

ALRO AND SUBSIDIARIES

PRELIMINARY CONSOLIDATED AND SEPARATE FINANCIAL RESULTS

for the year ended
31 December 2021

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

The preliminary financial figures are not audited. Therefore, the final audited financial statements for the year 2021 might be different from these ones.

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 Group

Consolidated statement of profit or loss and other comprehensive income for the year 2021 - unaudited in RON '000, except per share data

Alro Group			Alro Group		
Q4 2021	Q4 2020		Note	2021	2020
1,033,534	572,761	Revenue from contracts with customers	1	3,499,958	2,514,716
-887,491	-556,160	Cost of goods sold	2	-3,007,304	-2,521,548
146,043	16,601	Gross result	3	492,654	-6,832
-94,461	-109,978	General, administrative and selling expenses	4	-316,283	-323,305
21,936	139,475	Other operating income	5	68,656	735,791
-9,277	-1,688	Other operating expenses		-16,888	-6,142
64,241	44,410	Operating result (EBIT)	6	228,139	399,512
-11,197	-12,450	Interest expenses		-41,830	-59,144
6,906	-	Gains (losses) from derivative financial instruments, net	7	-63,902	-
1,653	872	Other financial income		4,472	3,530
-6,884	-4,044	Other financial costs		-24,009	-18,237
-1,548	29,392	Net foreign exchange gains / (losses)	8	-45,398	40,593
53,171	58,180	Result before income taxes		57,472	366,254
-2,251	3,241	Income tax		-31,216	-31,481
50,920	61,421	Result for the period	9	26,256	334,773
Other comprehensive income / (expense), net of tax:					
<i>Items that will not be reclassified subsequently to profit or loss</i>					
8,031	-7,026	Remeasurements of post-employment benefit obligations		8,005	-7,029
-1,281	1,056	Income tax on items that will not be reclassified		-1,281	1,056
<i>Items that may be reclassified subsequently to profit or loss:</i>					
-9,430	-5,607	Translation adjustment		7,753	-11,087
-2,680	-11,577	Other comprehensive income / (expense) for the period, net of tax		14,477	-17,060
48,240	49,844	Total comprehensive income / (expense) for the period		40,733	317,713
Result attributable to:					
50,915	61,208	Shareholders of Alro SA		26,426	334,289
5	213	Non-controlling interest		-170	484
50,920	61,421			26,256	334,773
48,288	49,672	Total comprehensive income / (expense) attributable to:		40,853	317,303
-48	172	Shareholders of Alro S.A.		-120	410
48,240	49,844	Non-controlling interest		40,733	317,713
Earnings per share					
0.071	0.085	Basic and diluted (RON)		0.037	0.468

Alro
Separate statement of profit or loss and other comprehensive income for the year 2021 - unaudited
in RON '000, except per share data

Alro stand alone				Alro stand alone	
Q4 2021	Q4 2020		Note	2021	2020
985,975	543,102	Revenue from contracts with customers	1	3,280,341	2,307,360
-890,293	-557,434	Cost of goods sold	2	-2,927,698	-2,445,143
95,682	-14,332	Gross result	3	352,643	-137,783
-57,043	-76,925	General, administrative and selling expenses	4	-202,714	-218,076
-66	52,800	Impairment of investments		-194	51,683
20,820	98,593	Other operating income	5	64,839	650,663
-2,177	-502	Other operating expenses		-3,574	-1,766
57,216	59,634	Operating result (EBIT)	6	211,000	344,721
-9,839	-10,647	Interest expenses		-36,853	-51,017
6,906	-	Gains (losses) from derivative financial instruments, net	7	-63,902	-
1,627	846	Other financial income		4,390	3,410
-6,293	-3,726	Other financial costs		-21,987	-16,789
-13,090	26,984	Net foreign exchange gains / (losses)	8	-53,451	34,678
36,527	73,091	Result before income taxes		39,197	315,003
3,551	5,697	Income tax		-3,987	-19,797
40,078	78,788	Result for the period	9	35,210	295,206
Other comprehensive income / (expense), net of tax:					
Items that will not be reclassified subsequently to profit or loss					
7,160	-5,702	Remeasurements of post-employment benefit obligations		7,160	-5,702
-1,146	912	Income tax on items that will not be reclassified		-1,146	912
6,014	-4,790	Other comprehensive income / (expense) for the period, net of tax		6,014	-4,790
46,092	73,998	Total comprehensive income / (expense) for the period		41,224	290,416
Earnings per share					
0.056	0.110	Basic and diluted (RON)		0.049	0.414

Alro Group

Consolidated statement of financial position as of 31 December 2021 - unaudited in RON '000

		Alro Group	
	Note	31 December 2021	31 December 2020
Assets			
Non-current assets			
Property, plant and equipment		1,097,788	1,089,217
Investment properties		633	664
Intangible assets		4,532	5,957
Goodwill		96,308	88,856
Right-of-use assets		8,197	10,731
Deferred tax asset		52,238	48,027
Other non-current assets		61,931	45,329
Total non-current assets		1,321,627	1,288,781
Current assets			
Inventories	2	1,005,891	678,441
Trade receivables, net		75,014	51,389
Current income tax receivable		2,024	642
Other current assets	5	138,732	504,571
Restricted cash		151	95
Cash and cash equivalents		328,428	105,500
Total current assets		1,550,240	1,340,638
Total assets		2,871,867	2,629,419
Shareholders' Equity and Liabilities			
Shareholders' equity			
Share capital		370,037	370,037
Share premium		86,351	86,351
Other reserves		342,823	335,116
Retained earnings		288,344	-40,723
Result for the period		26,426	334,289
Equity attributable to shareholders of Alro S.A.		1,113,981	1,085,070
Non-controlling interest		2,475	2,595
Total shareholders' equity		1,116,456	1,087,665
Non-current liabilities			
Bank and other loans, non-current	10	1,040,321	848,285
Leases, non-current		4,364	3,712
Provisions, non-current		43,291	37,463
Post-employment benefit obligations		40,888	49,430
Government grants, non-current portion		39,436	43,703
Other non-current liabilities		1,710	1,148
Total non-current liabilities		1,170,010	983,741
Current liabilities			
Bank and other loans, current	10	135,704	120,293
Leases, current		2,664	3,401
Provisions, current	4, 5	2,176	33,276
Trade and other payables		314,919	245,929
Contract liabilities		45,662	31,742
Derivative financial instruments liability, current	7	6,004	-
Current income taxes payable		5,447	21,797
Government grants, current portion		4,267	4,267
Other current financial liabilities	11	68,558	97,308
Total current liabilities		585,401	558,013
Total liabilities		1,755,411	1,541,754
Total shareholders' equity and liabilities		2,871,867	2,629,419

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

Alro

Separate statement of financial position as of 31 December 2021 - unaudited in RON '000

	Note	Alro Stand-alone	
		31 December 2021	31 December 2020
Assets			
Non-current assets			
Property, plant and equipment		778,151	790,878
Investment properties		4,118	4,439
Intangible assets		4,070	5,653
Investments in subsidiaries	11	467,057	451,651
Right-of-use assets		5,048	8,496
Deferred tax asset		22,199	18,583
Other non-current assets		61,931	45,329
Total non-current assets		1,342,574	1,325,029
Current assets			
Inventories	2	740,920	473,979
Trade receivables, net		121,956	79,719
Other current assets	5	107,255	469,686
Cash and cash equivalents		305,090	88,750
Total current assets		1,275,221	1,112,134
Total assets		2,617,795	2,437,163
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		275,397	-25,823
Result for the period		35,210	295,206
Total shareholders' equity		1,073,186	1,031,962
Non-current liabilities			
Bank and other loans, non-current	10	987,886	806,244
Leases, non-current		2,834	2,726
Provisions, non-current		2,541	1,389
Post-employment benefit obligations		32,867	41,278
Government grants, non-current portion		32,303	35,745
Other non-current liabilities		567	422
Total non-current liabilities		1,058,998	887,804
Current liabilities			
Bank and other loans, current	10	88,895	80,141
Leases, current		1,854	2,742
Provisions, current	4, 5	-	28,620
Trade and other payables		285,207	318,954
Contract liabilities		45,456	31,745
Derivative financial instruments liability, current	7	6,004	-
Current income taxes payable		3,360	8,081
Government grants, current portion		3,442	3,442
Other current financial liabilities	11	51,393	43,672
Total current liabilities		485,611	517,397
Total liabilities		1,544,609	1,405,201
Total shareholders' equity and liabilities		2,617,795	2,437,163

The comparative figures for the year 2020 were reclassified in accordance with the presentation adopted in 2021. The amount of RON 31,745 thousand representing contract liabilities and the amount of RON 9,603 thousand representing trade payables for PPE, which were reported at 31 December 2020 under the category *Other current financial liabilities* are now included under *Contract liabilities* and *Trade and other payables*, respectively.

Alro Group
Consolidated statement of cash flows for the year 2021 - unaudited
in RON '000

Alro Group		Alro Group	
Q4 2021	Q4 2020	2021	2020
Cash flow from operating activities			
53,171	58,180	Result before income taxes	57,472 366,254
<i>Adjustments for:</i>			
34,220	39,437	Depreciation and amortisation	152,534 166,987
5,558	4	Impairment of property, plant and equipment	5,554 4
-32,393	29,768	Movement in provisions	-31,101 30,482
20,205	-6,571	Change in allowance for impairment of inventory	4,674 -3,659
9,492	259	Change in allowance for impairment of doubtful receivables	12,082 391
-348	9	Loss on disposal of property, plant and equipment	1,540 445
11,103	-31,549	Net foreign exchange (gains)/ losses on loans revaluation	61,863 -44,140
-1,646	-870	Interest income	-4,447 -3,523
11,197	12,450	Interest expense	41,830 59,144
-	-	Dividend income	-2 -2
-6,906	-	Gains/loss on derivative instruments at fair value through profit or loss	63,902 -
<i>Changes in working capital:</i>			
-264,760	-71,201	Change in inventories	-316,121 154,528
380,817	-97,752	Change in trade receivables and other assets	298,167 -393,398
44,640	51,005	Change in trade and other payables	26,635 75,069
-11,462	-3,564	Income taxes (paid)/refunded	-52,351 -17,560
-10,016	-22,717	Interest paid	-36,359 -67,000
-34,743	-	Cash receipts/ (Payments) from derivatives, net	-44,650 -701
208,129	-43,112	Net cash generated by / (used in) operating activities	241,222 323,321
Cash flow from investing activities			
-59,745	-22,121	Purchase of property, plant and equipment and intangible assets, net	-147,573 -82,567
453	602	Proceeds from sale of property, plant and equipment	2,153 1,472
2,340	-	Acquisition of subsidiary, net of cash acquired	2,340 -
-	-	Dividends received	2 2
-2	30,890	Change in restricted cash	-16,787 869
1,629	959	Interest received	4,390 3,523
-55,325	10,330	Net cash used in investing activities	-155,475 -76,701
Cash flow from financing activities			
80,194	-1,214	Proceeds from loans	256,553 102,747
-45,810	-191,856	Repayment of loans and leases	-119,511 -326,920
-6	-12	Dividends paid	-38 -56
34,378	-193,082	Net cash provided by/(used in) financing activities	137,004 -224,229
187,182	-225,864	Net change in cash and cash equivalents	222,751 22,391
141,173	331,417	Cash and cash equivalents at beginning of period	105,500 83,182
73	-53	Effect of exchange rate differences on cash and cash equivalents	177 -73
328,428	105,500	Cash and cash equivalents at end of period	328,428 105,500

Alro

Separate statement of cash flows for the year 2021 - unaudited
in RON '000

Q4 2021 Q4 2020		Alro Stand-alone 2021 2020	
		Cash flow from operating activities	
36,527	73,091	Result before income taxes	39,197 315,003
		<i>Adjustments for:</i>	
22,875	25,433	Depreciation and amortisation	101,301 109,182
66	-52,800	Impairment of investments	194 -51,683
-29,672	25,920	Movement in provisions	-28,620 25,920
20,229	-6,685	Change in allowance for impairment of inventory	4,698 -3,773
6,281	490	Change in allowance for impairment of doubtful receivables	8,956 1,040
27	-56	Losses/(gains) on disposal of property, plant and equipment	138 -153
12,120	-28,886	Net foreign exchange (gains)/ losses on loans revaluation	55,059 -40,178
-1,627	-846	Interest income	-4,388 -3,408
9,839	10,647	Interest expense	36,853 51,017
-	-	Dividend income	-2 -2
-6,906	-	Gains/loss on derivative instruments at fair value through profit or loss	63,902 -
		<i>Changes in working capital:</i>	
-209,265	-60,461	Change in inventories	-260,352 107,833
362,113	-107,912	Change in trade receivables and other assets	290,881 -413,723
11,063	42,614	Change in trade and other payables	-36,707 166,962
-5,235	-	Income taxes (paid)/refunded	-13,470 -12,278
-8,611	-20,657	Interest paid	-33,070 -60,921
-34,743	-	Cash receipts/ (Payments) from derivatives, net	-44,650 -701
185,081	-100,108	Net cash generated by / (used in) operating activities	179,920 190,137
		Cash flow from investing activities	
-28,583	-13,659	Purchase of property, plant and equipment and intangible assets, net	-78,933 -48,565
51	56	Proceeds from sale of property, plant and equipment	332 98
-	-	Dividends received	2 2
-	30,000	Change in restricted cash	-16,731 -
1,629	846	Interest received	4,390 3,408
-26,903	17,243	Net cash used in investing activities	-90,940 -45,057
		Cash flow from financing activities	
57,437	-829	Proceeds from loans	214,005 100,118
-33,032	-144,995	Repayment of loans and leases	-86,607 -228,938
-6	-12	Dividends paid	-38 -56
24,399	-145,836	Net cash provided by/(used in) financing activities	127,360 -128,876
182,577	-228,701	Net change in cash and cash equivalents	216,340 16,204
122,513	317,451	Cash and cash equivalents at beginning of period	88,750 72,546
305,090	88,750	Cash and cash equivalents at end of period	305,090 88,750

Alro Group
Consolidated statement of changes in shareholders' equity for the year 2021 - 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 2020	370,037	86,351	372,397	-29,730	342,667	36,446	-67,734	767,767	2,185	769,952
Result for the period	-	-	-	-	-	-	334,289	334,289	484	334,773
Other comprehensive income / (expense)										
Translation adjustment	-	-	-	-11,020	-11,020	-	-	-11,020	-67	-11,087
Remeasurements of post-employment benefits	-	-	-	-	-	-7,021	-	-7,021	-8	-7,029
Deferred tax on benefits remeasurement	-	-	-	-	-	1,055	-	1,055	1	1,056
Other comprehensive income / (expense)	-	-	-	-11,020	-11,020	-5,966	-	-16,986	-74	-17,060
Total comprehensive income / (expense)	-	-	-	-11,020	-11,020	-5,966	334,289	317,303	410	317,713
Transactions with owners of the company recognized directly in equity										
Distributions to owners of the company										
Appropriation of prior year result	-	-	3,469	-	3,469	-71,203	67,734	-	-	-
Balance at 31 December 2020	370,037	86,351	375,866	-40,750	335,116	-40,723	334,289	1,085,070	2,595	1,087,665
Balance at 1 January 2021	370,037	86,351	375,866	-40,750	335,116	-40,723	334,289	1,085,070	2,595	1,087,665
Result for the period	-	-	-	-	-	-	26,426	26,426	-170	26,256
Other comprehensive income / (expense)										
Translation adjustment	-	-	-	7,707	7,707	-	-	7,707	46	7,753
Remeasurements of post-employment benefits	-	-	-	-	-	8,000	-	8,000	5	8,005
Deferred tax on benefits remeasurement	-	-	-	-	-	-1,280	-	-1,280	-1	-1,281
Other comprehensive income / (expense)	-	-	-	7,707	7,707	6,720	-	14,427	50	14,477
Total comprehensive income / (expense)	-	-	-	7,707	7,707	6,720	26,426	40,853	-120	40,733
Transactions with owners of the company recognized directly in equity										
Distributions to owners of the company:										
Appropriation of prior year result	-	-	-	-	-	334,289	-334,289	-	-	-
Loss on acquisition of subsidiary under common control (Note 11)	-	-	-	-	-	-11,942	-	-11,942	-	-11,942
Balance at 31 December 2021	370,037	86,351	375,866	-33,043	342,823	288,344	26,426	1,113,981	2,475	1,116,456

Alro

Separate statement of changes in equity for the year 2021 - unaudited
in RON '000

	Share capital	Share premium	Other reserves	Retained earnings	Result for the period	Total
Balance at 1 January 2020	370,037	86,351	306,191	131,868	-152,901	741,546
Result for the period	-	-	-	-	295,206	295,206
Other comprehensive income / (expense)						
Remeasurements of post-employment benefits	-	-	-	-5,702	-	-5,702
Deferred tax on benefits remeasurement	-	-	-	912	-	912
Total other comprehensive income / (expense)	-	-	-	-4,790	-	-4,790
Total comprehensive income / (expense)	-	-	-	-4,790	295,206	290,416
Transactions with owners of the company recognized directly in equity						
Distributions to owners of the company						
Appropriation of prior year result	-	-	-	-152,901	152,901	-
Balance at 31 December 2020	370,037	86,351	306,191	-25,823	295,206	1,031,962
Balance at 1 January 2021	370,037	86,351	306,191	-25,823	295,206	1,031,962
Result for the period	-	-	-	-	35,210	35,210
Other comprehensive income / (expense)						
Remeasurements of post-employment benefits	-	-	-	7,160	-	7,160
Deferred tax on benefits remeasurement	-	-	-	-1,146	-	-1,146
Total other comprehensive income / (expense)	-	-	-	6,014	-	6,014
Total comprehensive income / (expense)	-	-	-	6,014	35,210	41,224
Transactions with owners of the company recognized directly in equity						
Distributions to owners of the company						
Appropriation of prior year result	-	-	-	295,206	-295,206	-
Balance at 31 December 2021	370,037	86,351	306,191	275,397	35,210	1,073,186

Notes to the preliminary consolidated financial results

- unaudited -

1. Alro Group ended the year 2021 with a turnover of RON 3,499,958 thousand (39% higher as compared to the year 2020), an EBIT of RON 228,139 thousand (by RON 171,373 thousand less than the previous year) and a consolidated net profit of RON 26,256 thousand as compared to a net profit of RON 334,773 thousand recorded in 2020.

The year 2021 started and ended as a challenging one, marked by significant events, which strongly affected the business environment in which the Group operates. In Q1-Q3 2021, the automotive, building and construction industries recorded a good level of demand, but towards the end of 2021 they were some of the most affected industries: the semiconductor crisis has slowed down the pace of business in the automotive sector, and the unsustainable material prices have limited the demand in the building and construction sector. Instead, the aerospace industry has evolved from an industry that showed no signs of recovery at the beginning of the year to an increasingly active sector towards the end of 2021, being encouraged by the fact that the travel restrictions, due to Covid-19 were lifted, by the general market optimism during summer of 2021 and also being supported by the increase in the A32X aircraft family production announced by Airbus. Moreover, the consumer products industry recorded an increasing trend towards the end of 2021, as a result of the growing residential demand during several lockdown periods on the account of Covid-19. The demand in the general engineering sector, severely affected by the coronavirus pandemic in 2020, has significantly recovered starting February 2021 and kept a high level until the end of the year. In April 2021, the European Union decided to enforce anti-dumping tariffs on imports of flat-rolled products from China and sent a shockwave among the major importers of Chinese material. This was however, for a short period, as the European Union decided to suspend the anti-dumping tariffs for 9 months between October 2021 and July 2022.

As regards the electric power market, the high pressure put by the energy decarbonization in Romania and Europe has led to serious anomalies on the local energy market in 2021, showing an unprecedented increase in the electricity supply prices. These increased by 32% in 2021 as compared to 2020, reaching record levels during the last quarter of 2021, when the increase was by 90% as compared to Q4 2020. Under these circumstances, we were faced with the situation that some of our electricity suppliers have requested changes of the prices for the quantities of electricity contracted in advance by the Group, reductions in quantities and stricter payment terms and, in some cases, they preferred to terminate the contracts and pay the related penalty. The Group has taken all possible measures to reduce the effect of these events and is forced to find alternatives to electricity supply that could prove more expensive in the near future.

The aluminium price on the London Metal Exchange (LME) has continued to record a rising trend, visible starting the second half of 2020, remaining at a level of over 2,000 USD/ ton with an average of 2,480 USD/ ton in 2021, by 776 USD / ton higher as compared to the year 2020 (1,704 USD/ ton). The upward trend was maintained in Q4 2021, when the LME average price was 2,762 USD/ ton, by 846 USD/ ton higher as compared to the average reported in Q4 2020 (1,916 USD/ ton), reaching a maximum level for the year 2021, namely 3,180 USD/ ton on 18 October 2021.

Having in view this increase in prices, the turnover of the Group was by 39% higher in 2021 compared to 2020, and by 80% higher in Q4 2021 compared to Q4 2020. The revenues from processed products sale increased by 36% in 2021 as compared to 2020. With a favourable LME evolution, the depreciation of the Romanian Leu against the US dollar and growing demand for the Group's high value-added products for the aerospace industries, general engineering and consumer products sector, the revenues achieved by the Group in the Processed Aluminum Division increased by 72% in Q4 2021 as compared to Q4 2020. The processed products sales volume increased by more than 10,500 tons in 2021, out of which plates production recorded an increase of 5,760 tons, this being also the Group's product with the highest added value. Despite the logistical hindrances in December 2021 (lack of transport trucks, limited working hours at customers' facilities, closed warehouses), the Group had increased processed products sales by more than 3,000 tons in Q4 2021 as compared to Q4 2020, out of which almost 2,200 tons were plates sales.

Primary aluminum sales were 32% up in 2021 compared to 2020 and 53% in Q4 2021 compared to the last quarter of 2020. The Group's billets sales in 2021 were above the budget level and we expect a very strong demand for this product category at least until the second half of 2022, so that the revenues obtained by the Group to be above the budgeted level during this period. Demand for primary products was supported by the good performance in the automotive and construction sectors, anti-dumping tariffs imposed by the European Union on extruded products in China, very tight supply, lack of containers and logistic pressure. Also for the wire rod, another primary product line, the Group achieved good results, especially in Q4 2021, when it sold almost 300 tons more compared to Q4 2020.

At the same time, the alumina segment also managed to contribute to the Group turnover in 2021 to a greater extent than in 2020, recording a quantitative increase in alumina deliveries by almost 35,900 tons and a 62% increase in revenues from sales to third parties. In Q4 2021, the Group took advantage of the market opportunities and earned 88% more from alumina sales, delivering over 6,000 tones more to third parties compared to Q4 2020.

2. Regarding **the cost of goods sold**, the Group registered an increase by 19% in 2021 compared to the same period of the last year (2021: RON 3,007,304 thousand compared to 2020: RON 2,521,548 thousand), mainly due to the increasing costs of the utilities and raw materials worldwide. In Q4 2021, the cost of the goods sold increased significantly, by 60% compared to Q4 2020 (Q4 2021: RON 887,491 thousand compared to Q4 2020: RON 556,160 thousand), due to the upward trend of electricity and natural gas prices which reached record levels.

In 2021, in a difficult context and with pressure on the decarbonization of energy in Romania and Europe, the energy market was dominated by an accelerated rise in electricity prices, which incorporate also an escalation in the prices of the emission certificates. The price of emission certificates has increased reaching almost 90 EUR/ tCO₂ in 2021 from less than 30 EUR/tCO₂ in 2020 and the price of electricity in Romania and Europe has reached unprecedented levels so far.

Also, as a result of the still unstable world economic environment the raw materials prices have risen to very high levels and the contracting of raw materials and their transportation has turned to be more problematic in 2021. Disruptions in the supply chain have significantly impacted the economic activity in 2021 and will also continue in 2022. The magnesium crisis has led to record prices in Q4 2021, causing a deficit for European aluminum producers for this type of alloying metal and a recovery of this situation is not yet visible. In order to reduce its dependence on energy supply, the Group purchased larger quantities of aluminum scrap from the market, the price of which is linked to the LME quotation, in order to ensure the raw material for the production of the Eco-Recycling Section, which increased by 23% in 2021 compared to 2020.

All these inflationary trends in the manufacturing inputs have had an effect on the Group **Inventories**, which have increased by almost 50% on the *Consolidated Statement of Financial Position* at 31 December 2021 compared to 31 December 2020.

3. However, the 19% increase in cost of the goods sold in 2021 compared to 2020 (60% in Q4 2021 compared to Q4 2020) remained below the 39% increase in sales during the analyzed period (80% in Q4 2021 compared to Q4 2020), so that the **gross profit margin** increased to 14% both at the level of year and the level of the 4th quarter of 2021, from a negative margin recorded in 2020 and the gross profit margin of 3% reported in Q4 2020.

The positive evolution of LME during the period under review, higher exchange rates and higher quantities sold in aluminium segments with better profitability margins have materialized in the reported results. Thus, **the Group's gross result** increased significantly and reached a positive value of RON 492,654 thousand in 2021 (in Q4 2021 the positive value in the amount of RON 146,043 thousand) compared to 2020 when the recorded value was negative, in the amount of RON 6,832 thousand (in Q4 2020 the positive value in the amount of RON 16,601 thousand).

4. **General, administrative and selling expenses** were lower in 2021 compared to 2020 due to the recognition of a provision in the amount of RON 29,665 thousand in Q4 2020 in the Income Statement and under **Provisions, current** category in the Statement of Financial Position, in accordance with the clauses of the collective labour agreement and the General Meeting of the Shareholders decisions regarding management remuneration, taking into account the good results of the year 2020. In 2021 the management analyzed the financial results and decided not to book such a provision.

5. In 2021 **Other operating income** amounted to RON 68,656 thousand and mainly included income from the penalties from the electricity suppliers imposed on them for the early cancellation of the contracts. Additionally, at 31 December 2021 the Group's management analyzed the 2021 results and decided to adjust the amounts to be paid as remuneration to employees and management from the above-mentioned provision in the amount of RON 29,665 thousand, recognised at 31 December 2020, so an amount of RON 19,532 thousand was reversed. In 2020, *Other operating income* mainly included the government grants of RON 647,243 thousand recorded by the Group as compensation for higher energy costs in accordance with the EU legislation on the EU-ETS scheme for 2019 and 2020. In Q4 2020 the Group recognised government grants related to the EU-ETS compensation scheme in the amount of RON 99,324 thousand (accrual-based). In 2021, the Group did not recognise any income from indirect carbon emission in *Other operating income* category as Europe entered a new phase of the ETS legislation, namely Phase 4, valid for the period 2021-2030. The Romanian authorities must implement the European ETS Guidelines post 2021, no.C(2020) 6400 final* in the Romanian legislation first, and only afterwards will it be entitled to recognize revenues from indirect emissions subsidies (*i.e.: *Communication of the Guidelines Commission regarding certain state aid measures in the context of the scheme for greenhouse gas emission allowance trading after 2021*). Additionally, an amount of RON 73,668 thousand from the sale of some of its own emission certificates was included in the category *Other operating income* in 2020. The Group had a surplus of emission certificates, as a result of sustained efforts to invest in energy efficiency increase over the last years. As for the quarter, in Q4 2020 the sales of emission certificates were in the amount of RON 37,607 thousand (nil in Q4 2021).

6. **The operating result (EBIT)** in 2021 was a profit in the amount of RON 228,139 thousand compared to 2020 when the reported profit was of RON 399,512 thousand. Although the operating results obtained by the Group were better, in 2021 the Group could not book an income from energy compensation such as it did in 2020, as mentioned above, and therefore the EBIT was lower. By neutralizing the effect of the compensation recorded in 2020, we can say that the EBIT actually increased in 2021. In Q4 2021 the EBIT recorded was in the amount of RON 64,241 thousand, by RON 19,831 thousand higher compared to the same quarter of the previous year (Q4 2020: RON 44,410 thousand), due to the upward trend of LME and higher quantities sold in the aluminium segment for products with higher profitability margins, as well as in the alumina segment.

7. **The gains (losses) from derivative financial instruments, net** are mainly related to the 100% collar options concluded by the Group in March 2021 for a quantity of 60,000 tons of aluminum, ensuring for this quantity at minimum the budgeted price for the second half of the year. In 2021, from the exercise of the options between July and December 2021 due to the fact that the price of aluminum reflected by the LME quotation was higher than the cap the collar, the Group recorded a loss in the amount of RON 57,898 thousand including their cost and the options not exercised when the LME values were within the collar range (2020: nil). However, the loss from hedging was offset by the higher level of LME incorporated in the price of aluminium sold to the customers. Furthermore, in December 2021, the Group entered into an electricity fixed-for-floating swap derivative transaction with a trader. Its purpose is to secure the quantity of 10,795 MWh at a fixed price against the unpredictable increase of price for acquisitions during January – March 2022. The contract is cash-settled, denominated in EUR, and for settlement it uses the floating price valid on OPCOM (Electricity - Day - Ahead - Hourly – OPCOM). An unrealized loss of RON 6,004 thousand (2020: nil) was recorded for the outstanding derivatives, representing their mark-to-market at 31 December 2021, due to a sudden and temporary fall in market prices on the last trading day before the end of the year.

8. **Net foreign exchange gains / (losses)** are mainly amounts with no effect on the cash flow arising from the revaluation of the Group's loans and other foreign currency liabilities. While in 2021 for the whole year and in Q4 2021 the Group recorded a loss in the exchange rate, due to the depreciation of the Romanian Leu against the US dollar in 2020, both at the level of the year and at the level of the 4th quarter, the Group recorded gains from exchange rate differences especially from the revaluation of loans denominated in USD on the background of the appreciation of the Romanian Leu in those periods.

9. The Group's **net result** for 2021 is a profit of RON 26,256 thousand compared to a net profit of RON 334,773 thousand for the same period of the last year, because in 2021 the Group could not benefit from revenues from compensation for the indirect emission cost mentioned above. However, in 2021 a 39% increase in sales was reported compared to 2020, as the Group took advantage of the market opportunities and continued to consolidate its position especially in the aerospace, construction, automotive, general engineering industries and consumer products, focusing on the high value-added product sales. At the same time, the alumina segment reported better performance with higher sales of alumina. However, the prohibitive prices of electricity and natural gas, that registered record levels in Q4 2021, as well as the exchange rate losses had a significant impact on the Group's financial results despite the increased market demand for our products and increase of LME quotations, so that the Group achieved a lower profit in 2021 compared to the previous year. The same trend was maintained in Q4 2021, when the net profit obtained by the Group amounted to RON 50,920 thousand compared to the net profit of RON 61,421 thousand reported in Q4 2020.

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

in RON '000 Q4 2021	in RON '000 Q4 2020		in RON '000 2021	in RON '000 2020
50,920	61,421	Result for the period	26,256	334,773
5,558	4	Plus/(minus) charge/ (reversal) of non-current assets impairment expense/(income)	5,554	4
-6,906	-	Plus/(minus) the loss/(gain) from derivative financial instruments for which hedge accounting was not applied	63,902	-
-3,574	-19,834	Plus/(minus) deferred tax expense	-3,858	-10,976
45,998	41,591	Adjusted net result	91,854	323,801

10. **Bank and other loans:** In June 2021, the Group Parent Company obtained a USD 40,000 thousand CAPEX loan from a commercial bank. At 31 December 2021, the drawn down amount from this loan was RON 43,707 thousand (the equivalent to USD 10,000 thousand). In June 2021, the Parent Company obtained a State guaranteed loan of RON 167,312 thousand for working capital from a bank. This loan was fully drawn down at 31 December 2021.

In February 2021, a subsidiary of the Group signed a loan agreement with a commercial bank, for a limit of USD 3,000 thousand, to be used for working capital needs of the company both cash and non-cash. The loan agreement was supplemented with a non-revolving facility in amount of USD 2,000 thousand for financing working capital needs in December 2021, which has the maturity in December 2024.

11. In December 2021, the Parent Company completed the steps for integrating the sales activity in the structure of the Alro Group, by completing the acquisition of the company Vimetco Trading SRL from its majority shareholder, Vimetco PLC and its subsidiary, Vimetco Management Romania. The amount of RON 15,600 thousand, representing the value of the acquisition is included at 31 December 2021 in the *Statement of financial position*, at the Company level in the category **Investments in subsidiaries** and at the level of both Group and Company under the category **Other current financial liabilities**. The acquisition was treated as a transaction under common control, therefore no goodwill was recognized at acquisition and the difference between the consideration payable and the carrying values of net assets of the subsidiary in amount of RON 11,942 thousand was recognized in Equity as *Loss on acquisition of subsidiary under common control*.

12. Considering the exceptional circumstances in the energy and gas markets, in the end of December 2021 the Board of Directors of Alro adopted the production plan for the year 2022. In order to reduce the Group dependency on electricity and to safeguard the liquidity of the Group on the purpose of meeting all the liabilities when they come due, the Group strategy for 2022 foresees the reduction of the electrolytic aluminium production, with the smelting activity being diminished from five electrolysis halls to two electrolysis halls. The Parent company would instead buy cold metal from the market and intends to maintain, or even increase, the output of processed products, which yield better margins, while for the less profitable primary products, the output would be adjusted. Thus, the management estimates that its turnover for 2022 would be maintained at least at the levels of the year 2021, with the adopted production plan being the best solution for the current market conditions. Nevertheless, the Group is currently looking for solutions to secure the energy requirements for 2023 for all the five potrooms of Alro with a view to resume its normal capacity in future when possible and to preserve its status of an integrated aluminium producer. The Group has taken into consideration the existing and subsequent circumstances at 31 December 2021, based on the available information, and is currently analyzing all the implications of the above mentioned strategy and measures for 2022 from the IFRS perspective, while assessing the value of its assets. The situation was discussed also with the current lenders and the Group received their support in the form of a waiver for the adjusted production program for 2022.

Gheorghe Dobra

Chief Executive Officer



Genoveva Nastase

Chief Financial Officer

