vimetco alro

Current Report

No. 41/12.05.2023

To: Financial Supervisory Authority
Bucharest Stock Exchange

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

Date of report: **12.05.2023**
Name of issuer: **ALRO S.A.**
Headquarters: **Slatina, 116 Pitesti Street, Olt County**
Telephone/ fax number: **+40 249 431 901 / +40 249 437 500**
Sole registration number at the Trade Register Office: **RO 1515374**
Trade Register Number: **J28/8/1991**
The European Unique Identifier (EUID): **ROONRCJ28/8/1991**
Legal Entity Identifier (LEI): **5493008G6W6SORM2JG98**
Subscribed and paid-in share capital: **356,889,567.5 RON**
Regulated market on which the issued shares are traded: **Bucharest Stock Exchange – Premium Tier Category** (market symbol: **ALR**)

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

Press Release

ALRO registered a consolidated turnover of RON 822 million in Q1 2023

Slatina, 12 May 2023 – ALRO S.A. (BSE: ALR, "the Company" or "ALRO"), one of the largest vertically integrated aluminium producers in Europe, measured by production capacity, announces today its interim condensed consolidated financial statements for the first quarter of 2023. ALRO Group registered a turnover of RON 822 million, 25% lower compared to Q1 2022 when it stood at RON 1.1 billion and a net loss of RON 52 million in Q1 2023, compared to the net loss of RON 18 million in Q1 2022. The lower aluminium demand on the international markets coupled with high costs for raw materials, including energy, impacted the Group's results. However, ALRO's estimates of market recovery for specific sectors and proved correct and the production and sales started to pick up compared to Q4 2022.

"The first three months of 2023 found us in a new business model compared to the first quarter of 2022, as last year we were forced to take difficult but necessary measures to preserve our activity and temporarily shut down three of our five potrooms. But these swift measures we took to cut down costs, supported also by the good results of our long-term development strategy helped us yet again limit the loss and fulfil all business and social obligations", said Marian NĂSTASE, Chairman of ALRO's Board of Directors. ***"The strong investment programme we implemented over the past 20 years helped us navigate in a very volatile aluminium market, and adapt our production to the changes in demand, while limiting the impact of the high costs with utilities. While the aluminium market started to show slight signs of improvement at the end of the first quarter, we will continue our investments in cost efficient technologies to further support our market position on the long run",*** added Marian NĂSTASE, Chairman of ALRO's Board of Directors.

Market & Operational Update

In Q1 2023 the LME 3M registered a 26% decrease, with the average three-month seller quotation standing at 2,435USD/ tonne, lower by 834 USD/ tonne, compared to Q1 2022 average, when it reached 3,269 USD/ tonne.

However, ***ALRO Group swiftly adapted to the new realities, focusing on reducing specific consumptions and increasing energy efficiency.*** Thus, it continued its investments in the upgrade of its electrolysis pots using AP12LE technology to achieve high energy efficiency. In the first quarter of 2023, ALRO relined 11 pots, compared to five in Q1 2022. ***Moreover, the Group also proceeded with its programme to increase the capacity of its Eco-Recycling Facility*** from 35,000 to 85,000 tonnes per year and reduce energy consumption.

The Group also pursued its strategy to invest in increasing the high value-added products output. Its subsidiary, Vimetco Extrusion, commissioned a new, state-of-the-art extrusion press, in 2022, thus increasing the sales of extruded products by 18% in Q1 2023, compared to Q1 2022. The billets demand started to pick up after a long stand-still, resulting in an increase by 22 % in Q1 2023, compared to Q1 2022. The sales for wire rod were above the Group's budget, and the coils output remained at the same level as in the first quarter of 2022.

The strategy to invest in state-of-the-art technology that reduce consumptions and increase energy efficiency was also recognised at formal levels. The Group ***achieved first certification in Europe under Aluminium Stewardship Initiative's Third Version of Performance Standard, confirming its sustainable and responsible business practices.***

These financial results are available in a separate document on the Company's website, Investor Relations category, Reports section: http://www.alro.ro/en/reports and at the below link:

Marian-Daniel NĂSTASE
Chairman of the Board of Directors

Gheorghe DOBRA
Chief Executive Officer

For further information, please contact:
www.alro.ro

Florența Ghiță
Bucharest
Phone: +40 744 644 004
Email: investor.relations@alro.ro

Notes to the Editors:

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, Conef S.A. – holding and management company, Global Aluminium Ltd. – holding company and Bauxite Marketing Ltd –

Alro S.A. 116 Pitesti Street
Slatina, Romania
Phone: +(40) 249 431 901
Fax: +(40) 249 437 500
alro@alro.ro
www.alro.ro

marketing, Vimetco Trading – aluminium sales. Having this structure, the Group created an integrated production chain assuring the raw materials for ALRO.

ALRO

ALRO is a subsidiary of Vimetco PLC (Republic of Cyprus), a global, vertically-integrated primary and processed aluminium producer. ALRO is one of the largest vertically integrated aluminium producers, by capacity, in Europe, having an installed production capacity of 265,000 tonnes per annum of electrolytic aluminium, 47,000 tonnes per annum of recycled aluminium, and the Cast-House has a total cast aluminium capacity of 332,000 tonnes per annum and processing facilities of 135,000 tpa of hot and cold rolling facilities and extrusion shop.

The main market for ALRO products is represented by the European Union; the Company exports its products to the USA and Asia, as well. ALRO is ISO 9001 certified for quality management and has NADCAP and EN 9100 certificates for aerospace production organizations, ALRO's products adhere to the quality standards for primary aluminium on the LME, as well as international standards for flat rolled products.

Starting from 18 March 2019, the Index Committee of the Bucharest Stock Exchange approved the inclusion of ALRO (code ALR) in BET, the main index of the market, and in BET-TR, the total return version of BET. ALRO's shares have been listed on the Bucharest Stock Exchange since October 1997 and ALRO represents the first company in the aluminium industry present in these two indices.

Since 2020, ALRO and Vimetco Extrusion are members of ASI (Aluminium Stewardship Initiative), an international association that contributes to enhancing sustainability in the global aluminium sector.

Alro S.A. 116 Pitesti Street
Slatina, Romania

Phone: +(40) 249 431 901
Fax: +(40) 249 437 500

alro@alro.ro
www.alro.ro

Quarterly Report 31 March 2023

vimetco
alro

CONTENTS

ALRO GROUP

CONSOLIDATED QUARTERLY REPORT FOR THE FIRST THREE MONTHS ENDED 31 MARCH 2023

Consolidated Financial Results for the First Quarter of 2023 (Q1 2023) as Compared to the First Quarter of 2022 (Q1 2022) (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 2023

Highlights of the first quarter of 2023 (Q1 2023)

- Consolidated turnover of RON 822 million in Q1 2023, i.e. 25% lower than in Q1 2022 (RON 1,102 million), as a result of lower aluminium prices on the London Metal Exchange (LME) and a decline of demand in all industrial sectors;

- Higher sales volumes of extruded products and billets in Q1 2023 compared to Q1 2022, and comparatively with Q4 2022, the sales volumes are higher for all the aluminium business lines;

- Average 3-month seller LME quotation: 2,435 USD/ tonne in Q1 2023, decreasing by 834 USD/ tonne, as compared to Q1 2022 (3,269 USD/ tonne) (a 26% decrease of the quotation in the market), but similar to the Q4 2022 average (up slightly by 4% QoQ);

- Bottom-line consolidated result: net loss of RON 52,435 thousand in Q1 2023, compared to the net loss of RON 18,109 thousand in Q1 2022, as a consequence of the global economic crisis with pressure on prices that could not offset the high costs of inputs;

- In March 2023 the Group submitted the documentation for receiving the compensation of RON 437,059 thousand for the indirect emissions costs included in the energy price for 2022, which is expected to have a positive effect in ALRO Operational Cash Flow in 2023;

- In January 2023, ALRO achieved the first certification in Europe under Aluminium Stewardship Initiative's Third Version of Performance Standard (Version 3 is the latest version available, published in May 2022), after an extensive and thorough assessment of the Company's sustainability performance.

ALRO Group

Indicator	Q1 2023	Q1 2022
Primary aluminium production (tonnes)	43,531	63,545
Processed aluminium production (tonnes)	22,286	31,774
Alumina production (tonnes)	-	58,547
Bauxite production (tonnes)	155,144	187,141
Sales (thousand RON)	821,813	1,102,151
EBITDA[1] (thousand RON)	15,836	60,309
EBITDA margin (%)	1.9%	5.5%
Adjusted net result[2] (thousand RON)	-51,722	-15,525
Net result (thousand RON)	-52,435	-18,109

ALRO S.A.

Indicator	Q1 2023	Q1 2022
Primary aluminium production (tonnes)	43,531	63,545
Processed aluminium production (tonnes)	13,722	25,377
Primary aluminium sales (tonnes)	25,850	28,354
Processed aluminium sales (tonnes)	14,203	23,985
Sales (thousand RON)	689,004	1,050,228
EBITDA[1] (thousand RON)	8,167	25,283
EBITDA margin (%)	1.2%	2.4%
Adjusted net result[2] (thousand RON)	-38,157	-32,661
Net result (thousand RON)	-38,848	-34,942
Adjusted net result[2] per share (RON)	-0.053	-0.046
Net result per share (RON)	-0.054	-0.049

[1] EBITDA earnings before interest, taxes, depreciation, amortization and impairment;

[2] 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.

The last few years have been marked by numerous challenges, starting from the health crisis during the Covid-19 pandemic, which led to disruptions in the supply chains and a slowdown in the global economy, and followed by the energy crisis in Europe in the second half of 2021. In addition, the outbreak of the Russian-Ukrainian conflict in Q1 2022 led to higher gas and fuel prices, that caused unfavourable developments in the electricity and raw materials markets, and further reflected in higher production costs in all sectors of the economy. The unstable economic environment, the higher energy and gas costs, the volatility in aluminium (LME) prices and foreign exchange rates, the rising inflation and interest rates at record levels, all of these have put pressure on the aluminium industry business. In this unfavourable context, Alro Group had to take firm measures to preserve the value of our business by reducing electrolytic aluminium production from five to two electrolysis potrooms in Q1 2022, and by temporarily suspending alumina production at its subsidiary, Alum, in Tulcea, in August 2022.

The first quarter of 2023 was marked by a slowdown in the dynamics of the global economy, as a result of weaker consumer demand. The global aluminium market is highly competitive, with the Group also facing strong competition from similar producers in Q1 2023. The postponement until June 2022 of anti-dumping duties on cheap flat-rolled products imported from China has generated overstocking among the European distributors, who are now trying to sell this old metal, which has been held in their warehouses for too long. However, the anti-dumping duties only cover a small part of the price difference from the flat products made in Europe and we do not expect the European Union to review these duties in the short term, while a recovery in demand in the Chinese market as a result of China giving up its zero-Covid policy could drive an increase in the market demand for flat rolled products. At the same time, the premiums continued to be under intense pressure in 2023 due to declining demand and aggressive competition, particularly from Turkey.

In 2023, the aerospace sector has started to be affected by some severe disruptions in the supply chain, coming from shortages in the capacity for various titanium and extruded aluminium products. This was also confirmed by Airbus' announcement of potential delays in A320 aircraft deliveries, which limited our plate deliveries in Q1 2023.

Nevertheless, by comparison with Q4 2022, the demand had an increasing trend and we reported higher sales volumes for all the aluminium business lines. At the same time though, the financial results for Q4 2022 are distorted by the compensation for indirect emission costs booked for two years, namely 2021 and 2022.

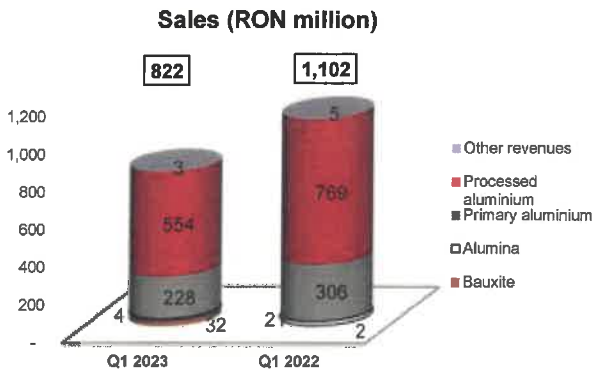
In the current conditions, with climate change being increasingly felt in Romania and internationally, Alro Group has shown rapid adaptation, continuing to invest in the latest technologies and energy efficiency projects. In Q1 2023, the Group continued to upgrade electrolysis pots using AP12LE technology, which is an innovating technology leading to high energy efficiency, by relining 11 new pots (Q1 2022: 5). The aim of this project is to reduce the energy consumption of the pots by approximately 300 kWh/tonne of aluminium while maintaining the production capacity. Also, in Q1 2023 the Group continued the investment project "Develop the scrap remelting capacities in Eco-Recycling Facility by installing two double chamber furnaces, one holding furnace and the related fume collection and treatment plant". The project aims to increase scrap recycling capacity from 35,000 to 85,000 tonnes per year and reduce the Group's dependence on electricity purchase (the amount spent in Q1 2023 was RON 5,601 thousand and RON 3,507 thousand in Q1 2022). The equipment is scheduled to be fully operational in the second half of 2023. Also, in 2022 the Group's subsidiary, Vimetco Extrusion, commissioned a new, state-of-the-art extrusion press, which has low electricity consumption, so that in Q1 2023 it increased the sales of extruded products by 18% compared to Q1 2022, supporting the Group's strategy of growing the high value-added sales.

Sales

In Q1 2023 the price of aluminium on the London Metal Exchange (LME 3M) has dropped significantly reaching an average of USD 2,435/ tonne, 26% lower than in Q1 2022, when the average was USD 3,269/ tonne. Q1 2022 was a period of particularly favourable LME prices, the highest seen in several years. Thus, this was one of the factors that caused the Group's **turnover** decrease from RON 1,102,151 thousand in the first quarter of the previous year to RON 821,813 thousand in the same quarter of 2023. In Q1 2023, the aluminium price remained similar to the Q4 2022 average of 2,345 USD/t (up slightly by 4% QoQ).

Set out below is a breakdown of sales by segment in Q1 2023 and Q1 2022:

Revenues from contracts with customers	Q1 2023	Q1 2022
Revenues from bauxite segment	31,732	2,395
Revenues from alumina segment	4,284	20,723
Revenues from primary aluminium segment	228,370	305,702
Revenues from processed aluminium segment	553,973	768,668
Other	3,454	4,663
Total	**821,813**	**1,102,151**

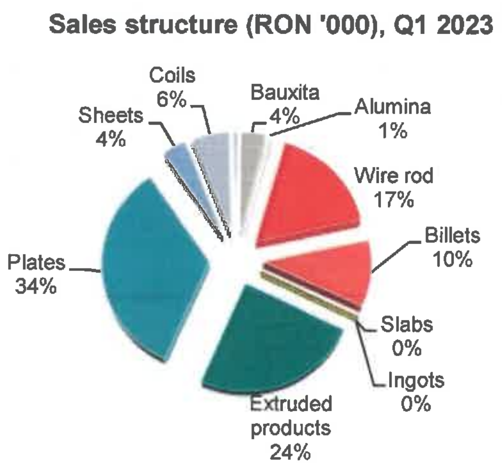


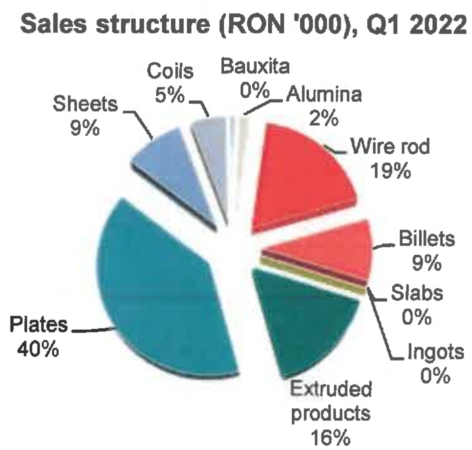
Considering the still very difficult market conditions, the sales of processed products decreased by 28% in Q1 2023 as compared to the same quarter of the previous year. However, a positive evolution was recorded on the extruded products with the Group delivering more than 1,260 tonnes in Q1 2023 as compared to Q1 2022, as a result of the investments that the Group's subsidiary, Vimetco Extrusion, made in 2022 in a state-of-the-art extrusion press, aiming at increasing the production of customized high value-added products. In terms of flat rolled products, the volume sales increased by almost 4,700 tonnes, in Q1 2023 as compared to the last quarter of 2022, but they were still below the Q1 2022 level by almost 9,780 tonnes amid the global economic downturn and from the lack of capacities for various titanium products and aluminium extruded products, which severely impacted the aerospace sector. At the same time, there was a slight improvement in the demand for coils and the Group delivered almost 2,400 tonnes of this product line in Q1 2023, at the same level as in Q1 2022. Our sales teams participated in various fairs and events dedicated to the aluminium industry in Q1 2023, targeting new business opportunities, which are expected to be materialized in the coming months.

In Q1 2023, the revenues from sales of primary products decreased by 25% and reported a level of RON 228,370 thousand as compared to RON 305,702 thousand in Q1 2022, due to the decrease, mainly in wire rod sales, by almost 4,500 tonnes, as a result of the Group strategy to focus on processed products during this period. However, in March 2023, the sales of wire rod were above the budgeted ones, and we expect demand for this product type to remain strong throughout 2023. After a long period of weak demand for billets, signs of improving demand were recorded in Q1 2023, as the deliveries increased by 1,175 tonnes as compared to the same quarter of last year and we expect additional sales in the coming periods if the market recovers as per our forecast.

As a result of the temporary shutdown of Alum's activity starting August 2022, the activity of Sierra Leone subsidiary has been aligned to the Group's new business strategy, so that in Q1 2023 all bauxite production was delivered to third party customers (Q1 2023: RON 31,732 thousand as compared to Q1 2022: RON 2,395 thousand).

The contribution to sales of the Processed Aluminum segment, including products with high and very high value added, remained the majority, although in a slight decrease compared to the same period of the previous year (in Q1 2023 representing 67% of the Group's total revenues compared to 70% in Q1 2022), while the contribution of the Primary Aluminum segment in the total revenues of the Group remained at the same level, namely 28%, in the compared reporting periods.

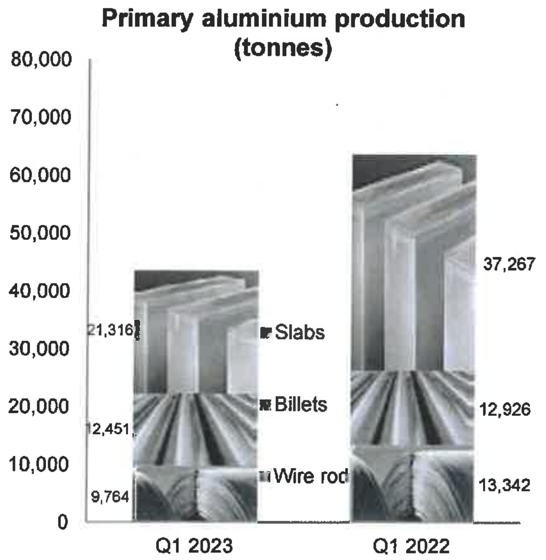


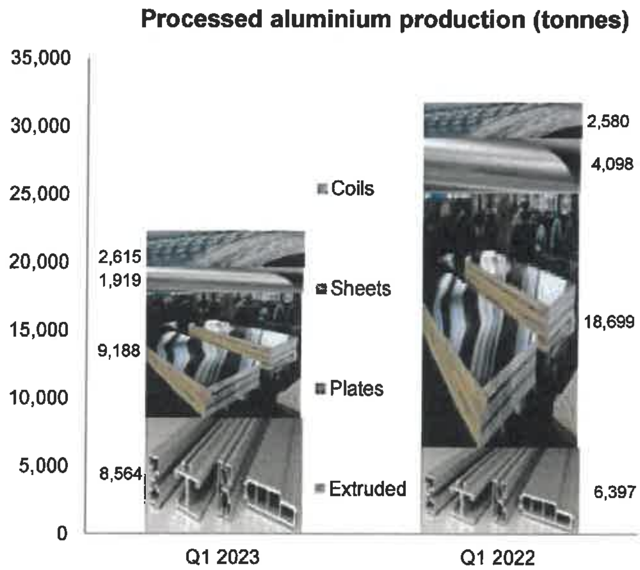


Production

The first quarter of 2023 was marked by a slowdown in the manufacturing activity across all sectors of the world economy, which started in Q4 2022, amid a decline in consumer spending driven by high inflation. Following the temporary suspension of production in three out of the five electrolysis potrooms in Q1 2022, the Group purchased aluminium ingots from the market to compensate for the reduction in electrolytic aluminium production. Additionally, the Group concluded processing contracts with loyal customers, by processing the metal delivered by these customers and charging a processing fee for the specific products ordered, i.e. wire rod and billets. In Q1 2023, the Group processed almost 4,000 tonnes of wire rod and billets under tolling contracts as compared to almost 4,400 tonnes of wire rod and billets processed in Q1 2022. Moreover, the production was aligned with the demand, which was much lower in Q1 2023. Under these circumstances, the billet production decreased by more than 470 tonnes due to overstocking at end users, but nevertheless, the volume sales compared to the same period increased. Instead, March 2023 brought signs of improvement in the demand for these product lines, such that the Group produced by 1,740 tonnes more billets in this month as compared to March 2022, and almost 640 tonnes more wire rod.

In terms of production of processed products, a significant increase was reported in the extruded products sector as the Group's subsidiary, Vimetco Extrusion kept pace with the market demand and its products were developed through investments in the extrusion line. Under these circumstances, in Q1 2023, the Group produced almost 2,200 tonnes more of standard and customised profiles that have high value added, as compared to Q1 2022. Instead, the demand for flat rolled products was decreasing in Q1 2023, due to the shortage of non-ferrous metals on the market, which affected the aerospace industry, as well as due to the pressure put on prices, which led to a fierce competition between manufacturers and to stockpiling of cheap Chinese aluminium, as a result of the European Union's suspension of anti-dumping tariffs on flat rolled products from 2021 to June 2022, for processed aluminium products from China. These factors have led to the limitation of our plates production, which was lower by more than 9,500 tonnes in Q1 2023 as compared to Q1 of the previous year. The same downward trend was maintained for production of slabs, in accordance with the production of flat rolled products. On the contrary, a slight recovery in demand in Q1 2023 was reported for coils, whose production was over 2,600 tonnes, at the same level as the production in the same period of the previous year.





By comparison to Q1 2022, the electrolytic aluminium in Q1 2023 was at a lower level due to the fact that in Q1 2022 we started with 5 electrolysis halls and closed one per month progressively until the end of the quarter.

Q1 2023 vs Q4 2022 was much better in terms of quantity produced and sold, in line with the market demand and in line with our estimation of market recovery. The quantities didn't increase significantly, but the trend reversed with promising values for the coming period.

Cost of goods sold decreased by 14% in Q1 2023 as compared to Q1 2022 (Q1 2023: RON 861,812 thousand as compared to Q1 2022: RON 1,005,185 thousand), mainly due to the slowdown in the global economy. Although electricity and gas prices decreased in Q1 2023 as compared to the maximum values of the year 2022 recorded in Q1, the Group continued to face high pressure from utilities costs. The year 2022 was affected by commodity price volatility and disruptions in trade flows due to the Russian-Ukrainian conflict and geopolitical tensions, which caused an inflation increase, and their consequences continued to be present in Q1 2023. Although the raw materials price (scrap metal and primary metal purchased from third parties) which is linked to the LME quotation recorded a decrease in Q1 2023 as compared to Q1 2022 as a result of the downward trend in aluminium prices, the cost for the vast majority of raw materials purchased by the Group remained at high levels, increasing in Q1 2023 as compared to Q1 2022.

At the same time, in Q1 2023, the Group continued to expand its capacity of recycling scrap and primary metal purchased from the market and it used almost 16,700 tonnes, in the production process, in Q1 2023 as compared to almost 14,200 tonnes used in Q1 2022, as part of the Group's strategy to reduce electricity costs and increase its sustainable aluminium production. This increase of usage of purchased metal compensated for the lower quantity of electrolytic aluminium once the 3 potrooms were made idle in 2022.

The downward trend of the LME quotation, the low level of demand recorded since the middle of 2022, partially offset by the exchange rate increase, the still high pressure of utilities price and the further increase in prices for most raw materials has influenced the Group's consolidated **gross result** which was a negative result amounting to RON 39,999 thousand as compared to the gross profit recorded in Q1 2022, of RON 96,966 thousand.

In Q1 2023, **Other operating income** reached the value of RON 112,330 thousand (as compared to Q1 2022: RON 4,848 thousand) and mainly includes compensation of RON 108,811 thousand (Q1 2022: nil) recorded by the Group for high energy costs as per EU legislation on the EU-ETS scheme, on an accrual basis for the first three months of 2023. For more details, see also the *Group's interim condensed consolidated financial statements* for the three months ended 31 March 2023. Nevertheless, the Group's **EBIT** for Q1 2023 was negative of RON 27,318 thousand (in Q1 2022 a positive EBIT of RON 23,037 thousand).

In the first quarter of 2023, the category **Other operating expenses** included the depreciation of idle plants of RON 9,640 thousand (in Q1 2022: RON 2,573 thousand), having in view the temporary suspension of the operations of 3 electrolysis halls and of the alumina plant in Tulcea in 2022, as well as costs of RON 10,157 thousand that were recognized by Alum during the subsequent period to the production capacity shutdown (in Q1 2022: nil).

Interest expenses increased in Q1 2023 as compared to Q1 2022 (Q1 2023: RON 32,380 thousand versus Q1 2022: RON 13,109 thousand) mainly as a result of the increase in LIBOR, EURIBOR and ROBOR benchmark interest rates and also due to the increase of the loans balance of the Group.

The amount of RON 13,600 thousand reported in Q1 2023 representing **net foreign exchange gains** results mainly from the revaluation of the loans and other liabilities of the Group in foreign currencies, due to the appreciation of RON at the end of the period (in Q1 2022: a loss of RON 14,952 thousand).

In Q1 2023 as compared to Q1 2022, despite lower aluminium prices, lower sales volumes due to lower demand, harsh market competition and unfavourable geopolitical factors, the Group continued its strategy of consolidating its position as a supplier of high value-added products and succeeded in increasing the deliveries of extruded products by 18%. However, the multiple crises of recent years, which have strongly affected the world economy, have led to a slowdown in production activity, disruptions in trade flows, volatility in energy and raw material product prices, rising inflation and interest rates increasing to unprecedented levels. Under these circumstances, the Group's net result in Q1 2023 was a loss of RON 52,435 thousand as compared to the net loss of RON 18,109 thousand reported in Q1 2022.

The reconciliation between the net result and the adjusted net result for Q1 2023 and Q1 2022 is detailed below:

Adjusted net result	Q1 2023	Q1 2022
NET RESULT (RON '000)	-52,435	-18,109
Plus/(minus) the loss/(gain) from derivative financial instruments for which hedge accounting was not applied	-	2,446
Plus/(minus) deferred tax expense/ (income)	713	138
ADJUSTED NET RESULT	-51,722	-15,525

ALRO GROUP

Interim condensed consolidated financial statements for the three months ended 31 March 2023 (unaudited)

Interim consolidated statement of profit or loss and other comprehensive income for the three months ended 31 March 2023 - unaudited

in RON '000,
except per share data

	Note	Three months ended 31 March 2023	Three months ended 31 March 2022
Revenue from contracts with customers	5	821,813	1,102,151
Cost of goods sold		-861,812	-1,005,185
Gross result		**-39,999**	**96,966**
General, administrative and selling expenses	7	-78,194	-71,977
Other operating income	8	112,330	4,848
Other operating expenses	9	-21,455	-6,800
Operating result (EBIT)		**-27,318**	**23,037**
Interest expenses	10	-32,380	-13,109
Gains (losses) from derivative financial instruments, net	16	-	-2,446
Other financial income		5,993	1,334
Other financial costs		-7,875	-8,141
Net foreign exchange gains / (losses)		13,600	-14,952
Result before income taxes		**-47,980**	**-14,277**
Income tax	11	-4,455	-3,832
Result for the period		**-52,435**	**-18,109**
Other comprehensive income / (expense), net of tax:			
Items that will not be reclassified subsequently to profit or loss:			
Remeasurements of post-employment benefit obligations		10	-8
Items that may be reclassified subsequently to profit or loss:			
Translation adjustment		-2,073	3,743
Other comprehensive income / (expense) for the period, net of tax		**-2,063**	**3,735**
Total comprehensive income / (expense) for the period		**-54,498**	**-14,374**
Result attributable to:			
Shareholders of Alro S.A.		**-52,259**	**-18,098**
Non-controlling interest		**-176**	**-11**
		-52,435	-18,109
Total comprehensive income / (expense) attributable to:			
Shareholders of Alro S.A.		**-54,312**	**-14,387**
Non-controlling interest		**-186**	**13**
		-54,498	-14,374
Earnings per share			
Basic and diluted (RON)	12	-0.073	-0.025

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 11 May 2023.

Dr. Ing Gheorghe DOBRA
Chief Executive Officer

Ec. Genoveva NĂSTASE
Chief Financial Officer

This is a free translation from the original Romanian binding version

Interim consolidated statement of financial position as at 31 March 2023 - unaudited

in RON '000

	Note	31 March 2023	31 December 2022
Assets			
Non-current assets			
Property, plant and equipment	13	1,074,763	1,090,979
Investment properties		595	602
Intangible assets		3,374	3,479
Goodwill	15	78,633	79,851
Right-of-use assets		10,033	7,092
Deferred tax asset	11	35,112	35,825
Other non-current financial assets	17	49,390	77,776
Total non-current assets		**1,251,900**	**1,295,604**
Current assets			
Inventories	18	969,558	1,168,187
Trade receivables, net		131,057	69,780
Current income tax receivable		1,725	1,817
Other current financial assets	19	642,609	510,765
Other current non-financial assets		60,986	25,025
Restricted cash	20	107,939	88,688
Cash and cash equivalents	20	573,177	630,068
Total current assets		**2,487,051**	**2,494,330**
Total assets		**3,738,951**	**3,789,934**
Shareholders' Equity and Liabilities			
Shareholders' equity			
Share capital		370,037	370,037
Share premium		86,351	86,351
Other reserves		354,923	356,986
Retained earnings		734,090	324,009
Result for the period		-52,259	410,071
Equity attributable to shareholders of Alro S.A.		**1,493,142**	**1,547,454**
Non-controlling interest		1,786	1,972
Total shareholders' equity		**1,494,928**	**1,549,426**
Non-current liabilities			
Bank and other loans, non-current	21	621,671	670,097
Leases, non-current	21	6,153	3,831
Provisions, non-current		43,455	43,125
Post-employment benefit obligations		26,897	27,154
Government grants, non-current portion		34,104	35,169
Other non-current financial liabilities		18,801	18,834
Total non-current liabilities		**751,081**	**798,210**
Current liabilities			
Bank and other loans, current	21	1,020,105	1,015,044
Leases, current	21	2,961	2,465
Provisions, current		34,130	32,435
Trade and other payables	22	269,970	230,633
Contract liabilities	5	12,874	20,222
Current income taxes payable		73,772	70,056
Government grants, current portion		4,267	4,267
Other current liabilities		74,863	67,176
Total current liabilities		**1,492,942**	**1,442,298**
Total liabilities		**2,244,023**	**2,240,508**
Total shareholders' equity and liabilities		**3,738,951**	**3,789,934**

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 11 May 2023.

Dr. Ing Gheorghe DOBRA
Chief Executive Officer

Ec. Genoveva NĂSTASE
Chief Financial Officer

This is a free translation from the original Romanian binding version

Interim consolidated statement of changes in shareholders' equity for the three months ended 31 March 2023 - unaudited

	Share capital	Share premium	Other reserves
Balance at 1 January 2022	**370,037**	**86,351**	**375,866**
Result for the period	-	-	-
Other comprehensive income / (expense)			
Translation adjustment	-	-	-
Remeasurements of post-employment benefits	-	-	-
Other comprehensive income / (expense)	-	-	-
Total comprehensive income / (expense) for the period	-	-	-
Transactions with owners of the company recognized directly in equity			
Distributions to owners of the company			
Appropriation of prior year result	-	-	48
Balance at 31 March 2022	**370,037**	**86,351**	**375,914**
Balance at 1 January 2023	**370,037**	**86,351**	**375,866**
Result for the period	-	-	-
Other comprehensive income / (expense)			
Translation adjustment	-	-	-
Remeasurements of post-employment benefits	-	-	-
Other comprehensive income / (expense)	-	-	-
Total comprehensive income / (expense) for the period	-	-	-
Transactions with owners of the company recognized directly in equity			
Distributions to owners of the company:			
Appropriation of prior year result	-	-	-
Balance at 31 March 2023	**370,037**	**86,351**	**375,866**

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 11 May 2023.

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
-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
-18,880	356,986	324,009	410,071	1,547,454	1,972	1,549,426
-	-	-	-52,259	-52,259	-176	-52,435
-2,063	-2,063	-	-	-2,063	-10	-2,073
-	-	10	-	10	-	10
-2,063	-2,063	10	-	-2,053	-10	-2,063
-2,063	-2,063	10	-52,259	-54,312	-186	-54,498
	-	410,071	-410,071	-	-	-
-20,943	354,923	734,090	-52,259	1,493,142	1,786	1,494,928

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 11 May 2023.

Interim consolidated statement of cash flows for the three months ended 31 March 2023 - unaudited

in RON '000

	Note	Three months ended 31 March 2023	Three months ended 31 March 2022
Cash flow from operating activities			
Result before income taxes		-47,980	-14,277
Adjustments for:			
Depreciation and amortisation		43,154	37,272
Movement in provisions		1,744	493
Change in allowance for impairment of inventory	18	-36,259	-939
Change in allowance for impairment of doubtful receivables	7	128	85
Losses/(gains) on disposal of property, plant and equipment		-505	140
Net foreign exchange (gains)/ losses on loans revaluation		-14,777	15,058
Interest income		-5,888	-1,323
Interest expense	10	32,380	13,109
Gain/loss on derivative instruments at fair value through profit or loss	16	-	2,446
Changes in working capital:			
Change in inventories		229,471	-127,875
Change in trade receivables and other assets		-229,785	-137,369
Change in trade and other payables		44,289	-67,019
Income taxes (paid)/refunded		34	-
Interest paid		-28,619	-13,211
Cash receipts/ (Payments) from derivatives, net		-	-14,929
Net cash generated by / (used in) operating activities		**-12,613**	**-308,339**
Cash flow from investing activities			
Purchase of property, plant and equipment and intangible assets, net		-26,095	-30,705
Proceeds from sale of property, plant and equipment		354	365
Change in restricted cash	17, 20	9,184	-66,233
Interest received		5,832	1,300
Net cash used in investing activities		**-10,725**	**-95,273**
Cash flow from financing activities			
Proceeds from loans		36,044	227,654
Repayment of loans and leases		-69,593	-11,605
Dividends paid	12	-	-1
Net cash provided by/(used in) financing activities		**-33,549**	**216,048**
Net change in cash and cash equivalents		**-56,887**	**-187,564**
Cash and cash equivalents at beginning of period		**630,068**	**328,428**
Effect of exchange rate differences on cash and cash equivalents		-4	40
Cash and cash equivalents at end of period	**20**	**573,177**	**140,904**

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 11 May 2023.

This is a free translation from the original Romanian binding version

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.

The majority shareholder of Alro S.A. is 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. Due to the prohibitive power and natural gas prices, currently Alro works with 2 out of 5 of its electrolysis potrooms and starting August 2022 it ceased the production of alumina at Alum, which now buys alumina from the market for the Group at more efficient prices. Consequently, the subsidiary from Sierra Leone sells its entire bauxite production to external clients.

These interim condensed consolidated financial statements were authorised for issue by the Management on 11 May 2023.

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 2023 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 2022. 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 2022.

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 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 2023	31 December 2022
USD exchange rate at the end of the period**	4.5463 USD/RON	4.6346 USD/RON

	Three months ended 31 March 2023	Three months ended 31 March 2022
USD average exchange rate***	4.5848 USD/RON	4.4107 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 2022. 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 2023 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 2023:

- *IFRS 17 Insurance Contracts* (issued on 18 May 2017). This is a comprehensive new accounting standard for insurance contracts, covering recognition and measurement, presentation and disclosure. IFRS 17 applies to all types of insurance contracts issued, as well as to certain guarantees and financial instruments with discretional participation contracts. The adoption of the standard had no effect on the Group.

- *Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies* (issued on 12 February 2021). An entity is required to disclose its material accounting policy information instead of its significant accounting policies. Amendments clarify what is a material accounting policy and give examples of when accounting policy information is likely to be material. In addition, IFRS Practice Statement 2 has been amended by adding guidance and examples to explain and demonstrate the application of the 'four-step materiality process' to accounting policy information in order to support the amendments to IAS 1.
The amendments had no impact on the Group's interim condensed consolidated financial statements, but are expected to affect the accounting policy disclosures in the Group's annual consolidated financial statements.

- *Amendments to IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates* (issued on 12 February 2021). The amendments further clarify the difference between accounting policies and accounting estimates as enforcers have identified divergent practices in this respect. The changes to IAS 8 focus entirely on accounting estimates and as a result, the definition of a change in accounting estimates is replaced with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty". Amendments clarify that a change in accounting estimate that results from new information or new developments is not the correction of an error. The effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period error and it may affect only the current period's profit or loss, or the profit or loss of both the current period and future periods. There is no impact from the application of these amendments on the Group's financial statements.

in RON '000, except per share data

- *Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction* (issued on 7 May 2021). The amendments narrowed the scope of the recognition exemption in paragraphs 15 and 24 of IAS 12 (recognition exemption) so that the exemption no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences. As a result of this amendments, on initial recognition, the companies should recognize deferred tax on temporary differences arising on right-of-use assets, lease liabilities, decommissioning, restoration and similar liabilities. The amendments had no impact on the Group's interim condensed consolidated financial statements.

There were no new standards or amendments to existing standards issued in 2023.

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 2022.

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 2023
Segments	**Bauxite**	**Alumina**	**Primary aluminium**	**Processed aluminium**	**Others**	**Total**
Type of good or service						
Sale of bauxite	29,430	-	-	-	-	**29,430**
Sale of alumina	-	70,243	-	-	-	**70,243**
Sale of primary aluminium	-	-	326,500	-	-	**326,500**
Sale of processed aluminium	-	-	-	555,002	-	**555,002**
Other revenues and services performed	2,302	2,051	-	26	8,903	**13,282**
Total revenue from contracts with customers	**31,732**	**72,294**	**326,500**	**555,028**	**8,903**	**994,457**

						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**

During the first three months of 2023, the Group revenue decreased compared to the same period of 2022 due to the overall downscaling of operation of the Group performed in 2022, with the preservation of the Group's core activities, i.e. the production and sale of high-value aluminium. However, the decrease was also influenced by lower aluminium prices than in the same quarter of 2022.

in RON '000, except per share data

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

Revenue	Bauxite	Alumina	Primary aluminium	Processed aluminium	Others	Three months ended 31 March 2023 Total
Revenue from contracts with customers	31,732	72,294	326,500	555,028	8,903	**994,457**
Inter-segment transactions	-	-68,010	-98,130	-1,055	-5,449	**-172,644**
Total Group revenue (Note 6)	**31,732**	**4,284**	**228,370**	**553,973**	**3,454**	**821,813**

Revenue	Bauxite	Alumina	Primary aluminium	Processed aluminium	Others	Three months ended 31 March 2022 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**
Total Group revenue (Note 6)	**2,395**	**20,723**	**305,702**	**768,668**	**4,663**	**1,102,151**

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 2023, the Group recognized the amount of RON 19,824 thousand from the existing balance at 31 December 2022 under *Contract liabilities* as revenue from performance obligations satisfied (RON 20,222 thousand balance as of 31 December 2022). The balance of RON 12,874 thousand existing at 31 March 2023 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 alumina production has been temporarily suspended since August 2022 and replaced with alumina purchased from the market for the Group needs. 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. The Primary aluminium segment include sales of aluminium finished products (such as billets and wire rod to group and external companies), which are processed out of the metal brought in by the client, and for which revenue is recognized only at the level of a processing fee. Additionally, the Processed segment of the Group includes the extrusion plant in Slatina, which makes extruded aluminium products out of the billets mostly 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 transfered 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.

in RON '000, except per share data

Alro Group revenues and results for the three months ended 31 March 2023 and 2022 by segment, were as follows:

	Bauxite	Alumina	Primary aluminium	Processed aluminium	Others	Inter-segment operations	Total
Three months ended 31 March 2023							
Sales to external customers	31,732	4,284	228,370	553,973	3,454	-	**821,813**
Inter-segment transfers	-	68,010	454,010	1,055	5,449	-528,524	-
Total sales revenues	**31,732**	**72,294**	**682,380**	**555,028**	**8,903**	**-528,524**	**821,813**
Segment results (gross profit)	**-4,955**	**5,699**	**-35,421**	**-6,649**	**2,987**	**-1,660**	**-39,999**
Other operating income & expenses, net	-7,776	-21,022	-16,146	54,925	2,107	593	12,681
Operating result (EBIT)	**-12,731**	**-15,323**	**-51,567**	**48,276**	**5,094**	**-1,067**	**-27,318**
Total depreciation, amortisation and impairment	5,969	6,416	17,557	14,016	94	-898	43,154
EBITDA	**-6,762**	**-8,907**	**-34,010**	**62,292**	**5,188**	**-1,965**	**15,836**
Interest and other finance costs, net							-34,262
Net foreign exchange gains / (losses)							13,600
Result before income taxes							**-47,980**
Three months ended 31 March 2022							
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	-
Total sales revenues	**23,345**	**205,373**	**959,783**	**769,655**	**32,720**	**-888,725**	**1,102,151**
Segment results (gross profit)	**5,499**	**43,431**	**18,649**	**20,288**	**433**	**8,666**	**96,966**
Other operating income & expenses, net	-9,037	-10,635	-27,604	-25,241	2,500	-3,912	-73,929
Operating result (EBIT)	**-3,538**	**32,796**	**-8,955**	**-4,953**	**2,933**	**4,754**	**23,037**
Total depreciation, amortisation and impairment	3,890	5,293	16,044	12,217	20	-192	37,272
EBITDA	**352**	**38,089**	**7,089**	**7,264**	**2,953**	**4,562**	**60,309**
Interest and other finance costs, net							-22,362
Net foreign exchange gains / (losses)							-14,952
Result before income taxes							**-14,277**

In the first quarter of the year 2023, the aluminium segments were affected by the decrease of LME by almost 835 USD/t compared to the average level for the same period of the last year, which determined lower revenues. As concerns the sale of upstream products, in Q1 2023 the Group delivered more bauxite to third parties and focused on its core production, the aluminium, by coming to meet the market needs on industrial segments where this was favourable. At the same time, the Group recognized the compensation for energy costs of RON 108,811 thousand in Q1 2023 based on the EU Emissions Trading Scheme (ETS) (in Q1 2022 nil, as the relevant regulations came into force only in October 2022). The compensation for Q1 2023 is allocated per primary aluminium and processed aluminium segments based on the electricity costs incurred directly and indirectly, through the raw materials produced by one segment and transferred to another segment, such as the aluminium metal.

in RON '000, except per share data

Had the Group accounted for the portion of government grants related to the first quarter of 2022, it would have compensated the electricity costs incurred in the corresponding financial period and the result before tax for Q1 2022 would have been higher by RON 109,265 thousand due to this subsidy, while the results per segments for the comparative periods would have been as follows:

2022 (recomputed by including the subsidy related Q1 2022):

	Bauxite	Alumina	Primary aluminium	Processed aluminium	Others	Inter-segment operations	Total
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	-
Total sales revenues	**23,345**	**205,373**	**959,783**	**769,655**	**32,720**	**-888,725**	**1,102,151**
Segment results (gross profit)	**5,499**	**43,431**	**18,649**	**20,288**	**433**	**8,666**	**96,966**
Other operating income & expenses, net	-9,037	-10,635	-992	**57,412**	2,500	-3,912	35,336
Operating result (EBIT)	**-3,538**	**32,796**	**17,657**	**77,700**	**2,933**	**4,754**	**132,302**
Total depreciation, amortisation and impairment	3,890	5,293	16,044	12,217	20	-192	37,272
EBITDA	**352**	**38,089**	**33,701**	**89,917**	**2,953**	**4,562**	**169,574**
Interest and other finance costs, net							-22,362
Net foreign exchange gains / (losses)							-14,952
Result before income taxes							**94,988**

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 2023 and 31 December 2022, respectively, were as follows:

Alro Group	Bauxite	Alumina	Primary aluminium	Processed aluminium	Others	Inter-segment balances	Total
31 March 2023							
Total assets	122,783	408,575	1,261,364	1,233,840	1,511,182	-798,793	**3,738,951**
Total liabilities	92,131	136,397	208,739	220,732	1,701,055	-115,031	**2,244,023**
31 December 2022							
Total assets	133,559	470,751	1,299,110	1,141,297	1,566,227	-821,010	**3,789,934**
Total liabilities	89,257	182,055	128,199	206,389	1,763,255	-128,647	**2,240,508**

The property, plant and equipment located in Sierra Leone amounts to RON 67,926 thousand at 31 March 2023 (at 31 December 2022: RON 73,880 thousand).

As at 31 March 2023, the total assets representing Others include mainly investments in subsidiaries of RON 622,386 thousand (as at 31 December 2022: RON 628,097 thousand), cash and restricted cash of RON 684,068 thousand (as at 31 December 2022: RON 728,870 thousand), administrative buildings of RON 42,398 thousand (as at 31 December 2022: RON 40,862 thousand), deferred tax asset of RON 30,115 thousand (as at 31 December 2022: RON 30,725 thousand) and derivative financial instruments, when applicable.

As at 31 March 2023, the total liabilities representing *Others* include mainly borrowings and leases of RON 1,596,274 thousand (as at 31 December 2022: borrowings and leases of RON 1,648,485 thousand), post-employment benefit obligations and provisions of RON 41,969 thousand (as at 31 December 2022: RON 41,939 thousand), and, when applicable, dividends.

Inter-segment operations include intercompany eliminations.

in RON '000, except per share data

7. General, administrative and selling expenses

	Three months ended 31 March 2023	Three months ended 31 March 2022
Staff costs	-36,300	-34,350
Third party services	-14,445	-12,129
Consulting and audit	-6,947	-6,576
Consumables	-3,310	-3,599
Taxes other than income taxes	-2,557	-2,357
Depreciation and amortisation	-2,007	-2,303
Insurance	-2,540	-1,879
Marketing and public relations	-1,298	-1,400
Travelling	-2,581	-1,137
Research and development costs	-3,902	-4,158
Other	-2,179	-2,004
Change in allowance for doubtful debts	-128	-85
Total	**-78,194**	**-71,977**

8. Other operating income

In Q1 2023, the Group recognized government grants of RON 108,811 thousand under *Other operating income* representing compensation to which the Group is entitled for its high electricity costs for the same period of time (nil in Q1 2022). The compensation scheme is a part of Europe and Romania's plans to sustain large energy-consuming enterprises for high electricity prices resulting from their indirect emission costs, in accordance with the EU Emissions Trading Scheme (ETS). See also Note 19 *Other current financial assets.*

9. Other operating expenses

In the 3 months of 2023, the category *Other operating expenses* included depreciation of idle plants of RON 9,640 thousand, having in view the temporary suspension of the operations of 3 electrolysis halls and of the alumina plant in Tulcea in 2022 (in the 3 months of 2022, the idle depreciation expense of the Group was of RON 2,573 thousand).

The category *Other operating expenses* for the 3 months of 2023 includes also the non-productive cost recorded by the subsidiary Alum during the subsequent period of the cessation of alumina production in August 2022 (Q1 2023: RON 10,157 thousand, Q1 2022: nil).

10. Interest expenses

	Three months ended 31 March 2023	Three months ended 31 March 2022
Interest expense	-32,380	-13,109
Total	**-32,380**	**-13,109**

Interest expense increased in Q1 2023 compared to Q1 2022 mainly due to higher LIBOR, EURIBOR 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 1,868 thousand (in Q1 2022: RON 1,665 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 Q1 2023 for loans was of RON 172 thousand and it is included in the Statement of cash flows under Interest paid (in Q1 2022: RON 4,876 thousand).

in RON '000, except per share data

11. Income tax

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 2023	Three months ended 31 March 2022
Income tax		
Current income tax	-3,742	-3,694
Deferred income tax	-713	-138
Total income taxes	**-4,455**	-3,832

During the 3-month period of 2023, the total expenses of RON 27,026 thousand (3 months of 2022: 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 4,324 thousand (3 months of 2022: RON 4,099 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 at 31 March 2023, the Group did not recognise deferred income tax assets in respect of losses recorded during the 3-month period of 2023 amounting to RON 28,546 thousand (3-month period of 2022: RON 12,672 thousand).

12. Earnings per share

	Three months ended 31 March 2023	Three months ended 31 March 2022
Net result attributable to the owners of the Entity	-52,259	-18,098
Weighted average number of ordinary shares	713,779,135	713,779,135
Basic and diluted earnings per share (RON/share)	-0.073	-0.025

Basic EPS is calculated by dividing the profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

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 2023.

At 31 March 2023, the Parent Company does not have outstanding dividends payable (31 December 2022: nil). During the first quarter of 2022, the dividends of RON 1,849 thousand distributed in 2018 and uncollected by the shareholders were prescribed, in line with the regulations in force. These amounts were included under *Other operating income* in the Consolidated statement of profit or loss.

13. Property, plant and equipment

At 31 March 2023, the book value of *Property, plant and equipment* of the Group was RON 1,074,763 thousand (at 31 December 2022: RON 1,090,979 thousand). During the 3-month period ended 31 March 2023, the Group purchased property, plant and equipment of RON 22,520 thousand (during the 3-month period of the year 2022: RON 19,186 thousand).

In the 3 months ended 31 March 2023, the Group continued its investment project to develop the scrap remelting capacities in the Eco Recycling Workshop by installing two double chamber furnaces, one holding furnace and the related fume collection and treatment plant. The purchase of the components belonging to the equipment for the development of the waste recycling capacity was completed by the end of 2022, and they are scheduled to be fully operational in the second half of 2023. The project aims to increase the waste recycling capacity from 35,000 to 85,000 tonnes annually and reduce the Group's dependence on purchase of electricity (Q1 2023: RON 5,601 thousand; Q1 2022: RON 3,507 thousand).

in RON '000, except per share data

Also, in the first quarter of 2023, the Group continued to invest in its programs to increase energy efficiency, which include the reconditioning of electrolysis pots, by modernizing another 11 pots using the innovative AL12LE technology (Q1 2022: 5). AP12LE (Aluminium Pechiney 120 kA Low-Energy) represents a last generation technology developed by Rio Tinto Aluminium Pechiney. The objective of this project is to reduce the energy consumption of the electrolysis pots by approximately 300 kWh/tonne of aluminum, while maintaining the production capacity. The program will continue in the following years until all pots are aligned with the new technology.

The Group also continued the strategy of developing value added products in close correlation with the evolution of the production mix, by developing the capacities of cutting plates and compact sheet packages, in accordance with the standards required by the customers.

Thus, in the first quarter of 2023, the Group signed the contract for the delivery of a new plate cutting equipment which, together with the design of a new flow for cutting hot rolled plates to the dimensions requested by Group's customers (an objective that was started in 2022 and which also continues in 2023) will allow the diversification of the Alro Group's production by covering a much larger range of flat rolled products, with high value added, which will lead to the expansion into new market segments so that the Group can remain competitive in the global market (Q1 2023: RON 2,353 thousand; Q1 2022: nil).

The same direction was followed by one of the Group's subsidiaries, Vimetco Extrusion, which paid an advance in the amount of EUR 457 thousand in Q1 2023, for the purchase of an automatic assembly unit for extruded aluminium profiles on the purpose of increasing the competitiveness by applying "green steps". This project amounts to EUR 4.57 million and will benefit from a financing of EUR 1.85 million from Iceland, Lichtenstein and Norway via EEA the Financial Grant Mechanism 2014 - 2021 within the program "The Development of SME's in Romania", in the field "Green Innovation in industry, Blue Growth, and ICT". The commissioning term is April 2024.

Furthermore, the Group allocated resources to maintain and improve the equipment parameters, in order to increase the economic efficiency and reduce emissions, following the application of the best techniques available in the field.

The depreciation expense for the 3 months of 2023 was of RON 37,515 thousand, while in the same period of the year 2022, it was of RON 38,931 thousand.

At 31 March 2023, the net book value of property, plant and equipment pledged for securing the Group's borrowings amounts to RON 836,766 thousand (at 31 December 2022: RON 855,498 thousand).

14. Financial instruments

Set out below, is an overview of financial assets and financial liabilities held by the Group as at 31 March 2023 and 31 December 2022.

Categories of financial instruments

	31 March 2023	31 December 2022
Financial assets		
At amortised cost		
Cash and bank balances	681,116	718,756
Receivables	793,401	650,680
Fair value through profit or loss (FVTPL)		
Designated as at FVTPL	31,380	9,458
Total financial assets	**1,505,897**	**1,378,894**

	31 March 2023	31 December 2022
Financial liabilities		
Fair value through profit or loss (FVTPL)	-	-
Amortised cost:		
Trade and other payables	363,634	316,643
Non-current bank and other loans	627,824	673,928
Current bank and other loans	1,023,066	1,017,509
Total financial liabilities	**2,014,524**	**2,008,080**

As at 31 March 2023 the value of financial assets designated as at FVTPL, consisting of invoices awaiting to be discounted by the factoring agent, increased mainly due to the top-up of the factoring limits for the Processed Aluminium segment, in line with our strategy to focus on high value-added production and sales.

in RON '000, except per share data

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 and non-current financial assets;
- Cash and cash equivalents;
- Trade and other payables;
- Borrowing and leases.

15. Goodwill

The goodwill is allocated to the cash generating units at 31 March 2023 and 31 December 2022 as follows (after conversion into RON at the period end exchange rate):

	31 March 2023	31 December 2022
Alro Group	78,207	79,425
Vimetco Extrusion	426	426
Total	**78,633**	**79,851**

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 2022. As at 31 March 2023 the management has not identified impairment indicators additional to those for which the test as at 31 December 2022 was performed, therefore no separate impairment tests of the goodwill was made as at 31 March 2023. The variation of the Goodwill balance between 31 March 2023 and 31 December 2022 is due to translation differences from operations in foreign countries.

in RON '000, except per share data

16. 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.

As at 31 March 2023 and 31 March 2022 no swap fixed-to-floating contracts were outstanding.

17. Other non-current financial assets

	31 March 2023	31 December 2022
Collateral deposits	47,000	75,435
Other non-current assets	2,390	2,341
Total	**49,390**	**77,776**

Collateral deposits represent cash pledged to a bank until March 2026 for a loan of RON 470,000 thousand contracted in March 2022. Collateral deposits of RON 28,435 thousand were reclassified on 31 March 2023 to *Restricted cash* due to their maturity of less than 1 year (refer to Note 20 *Cash and cash equivalents*).

Other non-current assets include the cash deposits, according to the environmental regulations, on the requirement of the Environmental Fund Management, during the period of service of the waste landfills, representing the equivalent value of the costs for the closure works and after-closure monitoring of the Group's waste dumps, as well as the environmental financial guarantee, that prove that the Group has enough financial resources to cover the potential costs which occur during the waste deposit activity.

18. Inventories

	31 March 2023	31 December 2022
Raw and auxiliary materials	397,824	480,637
Work in progress	312,557	320,713
Finished goods	345,445	489,715
Less: allowance for obsolescence	-86,268	-122,878
Total	**969,558**	**1,168,187**

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

Starting August 2022, when its production was suspended, the Group's subsidiary Alum has been purchasing alumina from the market at a lower cost that the one from its own production. This determined a decrease in the overall cost of inventories in respect of *Raw and auxiliary materials* where alumina is included. Additionally, there was a decrease in the price of energy and natural gas in Q1 2023, which determined the decrease of the production cost of aluminium, so that the value of *Finished goods* was lower at 31 March 2023 compared to the beginning of the year.

At 31 March 2023 the value of inventories pledged for securing the Group's borrowings amounts to RON 925,072 thousand (at 31 December 2022: RON 1,105,831 thousand).

in RON '000, except per share data

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

	Three months ended 31 March 2023	Three months ended 31 March 2022
Balance at beginning of the year	-122,878	-44,263
(Charge) to cost of goods sold	-	-707
Reversal to cost of goods sold	36,259	1,646
Translation adjustments	351	-215
Balance at end of the period	**-86,268**	**-43,539**

The Group reversed RON 36,259 thousand of a previous inventory write-down to its net realisable value made as at 31 December 2022, as the relevant goods that have been written down were mainly sold during the period of 3 months 2023.

19. Other current financial assets

	31 March 2023	31 December 2022
Government grants receivable	545,870	437,059
VAT recoverable	93,666	69,695
Other current financial assets	3,077	4,135
Allowance for sundry doubtful debtors	-4	-124
Total	**642,609**	**510,765**

Movement in allowance for sundry debtors is as follows:

	Three months ended 31 March 2023	Three months ended 31 March 2022
Balance at beginning of the year	-124	-124
Release / (charge) in the current period	120	-1
Balance at end of the period	**-4**	**-125**

Government grants receivable represent compensations for the high electricity prices resulting from the indirect emission costs under the EU Emission Trading Scheme (ETS). As per European and Romanian regulations, the Group is entitled to receive the aforesaid compensations for the electricity costs incurred in 2022 and in 2023. At 31 March 2023 the outstanding balance represents the compensation receivable for 2022 of RON 437,059 thousand which is expected to be collected in 2023 and, on an accrual basis, the compensation for 3 months 2023, of RON 108,811 thousand. These were calculated by using a clear and transparent formula published in the European Guideline on the emission allowance trading scheme (EU-ETS) after 2021 "Guidelines on certain supporting measures in the context of the system for GHG allowance trading post-2021" and reflected as such in the Emergency Ordinance 138/2022. For further details please see also Note 8.

20. Cash and cash equivalents

	31 March 2023	31 December 2022
Cash at banks in RON	511,852	546,719
Cash at banks in other currencies	61,206	83,274
Petty cash and cash equivalents	119	75
Total	**573,177**	**630,068**

At 31 March 2023 and 31 December 2022, 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 556,620 thousand as at 31 March 2023 and RON 602,785 thousand as of 31 December 2022) is pledged to guarantee the borrowings from banks.

in RON '000, except per share data

Restricted cash:

	31 March 2023	31 December 2022
Restricted cash	107,939	88,688
Total	**107,939**	**88,688**

At 31 March 2023 and 31 December 2022 restricted cash included an amount of RON 52,731 thousand, representing collateral deposits for a revolving facility of RON 180,000 thousand and a non-revolving loan of RON 167,312 thousand with maturity in November 2023. In addition, at 31 March 2023, collateral deposits of RON 28,435 thousand for two non-cash facilities having maturity in January, respectively February 2024, were reclassified to Restricted cash from *Other non-current financial assets* (see also Note 17 *Other non-current financial assets*). Furthermore, as at 31 March 2023 the category *Restricted cash* of the Group included the amount of RON 26,579 thousand, which consists of a cash collateral at banks for issuing letters of credit for the acquisition of raw materials (31 December 2022: RON 35,768 thousand).

21. Borrowings and leases

	31 March 2023	31 December 2022
Long-term borrowings		
Long-term bank loans	1,623,627	1,669,841
Less: Short-term portion of long-term bank loans	-1,001,956	-999,744
Bank loans, non-current	***621,671***	***670,097***
Leases, non-current	6,153	3,831
Total long-term borrowings and leases	**627,824**	**673,928**
Short-term borrowings		
Short-term bank loans	18,149	15,300
Short-term portion of long-term bank loans	1,001,956	999,744
Bank loans, current	*1,020,105*	*1,015,044*
Short-term loans, total	***1,020,105***	***1,015,044***
Leases, current	2,961	2,465
Total short-term borrowings and leases	**1,023,066**	**1,017,509**
Total borrowings and leases	**1,650,890**	**1,691,437**

The bank borrowings of the Group will mature until 2028. Their related interest rates ranged between 3.66% for EUR and 26% for SLE (Sierra Leone Leones) in 2023 and 2.80% for EUR and 19% for SLE in 2022.

In February 2023, the Parent Company drew down the remaining part of RON 19,003 thousand from the non-revolving facility of RON 470,000 thousand that it had received in March 2022 from a syndicate of banks within the framework of state-support scheme within the context of Covid-19 pandemics.

In February 2023 the Group subsidiary in Sierra Leone signed with a commercial bank a short term loan of USD 700 thousand until April 2023 and an overdraft facility of USD 370 thousand until February 2024.

At 31 March 2023, the Group had the amount of RON 10,198 thousand undrawn and available from the borrowing facilities contracted with the banks (at 31 December 2022: RON 61,196 thousand) and the amount of RON 207,611 thousand unutilized and available from the non-cash facilities for letters of credit and letters of guarantee (at 31 December 2022: RON 170,175 thousand).

The Group is carrying out discussions with the lending banks for refinancing the working capital loans. For a part of the facilities (the non-cash ones), we have obtained the extension approval, while for others we are in an advanced stage in the approval process.

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 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 and total net leverage ratio that has to be reported at 30 June and 31 December each year.

in RON '000, except per share data

The Group borrowings and leases are secured with accounts receivable amounting to RON 50,000 thousand (at 31 December 2022: RON 26,519 thousand), with current accounts opened with banks (see Note 20), with collateral deposits of RON 128,166 thousand (at 31 December 2022: RON 128,166 thousand) (see Notes 17 and 20), with property, plant and equipment (land, buildings, equipment) with a net book value of RON 839,055 thousand (including for lease contracts) (at 31 December 2022: RON 857,921 thousand) (see Note 13) and with inventories of RON 925,072 thousand (at 31 December 2022: RON 1,105,831 thousand) (see Note 18), with 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, a guarantee from the Romanian State for 90% of the 167 million RON signed in 2021 and for 90% of the 470 million RON, contracted in March 2022, within the Framework support scheme in the context of the Covid-19 pandemic and also with a letter of guarantee issued in the name and account of the Romanian State in favour of the lending bank for 80% of the 168 million RON non-cash facility, signed in March 2022.

The Group has estimated that the fair value of the borrowings and the leases approximates their carrying amount, mainly due to the fact that most of bank loans have variable interest. Their fair value belongs to the level 3 of the fair value measurement hierarchy.

22. Trade and other payables

	31 March 2023	31 December 2022
Foreign trade and other payables	46,852	78,439
Domestic trade and other payables	198,076	101,094
Accrued trade and other payables	25,042	51,100
Total	**269,970**	**230,633**

Domestic trade payables are payables towards suppliers located in the countries where the Group operates (in Romania and Sierra Leone, respectively).

Domestic trade and other payables at 31 March 2023 were higher mainly due to the increase in the outstanding of utilities payable as a result of contractual changes regarding payment terms.

23. 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
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
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 Fire SRL	Common control

in RON '000, except per share data

Group transactions are eliminated on consolidation.

The primary related party transactions are described below:

Sales of goods and services	Three months ended 31 March 2023	Three months ended 31 March 2022
Vimetco PLC	-	-
Companies under common control	403	260
Total goods and services provided to related parties	**403**	**260**

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 2023	Three months ended 31 March 2022
Vimetco PLC	-	-
Companies under common control	-46,818	-116,052
Total goods and services purchased from related parties	**-46,818**	**-116,052**

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 2023: RON 33,370 thousand; during Q1 2022: RON 104,768 thousand). The acquisitions of gas in Q1 2023 was lower compared to Q1 2022 mainly due to the suspension of production activity in Alum, in August 2022.

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 2023 and 31 December 2022:

Trade and other accounts receivable:

	31 March 2023	31 December 2022
Vimetco PLC	-	-
Companies under common control	3,936	3,987
Allowance for doubtful receivables	-3,522	-3,522
Total trade and other accounts receivable from related parties	**414**	**465**
- non-current	-	-
- current	414	465

Trade and other accounts payable:

	31 March 2023	31 December 2022
Vimetco PLC	2,905	-
Companies under common control	28,475	9,977
Total trade and other accounts payable to related parties	**31,380**	**9,977**

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 3,188 thousand (during the 3 months of the year 2022: RON 2,765 thousand), while the expense for defined contribution plan (state pension fund) during the 3 months of the year 2023 was RON 749 thousand (during the 3 months of the year 2022: RON 598 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.

This is a free translation from the original Romanian binding version

in RON '000, except per share data

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 2023	Three months ended 31 March 2022
Goods and services purchased from entities controlled by key management personnel or their close family members	18	17
Total	18	17

24. Commitments and contingencies

Commitments

Investment commitments

As at 31 March 2023, the Group's commitments pertaining to the investments amounted to RON 53,986 thousand (31 December 2022: RON 46,284 thousand).

Raw material purchase

As at 31 March 2023, the Group had contracts for purchases of raw materials, other consumables and utilities in amount of RON 1,199,380 thousand (31 December 2022: RON 1,679,919 thousand).

Contingencies

Litigations

As at 31 March 2023 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 plaintif: 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. The Company will use all legal remedies to defend its position in the case and will notify the investors and the interested public on the status of the aforementioned case files in due time.

Taxation

In November 2022, the Group's Parent Company was subject to an audit by the General Directorate for Fiscal Anti-fraud regarding the contribution to the Energy Transition Fund, the purchases and deliveries of electricity, the monthly evolution of the purchase prices and delivery for the period January 2021- September 2022. At the date of approval of the interim condensed consolidated financial statements, the fiscal inspection was not completed. The Group management does not estimate a significant financial impact as a consequence of this fiscal audit.

25. Events after the reporting date

In April 2023, the Parent Company signed the extension of the non-cash facility for electricity acquisition purposes of RON 168,000 thousand until January 2027 and the one of RON 46,000 thousand for letters of credit and letters of guarantee until February 2027.

The Group has received an unsolicited offer from a local investor in Sierra Leone for acquiring 100% of the capital of Sierra Mineral Holdings 1 Ltd ("SMHL"), a company registered in the British Virgin Islands, owned 100% by Alum S.A. through the company Global Aluminum Limited, also registered in the British Virgin Islands. The Group will analyze the unsolicited offer and will notify the investors and the interested public in advance of any decision it will take, related to a potential transaction.

There were no other 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 2023	Three months ended 31 March 2022
Current ratio	Current assets/ Current liabilities	1.67	2.97
Gearing ratio	Long-term borrowings/ Equity x 100	42.00	111.35
	Long-term borrowings/ Capital employed x 100	29.58	52.68
Receivables turnover	Receivables average balance/ Turnover x 90	11.00	7.42
Non-current assets turnover	(Turnover x 360/90)/ Non-current assets	2.63	3.22

At 31 March 2023, the *Current Ratio* as well as the *Gearing ratio* decreased as a result of the classification from long term to short term at 31 March 2023, of some bank loan facilities with maturities within one year from the reporting date.

To ensure the comparability of the ratios *Current Ratio* and *Gearing Ratio*, the ratios for 31 March 2023 are presented below, adjusted with the aforementioned credit facilities by transferring them in the *Long-term borrowings* from the *Current liabilities* category.

Adjusted ratios

Ratio description	Formula	Three months ended 31 March 2023	Three months ended 31 March 2022
Adjusted current ratio	Current assets/ Current liabilities	3.90	2.97
Adjusted gearing ratio	Long-term borrowings/ Equity x 100	99.20	111.35
	Long-term borrowings/ Capital employed x 100	49.80	52.68