borrowings and leases</b>	<b>1,227,148</b>	<b>1,044,685</b>
<b>Short-term borrowings</b>		
Short-term bank loans	15,697	12,763
Short-term portion of long-term bank loans	169,158	122,941
<b>Bank loans, current</b>	<b>184,855</b>	<b>135,704</b>
<b>Short-term loans, total</b>	<b>184,855</b>	<b>135,704</b>
Leases, current	2,311	2,664
<b>Total short-term borrowings and leases</b>	<b>187,166</b>	<b>138,368</b>
<b>Total borrowings and leases</b>	<b>1,414,314</b>	<b>1,183,053</b>

The bank borrowings of the Group will mature until 2028. Their related interest rates ranged between 2.80% for EUR and 19% for SLL (Sierra Leone Leones) in 2022 and 2021.

In January 2022, the Parent Company drew down the remaining part of USD 30,000 thousand from the credit facility of USD 40,000 thousand that it had received in June 2021 from an international bank to support the investment program.

In March 2022, the Parent Company signed a non-revolving working capital loan facility of RON 470,000 thousand with a syndicate of banks within the framework of state-support scheme in the form of loans with compensated interest rate and loan guarantees within the context of Covid-19 pandemics. The loan is repayable within 4 years. This scheme supports the large enterprises, among others, in contracting new loans (investment or working capital) secured by a state guarantee covering maximum 90% of the facility amount. At the same time, in March 2022, the Parent Company also signed a non-cash financing facility for letters of guarantee with EximBank 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.

In February 2022 the Group subsidiary in Sierra Leone signed an increase of USD 300 thousand of the overdraft facility contracted from a commercial bank.

At 31 March 2022, the Group had the amount of RON 401,672 thousand undrawn and available from the borrowing facilities contracted with the banks (at 31 December 2021: RON 24,256 thousand, additionally to the undrawn amount of USD 30,000 thousand of the Parent Company investment loan) and the amount of RON 179,209 thousand unutilized and available from the non-cash facilities for letters of credit and letters of guarantee (at 31 December 2021: RON 22,867 thousand).

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



The Group borrowings and leases are secured with accounts receivable amounting to RON 73,307 thousand (at 31 December 2021: RON 51,617 thousand), with their current accounts opened with banks (see Note 18), with collateral deposits of RON 128,166 thousand (at 31 December 2021: RON 61,931 thousand), with property, plant and equipment (land, buildings, equipment) with a net book value of RON 886,375 thousand (including for lease contracts) (2021: RON 902,582 thousand) and with inventories of RON 1,086,917 thousand (2021: RON 932,937 thousand), a letter of guarantee issued in the name and account of the State in favour of the lending State bank for 70% of the 180 million RON loan, and also a guarantee from the Romanian State for 90% of the 167 million RON signed in 2021, within the Framework support scheme provided by the Romanian State in the form of compensated interest and loan guarantees in the context of the Covid-19 pandemic.

The Group has estimated that the fair value of the borrowings and the leases equals their carrying amount, mainly due to the fact that the loans have variable interest rates, and they are at margins similar to the ones in the loans recently contracted. Their fair value belongs to the level 3 of the fair value measurement hierarchy.

## 20. Related party transactions

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

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

Related party	
Vimetco PLC	Major shareholder starting November 2021
Vimetco N.V. (in liquidation)	Major shareholder until November 2021
Paval Holding SRL	Shareholder
Alum S.A.	Subsidiary
Vimetco Extrusion SRL	Subsidiary
Conef S.A.	Subsidiary
Sierra Mineral Holdings 1, Ltd	Subsidiary
Global Aluminum Ltd.	Subsidiary
Bauxite Marketing Ltd.	Subsidiary
Vimetco Trading SRL	Subsidiary since December 2021, before under common control
Vimetco Management Romania SRL	Common control
Vimetco Power Romania SRL	Common control
Conef Gaz SRL	Common control
Conef Energy SRL	Common control
Centrul Rivergate SRL	Common control
Rivergate Rating Group	Common control
Rivergate Fire SRL	Common control

In November 2021, Vimetco N.V., the majority shareholder of ALRO S.A., transferred its shares in ALRO S.A., representing 54.1898% of the share capital of ALRO S.A., to the company Vimetco PLC, a private limited liability company incorporated under the laws of Cyprus, (99.998% held by Vimetco N.V. before the transfer). See also Note 1 *Organisation and nature of business*.

Group transactions are eliminated on consolidation.

The primary related party transactions are described below:

#### Sales of goods and services

	Three months ended 31 March 2022	Three months ended 31 March 2021
Vimetco PLC	-	-
Companies under common control	-	-
<b>Total goods and services provided to related parties</b>	<b>260</b>	<b>380</b>

The category Sales of goods and services includes income booked by the Group from renting office space and various administrative services provided to companies under common control.

#### Goods and services purchased from related parties:

	Three months ended 31 March 2022	Three months ended 31 March 2021
Vimetco PLC	-	-
Companies under common control	-116,052	-59,614
<b>Total goods and services purchased from related parties</b>	<b>-116,052</b>	<b>-59,614</b>

The purchases from related parties include acquisitions of gas for the production process by the Group companies from their related party Conef Gaz (during Q1 2022: RON 104,768 thousand; during Q1 2021: RON 44,678 thousand). The acquisitions of gas in Q1 2022 was higher compared to Q1 2021 mainly due to the increasing price of the gas in the market. Additionally, the companies within the Group received services of a supportive nature from other entities under common control, such as advisory services, sales agency services, guard, logistics and administrative services.

The following balances were outstanding at 31 March 2022 and 31 December 2021:

#### Trade and other accounts receivable:

	31 March 2022	31 December 2021
Vimetco PLC	-	-
Companies under common control	51,277	5,819
Allowance for doubtful receivables	-3,562	-3,562
<b>Total trade and other accounts receivable from related parties</b>	<b>47,715</b>	<b>2,257</b>
- non-current	-	-
- current	47,715	2,257

#### Trade and other accounts payable:

	31 March 2022	31 December 2021
Vimetco PLC	15,444	15,444
Companies under common control	32,083	8,488
<b>Total trade and other accounts payable to related parties</b>	<b>47,527</b>	<b>23,932</b>

In December 2021, the Parent Company acquired the company Vimetco Trading SRL from its major shareholder, Vimetco PLC and its subsidiary, Vimetco Management Romania. The acquisition was done at fair value based on an appraisal report. The amounts payable as at 31 March 2022 and 31 December 2021 in respect of this acquisition are the following: RON 15,444 thousand to Vimetco PLC and RON 156 thousand to Vimetco Management Romania.

#### Management compensation

The total compensation of the Group's key management personnel included in *General, administrative and selling expenses* in the Statement of Profit or Loss and other Comprehensive Income amounts to RON 2,765 thousand (during the 3 months of the year 2021: RON 3,021 thousand), while the expense for determined contribution plan (social contributions) during the 3 months of the year 2022 was RON 598 thousand (during the 3 months of the year 2021: RON 616 thousand).

#### Key management personnel transactions

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



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

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

	Three months ended 31 March 2022	Three months ended 31 March 2021
Goods and services purchased from entities controlled by key management personnel or their close family members	17	3
<b>Total</b>	<b>17</b>	<b>3</b>

## 21. Commitments and contingencies

### Commitments

#### *Investment commitments*

As at 31 March 2022, the Group's commitments pertaining to the investments amounted to RON 76,531 thousand (31 December 2021: RON 81,039 thousand).

#### *Raw material purchase*

As at 31 March 2022, the Group had contracts for purchases of raw materials, other consumables and utilities in amount of RON 1,867,889 thousand (31 December 2021: RON 1,399,784 thousand).

### Contingencies

#### *Litigations*

As at 31 March 2022 the Group was subject to a number of lawsuits resulting from the normal course of the business. The Management believes that these actions will not have a significant impact on the financial performance and financial position of the Group.

*The Group as a plaintiff:* in 2016, the Parent Company contested before the Court of Law a decision of the Competition Council that fined the Company by RON 21,239 thousand for an alleged vertical agreement on the energy market, which was firmly challenged by the Company, as well as several Romanian Energy Regulatory Authority ("ANRE") orders regarding the calculation of green certificate quota for the Company's energy consumptions in 2015. The disputes are ongoing before the competent Courts of Law. The appeal against the sanction decision issued by the Competition Council was rejected by the Primary Court - the Bucharest Court of Appeal and, as a result of the communication of the motivated decision by this Court, it filed an appeal in the case, which will be judged by the High Court of Cassation and Justice, during the year 2023, provided that the steps to change the term for a closer date were rejected. The Company will use all legal remedies to defend its position in the case.

#### *Taxation*

Starting 2019, a subsidiary of the Group was subject to fiscal audit from the National Agency for Fiscal Administration related to income tax and VAT transactions regarding the period 2014-2018. The fiscal inspection was finalized on 27 May 2021 and the tax authorities concluded a report with a net effect of RON 19,643 thousand on income tax and RON 32 thousand on VAT, which the subsidiary recognized as an expense in 2021, in the category *Current income tax expense*, and paid within the legal time frame. Subsequently, the Group's subsidiary 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, so that the subsidiary continues to defend its position by opening the Court of Law action in March 2022.

## 22. Events after the reporting date

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



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



## Ratios

Ratio description	Formula	Three months ended 31 March 2022	Three months ended 31 March 2021
Current ratio	Current assets/ Current liabilities	2.97	2.34
Gearing ratio	Long-term borrowings/ Equity x 100	111.35	84.74
	Long-term borrowings/ Capital employed x 100	52.68	45.87
Receivables turnover	Receivables average balance/ Turnover x 90	7.42	7.89
Non-current assets turnover	(Turnover x 360/90)/ Non-current assets	3.22	2.31

